CAPITAL ADEQUACY (E) TASK FORCE

Capital Adequacy (E) Task Force March 24, 2026, Minutes
- Capital Adequacy (E) Task Force Jan. 30, 2026, Virtual Meeting Minutes (Attachment One)
  - Updated 2025 U.S. and Non-U.S. Catastrophe Risk Event Lists (Attachment One-A)
- Health Risk-Based Capital (E) Working Group March 23, 2026, Minutes (Attachment Two)
  - Health Risk-Based Capital (E) Working Group Feb. 13, 2026, Minutes (Attachment Two-A)
    - Comments on the Referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (Attachment Two-A1)
    - Comments on Proposal 2025-15-CA (Attachment Two-A2)
    - Modified Proposal 2025-15-CA (Attachment Two-A3)
    - Comments on the Managed Care Credit Draft (Attachment Two-A4)
    - Memo to the American Academy of Actuaries (Academy) Regarding Request for Academy Responses to H-2 Project Comments (Attachment Two-A5)
  - Letter from the Academy Regarding Feedback on Proposal 2025-15-CA (Attachment Two-B)
  - Proposal 2026-03-CA (Underwriting Risk Inv Income Update) (Attachment Two-C)
  - Underwriting Factor Three-Year Phase-In Analysis (Attachment Two-D)
- Life Risk-Based Capital (E) Working Group March 22, 2026, Minutes (Attachment Three)
  - Life Risk-Based Capital (E) Working Group Feb. 25, 2026, Minutes (Attachment Three-A)
    - C-3 Alignment, Part III Field Test Specifications (Attachment Three-A1)
  - Life Risk-Based Capital (E) Working Group Feb. 10, 2026, Minutes (Attachment Three-B)
    - Comments on Proposal 2025-16-L – Conceptual Collateral Loans from American Council of Life Insurers (ACLI) (Attachment Three-B1)
    - Comments on Proposal 2025-16-L – Conceptual Collateral Loans from Iowa (Attachment Three-B2)
    - Comments on 2025-16-L – Conceptual Collateral Loans from Security Benefit (Attachment Three-B3)
    - Comments on Proposal 2025-16-L – RBC Factors for Collateral Loans Based on Underlying Collateral Type from Alternative Credit Council (Attachment Three-B4)
    - Proposal 2025-16-L MOD Collateral Loans (Attachment Three-B5)
    - C-3 Alignment Survey Results (Attachment Three-B6)
  - Comment from ACLI Regarding February 2026 LRBC-VARC GOES C-3 Exposures (Attachment Three-C)
  - Comments Regarding Proposal 2025-16-L (Collateral Loans) (Attachment Three-D)
- Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup March 23, 2026, Joint Minutes (Attachment Four)
  - Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup Jan. 28, 2026, Joint Minutes (Attachment Four-A)
  - Proposal 2026-08-CR (PR027INT Item D Modification) (Attachment Four-B)
  - Proposal 2025-15-CA (A&H Underwriting Risk Structure Change) (Attachment Four-C)
- Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group, March 23, 2026, Minutes (Attachment Five)
  - Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group, March 2, 2026, Minutes (Attachment Five-A)
    - Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group, Dec. 15, 2025, Minutes (Attachment Five-A1)
      - Presentation from the Academy on the CLO RBC Project (Attachment Five-A1a)
      - Proposal 2025-22-IRE (CLO RBC Structure) with Changes Proposed to the Instructions and Blanks of the AVR (Attachment Five-A1b)
    - Comment Letters Regarding the Academy's Presentation Titled C-1 Subcommittee Update on CLO C-1 Factors Modeling (Attachment Five-A2)
    - Presentation from the Academy on the CLO RBC Project (Attachment Five-A3)

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- Presentation from the Academy on C-1 Subcommittee Update on CLO C-1 Factors Modeling—Technical Follow-up (Attachment Five-B)
- Comments Regarding RBC Formula Structure Changes to Accommodate Proposed Revised Factors for CLOs (Attachment Five-C)
- Proposal 2025-22-IRE MOD (CLO RBC Structure) (Attachment Five-D)

Proposal 2025-17-L (LR027 Scope Clarifications) (Attachment Six)

Proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s) (Attachment Seven)

