Capital Adequacy (E) Task Force

RBC Proposal Form

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

DATE: 11/10/22	**FOR NAIC USE ONLY**
CONTACT PERSON: Eva Yeung	Agenda Item # 2022-13-CA
TELEPHONE: 816-783-8407	Year 2023
EMAIL ADDRESS: eyeung@naic.org	**DISPOSITION**
ON BEHALF OF: Capital Adequacy (E) Task Force	[x] ADOPTED 3-23-23
NAME: Tom Botsko	[ ] REJECTED
TITLE: Chair	[ ] DEFERRED TO
AFFILIATION: Ohio Department of Insurance	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS: 50 West Town Street, Suite 300	[x] EXPOSED 12/14/22
Columbus, OH 43215	[ ] OTHER (SPECIFY)

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

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

[ ] OTHER _____

DESCRIPTION OF CHANGE(S)

The proposed changes would modify the line references in LR019, 020, PR019 and 020.

REASON OR JUSTIFICATION FOR CHANGE **

The proposed changes in Health Premiums and Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision pages would update the references to provide consistency categories used in the Annual Statement, Schedule H, Part 1.

Additional Staff Comments:

12/14/22 – The CADTF exposed this proposal for a 45/day public comment period ending Jan. 28, 2023.
12/20/22 – Updated to include LR019, the page was inadvertently excluded from the proposal package.
12/22/22 – Updated A/S Source Column to reference Col. 5 for Line 7 on page PR019 and Line 10 on page LR019.
3/23/23 – The TF adopted the proposal on 3/23/23

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

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HEALTH PREMIUMS PR019

				(1)			(2)
	Medical Insurance Premium - Individual ~~Morbidity~~		Annual Statement Source	Statement Value	Factor		RBC Requirement
(1)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)		Earned Premium (Schedule H Part 1 **Column 3** Line 2 ~~in part~~)	0	†		XXX
(2)	Medicare Supplement		Earned Premium (Schedule H Part 1 **Column 7** Line 2 in part)	0	†		XXX
(3)	Dental & Vision		Earned Premium (Schedule H Part 1 **Columns 9 + 11** Line 2 in part)	0	†		XXX
(3.1)	Stand-Alone Medicare Part D Coverage		Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(3.2)	Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)		Company Records	0	0.500		0
(3.3)	Medicaid Pass-Through Payments Reported as Premium		Company Records	0	0.020		0
(4)	Hospital Indemnity and Specified Disease		Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.035	*	0
(5)	AD&D (Maximum Retained Risk Per Life 0)		Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(6)	Other Accident		Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.050		0
	Medical Insurance Premium - Group and Credit ~~Morbidity~~						
(7)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)		Earned Premium (Schedule H Part 1 **Column 5** Line 2 ~~in part~~)	0	†		XXX
(8)	Dental & Vision		Earned Premium (Schedule H Part 1 **Columns 9 + 11** Line 2 in part)	0	†		XXX
(9)	Stop Loss and Minimum Premium		Earned Premium (Schedule H Part 1 Line 2 in part)	0	¥		0
(10)	Medicare Supplement		Earned Premium (Schedule H Part 1 **Column 7** Line 2 in part)	0	†		XXX
(10.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)		Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(10.2)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)		Company Records	0	0.500		0
(10.3)	Medicaid Pass-Through Payments Reported as Premium		Company Records	0	0.020		0
(11)	Hospital Indemnity and Specified Disease		Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.035	*	0
(12)	AD&D (Maximum Retained Risk Per Life 0)		Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(13)	Other Accident		Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.050		0
(14)	Federal Employee Health Benefit Plan		Earned Premium (Schedule H Part 1 ~~Line 2 in part~~**Column 13, Line 2**)	0	0.000		0
	Disability Income Premium						
(15)	Noncancellable Disability Income - Individual Morbidity		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		0
(16)	Other Disability Income - Individual Morbidity		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		0
(17)	Disability Income - Credit Monthly Balance Plans		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		
(18)	Disability Income - Group Long-Term		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		0
(19)	Disability Income - Credit Single Premium with Additional Reserve		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		0
(20)	Disability Income - Credit Single Premium without Additional Reserve		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		0
(21)	Disability Income - Group Short-Term		Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)	0	‡		0
	Long-Term Care						
(22)	Noncancellable Long-Term Care Premium - Rate Risk**		Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)	0	0.100		0
(23)	Other Long-Term Care Premium ‡ ‡		Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)	0	0.000		0 ‡ ‡
	Health Premium with Limited Underwriting Risk						
(24)	ASC Business with Premium Revenue		Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.000		0
	Other Health						
(25)	Other Health		Earned Premium (Schedule H Part 1 **Column 25** Line 2 ~~in part~~)	0	0.120		0
(26)	Total Earned Premiums		Sum of Lines (1) through (25)	0			0
	C(1), L(26) should equal Schedule H Part 1 Column 1 Line 2						
(27)	Additional Reserves for Credit Disability Plans		Company records	0	§		
(28)	Additional Reserves for Credit Disability Plans, prior year		Company records	0	§		

