

Capital Adequacy (E) Task Force RBC Proposal Form

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|------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------|
| <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 Evaluation (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input type="checkbox"/> RBC Investment Risk & (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 version 3</u> Year <u>2027</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 (V.1)</u> <u>03-22-2026 (V.2)</u> <u>04-23-2026 (V.3)</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 (V.1) and re-exposed with comments due 03-06-2026 - 4 comment letters received (KO)
- 03-22-2026: The modified proposal (V.2) is in response to ACLI comment. Staff then layer in LR010 consideration.
- 04-30-2026: The proposal is further modified (V.3) to incorporate comments from ACLI, ACC and regulators. This modified proposal was exposed for 21-day public comment period ending 5/14/2026. **Key changes from V.2 are highlighted in yellow within Blanks.**

Key highlights of the modifications:

- 1) LR008 instruction was expanded to explicitly state that independent verification is a pre-requisite to be afforded RBC charges based on over-collateralization (OC).
- 2) LR008 Blanks need further direction from the Working Group, and the following options are presented based on comments received:

Option 1 – Based on Proposal 2025-16-L V.2 with revisions to incorporate scenarios when no independent verification is obtained. This version reflects ACLI’s suggestions.

OCC	LTV Band	Midpoint	Haircut	RBC Charge for Collateral Loans backed by LP/LLC/JV interests	RBC Charge for Collateral Loans backed by residuals
No independent verification	N/A	N/A	0%	30%	45%
OC<125%	>80%	90%	10%	27%	40.5%
OC ≥ 125% and < 167%	> 60%-80%	70%	30%	21%	31.5%
OC ≥ 167% and < 250%	> 40%-60%	50%	50%	15%	22.5%
OC ≥ 250% and < 500%	> 20% - 40%	30%	70%	9%	13.5%
OC ≥ 500%	20% or below	10%	90%	3%	4.5%

Option 2 – Alternative Option to Consider . This option shifted tiering structure such that LTV 80% is in the mid-point of the tier. It also streamlined LTV Bands and provided a floor to address regulators’ concerns

OCC	LTV Band	Midpoint	Haircut	RBC Charge for Collateral Loans backed by LP/LLC/JV interests	RBC Charge for Collateral Loans backed by residuals
OC < 111%	>90% or no independent verification	N/A	0%	30%	45%
OC ≥ 111% and < 143%	>70% - 90%	80%	20%	24%	36%
OC ≥ 143% and < 200%	>50%-70%	60%	40%	18%	27%
OC ≥ 200%	50% or below	25% ¹	50% ¹	15%	22.5%

¹ Haircut of 50% is chosen to ensure the minimum RBC charge is capped at 50% of the base charge.

Depending on which option is adopted, there will be downstream impact to LR010 Asset Concentration, LR030 Calculation of Tax Effect and LR031 Calculation of Authorized Control Level Risk-Based Capital pages. To conserve space, edits to those pages are omitted for this exposure purposes, but any corresponding impact to those pages will follow the same editing logic as V.2. and will be incorporated as editorial changes to the FINAL RBC publication.

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

Revised 2-2023

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 (43.2) series and Line (45.2) series [Staff Note: exact line number to be updated depends on Option 1 or Option 2]

In order to be afforded RBC charges based on overcollateralization (OC) / Loan-to-value (LTV), independent verification of fair value is required. Independent verification approaches may include, individually or in combination:

- Compliance certifications from unaffiliated third parties confirming adherence to stated valuation policies and investment guidelines;
- Independent third-party valuations of the underlying collateral; and/or
- Independent reasonableness checks designed to assess whether reported fair values fall within an appropriate and supportable range.

Data on OC/LTV as well as whether independent verification was obtained are disclosed on Annual Statement Schedule BA Other Long-Term Invested Assets.

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



OTHER LONG-TERM ASSETS

OPTION 1

	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

OPTION 1

		(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
(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 <u>Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests</u>	AVR Equity Component Column 1 Line F2	\$0	\$0 X	0.3000	= \$0
(43.2)	No independent verification obtained	Company Records	\$0	\$0 X	0.3000	\$0
(43.3)	OC Percentage < 125%	Company Records	\$0	\$0 X	0.2700	\$0
(43.4)	OC Percentage ≥ 125% and < 167%	Company Records	\$0	\$0 X	0.2100	\$0
(43.5)	OC Percentage ≥ 167% and < 250%	Company Records	\$0	\$0 X	0.1500	\$0
(43.6)	OC Percentage ≥ 250% and < 500%	Company Records	\$0	\$0 X	0.0900	\$0
(43.7)	OC Percentage ≥ 500%	Company Records	\$0	\$0 X	0.0300	\$0
(43.8)	Total Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (Column (1), line 43.8 should be equal to sum of AVR Equity Component lines K3 and K4)	Lines (43.2) + (43.3) + (43.4)+ (43.5) + (43.6)+(43.7)	\$0	\$0		\$0