Proposal 2025-15-CA (A&H Underwriting Risk Structure Change) (Attachment Eight)

Referral from Statutory Accounting Principles (E) Working Group Regarding (Attachment Nine)

Proposal 2026-05-CA (Remove Investment Affiliate Code 4) (Attachment Ten)

Presentation from the American Academy of Actuaries (Academy) on its Risk-Based Capital (RBC) and Impairment Risk Research Project (Attachment Eleven)

Draft Pending Adoption

Draft: 3/31/26

Capital Adequacy (E) Task Force
San Diego, California
March 24, 2026

The Capital Adequacy (E) Task Force met in San Diego, CA, March 24, 2026. The following Task Force members participated: Grace Arnold, Chair, represented by Ben Slutsker (MN); Judith L. French, Vice Chair, represented by Tom Botsko (OH); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Charles Hale (AL); Ricardo Lara represented by Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by John Turchi (MA); Angela L. Nelson represented by John F. Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Susan Ochs represented by David Wolf and Paul Lupo (NJ); Ned Gaines represented by Diana Branciforte (NV); Glen Mulready represented by Ryan Rowe (OK); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by Liz Ammerman and John Tudino (RI); Michael Wise represented by Ryan Basnett (SC); Amanda Crawford represented by Rachel Hemphill (TX); Scott A. White represented by Doug Stolte and Dan Bumpus (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its Jan. 30, 2026, and Nov. 19, 2025, Minutes

Slutsker said the Task Force met Jan. 30, 2026. During this meeting, the Task Force adopted proposal 2025-08-CR (2025 U.S. and Non-U.S. Catastrophe Risk Event Lists), which was exposed by the Property and Casualty Risk-Based Capital (E) Working Group and the Catastrophe Risk (E) Subgroup on Jan. 8 for a seven-day public comment period ending Jan. 15.

Botsko made a motion, seconded by Malm, to adopt the Task Force's Jan. 30, 2026, (Attachment One) and Nov. 19, 2025, (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Reports of its Working Groups

A. Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Barlow said the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met March 23. During this meeting, the Working Group took the following action: 1) adopted its March 2 minutes, which included the following action: a) adopted its Dec. 15, 2025, minutes. During this meeting, the Working Group took the following action: i) adopted its Nov. 4, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Four*); ii) heard an update from the American Academy of Actuaries (Academy) on the collateralized loan obligations (CLOs) risk-based capital (RBC) project; iii) exposed proposal 2025-22-IRE (CLO RBC Structure); and iv) decided not to adopt proposal 2025-12-IRE (SVO Bond Fund Alignment Project) for the life RBC formula; b) received comments on the Academy's Dec. 15, 2025, presentation; c) heard updates from the Academy on its CLO RBC project; and d) exposed the Academy's CLO RBC project presentation for a 45-day public comment period ending April 16; 2) reported that it met March 19 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. During this meeting, the Working Group took the following action: a) discussed comments and/or questions in response to the Academy's March 2 CLO RBC project presentation and b) discussed the impact analysis; 3) received an update

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from the Invested Assets (E) Task Force. Various workstreams taken on by its working groups, namely the Investment Designation Analysis (E) Working Group, the Credit Rating Provider (E) Working Group, and the Investment Analysis (E) Working Group, were highlighted in the report; 4) received an update from the Statutory Accounting Principles (E) Working Group. The following investment-related adoptions/exposures were highlighted: a) adopted admittance provisions of long-term repurchase agreements; b) adopted nonadmittance provisions for investments held under "book value separate account"; and c) exposed various proposals on topics such as restricted assets coding, funding agreement-backed note (FABN) disclosure revisions, security identifiers disclosures, and provisions on asset liability management derivatives; 5) heard an update from the Academy on the CLO C-1 factor modeling project. The Academy reported progress to date on the evaluation of RBC treatment for CLO, including considerations of the portfolio adjustment factor; and 6) received comments on proposal 2025-22-IRE (CLO RBC Structure) and re-exposed a modified proposal for a 25-day public comment period ending April 17.