† The premium amounts in these lines are transferred to PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement, Dental & Vision and Stand-Alone Medicare Part D Coverage Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete PR021 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete PR012 Health Credit Risk in the formula. If there are amounts in any of lines (1), (2), (3), (7), (8) or (10) on page PR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of PR023.

‡ The two tiered calculation is illustrated in the risk-based capital instructions for PR019 Health Premiums.

‡ ‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on Page PR023. The premium is shown to allow totals to check to Schedule H.

* If there is premium included on either or both of these lines, the RBC value in Column (2) will include 3.5% of such premium and $50,000 (included in the line with the larger premium).

** The factor applies to all Noncancellable premium.

§ These amounts are used to adjust the premium base for single premium credit disability plans that carry additional tabular reserves.

¥ A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (9) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

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

Vendor Links

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) TOTAL
(1.1)	Premium – Individual	='PR019'!F8	='PR019'!F9	='PR019'!F10	='PR019'!F11	0
(1.2)	Premium – Group	='PR019'!F19	='PR019'!F22	='PR019'!F20	='PR019'!F23	0
(1.3)	Premium – Total = Line (1.1) + Line (1.2)	=schpt1C3+5L2	=schpt1C7L2	=schpt1C9+11L2	0	0
(2)	Title XVIII-Medicare†	=schpt1C15L2	XXX	XXX	XXX	0
(3)	Title XIX-Medicaid†	=schpt1C17L3	XXX	XXX	XXX	0
(4)	Other Health Risk Revenue†	0	XXX	0	0	0
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)	0	0	0	0	0
(6)	Net Incurred Claims	=schpt5C1+2+7+8LD1	=schpt5C3LD1	=schpt5C4+5LD1	0	0
(7)	Fee-for-Service Offset†	0	XXX	0	0	0
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)	0	0	0	0	0
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)	0.0000	0.0000	0.0000	0.000	XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1493	0.1043	0.1195	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0893	0.0663	0.0755	0.151	XXX
(10.3)	Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.000	XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)	0	0	0	Unde	0
(12)	Managed Care Discount Factor = PR021 Line (12)	0.0000	0.0000	0.0000	0.000	XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)	0	0	0	0	0
(14)	RBC Adjustment For Individual = [{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§	0	0	0	0	0
(15)	Maximum Per-Individual Risk After Reinsurance†	0	0	0	0	XXX
(16)	Alternate Risk Charge*	0	0	0	0	0
(17)	Net Alternate Risk Charge£	0	0	0	0	0
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))	0	0	0	0	0

† Source is company records unless already included in premiums.

