

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input 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 |

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| <p style="text-align: right;">DATE: <u>11/18/24</u></p> <p>CONTACT PERSON: <u>Derek Noe</u></p> <p>TELEPHONE: <u>818-783-8973</u></p> <p>EMAIL ADDRESS: <u>dnoe@naic.org</u></p> <p>ON BEHALF OF: <u>Capital Adequacy (E) Task Force</u></p> <p>NAME: <u>Tom Botsko</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p> | <p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-26-CA</u> Year <u>2025</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>11/18/24</u></p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p> |
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

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

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

This proposal also adds lines to XR008 to align Health with P/C on collateral loans. This includes pulling the total amount from Schedule BA and pulling the non-admitted amount from Note to the Financial Statement 5S added by proposal 2024-09BWG Modified.

Additional Staff Comments:

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

Revised 2-2023

PR008 – Other Long-Term AssetsReal Estate

The Property & Casualty Risk-Based Capital (E) Working Group adopted the factor of 10% developed for the Life RBC formula. Encumbrances have been included in the real estate base since the value of the property subject to loss would include encumbrances.

The total book/adjusted carrying value of real estate reported should equal the total of Lines 4.1, 4.2 and 4.3, Column 3 on Page 2 of the annual statement plus the insert amounts on the same lines.

Mortgage Loans on Real Estate

The Property & Casualty Risk-Based Capital Working Group adopted a factor of 5% based upon the factors developed by the Life RBC formula, which ranged from 3% to 20%.

The book/adjusted carrying value of mortgage loans reported should equal Page 2, Line 3.1, Column 3 + Page 2, Line 3.2, Column 3 of the annual statement.

Schedule BA Assets (Other Invested Assets – excluding collateral loans, ~~low-income housing tax credits investments~~ and Working Capital Finance Investments)

Other Invested Assets are those that are listed in Schedule BA and are somewhat more speculative and risky than most other investments. The factor for Schedule BA assets excluding collateral loans, ~~low-income housing tax credits investments~~, and working capital finance investments is 20%.

The book/adjusted carrying value of total Schedule BA assets (including collateral loans, ~~low-income housing tax credits investments~~ and Working Capital Finance Investments) should equal Page 2, Line 8, Column 3 of the annual statement.

Low-Income Housing Tax Credits Investments

Report in Column (1) all investments in tax credit structures ~~accordance with~~ in the scope of SSAP No. 93—Low-Income Housing Tax Credit Property Investments in Tax Credit Structures.

~~Federal~~ Yield Guaranteed State low-income housing Tax Credit (LIHTC) Investments are to be included in Line (13). There must be an all-inclusive guarantee from an AROCPR-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.

Qualifying Federal Non-guaranteed LIHTC Tax Credit Investments ~~with the following risk mitigation factors~~ are to be included in Line (14): Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.

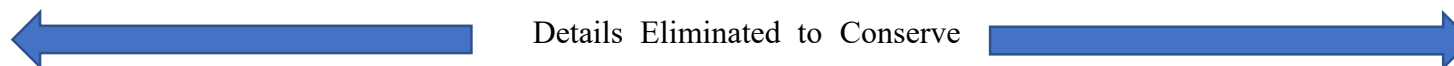
- a) ~~A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.~~
- b) ~~There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls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

Qualifying State LIHTC Tax Credit Investments ~~that at a minimum meet the federal requirements for guaranteed LIHTC investments~~ are to be included in Line (15). Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.

State LIHTC Other Tax Credit Investments ~~that at a minimum meet the federal requirements for non-guaranteed LIHTC investments~~ are to be included in Line (16). Any tax credit investment which cannot be reported as either yield guaranteed State Tax Credit Investment, or qualifying Federal or State Tax Credit Investments are included here.

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

State and federal LIHTC investments that do not meet the requirements of lines (13) through (16) would be reported on Line (17).



Details Eliminated to Conserve

PR011 – Asset Concentration

The purpose of the concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an issuer of a security or a mortgage borrower, etc.). The concentration factor basically doubles the risk-based capital factor (up to a maximum of 30%) of the 10 largest asset exposures excluding various low-risk categories or categories which already have a 30% factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, this factor itself only serves to add an additional risk-based capital requirement on these assets.

