

Cover questions:

#1 – What are specific solutions or edits to the ACLI proposal to address regulators’ concerns regarding fair value of assets with unobservable inputs? Beyond additional disclosures, should there be a lower reduction to the look-through approach if the fair value of the collateral cannot be observed in the market?

#2 – Please comment whether an alternative tiering structure is appropriate such that 80% LTV is at the mid-point of the tier. This is based on observation that 80% LTV is a prevalent investment limit among states.

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>02/04/2026</u></p> <p>CONTACT PERSON: <u>Kazeem Okosun</u></p> <p>TELEPHONE: <u>816-783-8981</u></p> <p>EMAIL ADDRESS: <u>kokosun@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Ben Slutsker, Chair</u></p> <p>TITLE: <u>Director of Life Actuarial Valuation</u></p> <p>AFFILIATION: <u>Minnesota Department of Commerce</u></p> <p>ADDRESS: <u>85 7th Place East, Suite 280</u> <u>Saint Paul, MN 55101</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-16-L MOD</u> Year <u>2026 or later</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>11/14/2025</u> <u>02-10-2026</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Life RBC (E) Working Group met June 18, 2025 and received a referral from Statutory Accounting Principles (E) Working Group regarding collateral loan schedule BA reporting changes (Attachment A). As a result of the referral, NAIC staff drafted the proposal with the following objectives:

- (1) To make changes to Life RBC Blanks so as to reflect the adopted changes in Schedule BA and Asset Valuation Reserve (AVR) reporting effective 2026.
- (2) To explore the potential need to revisit RBC and AVR factors based on the risk characteristics of the collaterals backing the collateral loans

The proposal 2025-16-L MOD was exposed at the Working Group on Feb 10 for a 24-day public comment period ending March 06, 2026. The modified proposal is in response to ACLI comment. Staff then layer in LR010 consideration.

Additional Staff Comments:

- 11-14-2025: Proposal was exposed with comments due 01-27-2026 - 4 comment letters received (KO)
- 02-10-2026: Proposal was modified and re-exposed with comments due 03-06-2026 - 4 comment letters received (KO)
- 03-22-2026: The modified proposal is in response to ACLI comment. Staff then layer in LR010 consideration.

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

Revised 2-2023

OTHER LONG-TERM ASSETS

	Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
<u>Schedule BA - Fixed Income - Bonds</u>						
(1)	Exempt Obligations	AVR Equity Component Column 1 Line C1	\$0	\$0	\$0 X	0.0000 = \$0
(2)	Asset NAIC 1	AVR Equity Component Column 1 Line C2	\$0	\$0	\$0 X	0.0039 = \$0
(3)	Asset NAIC 2	AVR Equity Component Column 1 Line C3	\$0	\$0	\$0 X	0.0126 = \$0
(4)	Asset NAIC 3	AVR Equity Component Column 1 Line C4	\$0	\$0	\$0 X	0.0446 = \$0
(5)	Asset NAIC 4	AVR Equity Component Column 1 Line C5	\$0	\$0	\$0 X	0.0970 = \$0
(6)	Asset NAIC 5	AVR Equity Component Column 1 Line C6	\$0	\$0	\$0 X	0.2231 = \$0
(7)	Asset NAIC 6	AVR Equity Component Column 1 Line C7	\$0	\$0	\$0 X	0.3000 = \$0
(8)	Total Schedule BA Bonds (pre-MODCO/Funds Withheld)	Sum of Lines (1) through (7)	\$0	\$0		\$0
(9)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				\$0
(10)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				\$0
(11)	Total Schedule BA Bonds (including MODCO/Funds Withheld.)	Lines (8) - (9) + (10)	\$0			\$0
<u>Schedule BA - Fixed Income - Preferred Stock</u>						
(12)	Asset NAIC 1	AVR Equity Component Column 1 Line D1	\$0	\$0	\$0 X	0.0039 = \$0
(13)	Asset NAIC 2	AVR Equity Component Column 1 Line D2	\$0	\$0	\$0 X	0.0126 = \$0
(14)	Asset NAIC 3	AVR Equity Component Column 1 Line D3	\$0	\$0	\$0 X	0.0446 = \$0
(15)	Asset NAIC 4	AVR Equity Component Column 1 Line D4	\$0	\$0	\$0 X	0.0970 = \$0
(16)	Asset NAIC 5	AVR Equity Component Column 1 Line D5	\$0	\$0	\$0 X	0.2231 = \$0
(17)	Asset NAIC 6	AVR Equity Component Column 1 Line D6	\$0	\$0	\$0 X	0.3000 = \$0
(18)	Total Schedule BA Preferred Stock (pre-MODCO/Funds Withheld)	Sum of Lines (12) through (17)	\$0	\$0		\$0
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				\$0
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				\$0
(21)	Total Schedule BA Preferred Stock (including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)	\$0			\$0
<u>Rated Surplus Notes Classified by Designation Equivalent</u>						
(22)	Rated NAIC 1 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part	\$0		\$0 X	0.0039 = \$0
(23)	Rated NAIC 2 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part	\$0		\$0 X	0.0126 = \$0