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

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

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

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

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

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

	A	B	C	D	E	F	G	H	I	J	K	
2	**HEALTH PREMIUMS**									#REF!		
3						(1)				(2)		
4						Statement				RBC		
5					Annual Statement Source	Value		Factor		Requirement		
6		Medical Insurance Premiums - Individual ~~Morbidity~~										
7	(1)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)			Earned Premium (Schedule H Part 1 **Column 3** Line 2 ~~in part~~)			†		XXX		
8	(2)	Medicare Supplement			Earned Premium (Schedule H Part 1 **Column 7** Line 2 in part)			†		XXX		
9	(3)	Dental and Vision			Earned Premium (Schedule H Part 1 **Columns 9 + 11** Line 2 in part)			†		XXX		
10	(4)	Stand-Alone Medicare Part D Coverage			Earned Premium (Schedule H Part 1 Line 2 in part)			†		XXX		
11	(5)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)			Company Records		X	0.500	=			
12	(6)	Medicaid Pass-Through Payments Reported as Premium			Company Records		X	0.020	=			
13	(7)	Hospital Indemnity and Specified Disease			Earned Premium (Schedule H Part 1 Line 2 in part)		X	*	=			
14	(8)	AD&D (Maximum Retained Risk Per Life		)	Earned Premium (Schedule H Part 1 Line 2 in part)		X	‡	=			
15	(9)	Other Accident			Earned Premium (Schedule H Part 1 Line 2 in part)		X	0.050	=			
16		Medical Insurance Premiums - Group and Credit ~~Morbidity~~										
17	(10)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)			Earned Premium (Schedule H Part 1 **Column 5** Line 2 ~~in part~~)			†		XXX		
18	(11)	Dental and Vision			Earned Premium (Schedule H Part 1 **Columns 9 + 11** Line 2 in part)			†		XXX		
19	(12)	Stop Loss and Minimum Premium			Earned Premium (Schedule H Part 1 Line 2 in part)		X	¥	=			
20	(13)	Medicare Supplement			Earned Premium (Schedule H Part 1 **Column 7** Line 2 in part)			†		XXX		
21	(14)	Stand-Alone Medicare Part D Coverage (see instructions for limits)			Earned Premium (Schedule H Part 1 Line 2 in part)			†		XXX		
22	(15)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)			Company Records		X	0.500	=			
23	(16)	Medicaid Pass-Through Payments Reported as Premium			Company Records		X	0.020	=			
24	(17)	Hospital Indemnity and Specified Disease			Earned Premium (Schedule H Part 1 Line 2 in part)		X	*	=			
25	(18)	AD&D (Maximum Retained Risk Per Life)		)	Earned Premium (Schedule H Part 1 Line 2 in part)		X	‡	=			
26	(19)	Other Accident			Earned Premium (Schedule H Part 1 Line 2 in part)		X	0.050	=			
27	(20)	Federal Employee Health Benefit Plan			Earned Premium (Schedule H Part 1 ~~Line 2 in part~~**Column 13, Line 2**)		X	0.000	=			
28		Disability Income Premium										
29	(21)	Noncancellable Disability Income - Individual Morbidity			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
30	(22)	Other Disability Income - Individual Morbidity			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
31	(23)	Disability Income - Credit Monthly Balance Plans			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
32	(24)	Disability Income - Group Long-Term			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
33	(25)	Disability Income-Credit Single Premium with Additional Reserves			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
34	(26)	Disability Income-Credit Single Premium without Additional Reserves			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
35	(27)	Disability Income - Group Short-Term			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=			
36		Long-Term Care										
37	(28)	Noncancellable Long-Term Care Premium - Rate Risk**			Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)		X	0.127**	=			
38	(29)	Other Long-Term Care Premium ‡‡			Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)		X	0.000	=		‡‡	
39		Health Premium With Limited Underwriting Risk										
40	(30)	ASC Business Reported as Revenue Premium			Earned Premium (Schedule H Part 1 Line 2 in part)		X	0.000	=			
41		Other Health										
42	(31)	Workers Compensation Carve-Out			Earned Premium (Schedule H Part 1 **Column 25** Line 2 in part)		X	0.000	=			
43	(32)	Other Health			Earned Premium (Schedule H Part 1 **Column 25** Line 2 in part)		X	0.120	=			
44	(33)	Total Earned Premiums			Sum of Lines (1) through (32)							
45		(Column (1) should equal Schedule H Part 1 Column 1 Line 2)										
46	(34)	Additional Reserves for Credit Disability Plans			Exhibit 6, Column 10, Line 2		§					
47	(35)	Additional Reserves for Credit Disability Plans, prior year			Exhibit 6, Column 3, Line 2, prior year		§					
48												
49	†	The premium amounts in these lines are transferred to LR020 Underwriting Risk – Experience Fluctuation Risk Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts										
50		are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete LR022 Underwriting Risk – Managed										
51		Care Credit. In which case, the company will also need to complete LR028 Health Credit Risk in the (C-3) portion of the formula. If there are amounts in any of lines (1), (2), (3), (10), (11) or (13)										
52		on page LR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of LR029 Business Risk in the (C-4) portion of the formula.										
53	‡	The two tiered calculation is illustrated in the risk-based capital instructions for LR019 Health Premiums.										
54	‡‡	The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on page LR023. The premium is shown to allow totals to check to Schedule H.										
55	*	If there is premium included on either or both of these lines, the RBC requirement in Column (2) will include 3.5 percent of such premium and $50,000 (included in the line with the larger premium).										
56	**	The factor applies to all Noncancellable premium.										
57	§	These amounts are used to adjust the premium base for single premium credit disability plans that carry additional tabular reserves.										
58	¥	A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (12) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.										
59												
60		Denotes items that must be manually entered on the filing software.								#REF!		