Concentrated investments in certain types of assets are not expected to represent an additional risk over and above the general risk of the asset itself. Therefore, prior to determining the 10 largest issuers, you should exclude those assets that are exempt from the asset concentration factor. Asset types that are excluded from the calculation include: NAIC 06 bonds and preferred stock, affiliated common stock, affiliated preferred stock, property and equipment, U.S. government guaranteed bonds, NAIC 1.A to 1.G bonds, or NAIC 01 unaffiliated preferred stock, and investment companies (mutual funds) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940 [Section 5(b) (1)]. The pro rata share of individual securities within an investment company (mutual fund) or common trust fund are to be included in the determination of concentrated investments, subject to the exclusions identified.

With respect to investment companies (mutual funds) and common trust funds, the reporting company is responsible for maintaining the appropriate documentation as evidence that such is diversified within the meaning of the Investment Company Act and provide this information upon request of the commissioner, director or superintendent of the department of insurance. The reporting company is also responsible for maintaining a listing of the individual securities and corresponding book/adjusted carrying values making up its investment companies (mutual funds) and common trust funds portfolio, in order to determine whether a concentration charge is necessary. This information should be provided to the commissioner, director or superintendent upon request.

The assets that ARE INCLUDED in the calculation are divided into two categories – Fixed Income Assets and Equity Assets. The following asset types should be aggregated to determine the 10 largest issuers:

FIXED INCOME ASSETS

Bonds –NAIC Designation Category 2.A
 Bonds – NAIC Designation Category 2.B
 Bonds – NAIC Designation Category 2.C
 Bonds –NAIC Designation Category 3.A
 Bonds –NAIC Designation Category 3.B
 Bonds –NAIC Designation Category 3.C
 Bonds –NAIC Designation Category 4.A
 Bonds –NAIC Designation Category 4.B
 Bonds –NAIC Designation Category 4.C
 Bonds –NAIC Designation Category 5.A

EQUITY ASSETS

Unaffiliated Preferred Stock –NAIC 02
 Unaffiliated Preferred Stock –NAIC 03
 Unaffiliated Preferred Stock –NAIC 04
 Unaffiliated Preferred Stock –NAIC 05

 Unaffiliated Common Stock
 Investment Real Estate

| | |
|--|--|
| Bonds –NAIC Designation Category 5.B | Encumbrances on Inv. Real Estate |
| Bonds –NAIC Designation Category 5.C | Schedule BA Assets (excluding Collateral Loans) |
| Collateral Loans | Receivable for Securities |
| Mortgage Loans | Aggr Write-Ins for Invested Assets |
| Working Capital Finance Investments – NAIC 02 | Derivatives |
| Yield Guaranteed State Tax Credit Investments | Federal Guaranteed Low Income Housing Tax Credits |
| Qualifying Federal Tax Credit Investments | Federal Non-Guaranteed Low Income Housing Tax Credits |
| Qualifying State Tax Credit Investments | State Guaranteed Low Income Housing Tax Credits |
| Other Tax Credit Investments | State Non-Guaranteed Low Income Housing Tax Credits |
| All Other Low Income Housing Tax Credits | |

The name of each of the largest 10 issuers is entered at the top of the table and the appropriate statement amounts are entered in C(2) Ls (01) through (20) for fixed income assets and C(2), Ls (22) through (32) for equity assets. Aggregate all similar asset types before entering the amount in C(2). For instance, if you own five separate \$1,000,000 NAIC 3.A bonds from Issuer #1, enter \$5,000,000 in C(2)L(04) – NAIC 3.A Unaffiliated Bonds.

Miscellaneous Fixed Income Assets (XR008)

The factor for cash is 0.3%. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. This factor was based on the original unaffiliated NAIC 01 bond risk factor prior to the increased granularity of the NAIC Designation Categories in 2021 and reflects the short-term nature of this risk. The required risk-based capital for cash will not be less than zero, even if the company's cash position is negative.

The short-term investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3% factor is equal to the factor for cash. The amount reported in Line (8) reflects the total from Schedule DA: Short-Term Investments (Line (6)), less the short-term bonds (Line (7)). (The short-term bonds reported in Line (7) should equal Schedule DA, Part 1, Column 7, Line 2509999999.)

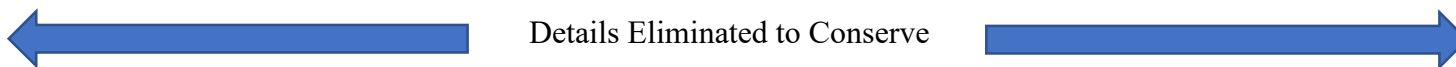
Mortgage loans (reported on Schedule B) and Derivatives (reported on Schedule DB) receive a factor of 5%, consistent with other risk-based capital formulas studied by the Working Group.