B. Life Risk-Based Capital (E) Working Group

Slutsker said the Life Risk-Based Capital (E) Working Group met March 22. During this meeting, the Working Group took the following action: 1) adopted its Feb. 25 and Feb. 10 minutes. During these meetings, the Working Group took the following action: a) exposed the C-3 alignment field test specs for a 47-day public comment period ending April 13; b) exposed proposal 2026-06-L LR027 (Blanks Page) for a 30-day public comment period ending March 27; c) adopted its Nov. 14, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Two*); d) adopted the Oct. 29, 2025, minutes of the Generator of Economic Scenarios (GOES) (E/A) Subgroup (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Seventeen*); e) exposed proposal 2025-16-L MOD (Collateral Loans) for a 24-day public comment period ending March 6; f) exposed proposal 2026-02-L (BA Residential Mortgage Loans) for a 30-day public comment period ending March 12; g) exposed the proposal 2026-01-L (AVR Changes) for a 30-day comment period ending March 6;and h) heard an update from the Academy on the C-3 field test survey; 2) adopted its Feb. 11 minutes, during which it met in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup. During this meeting, the Working Group took the following action: a) adopted its Oct. 31, 2025, minutes, during which it met in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup (see *NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Eight*); b) discussed comments received from the Academy, American Council of Life Insurers (ACLI), and Committee of Annuity Insurers (CAI) on the C-3 Phase I and C-3 Phase II framework; c) re-exposed the updated proposal for the C-3 Phase I and C-3 Phase II framework for a 23-day public comment period ending March 6; and d) re-exposed APF 2025-14 for a 23-day public comment period ending March 6; 3) received an update from the Generator of Economic Scenarios (GOES) (E/A) Subgroup, which last met Oct. 29, 2025; 4) received an update from the Longevity Risk (E/A) Subgroup, which met Feb. 9. During this meeting, the Subgroup took the following action: a) adopted its Nov. 19, 2025, and Oct. 9, 2025, minutes (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachments Eleven and Twelve*) and b) discussed comments received on approaches to address C-2 longevity risk for longevity reinsurance transaction (LRT) contracts; 5) received an update from the Variable Annuities Capital and Reserve (E/A) Subgroup, which met Feb. 11 in joint session with the Life Risk-Based Capital (E) Working Group; 6) re-exposed proposal 2025-14-L (C-3 GOES Implementation) for a 23-day comment period ending April 13; 7) re-exposed proposal 2025-16-L MOD (Collateral Loans) for a 23-day public comment period ending April 13; 8) adopted proposal 2025-17-L (LR027 Scope Clarification); and 9) heard an update from the Academy on its RBC ratio and impairment risk research project. The presentation highlighted three key takeaways: 1) RBC ratios show little meaningful relationship with impairment experience; 2) predictive patterns are more stable after excluding companies with either very low or extremely high capital levels; and 3) when RBC ratios exceed 1,000%, RBC levels become materially less informative of impairment risk.

C. Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup

Botsko said the Property and Casualty Risk-Based Capital (E) Working Group and the Catastrophe Risk (E) Subgroup met March 23 and took the following action: 1) adopted their Jan. 28, 2026, and Nov. 12, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Three*). During their Jan. 28 meeting, the Working Group and Subgroup took the following action: a) adopted the updated 2025 U.S. and non-U.S. catastrophe risk event lists, which it had exposed for a seven-day public comment period that ended Jan. 15; 2) adopted proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s); 3) adopted proposal 2025-20-CR (Wildfire Rcat Implementation); 4) exposed proposal 2026-08-CR (PR027INT Item D Modification) for a 30-day public comment period ending April 22; 5) heard an update on the severe convective storm impact analysis, including that a vendor model review is expected to begin in April 2026; 6) discussed climate impact disclosures; 7) discussed flood peril, including availability and affordability; and 8) heard an update from the Health Risk-Based Capital (E) Working Group regarding proposal 2025-15-CA MOD (A&H Underwriting Risk Structure Change). The Working Group adopted a recommendation to refer the proposal to the Capital Adequacy (E) Task Force; 9) discussed the property/casualty (P/C) RBC premium and loss concentration factors, including a review of the RBC action level under the current formula compared to a formula incorporating the Academy's suggested 45% premium and 65% loss concentration factors; and 10) heard an update from the Academy on its RBC ratio and impairment risk research project.