OTHER LONG-TERM ASSETS

		(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
	<u>Annual Statement Source</u>					
(24)	Rated NAIC 3 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part	\$0	\$0 X	0.0446	\$0
(25)	Rated NAIC 4 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part	\$0	\$0 X	0.0970	\$0
(26)	Rated NAIC 5 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part	\$0	\$0 X	0.2231	\$0
(27)	Rated NAIC 6 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part	\$0	\$0 X	0.3000	\$0
(28)	Total Rated Surplus Notes (pre-MODCO/Funds Withheld)	Sum of Lines (22) through (27)	\$0	\$0		\$0
(29)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				\$0
(30)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				\$0
(31)	Total Rated Surplus Notes (including MODCO/Funds Withheld.)	Lines (28) - (29) + (30)	\$0			\$0
	<u>Rated Capital Notes Classified by Designation Equivalent</u>					
(32)	Rated NAIC 1 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part	\$0	\$0 X	0.0039	\$0
(33)	Rated NAIC 2 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part	\$0	\$0 X	0.0126	\$0
(34)	Rated NAIC 3 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part	\$0	\$0 X	0.0446	\$0
(35)	Rated NAIC 4 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part	\$0	\$0 X	0.0970	\$0
(36)	Rated NAIC 5 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part	\$0	\$0 X	0.2231	\$0
(37)	Rated NAIC 6 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part	\$0	\$0 X	0.3000	\$0
(38)	Total Rated Capital Notes (pre-MODCO/Funds Withheld)	Sum of Lines (32) through (37)	\$0	\$0		\$0
(39)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				\$0
(40)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				\$0
(41)	Total Rated Capital Notes (including MODCO/Funds Withheld.)	Lines (38) - (39) + (40)	\$0			\$0
	<u>Schedule BA - Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs)</u>					
(42)	Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line F1	\$0	\$0 X		\$0
(43.1)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line F2	\$0	\$0 X	0.3000	\$0

OTHER LONG-TERM ASSETS

	Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
<u>Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests</u>						
(43.2)	OC Percentage < 125%	Company Records	\$0	\$0 X	0.2700	\$0
(43.3)	OC Percentage ≥ 125% and < 167%	Company Records	\$0	\$0 X	0.2100	\$0
(43.4)	OC Percentage ≥ 167% and < 250%	Company Records	\$0	\$0 X	0.1500	\$0
(43.5)	OC Percentage ≥ 250% and < 500%	Company Records	\$0	\$0 X	0.0900	\$0
(43.6)	OC Percentage ≥ 500%	Company Records	\$0	\$0 X	0.0300	\$0
(43.7)	Total Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (Column (1), line 43.7 should be equal to sum of AVR Equity Component lines K3 and K4)	Lines (43.2) + (43.3) + (43.4) + (43.5) + (43.6)	\$0	\$0		\$0
(44)	Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line F5	\$0	\$0 X	0.3000	\$0
(45.1)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line I13	\$0	\$0 X	0.4500	\$0
<u>Schedule BA Collateral Loans backed by Residual Tranches or Interests</u>						
(45.2)	OC Percentage < 125%	Company Records	\$0	\$0 X	0.4050	\$0
(45.3)	OC Percentage ≥ 125% and < 167%	Company Records	\$0	\$0 X	0.3150	\$0
(45.4)	OC Percentage ≥ 167% and < 250%	Company Records	\$0	\$0 X	0.2250	\$0
(45.5)	OC Percentage ≥ 250% and < 500%	Company Records	\$0	\$0 X	0.1350	\$0
(45.6)	OC Percentage ≥ 500%	Company Records	\$0	\$0 X	0.0450	\$0
(45.7)	Tranches or Interests (Column (1), line 45.7 should be equal to sum of AVR Equity Component lines K5 and K6)	Lines (45.2) + (45.3) + (45.4) + (45.5) + (45.6)	\$0	\$0		\$0
(46)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs) (pre-MODCO/Funds Withheld)	Line (42) + (43.1) + (43.7) + (44) + (45.1) + (45.7)	\$0	\$0		\$0
(47)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				\$0
(48)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				\$0
(49)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs) (including MODCO/Funds Withheld.)	Lines (46) - (47) + (48)	\$0			\$0
<u>Schedule BA - All Other (C-1o)</u>						
(50.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line F3	\$0			
(50.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line F4	\$0			
(50.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (50.1) + (50.2)	\$0	\$0 X	0.3000	\$0
(51)	All Other Schedule BA Collateral Loans	AVR Equity Component Column 1 Line K7 + K8 + K9 + K10 + K11 + K12	\$0	\$0 X	0.0680	\$0
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line L1	\$0	\$0 X	0.0050	\$0
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line L2	\$0	\$0 X	0.0163	\$0
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)	\$0	\$0		\$0
(53.1)	Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line J7 + L3	\$0			
(53.2)	Less NAIC 1 thru 6 Rated/Designated Surplus	Column (1) Lines (22) through (27) + Column (1)	\$0			