UNDERWRITING RISK #REF!

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) Total
(1.1)	Premium – Individual	='LR019'!F7	='LR019'!F8	='LR019'!F9	='LR019'!F10	
(1.2)	Premium – Group	='LR019'!F17	='LR019'!F20	='LR019'!F18	='LR019'!F21	
(1.3)	Premium – Total = Line (1.1) + Line (1.2)	=schpt1C3+5L2	=schpt1C7L2	=schpt1C9+11L2		
(2)	Title XVIII-Medicare†		XXX			=schpt1C15L2
(3)	Title XIX-Medicaid†		XXX			=schpt1C17L3
(4)	Other Health Risk Revenue†		XXX			
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)					
(6)	Net Incurred Claims	=schpt5C1+2+7+8LD1	=schpt5C3LD1	=schpt5C4+5LD1		
(7)	Fee-for-Service Offset†		XXX			
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)					
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)					XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1493	0.1043	0.1195	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0893	0.0663	0.0755	0.151	XXX
(10.3)	Composite Underwriting Risk Factor					XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)					
(12)	Managed Care Discount Factor = LR022 Line (17)					XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)					
(14)	RBC Adjustment For Individual = [{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§					
(15)	Maximum Per-Individual Risk After Reinsurance†					XXX
(16)	Alternate Risk Charge*					
(17)	Net Alternate Risk Charge£					
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))					

† Source is company records unless already included in premiums.

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

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

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

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

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

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

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

Detail Eliminated to Conserve Space

Line (1)
Health premiums for ~~usual and customary major~~comprehensive (medical and hospital), which ~~(~~includes~~ing comprehensive major medical and~~ expense reimbursement hospital/medical coverage~~)~~ written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (1) Line (1.1). Medicaid Pass-Through Payments reported as premium in the annual statement filing should be excluded from the premium amounts reported in Line 1 and reported in Line (3.3) and (10.3), respectively.

Line (2)
Health premiums for Medicare supplement written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (2) Line (1.1).

Line (3)
Health premiums for dental or vision coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (3) Line (1.1).