The following investment types are captured on Schedule BA: Other Long-Term Invested Assets. Specific factors have been established for certain Schedule BA assets based on the nature of the investment. Those Schedule BA assets not specifically identified below receive a 20% factor (Line (16) and Line (22)).

- Collateral Loans reported on Line (13) receive a factor of 5%, consistent with other risk-based capital formulas studied by the Working Group.
- Working Capital Finance Investments: The book adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments, Lines (14) and (15), should equal the Notes to Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.
- ~~Low-income housing tax credit~~ All investments in tax credit structures within the scope of SSAP No. 93—Investments in Tax Credit Structures are reported on Column (1) ~~in accordance with SSAP No. 93—Low-Income Housing Tax Credit Property Investments.~~
 - ~~Federal Guaranteed Low-Income Housing Tax Credit (LIHTC) Yield Guaranteed State Tax Credit~~ investments are to be included in Line (1917). There must be an all-inclusive guarantee from an AROCPR-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.
 - ~~Qualifying Federal Tax Credit Non-Guaranteed LIHTC~~ investments with the following risk mitigation factors are to be included in Line (2048): Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.
 - a) ~~A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.~~
 - b) ~~There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership.~~
 - ~~Qualifying State Guaranteed LIHTC Tax Credit~~ investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (2149). Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.
 - ~~State Non-Guaranteed LIHTC Other Tax Credit~~ investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included on Line (220). Any tax credit investment which cannot be reported as either yield guaranteed State Tax Credit Investment, or qualifying Federal or State Tax Credit Investments are included here.

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

~~○ All Other LIHTC investments, state and federal LIHTC investments that do not meet the requirements of Lines (17) through (20) would be reported on Line (21).~~



Details Eliminated to Conserve

ASSET CONCENTRATION XR012

The purpose of the asset concentration calculation is to reflect the additional risk of high concentrations of certain types of assets in single exposures, termed “issuers.” An issuer is a single entity, such as IBM or the Ford Motor Company. When the reporting entity has a large portion of its asset portfolio concentrated in only a few issuers, there is a heightened risk of insolvency if one of those issuers should default. An issuer may be represented in the reporting entity’s investment portfolio by a single security designation, such as a large block of NAIC Designation Category 2.A bonds, or a combination of various securities, such as common stocks, preferred stocks, and bonds. The additional RBC for asset concentration is applied to the ten largest issuers.

Concentrated investments in certain types of assets are not expected to represent an additional risk over and above the general risk of the asset itself. Therefore, prior to determining the ten largest issuers, you should exclude those assets that are exempt from the asset concentration factor. Asset types that are excluded from the calculation include: NAIC 06 bonds and unaffiliated preferred stock; affiliated common stock; affiliated preferred stock; property and equipment; U.S. government full faith and credit, Other U.S. government obligations, and NAIC U.S. government money market fund list securities; NAIC 01 bonds and unaffiliated preferred stock; any other asset categories with risk-based capital factors less than 1%, and investment companies (mutual funds) and common trust funds that are diversified within the meaning of the federal Investment Company Act of 1940 [Section 5(b) (1)]. The pro rata share of individual securities within an investment company (mutual fund) or common trust fund are to be included in the determination of concentrated investments, subject to the exclusions identified.

With respect to investment companies (mutual funds) and common trust funds, the reporting entity is responsible for maintaining the appropriate documentation as evidence that such is diversified within the meaning of the federal Investment Company Act and providing this information upon request of the Commissioner, Director or Superintendent of the Department of Insurance. The reporting entity is also responsible for maintaining a listing of the individual securities and corresponding book/adjusted carrying values making up its investment companies (mutual funds) and common trust funds portfolio, in order to determine whether a concentration charge is necessary. This information should be provided to the Commissioner, Director or Superintendent upon request.