D. Health Risk-Based Capital (E) Working Group

Drutz said the Health Risk-Based Capital (E) Working Group met March 23. During this meeting, the Working Group took the following action: 1) adopted its Feb. 13 minutes. During this meeting, the Working Group took the following action: a) adopted its Nov. 6, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment One*); b) received comments on the referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group on the alignment of bond fund implementation in the health RBC formula; c) received comments on proposal 2025-15-CA, which incorporates the structural changes and alternate risk charge changes presented in the Academy's H2–Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report (H2—Underwriting Risk Report); d) exposed proposal 2025-15-CA MOD for a 26-day public comment period ending March 11; e) received comments on the managed care credit draft; f) Discussed the Working Group's letter to the Academy, requesting that it address comments on the H2—Underwriting Risk Report, proposal 2025-15-CA, and the managed care credit draft, as well as any potential problems with a three-year phase-in of the proposed factors; and g) discussed H2 risk factor implementation; 2) adopted the recommendation to refer proposal 2025-15-CA MOD (A&H Underwriting Structure Change) to the Capital Adequacy (E) Task Force; 3) exposed proposal 2026-03-CA (Underwriting Risk Investment Income Update) for a 30-day public comment period ending April 22; 4) discussed the impact analysis of a three-year phase-in implementation of the one-year time horizon, 87.5% risk percentile underwriting risk factors from the Academy's H2—Underwriting Risk Report; and 5) heard an update on the Academy's RBC impairment project, long-term care committee, and stop-loss work group.

Botsko made a motion, seconded by Eft, to adopt the reports of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (Attachment Five), Life Risk-Based Capital (E) Working Group (Attachment Three), Property and Casualty Risk-Based Capital (E) Working Group (Attachment Four), and Health Risk-Based Capital (E) Working Group (Attachment Two). The motion passed unanimously.

3. Adopted Proposal 2025-17-L (LR027 Scope Clarifications)

Slutsker said the proposal is intended to clarify that, for LR027 in the Life and Fraternal RBC blanks, companies holding reserves for payout annuities that arise from variable annuities under *Valuation Manual* (VM)-21 (subject to domiciliary commissioner approval) should exclude those reserves from the interest rate risk and market risk

calculation. The proposal was exposed by the Life Risk-Based Capital (E) Working Group for a 30-day public comment period ending Aug. 20, 2025, and no comments were received.

Hemphill made a motion, seconded by Botsko, to adopt proposal 2025-17-L (Attachment Six). The motion passed unanimously.

4. Adopted Proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s)

Chou said the proposed change would separate hurricane and earthquake losses and align their reporting with the approach used for wildfire and severe convective storm perils. This consistency would help the Subgroup and the Working Group assess each risk more effectively based on its unique characteristics and impacts. The Property and Casualty Risk-Based Capital (E) Working Group and the Catastrophe Risk (E) Subgroup exposed the proposal for a 60-day public comment period ending Jan. 11, and no comments were received.

Chou made a motion, seconded by Reedy, to adopt proposal 2025-19-CR (Attachment Seven). The motion passed unanimously.

5. Adopted Proposal 2025-20-CR (Wildfire Rcat Implementation)

Chou said a comparison of the initial 2022 impact analysis with the current evaluation showed that model outputs have become more consistent over time, increasing the Subgroup's confidence in the models' reliability and usefulness for risk management. He noted that NAIC committee support recently compared RBC action levels under the current RBC formula with those under a formula that includes the wildfire peril and found that only two companies moved from no action level to the trend test in 2024, with no impact in 2025. He added that the proposal would incorporate the wildfire peril into the Rcat component, reflecting the improved reliability and applicability of the catastrophe models. The Property and Casualty Risk-Based Capital (E) Working Group and the Catastrophe Risk (E) Subgroup exposed the proposal for a 60-day public comment period ending Jan. 11, and no comments were received.

Chou made a motion, seconded by Botsko, to adopt proposal 2025-20-CR (*NAIC Proceedings – Spring 2026, Financial Condition (E) Committee*). The motion passed unanimously.