Line (3.1)
~~Health incurred claims for~~ Health premium for Stand-Alone Medicare Part D coverage written on individual contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor payment adjustments. See Appendix 2 for definition of these terms. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (1). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.1).

Detail Eliminated to Conserve Space

Line (7)
Health premiums for ~~usual and customary major~~comprehensive (medical and hospital), which ~~(~~includes~~ing comprehensive major medical and~~ expense reimbursement hospital/medical coverage~~)~~ written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (1) Line (1.2).

Detail Eliminated to Conserve Space

Line (10.3)
Medicaid pass-through payments reported as premium and excluded from Line (~~1~~7) should be reported in Line (10.3).

Detail Eliminated to Conserve Space

Lines (15) through (24)
Disability income premiums are to be separately entered depending on category (Individual and Group). For Individual, a further split is between noncancellable (NC) or other (GR, etc.) For Group, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). For long-term care insurance, premiums are reported separately for Individual noncancellable, Individual (other than NC) and Group LTCI. The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. Starting in 2001, in determining the premiums subject to the higher factors, individual disability income noncancellable and other is combined. All types of Group and Credit are combined in a different category from Individual. For long-term care, all types (Individual and Group) are combined.

The following table describes the calculation process used to assign RBC charges to disability income business. The reference to line numbers (e.g., Line 15) represent the actual line numbers used in the formula page, but the subdivisions of those lines [e.g., a), b), etc.] do not exist in the formula page. The total RBC Requirement shown in the last (Total) subdivision of each line will be included in Column (2) for that line in the formula page.

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (15)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	First $50 Million Earned Premium of Line (15)	Company Records		X 0.350 =	
b)	Over $50 Million Earned Premium of Line (15)	Company Records		X 0.150 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (15) + b) of Line (15), Column (2)			
Line (16)	Other Disability Income – Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (16) [up to $50 million less premium in a) of Line (15)]	Company Records		X 0.250 =	
b)	Earned Premium in Line (16) not included in a) of Line (16)	Company Records		X 0.070 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (16) + b) of Line (16), Column (2)			

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (17)	Disability Income - Credit Monthly Balance	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	First $50 Million Earned Premium of Line (17)	Company Records		X 0.200 =	
b)	Over $50 Million Earned Premium of Line (17)	Company Records		X 0.030 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (17) + b) of Line (17), Column (2)			
Line (18)	Disability Income – Group Long Term	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (18) [up to $50 million less premium in a) of Line (17)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (18) not included in a) of Line (18)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Long Term	a) of Line (18) + b) of Line (18), Column (2)			
Line (19)	Disability Income – Credit Single Premium with Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part. This amount to be reported on Health Premiums, Line (19)			
a)	Additional Reserves for Credit Disability Plans	PR019 Health Premiums Column (1) Line (27)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	PR019 Health Premiums Column (1) Line (28)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (19) - a) of Line (19) + b) of Line (19)			
d)	Earned Premium in c) [up to $50 million less premium in a) of Line (17) + a) of Line (18)]	Company Records		X 0.100 =	
e)	Earned Premium in c) of Line (19) not included in d) of Line (19)	Company Records		X 0.030 =	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (19) + e) of Line (19), Column (2)			
Line (20)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (20) [up to $50 million less premium in a) of Line (17) + a) of Line (18) + d) of Line (19)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (20) not included in a) of Line (20)	Company Records		X 0.030 =	

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (20) + b) of Line (20), Column (2)			
Line (21)	Disability Income – Group Short Term	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (21) [up to $50 million less premium in a) of Line (17) + a) of Line (18) + d) of Line (19) + a) of Line (20)]	Company Records		X 0.050 =	
b)	Earned Premium in Line (21) not included in a) of Line (21)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Short Term	a) of Line (21) + b) of Line (21), Column (2)			
Line (22)	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (Schedule H, Part 1, Column 23, Line 2, in part)		X 0.100 =	

Line (25)