The assets that **ARE INCLUDED** in the calculation when determining the 10 largest issuers are as follows:

- NAIC Designation Category 2.A-2.C Bonds
- NAIC Designation Category 3.A-3.C Bonds
- NAIC Designation Category 4.A-4.C Bonds
- NAIC Designation Category 5.A-5.C Bonds
- Collateral Loans
- Mortgage Loans
- NAIC 02 Unaffiliated Preferred Stock
- NAIC 03 Unaffiliated Preferred Stock
- NAIC 04 Unaffiliated Preferred Stock

NAIC 05 Unaffiliated Preferred Stock
 Other Long-Term Assets
 NAIC 02 Working Capital Finance Investments
~~Yield Guaranteed State Tax Credit Investments~~ ~~Federal Guaranteed Low Income Housing Tax Credits~~
~~Qualifying Federal Tax Credit Investments~~ ~~Federal Non-Guaranteed Low Income Housing Tax Credits~~
~~Qualifying State Tax Credit Investments~~ ~~State Guaranteed Low Income Housing Tax Credits~~
~~Other Tax Credit Investments~~ ~~State Non-Guaranteed Low Income Housing Tax Credits~~
~~All Other Low Income Housing Tax Credits~~
 Unaffiliated Common Stock


The concentration factor basically doubles the risk-based capital factor (up to a maximum of 30%) for assets held in the 10 largest issuers. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, this factor itself only serves to add an additional risk-based capital requirement on these assets.

The name of each of the largest 10 issuers is entered at the top of the table and the appropriate statement amounts are entered in Column (2), Lines (1) through (26). Aggregate all similar asset types before entering the amount in Column (2). To determine the 10 largest issuers, first pool all of the assets subject to the concentration factor. From this pool, aggregate the various securities by issuer. The aggregate book/adjusted carrying values for the assets are computed, and the 10 largest are subject to the concentration factor. For example, an organization might own \$6,000,000 in NAIC Designation Category 2.A bonds of IBM plus \$4,000,000 in NAIC Designation Category 2.C plus \$5,000,000 of common stock. The total investment in that issuer is \$15,000,000. If that is the largest issuer, then the identifier (“IBM Corporation”) would be entered in the space allowed for the first Issuer Name, and the \$6,000,000 would be entered under the book/adjusted carrying value column for Line (1) (NAIC Designation Category 2.A bonds), \$4,000,000 would be entered on Line (3) (NAIC Designation Category 2.C Bonds) and the \$5,000,000 would be entered on Line (22) (unaffiliated common stock).

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

FIXED INCOME ASSETS - MISCELLANEOUS

| | Annual Statement Source | (1) Bk/Adj Carrying Value | Factor | (2) RBC Requirement |
|--|--|------------------------------|--------------------------------|------------------------|
| (1) Cash | Page 2, Line 5, inside amount 1 | | 0.0030 | |
| (2) Cash Equivalents | Page 2, Line 5, inside amount 2 | | | |
| (3) Less: Cash Equivalents, Total Bonds | Schedule E, Part 2, Column 7, Line 2509999999 | | | |
| (4) Less: Exempt Money Market Mutual Funds as Identified by SVO | Schedule E, Part 2, Column 7, Line 8209999999 | | | |
| (5) Net Cash Equivalents | Lines (2) - (3) - (4) | | 0.0030 | |
| (6) Short-Term Investments | Page 2, Line 5, inside amount 3 | | | |
| (7) Short-Term Bonds | Schedule DA, Part 1, Column 7, Line 2509999999 | | | |
| (8) Total Other Short-Term Investments | Lines (6) - (7) | | 0.0030 | |
| (9) Mortgage Loans - First Liens | Page 2, Column 3, Line 3.1 | | 0.0500 | |
| (10) Mortgage Loans - Other Than First Liens | Page 2, Column 3, Line 3.2 | | 0.0500 | |
| (11) Receivable for Securities | Page 2, Column 3, Line 9 | | 0.0240 | |
| (12) Aggregate Write-Ins for Invested Assets | Page 2, Column 3, Line 11 | | 0.0500 | |
| (13) Collateral Loans | Schedule BA Part 1, Column 12 Lines 3199999 + 3299999 Included in Page 2, Column 3, Line 8 | | 0.0500 | |
| (14) Less: Non-Admitted Collateral Loans | Notes to the Financial Statement 5S, Column 3 Line 11 | | | |
| (15) Net Collateral Loans | Lines (13) - (14) | | 0.0500 | |
| (14)(16) NAIC 01 Working Capital Finance Investments | Notes to Financial Statement 5M(01a), Column 3 | | 0.0038 | |
| (15)(17) NAIC 02 Working Capital Finance Investments | Notes to Financial Statement 5M(01b), Column 3 | | 0.0125 | |
| (16)(18) Other Long-Term Invested Assets Excluding Collateral Loans, Tax Credit Investments, Residual Tranches or Interests and Working Capital Finance Investments | Included in Page 2, Column 3, Line 8 | | 0.2000 | |
| (17)(19) Yield Guaranteed State Tax Credit Investments Federal Guaranteed-Low Income Housing Tax Credits | Schedule BA Part 1, Column 12 Lines 3599999 + 3699999 | | 0.0014 | |
| (18)(20) Qualifying Federal Tax Credit Investments Non-Guaranteed Low-Income Housing Tax Credits | Schedule BA Part 1, Column 12 Lines 3799999 + 3899999 | | 0.0260 | |
| (19)(21) Qualifying State Tax Credit Investments Guaranteed Low-Income Housing Tax Credits | Schedule BA Part 1, Column 12 Lines 3999999 + 4099999 | | 0.0260 0.0014 | |
| (20)(22) All Other Tax Credit Investments State Non-Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, Column 12 Lines 4199999 + 4299999 | | 0.1500 0.0260 | |
| (21) All Other Low Income Housing Tax Credits | Schedule BA Part 1, Column 12 Lines 4399999 + 4499999 | | 0.1500 | |
| (22)(23) Total Residual Tranches or Interests | Schedule BA, Part 1, Column 12 Lines 4699999 + 4799999 + 4899999 + 4999999 + 5099999 + 5199999 + 5299999 + 5399999 + 5499999 + 5599999 + 5699999 + 5799999 | | 0.2000 | |
| (23)(24) Total Other Long-Term Invested Assets (Page 2, Column 3, Line 8) | Lines (13) + (14) + (15) + (16) + (17) + (18) + (19) + (20) + (21) + (22) + (23) | | | |
| (24)(25) Derivatives | Page 2, Column 3, Line 7 | | 0.0500 | |
| (25)(26) Total Miscellaneous Fixed Income Assets RBC | Lines (1) + (5) + (8) + (9) + (10) + (11) + (12) + (23) + (24) + (25) | | | |