Company Name

Cocode: 00000

OTHER LONG-TERM ASSETS

		(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
	<u>Annual Statement Source</u>					
(53.3)	Notes and Capital Notes Net Other Schedule BA Assets	Lines (32) through (37) Line (53.1) less (53.2)				
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (50.3) + (51) + (52.3) + (53.3)	\$0	\$0	\$0 X	0.3000 = \$0
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				\$0
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				\$0
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)	\$0			\$0
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (49)+ (57)	\$0			\$0

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

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

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

ASSET CONCENTRATION FACTOR

Issuer	(1) Asset Type	(2) Book / Adjusted Carrying Value	(3) Factor	(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#01	Issuer Name:					
#01	(1.1) Bond NAIC Designation Category 2.A	\$0 X	0.01261	\$0	\$0	\$0
#01	(1.2) Bond NAIC Designation Category 2.B	\$0 X	0.01523	\$0	\$0	\$0
#01	(1.3) Bond NAIC Designation Category 2.C	\$0 X	0.02168	\$0	\$0	\$0
#01	(2.1) Bond NAIC Designation Category 3.A	\$0 X	0.03151	\$0	\$0	\$0
#01	(2.2) Bond NAIC Designation Category 3.B	\$0 X	0.04537	\$0	\$0	\$0
#01	(2.3) Bond NAIC Designation Category 3.C	\$0 X	0.06017	\$0	\$0	\$0
#01	(3.1) Bond NAIC Designation Category 4.A	\$0 X	0.07386	\$0	\$0	\$0
#01	(3.2) Bond NAIC Designation Category 4.B	\$0 X	0.09535	\$0	\$0	\$0
#01	(3.3) Bond NAIC Designation Category 4.C	\$0 X	0.12428	\$0	\$0	\$0
#01	(4.1) Bond NAIC Designation Category 5.A	\$0 X	0.16942	\$0	\$0	\$0
#01	(4.2) Bond NAIC Designation Category 5.B	\$0 X	0.21202	\$0	\$0	\$0
#01	(4.3) Bond NAIC Designation Category 5.C	\$0 X	0.15000	\$0	\$0	\$0
#01	(5) Bond Asset NAIC 6	\$0 X	0.15000	\$0	\$0	\$0
#01	(6.1) Bond NAIC Designation Category 1.A †	\$0 X	0.00158	\$0	\$0	\$0
#01	(6.2) Bond NAIC Designation Category 1.B †	\$0 X	0.00271	\$0	\$0	\$0
#01	(6.3) Bond NAIC Designation Category 1.C †	\$0 X	0.00419	\$0	\$0	\$0
#01	(6.4) Bond NAIC Designation Category 1.D †	\$0 X	0.00523	\$0	\$0	\$0
#01	(6.5) Bond NAIC Designation Category 1.E †	\$0 X	0.00657	\$0	\$0	\$0
#01	(6.6) Bond NAIC Designation Category 1.F †	\$0 X	0.00816	\$0	\$0	\$0
#01	(6.7) Bond NAIC Designation Category 1.G †	\$0 X	0.01016	\$0	\$0	\$0
#01	(7) Unaffiliated Preferred Stock NAIC 2	\$0 X	0.01260	\$0	\$0	\$0