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

Detail Eliminated to Conserve Space

PR020 - Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental and Vision

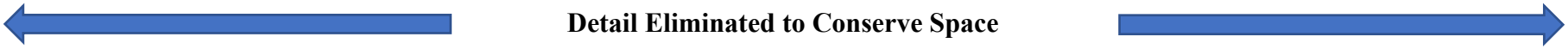
Detail Eliminated to Conserve Space

Line (6) Net Incurred Claims

Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims include capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. This line does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

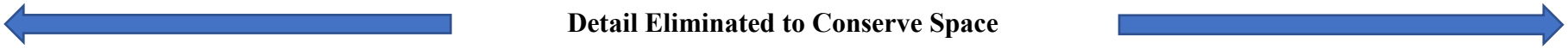
Column (1) claims come from Annual Statement, Schedule H, Part 5 Column 1+2+7+8 Line D13 less the amounts reported as incurred claims for Administrative Services Contracts (ASC) in Line (8) of PR013 and Federal Employee Health Benefit Plan (FEHBP) in Line (3) of PR022. ~~(Note that Medicare supplement claims could be double-counted if included in Column 1 of Schedule H, Part 5 rather than Column (3)).~~ Column (2) claims come from ~~General Interrogatories Part 2, Line 1.5~~Schedule H, Part 5, Column 3, Line D1. Column (3) dental and vision claims come from Schedule H, Part 5, Columns 4+5~~2~~, Line D11~~3~~.)

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in Appendix 2). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claim liabilities should reflect expected recoveries from the reinsurance coverage – for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS.



PR021 - Underwriting Risk – Managed Care Credit

Line (10.6)
Total Paid Claims – The total of Column (1) paid claims should equal the total claims paid for the year as reported in Schedule H, Part 5, Columns 1+2+3+4+5 ~~and 2~~, Line ~~D16~~ D4 of the annual statement.



HEALTH PREMIUMS and HEALTH CLAIMS RESERVES

LR019, LR023 and LR024

Detail Eliminated to Conserve Space

Line (1)

Health premiums for ~~usual and customary major~~comprehensive (medical and hospital) which, (~~includesing comprehensive major medical and~~ expense reimbursement hospital/medical coverage~~)~~ written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (1), Line (1.1).

Detail Eliminated to Conserve Space

Line (10)

Health premiums for ~~usual and customary major~~ comprehensive (medical and hospital) ~~(~~which, includesing ~~comprehensive major medical and~~ expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (1), Line (1.2).

Detail Eliminated to Conserve Space

Lines (21) through (27)

Disability income premiums are to be separately entered depending upon category (individual and group). For Individual, a further split is between noncancellable (NC) or other (GR, etc.) For group, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. Starting in 2001, in determining the premiums subject to the higher factors, individual disability income noncancellable and other is combined. All types of group and credit are combined in a different category from individual.

The following table describes the calculation process used to assign RBC charges to disability income business. The reference to line numbers (e.g., Line 19) represent the actual line numbers used in the formula page, but the subdivisions of those lines [e.g., a), b) etc.] do not exist in the formula page. The total RBC Requirement shown in the last (Total) subdivision of each line will be included in Column (2) for that line in the formula page.

	Disability Income Premium	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
Line (21)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	First $50 Million Earned Premium of Line (21)	Company Records			