 Denotes items that must be manually entered on filing software.

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ASSET CONCENTRATION

| (1) | (2) | Factor | (3) |
|---|-----------------------|---------------|----------------|
| Issuer Name | Bk/Adj Carrying Value | | Additional RBC |
| (1) NAIC Designation Category 2.A Bonds | | 0.0220 | |
| (2) NAIC Designation Category 2.B Bonds | | 0.0250 | |
| (3) NAIC Designation Category 2.C Bonds | | 0.0310 | |
| (4) NAIC Designation Category 3.A Bonds | | 0.0690 | |
| (5) NAIC Designation Category 3.B Bonds | | 0.0760 | |
| (6) NAIC Designation Category 3.C Bonds | | 0.0830 | |
| (7) NAIC Designation Category 4.A Bonds | | 0.0890 | |
| (8) NAIC Designation Category 4.B Bonds | | 0.0970 | |
| (9) NAIC Designation Category 4.C Bonds | | 0.1100 | |
| (10) NAIC Designation Category 5.A Bonds | | 0.1230 | |
| (11) NAIC Designation Category 5.B Bonds | | 0.1370 | |
| (12) NAIC Designation Category 5.C Bonds | | 0.1490 | |
| (13) Collateral Loans | | 0.0500 | |
| (14) Mortgages | | 0.0500 | |
| (15) NAIC 02 Unaffiliated Preferred Stock | | 0.0100 | |
| (16) NAIC 03 Unaffiliated Preferred Stock | | 0.0200 | |
| (17) NAIC 04 Unaffiliated Preferred Stock | | 0.0450 | |
| (18) NAIC 05 Unaffiliated Preferred Stock | | 0.1000 | |
| (19) Other Long-Term Invested Assets | | 0.1000 | |
| (20) NAIC 02 Working Capital Finance Investments | | 0.0125 | |
| Yield Guaranteed State Tax Credit Investments Federal | | | |
| (21) Guaranteed Low Income Housing Tax Credits | | 0.0014 | |
| Qualifying Federal Tax Credit Investments Non-Guaranteed | | | |
| (22) Low Income Housing Tax Credits | | 0.0260 | |
| Qualifying State Tax Credit Investments Guaranteed Low | | | |
| (23) Income Housing Tax Credits | | 0.0260 0.0014 | |
| Other Tax Credit Investments State Non-Guaranteed Low | | | |
| (24) Income Housing Tax Credits | | 0.1500 0.0260 | |
| (25) All Other Low Income Housing Tax Credits | | 0.1500 | |
| (25)(26) Unaffiliated Common Stock | | 0.1500 | |
| (26)(27) Total of Issuer = Lines (1) through (26) | | | |

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

Denotes items that must be manually entered on filing software.