6. Exposed Proposal 2025-15-CA (A&H Underwriting Risk Structure Change)

Drutz said the Health Risk-Based Capital (E) Working Group met Nov. 6, 2025, and exposed proposal 2025-15-CA for a 75-day public comment period ending Jan. 20, 2026. The Working Group received three comment letters during the exposure period. During its Feb. 13 meeting, the Working Group exposed a revised proposal that incorporated the comments received for a 26-day public comment period ending March 11; no additional comments were received. The proposal reflects the structural changes to XR013, PR019, PR020, LR019, and LR020 from the Academy's H2 Underwriting Risk Report and aligns data sourcing across the lines of business. The proposal also adds two lines for a stand-alone investment income adjustment factor, as requested by industry commenters on the Academy's H2 report. The Health Risk-Based Capital (E) Working Group also adopted a recommendation to refer the proposal to this Task Force for re-exposure for a 30-day public comment period ending April 23.

The Task Force agreed to expose proposal 2025-15-CA (Attachment Eight) for a 30-day public comment period ending April 23.

7. Discussed the Elimination of Investment Subsidiaries

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A. Referral from the Statutory Accounting Principles (E) Working Group

Clark said the referral (Attachment Nine) is intended to inform the Task Force that the Statutory Accounting Principles (E) Working Group supports eliminating the investment subsidiary concept and to request RBC instruction and/or structure changes to accommodate that elimination for all lines of business. He noted that the concept of an investment subsidiary—a subsidiary formed to hold an insurance company's investments—was removed from statutory accounting guidance in 2005. Since that change, these subsidiaries have been subject to *Statement of Statutory Accounting Principles (SSAP) No. 97—Subsidiary, Controlled and Affiliated Investments*, which requires reporting under the equity method based on audited U.S. generally accepted accounting principles (GAAP) equity. However, the asset valuation reserve (AVR) and annual statement schedule D, part 6, section 1 reporting provisions have continued to separately capture investment subsidiaries, with instructions to report an "imputed statutory value." Because this value is not defined, it is inconsistent with the statutory accounting concepts in SSAP No. 97. In addition, RBC reporting has permitted companies to apply a company-calculated look-through based on the underlying assets. Clark said this look-through calculation cannot be substantiated because statutory financial statements do not provide details on the types of assets held in an investment subsidiary or the characteristics needed for RBC purposes. As noted in the referral, under the current reporting and RBC treatment, life insurers could obtain favorable treatment by circumventing specific asset and SSAP requirements by moving assets into an investment subsidiary rather than reporting them directly on an investment schedule. Clark added that eliminating investment subsidiary reporting would not prohibit insurers from owning investment subsidiaries; rather, insurers would be required to value these subsidiaries in accordance with SSAP No. 97 and report them on existing subsidiary reporting lines, which do not allow company look-through RBC calculations.

B. Exposed Proposal 2026-05-CA (Remove Investment Affiliate Code 4)

Slutsker said that, in response to a referral from the Statutory Accounting Principles (E) Working Group, NAIC committee support drafted RBC proposal 2026-05-CA (Remove Investment Affiliate Code 4) for all lines of business. Slutsker recommended that the Task Force expose the proposal for a 30-day public comment period ending April 23.

The Task Force agreed to expose proposal 2026-05-CA (Attachment Ten) for a 30-day comment period ending April 23.

8. Heard an Update from the Academy on its RBC and Impairment Risk Research Project

Steve Jackson (Academy) provided a presentation on RBC ratios and impairment risk (Attachment Eleven). He noted that the project began last summer to examine the relationship between RBC ratios and company impairment or insolvency across three insurance sectors. While the work applies a common analytical framework, each sector is evaluated separately to reflect key differences among the lines of business. Jackson shared the following preliminary observations: 1) early results suggest no strong correlation between RBC ratios and impairment; 2) excluding very small insurers and companies with extremely high capital levels yields a clearer and more stable predictive signal; and 3) within the filtered samples, RBC levels become materially less informative of impairment risk once RBC ratios exceed the 1,000%–1,500% range. He added that the project remains ongoing and that updated materials and findings will be reported to the Task Force in the near future. Cheung asked whether a future phase of the project would reverse the analysis by reviewing, for impaired companies, how RBC ratios trended in the period preceding impairment. Jackson responded that the Academy has considered this approach; however, the specific methodology has not yet been determined. Task Force members also discussed how analyses might account for declining RBC levels and subsequent remedial actions (e.g., capital infusions or regulatory intervention). Jackson emphasized that, while RBC is an important indicator, it is not determinative, and he suggested using both systematic data analysis and targeted case studies to better understand how interventions affect outcomes, including cases in which RBC recovers or impairment occurs unexpectedly. Slutsker

asked whether the Academy could incorporate predictive modeling and, if RBC ratios do not explain a meaningful share of impairments, what other factors might help explain the results. Jackson noted that the 2018 Society of Actuaries (SOA) study evaluated insolvency using RBC along with seven additional factors. He said the Academy intends to incorporate those seven factors as control variables in its analysis, which may also improve predictive performance.