b)	Over $50 Million Earned Premium of Line (21)	Company Records		X 0.4435 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (21) + b) of Line (21), Column (2)		X 0.1901 =	
Line (22)	Other Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21 Line 2, in part			
a)	Earned Premium in Line (22) [up to $50 million less premium in a) of Line (21)]	Company Records		X 0.3168 =	
b)	Earned Premium in Line (22) not included in a) of Line (22)	Company Records		X 0.0889 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (22) + b) of Line (22), Column (2)			
Line (23)	Disability Income - Credit Monthly Balance	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	First $50 Million Earned Premium of Line (23)	Company Records		X 0.2534 =	
b)	Over $50 Million Earned Premium of Line (23)	Company Records		X 0.0378 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (23) + b) of Line (23), Column (2)			
Line (24)	Disability Income – Group Long-Term	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (24) [up to $50 million less premium in a) of Line (23)]	Company Records		X 0.1901 =	
b)	Earned Premium in Line (24) not included in a) of Line (24)	Company Records		X 0.0378=	
c)	Total Disability Income – Group Long-Term	a) of Line (24) + b) of Line (24), Column (2)			
Line (25)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part. This amount to be reported on LR019 Health Premiums, Line (25)			
a)	Additional Reserves for Credit Disability Plans	LR019 Health Premiums Column (1) Line (34)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	LR019 Health Premiums Column (1) Line (35)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (25) - a) of Line (25) + b) of Line (25)			
d)	Earned Premium in c) [up to $50 million less	Company Records			

	premium in a) of Line (23) + a) of Line (24)]				
e)	Earned Premium in c) of Line (25) not included in d) of Line (25)	Company Records		X 0.1901=	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (25) + e) of Line (25), Column (2)		X 0.0378 =	
Line (26)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (26) [up to $50 million less premium in a) of Line (23) + a) of Line (24) + d) of Line (25)]	Company Records		X 0.1267=	
b)	Earned Premium in Line (26) not included in a) of Line (26)	Company Records		X 0.0378 =	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (26) + b) of Line (26), Column (2)			
Line (27)	Disability Income – Group Short-Term	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part			
a)	Earned Premium in Line (27) [up to $50 million less premium in a) of Line (23) + a) of Line (24) + d) of Line (25) + a) of Line (26)]	Company Records		X 0.0634 =	
b)	Earned Premium in Line (27) not included in a) of Line (27)	Company Records		X 0.0378 =	
c)	Total Disability Income – Group Short-Term	a) of Line (27) + b) of Line (27), Column (2)			

Detail Eliminated to Conserve Space

UNDERWRITING RISK – EXPERIENCE FLUCTUATION RISK

LR020

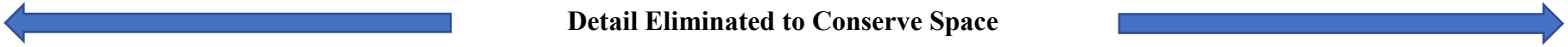
Detail Eliminated to Conserve Space

Line (6) Net Incurred Claims

Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims includes capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. Line (6) does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

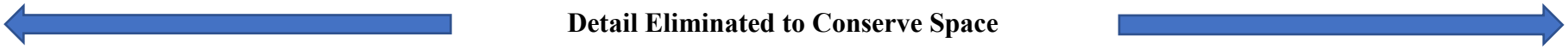
Column (1) claims come from Schedule H, Part 5, Columns 1 ~~and~~ + 2+7+8 Line ~~13~~ D1 less the amounts reported as incurred claims for administrative services contracts (ASC) in Line (**54**) of LR029 Business Risk and Federal Employee Health Benefit Program (FEHBP) in Line (3) of LR021 Underwriting Risk – Other. Column (2) for Medicare supplement should be net of reinsurance, the same as the other columns. Column (2) for Medicare supplement ~~should use the direct claims from General Interrogatories Part 2, Line 1.5 after adjusting them for reinsurance~~comes from Schedule H, Part 5, Column 3, Line D1. Column (3) dental and vision claims come from Schedule H, Part 5, Columns 4+**5**, Line ~~13~~D1.

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in Appendix 3). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claim liabilities should reflect expected recoveries from the reinsurance coverage – for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS.



UNDERWRITING RISK - MANAGED CARE CREDIT

LR022



Line (9)
Subtotal Paid Claims – The total of Column (2) paid claims should equal the total claims paid for the year as reported in Schedule H, Part 5, Columns 1**,** **2**, 3, 4 and **5**, Line D~~A~~.4 of the annual statement.