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CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

| | | (1) RBC Amount |
|--|--|-------------------|
| H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS | | |
| (1) Off-Balance Sheet Items | XR005, Off-Balance Sheet Page, Line (21) | _____ |
| (2) Directly Owned Health Insurance Companies or Health Entities | XR003, Affiliates Page, Column (2), Line (1) | _____ |
| (3) Directly Owned Property and Casualty Insurance Affiliates | XR003, Affiliates Page, Column (2), Line (2) | _____ |
| (4) Directly Owned Life Insurance Affiliates | XR003, Affiliates Page, Column (2), Line (3) | _____ |
| (5) Indirectly Owned Health Insurance Companies or Health Entities | XR003, Affiliates Page, Column (2), Line (4) | _____ |
| (6) Indirectly Owned Property and Casualty Insurance Affiliates | XR003, Affiliates Page, Column (2), Line (5) | _____ |
| (7) Indirectly Owned Life Insurance Affiliates | XR003, Affiliates Page, Column (2), Line (6) | _____ |
| (8) Affiliated Alien Insurers - Directly Owned | XR003, Affiliates Page, Column (2), Line (9) + (10) + (11) | _____ |
| (9) Affiliated Alien Insurers - Indirectly Owned | XR003, Affiliates Page, Column (2), Line (12) + (13) + (14) | _____ |
| (10) Total H0 | Sum Lines (1) through (9) | ===== |
| H1 - ASSET RISK - OTHER | | |
| (11) Holding Company in Excess of Indirect Subs | XR003, Affiliates Page, Column (2), Line (7) | _____ |
| (12) Investment Subsidiary | XR003, Affiliates Page, Column (2), Line (8) | _____ |
| (13) Investment in Upstream Affiliate (Parent) | XR003, Affiliates Page, Column (2), Line (15) | _____ |
| (14) Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC | XR003, Affiliates Page, Column (2), Line (16) | _____ |
| (15) Directly Owned Property and Casualty Insurance Companies Not Subject to RBC | XR003, Affiliates Page, Column (2), Line (17) | _____ |
| (16) Directly Owned Life Insurance Companies Not Subject to RBC | XR003, Affiliates Page, Column (2), Line (18) | _____ |
| (17) Affiliated Non-Insurer | XR003, Affiliates Page, Column (2), Line (19) + (20) + (21) | _____ |
| (18) Fixed Income Assets | XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR007, Fixed Income Assets - Bonds, Line (27) + XR008, Fixed Income Assets - Miscellaneous, Line (25) (26) | _____ |
| (19) Replication & Mandatory Convertible Securities | XR009, Replication/MCS Page, Line (9999999) | _____ |
| (20) Unaffiliated Preferred Stock | XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7) | _____ |
| (21) Unaffiliated Common Stock & Market Value Excess Affiliated Stocks | XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13) | _____ |
| (22) Property & Equipment | XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9) | _____ |
| (23) Asset Concentration | XR012, Grand Total Asset Concentration Page, Line (27) (26) | _____ |
| (24) Total H1 | Sum Lines (11) through (23) | ===== |
| H2 - UNDERWRITING RISK | | |
| (25) Net Underwriting Risk | XR013, Underwriting Risk Page, Line (21) | _____ |
| (26) Other Underwriting Risk | XR015, Underwriting Risk Page, Line (25.3) | _____ |
| (27) Disability Income | XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3) | _____ |
| (28) Long-Term Care | XR016, Underwriting Risk Page, Line (41) | _____ |
| (29) Limited Benefit Plans | XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44) | _____ |
| (30) Premium Stabilization Reserve | XR017, Underwriting Risk Page, Line (45) | _____ |
| (31) Total H2 | Sum Lines (25) through (30) | ===== |

Denotes items that must be manually entered on filing software.