#01	(8) Unaffiliated Preferred Stock NAIC 3	\$0 X	0.04460	\$0	\$0	\$0
#01	(9) Unaffiliated Preferred Stock NAIC 4	\$0 X	0.09700	\$0	\$0	\$0
#01	(10) Unaffiliated Preferred Stock NAIC 5	\$0 X	0.22310	\$0	\$0	\$0
#01	(11) Unaffiliated Preferred Stock NAIC 6	\$0 X	0.15000	\$0	\$0	\$0
#01	(12) Unaffiliated Preferred Stock NAIC 1 †	\$0 X	0.00390	\$0	\$0	\$0
#01	(13.1) Partnerships' and Limited Liability Companies' Interests (OC Percentage < 125%)	\$0 X	0.18000	\$0	\$0	\$0
#01	(13.2) Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 125% and < 167%)	\$0 X	0.21000	\$0	\$0	\$0
#01	(13.3) Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 167% and < 250%)	\$0 X	0.15000	\$0	\$0	\$0
#01	(13.4) Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 250% and < 500%)	\$0 X	0.09000	\$0	\$0	\$0
#01	(13.5) Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 500%)	\$0 X	0.03000	\$0	\$0	\$0
#01	(13.6) Collateral Loans backed by Residual Tranches or Interests (OC Percentage < 125%)	\$0 X	0.04500	\$0	\$0	\$0
#01	(13.7) Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 125% and < 167%)	\$0 X	0.13500	\$0	\$0	\$0
#01	(13.8) Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 167% and < 250%)	\$0 X	0.22500	\$0	\$2	\$0
#01	(13.9) Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 250% and < 500%)	\$0 X	0.13500	\$0	\$3	\$0
#01	(13.10) Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 500%)	\$0 X	0.04500	\$0	\$4	\$0
#01	(13.11) All Other BA Collateral Loans	\$0 X	0.06800	\$0	\$0	\$0
#01	(14) Receivable for Securities	\$0 X	0.01600	\$0	\$0	\$0
#01	(15) Write-ins for Invested Assets	\$0 X	0.06800	\$0	\$0	\$0
#01	(16) Premium Notes	\$0 X	0.06800	\$0	\$0	\$0
#01	(17) Real Estate - Foreclosed	\$0				
#01	(18) Real Estate - Foreclosed Encumbrances	\$0 X	0.00000	\$0	\$0	\$0
#01	(19) Real Estate - Investments	\$0				
#01	(20) Real Estate - Investment Encumbrances	\$0 X	0.00000	\$0	\$0	\$0
#01	(21) Real Estate - Schedule BA	\$0				
#01	(22) Real Estate - Schedule BA Encumbrances	\$0 X	0.00000	\$0	\$0	\$0
#01	(23) Farm Mortgages - Category CM2	\$0 X	0.01750	\$0	\$0	\$0
#01	(24) Farm Mortgages - Category CM3	\$0 X	0.03000	\$0	\$0	\$0
#01	(25) Farm Mortgages - Category CM4	\$0 X	0.05000	\$0	\$0	\$0
#01	(26) Farm Mortgages - Category CM5	\$0 X	0.07500	\$0	\$0	\$0
#01	(27) Commercial Mortgages - Category CM2	\$0 X	0.01750	\$0	\$0	\$0
#01	(28) Commercial Mortgages - Category CM3	\$0 X	0.03000	\$0	\$0	\$0