OTHER LONG-TERM ASSETS

OPTION 1

			(1)	(2)	(3)	(4)	(5)
			Book / Adjusted				RBC
			Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
(44)	Schedule BA Collateral Loans backed by Residual Tranches or Interests AVR Equity Component Column 1 Line F5		\$0		\$0 X	0.3000	= \$0
(45.1)	OC < 111% or No independent verification obtained	AVR Equity Component Column 1 Line I13	\$0		\$0 X	0.4500	= \$0
(45.2)	No independent verification obtained	Company Records	\$0		\$0	0.4500	
(45.3)	OC Percentage < 125%	Company Records	\$0		\$0 X	0.4050	\$0
(45.4)	OC Percentage ≥ 125% and < 167%	Company Records	\$0		\$0 X	0.3150	\$0
(45.5)	OC Percentage ≥ 167% and < 250%	Company Records	\$0		\$0 X	0.2250	\$0
(45.6)	OC Percentage ≥ 250% and < 500%	Company Records	\$0		\$0 X	0.1350	\$0
(45.7)	OC Percentage ≥ 500%	Company Records	\$0		\$0 X	0.0450	\$0
(45.8)	Total Schedule BA Collateral Loans backed by Residual Tranches or Interests (Column (1), line 45.8 should be equal to sum of AVR Equity Component lines K5 and K6)	Lines (45.2) + (45.3) + (45.4) + (45.5) + (45.6) + (45.7)	\$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) + (43.8) + (44) + (45.1) + (45.8)	\$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 Other Schedule BA Assets, including Surplus Notes and Capital Notes	Line (52.1) + (52.2)	\$0		\$0		\$0
(53.1)	Notes	AVR Equity Component Column 1 Line J7 + L3	\$0				
(53.2)	Less NAIC 1 thru 6 Rated/Designated Surplus Notes and Capital Notes	Column (1) Lines (22) through (27) + Column (1) Lines (32) through (37)	\$0				
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)	\$0	\$0	\$0 X	0.3000	= \$0
(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
(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						

OTHER LONG-TERM ASSETS

OPTION 1

		(1)	(2)	(3)	(4)	(5)
	<u>Annual Statement Source</u>	Book / Adjusted				RBC
		<u>Carrying Value</u>	<u>Unrated Items ‡</u>	<u>RBC Subtotal †</u>	<u>Factor</u>	<u>Requirement</u>
		<u>\$0</u>				<u>\$0</u>
(58)	(including MODCO/Funds Withheld.) Total Schedule BA Assets Excluding Mortgages and Real Estate	Lines (54) - (55) + (56)				
		Line (49)+ (57)				<u>\$0</u>

† 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.

OTHER LONG-TERM ASSETS

OPTION 2

	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

OPTION 2

		(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
(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
<u>Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests</u>						
(43.2)	OC < 111% or No independent verification obtained	Company Records	\$0	\$0 X	0.3000	\$0
(43.3)	OC Percentage ≥ 111% and < 143%	Company Records	\$0	\$0 X	0.2400	\$0
(43.4)	OC Percentage ≥ 143% and < 200%	Company Records	\$0	\$0 X	0.1800	\$0
(43.5)	OC Percentage ≥ 200%	Company Records	\$0	\$0 X	0.1500	\$0
(43.6)	Total Schedule BA Collateral Loans backed by Residual Tranches or Interests (Column (1), line 45.5 should be equal to sum of AVR Equity Component lines K5 and K6)	Lines (43.2) + (43.3) + (43.4) + (43.5)	\$0	\$0		\$0
(44)	Reduction in RBC for MODCO/Funds Withheld	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

OTHER LONG-TERM ASSETS

OPTION 2

			(1)	(2)	(3)	(4)	(5)
			Book / Adjusted	Unrated Items ‡	RBC Subtotal †	Factor	RBC
			Carrying Value				Requirement
			Annual Statement Source				
Schedule BA Collateral Loans backed by Residual Tranches or Interests							
(45.2)	OC < 111% or No independent verification obtained	Company Records	\$0		\$0 X	0.4500	=
(45.3)	OC Percentage ≥ 111% and < 143%	Company Records	\$0		\$0 X	0.3600	=
(45.4)	OC Percentage ≥ 143% and < 200%	Company Records	\$0		\$0 X	0.2700	=
(45.5)	OC Percentage ≥ 200%	Company Records	\$0		\$0 X	0.2250	=
(45.6)	Total Schedule BA Collateral Loans backed by Residual Tranches or Interests (Column (1), line 45.5 should be equal to sum of AVR Equity Component lines K5 and K6)	Lines (45.2) + (45.3) + (45.4) + (45.5)	\$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) + (43.6) + (44) + (45.1) + (45.6)	\$0		\$0		=
(47)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					=
(48)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					=
(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				=
Schedule BA - All Other (C-1o)							
(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	=
(51)	All Other Schedule BA Collateral Loans	AVR Equity Component Column 1 Line K7 + K8 + K9 + K10 + K11 + K12	\$0		\$0 X	0.0680	=
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line L1	\$0		\$0 X	0.0050	=
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line L2	\$0		\$0 X	0.0163	=
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)	\$0		\$0		=
(53.1)	Notes	AVR Equity Component Column 1 Line J7 + L3	\$0				=
(53.2)	Less NAIC 1 thru 6 Rated/Designated Surplus Notes and Capital Notes	Column (1) Lines (22) through (27) + Column (1) Lines (32) through (37)	\$0				=
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)	\$0	\$0	\$0 X	0.3000	=
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (50.3) + (51) + (52.3) + (53.3)	\$0				=
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					=
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					=
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)	\$0				=
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (49) + (57)	\$0				=

OTHER LONG-TERM ASSETS

OPTION 2

	(1)	(2)	(3)	(4)	(5)
	Book / Adjusted				RBC
	<u>Carrying Value</u>	<u>Unrated Items</u> ‡	<u>RBC Subtotal</u> †	<u>Factor</u>	<u>Requirement</u>
	<u>Annual Statement Source</u>				
†	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 <i>Purposes and Procedures Manual of the NAIC Investment Analysis Office</i> 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.				