OTHER LONG-TERM ASSETS PR008

| | Annual Statement Source | (1) <u>Book/Adjusted</u> <u>Carrying Value</u> | <u>Factor</u> | (2) <u>RBC Requirement</u> |
|--|---|--|-------------------|-------------------------------|
| (1) Company Occupied Real Estate | P2 L4.1 C3 | 0 | 0.100 | 0 |
| (2) Encumbrances | P2 L4.1, inside item | 0 | 0.100 | 0 |
| (3) Property Held For the Production of Income | P2 L4.2 C3 | 0 | 0.100 | 0 |
| (4) Property Held For Sale | P2 L4.3 C3 | 0 | 0.100 | 0 |
| (5) Encumbrances (Property Held For the Production of Income) | P2 L4.2, inside item | 0 | 0.100 | 0 |
| (6) Encumbrances (Property Held For Sale) | P2 L4.3, inside item | 0 | 0.100 | 0 |
| (7) Total Real Estate | L(1)+L(2)+L(3)+L(4)+L(5)+L(6) | 0 | | 0 |
| (8) Mortgage Loans - First Liens | P2 L3.1 C3 | 0 | 0.050 | 0 |
| (9) Mortgage Loans - Other Than First Liens | P2 L3.2 C3 | 0 | 0.050 | 0 |
| (10) Total Mortgage Loans | L(8) + L(9) | 0 | | 0 |
| (11) Schedule BA Assets - Total | P2 L8 C3 | 0 | | 0 |
| (12) Less: Collateral Loans | PR009 L(13) | 0 | | 0 |
| (13) Yield Guaranteed State Tax Credit Investments Federal Guaranteed-Low Income Housing Tax Credits | Schedule BA Part 1, C12 L3599999 +L3699999 | 0 | 0.0014 | 0 |
| (14) Qualifying Federal Tax Credit Investments Non-Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L3799999 +L3899999 | 0 | 0.0260 | 0 |
| (15) Qualifying State Tax Credit Investments Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L3999999 +L4099999 | 0 | 0.0014 | 0 |
| (16) Other Tax Credit Investments State Non-Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L4199999 +L4299999 | 0 | 0.0260 | 0 |
| (17) All Other Low Income Housing Tax Credits | Schedule BA Part 1, C12 L4399999 +L4499999 | 0 | 0.1500 | 0 |
| (17)(18) Working Capital Finance Investments | L(20)+L(21)+L(22) | 0 | | 0 |
| (18)(19) Total Residual Tranches or Interests | Schedule BA, Part 1, Column 12 Lines 4699999 + 4799999 + 4899999 + 4999999 + 5099999 + 5199999 + 5299999 + 5399999 + 5499999 + 5599999 + 5699999 + 5799999 | 0 | 0.2000 | 0 |
| (19)(20) Schedule BA Assets Excluding Collateral Loans, Tax Credit Investments LHFC, &-WCFI, & Residual Tranches or Interests | L(11)-L(12)-L(13)-L(14)-L(15) -L(16)-L(17)-L(18)-L(19) | 0 | 0.2000 | 0 |
| (20)(21) NAIC 01 Working Capital Finance Investments | Notes to Financial Statement Item L5M(01a) C3 | 0 | 0.0038 | 0 |
| (21)(22) NAIC 02 Working Capital Finance Investments | Notes to Financial Statement Item L5M(01b) C3 | 0 | 0.0125 | 0 |
| (22)(23) Total Other Long-Term Assets | L(7)+L(10)+L(13)+L(14)+L(15) +L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22) | 0 | | 0 |

Calculation of Total Risk-Based Capital After Covariance PR030 R0-R1

(1)