← Details Eliminated to Conserve Space →

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

	Source	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect
(123) <u>Common Stock</u> Unaffiliated Common Stock	Details Eliminated to Conserve Space LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	\$0 X	0.2100	\$0
(124) Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)	\$0 X	0.2100	\$0
(125) Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)	\$0 X	0.2100	\$0
(126) Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)	\$0 X	0.2100	\$0
(127) Tranches or Interests/ Schedule BA Collateral Loans backed by Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (49) - Line (45.1) - Line (45.7)	\$0 X	0.2100	\$0
(128) Total Residual Tranches or Interests/ Schedule BA Collateral Loans backed by Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (45.1) + Line (45.7)	\$0 X	0.2100	\$0
(129) Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	\$0 X	0.2100	\$0
(130) NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)	\$0 X	0.1575	\$0
(131) NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)	\$0 X	0.1575	\$0
(132) Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	\$0 X	0.2100	\$0
(133) Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	\$0 X	0.2100	\$0
(134) Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)	\$0		\$0
(135) <u>Insurance Risk</u> Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)	\$0 X	0.2100	\$0
(136) Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)	\$0 X	0.2100	\$0
(137) Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (5)	\$0 X	0.2100	\$0
(138) Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (12)	\$0 X	0.2100	\$0
(138b) Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)	\$0 X	0.2100	\$0
(139) Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)	\$0 X	0.2100	\$0
(140) Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	\$0 X	0.0000	\$0
(141) Total C-2 Risk	$L(135) + L(136) + L(139) + L(140) + \text{Greatest of } [\text{Guardrail Factor} * (L(137)+L(138)), \text{Guardrail Factor} * L(138b), \text{Square Root of } [(L(137) + L(138))^2 + L(138b)^2 + 2 * (\text{Correlation Factor}) * (L(137) + L(138)) * L(138b)]]$	\$0		\$0
(142) Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)	\$0 X	0.2100	\$0
(143) Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)	\$0 X	0.0000	\$0
(144) Market Risk	LR027 Interest Rate Risk Column (3) Line (37)	\$0 X	0.2100	\$0
(145) Business Risk	LR029 Business Risk Column (2) Line (40)	\$0 X	0.2100	\$0
(146) Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)	\$0 X	0.0000	\$0
(147) Total Tax Effect	Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)	\$0		\$0

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



<u>Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)</u>	<u>Source</u>	<u>Requirement</u>
(13) Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	\$0
<u>Asset Risk - All Other (C-1o)</u>		
(14) Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual Tranches or Interests/ Schedule BA Collateral Loans backed by Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (49) - Line (45.1) - Line (45.7)	\$0
(15) Total Residual Tranches or Interests / Schedule BA Collateral Loans backed by Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (45.1) + Line (45.7)	\$0
(16) Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	\$0
(17) Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	\$0
(18) Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	\$0
(19) Total (C-1cs) - Pre-Tax	Sum of Lines (13) through (18)	\$0
(20) (C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (134)	\$0
(21) Net (C-1cs) - Post-Tax	Line (19) - Line (20)	\$0
(22) Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	\$0
(23) Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	\$0
(24) Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	\$0
(25) Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	\$0
(26) Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	\$0
(27) Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	\$0
(28) Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	\$0
(29) Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	\$0
(30) Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	\$0
(31) Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	\$0
(32) Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	\$0
(33) Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	\$0
(34) Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	\$0
(35) Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	\$0
(36) Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (57) + LR018 Off-Balance Sheet	\$0

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

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

Specific Instructions for Application of the Formula

Line (44)

Schedule BA affiliated common stock – all others should include all subs with an affiliate code 9 in the current life-based framework and “holding company in excess of indirect subsidiaries” or subsidiaries with affiliate code 3.

Line (51)

Exclude: any collateral loan amounts which have been included elsewhere in the RBC formula, e.g., collateral loans backed by mortgage loans, ~~BA mortgages~~, collateral loans backed by Residual Tranches or Interest and collateral loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests.

Line (58)

Total Schedule BA assets [LR008 Other Long-Term Assets Column (1) Line (58) plus LR007 Real Estate Column (1) Line (14) plus Lines (17) through Line (20) plus LR009 Schedule BA Mortgages Column (1) Line (21)] should equal the total Schedule BA assets reported in the Annual Statement Page 2, Column 3, Line 8.

SCHEDULE BA MORTGAGES

LR009

Basis of Factors

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

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

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

Specific Instructions for Application of the Formula

Column (1)

Except for Line (1), (2), (13), and (17), calculations are done on an individual mortgage basis and then the summary amounts are entered in this column for each class of mortgage investment. Refer to the Schedule BA mortgage calculation worksheet (Figure 10) for how the individual mortgage calculations are completed. Line (21) should equal Schedule BA Part 1, Column 12, Lines 2399999 and 2499999, and collateral loans backed by mortgages, as reported in Asset Valuation Reserve Equity and Other Invested Asset Component Column 1, line K1 and K2. Notes to Financials 5S, Column 1 line 7a and 7b.

Column (2)

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

Column (3)

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

Column (4)

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

Column (5)

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

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

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

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

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

For Line (6), the pre-tax factor is 0.0300.

← Details Eliminated to Conserve →