| R0 - Subsidiary Insurance Companies and Misc. Other Amounts | | PRBC O&I Reference | RBC Amount |
|--|--|--|-------------------|
| (1) | Directly Owned Property and Casualty Insurance Affiliates | PR004 L(2)C(2) | 0 |
| (2) | Indirectly Owned Property and Casualty Insurance Affiliates | PR004 L(5)C(2) | 0 |
| (3) | Directly Owned Life Insurance Affiliates | PR004 L(3)C(2) | 0 |
| (4) | Indirectly Owned Life Insurance Affiliates | PR004 L(6)C(2) | 0 |
| (5) | Directly Owned Health Insurance Companies or Health Entities | PR004 L(1)C(2) | 0 |
| (6) | Indirectly Owned Health Insurance Companies or Health Entities | PR004 L(4)C(2) | 0 |
| (7) | Directly Owned Alien Insurance Companies or Health Entities | PR004 L(9)+L(10)+L(11)C(2) | 0 |
| (8) | Indirectly Owned Alien Insurance Companies or Health Entities | PR004 L(12)+L(13)+L(14)C(2) | 0 |
| (9) | Misc Off-Balance Sheet - Non-controlled Assets | PR014 L(15) C(3) | 0 |
| (10) | Misc Off-Balance Sheet - Guarantees for Affiliates | PR014 L(16) C(3) | 0 |
| (11) | Misc Off-Balance Sheet - Contingent Liabilities | PR014 L(17) C(3) | 0 |
| (12) | Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA | PR014 L(19) C(3) | 0 |
| (13) | Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA | PR014 L(20) C(3) | 0 |
| (14) | Total R0 | L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13) | 0 |
| R1 - Asset Risk - Fixed Income | | | |
| (15) | Bonds Subject to Size Factor | PR006 L(27)C(5) | 0 |
| (16) | Bond Size Factor RBC | PR006 L(30)C(5) | 0 |
| (17) | Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds | PR015 L(27)C(4) | 0 |
| (18) | Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est. | PR015 L(38)+(39)C(4) | 0 |
| (19) | Other Long-Term Assets - Mortgage Loans, Tax Credit Investments LHFC , & WCFI, & Residual Tranches or Interests | PR008 | 0 |
| (20) | Misc Assets - Collateral Loans | PR009 L(13)C(2) | 0 |
| (21) | Misc Assets - Cash | PR009 L(3)C(2) | 0 |
| (22) | Misc Assets - Cash Equivalents | PR009 L(7)C(2) | 0 |
| (23) | Misc Assets - Other Short-Term Investments | PR009 L(10)C(2) | 0 |
| (24) | Replication - Synthetic Asset: One Half | PR010 L(9999999)C(7) | 0 |
| (25) | Asset Concentration RBC - Fixed Income | PR011 L(20)+L(21) C(3) Grand Total Page | 0 |
| (26) | Total R1 | L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25) | 0 |

Calculation of Total Risk-Based Capital After Covariance PR031 R2-R3

(1)

| R2 - Asset Risk - Equity | | PRBC O&I Reference | RBC Amount |
|--------------------------|--|---|------------|
| (27) | Common & Preferred- Affiliate Investment Subsidiary | PR004 L(8)C(2) | 0 |
| (28) | Common & Preferred- Affiliate Holding Company in excess of Indirect Subs | PR004 L(7)C(2) | 0 |
| (29) | Common & Preferred- Investment in Parent | PR004 L(15)C(2) | 0 |
| (30) | Common & Preferred- Aff'd US P&C Not Subj to RBC | PR004 L(17)C(2) | 0 |
| (31) | Common & Preferred- Affil US Life Not Subj to RBC | PR004 L(18)C(2) | 0 |
| (32) | Common & Preferred- Affil US Health Insurer Not Subj to RBC | PR004 L(16)C(2) | 0 |
| (33) | Common & Preferred- Aff'd Non-insurer | PR004 L(19)+L(20)+L(21)C(2) | 0 |
| (34) | Unaffiliated Preferred Stock | PR007 L(7)C(2)+PR015 L(34)C(4) | 0 |
| (35) | Total Unaffiliated Common Stock and Fair Value Excess Affiliated Stocks | PR007 L(13)C(2)+PR015 L(35)C(4) | 0 |
| (36) | Other Long -Term Assets - Real Estate | PR008 L(7)C(2) | 0 |
| (37) | Other Long -Term Assets - Schedule BA Assets | PR008 L(19)L(20)C(2)+PR015 L(36)+L(37)C(4) | 0 |
| (38) | Misc Assets - Receivable for Securities | PR009 L(1)C(2) | 0 |
| (39) | Misc Assets - Aggregate Write-ins for Invested Assets | PR009 L(2)C(2) | 0 |
| (40) | Misc Assets - Derivatives | PR009 L(14)C(2) | 0 |
| (41) | Replication - Synthetic Asset: One Half | PR010 L(9999999)C(7) | 0 |
| (42) | Asset Concentration RBC - Equity | PR011 L(32)L(33)C(3) Grand Total Page | 0 |
| (43) | Total R2 | L(27)+L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34) +L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42) | 0 |
| R3 - Asset Risk - Credit | | | |
| (44) | Other Credit RBC | PR012 L(8)-L(1)-L(2)C(2) | 0 |
| (45) | One half of Rein Recoverables | 0.5 x (PR012 L(1)+L(2)C(2)) | 0 |
| (46) | Other half of Rein Recoverables | If R4 L(50)>(R3 L(44) + R3 L(45)), 0, otherwise, R3 L(45) | 0 |
| (47) | Health Credit Risk | PR013 L(12)C(2) | 0 |
| (48) | Total R3 | L(44) + L(45) + L(46) + L(47) | 0 |