Having no further business, the Capital Adequacy (E) Task Force adjourned.

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Draft: 2/4/26

Capital Adequacy (E) Task Force
E-Vote
January 30, 2026

The Capital Adequacy (E) Task Force conducted an e-vote that concluded Jan. 30, 2026. The following Task Force members participated: Grace Arnold, Chair, represented by Ben Slutsker (MN) Judith L. French, Vice Chair, represented by Tom Botsko (OH); Ricardo Lara represented by Thomas Reedy (CA); Joshua Hershman represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Bradley Trim and Thomas Reedy (FL); Doug Ommen represented by Mike Yanacheak (IA); Holly W. Lambert represented by Roy Eft (IN); Sharon P. Clark represented by Vicki Lloyd (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw (MA); Angela L. Nelson represented by John Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Glen Mulready represented by Andy Schallhorn (OK); Michael Humphreys represented by Diana Sherman (PA); Cassie Brown represented by Jamie Walker and Miriam Fisk (TX); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted the Updated 2025 U.S. and Non-U.S. Catastrophe Risk Event Lists

The Task Force conducted an e-vote to consider adoption of proposal 2025-08-CR (2025 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Chou made a motion, seconded by Barlow, to adopt the 2025 U.S. and non-U.S. catastrophe risk event lists (Attachment One-A). The motion passed unanimously.

Having no further business, the Capital Adequacy (E) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/E CMTE/CADTF/2026-1-Springl/CapAdTF Email Vote 01302026.docx

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Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force
☒ Catastrophe Risk (E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup
☐ Health RBC (E) Working Group
☐ P/C RBC (E) Working Group
☐ Economic Scenarios (E/A) Subgroup
☐ Life RBC (E) Working Group
☐ Longevity Risk (A/E) Subgroup
☐ RBC Investment Risk & Evaluation (E) Working Group

DATE: 11/3/2025

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ON BEHALF OF: Catastrophe Risk (E) Subgroup
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Agenda Item # 2025-08-CR
Year 2025

DISPOSITION

ADOPTED:
☒ TASK FORCE (TF) 1st Release:11/19/2025 2nd Release:1/28 /2026
☒ WORKING GROUP (WG) 1st Release: 11/12/2025 2nd Release: 1/21/2026
☒ SUBGROUP (SG) 1st Release:11/12/2025 2nd Release: 1/21/2026

EXPOSED:
☐ TASK FORCE (TF)
☒ WORKING GROUP (WG) 1st Release: 11/3/2025 2nd Release: 1/7/2026
☒ SUBGROUP (SG) 1st Release: 11/3/2025 2nd Release: 1/7/2026

REJECTED:
☐ TF ☐ WG ☐ SG

OTHER:
☐ DEFERRED TO
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY)

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

☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☐ Life and Fraternal RBC Blanks
☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☐ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☐ Life and Fraternal RBC Formula
☒ OTHER Cat Event Lists

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

2025 U.S. and non-U.S. Catastrophe Event Lists

Additional Staff Comments:

New events were determined based on the sources from Swiss Re and Aon Benfield.

** **This section must be completed on all forms.** **Revised 2-2023**

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U.S. List of Catastrophes for Use in Reporting catastrophe Data in PR036 and PR100+

Type of Event	Name	Date	Location	Overall losses when occurred
Hurricane	Matthew	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	$ 2,698,400,000
Hurricane	Hermine	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	$ 245,640,000
Severe Convective Storm	Thunderstorm, flood, landslides	1/31/2016 - 2/1/2016	CA	25-100m
Severe Convective Storm	Thunderstorms, wind	2/19/2016 - 2/20/2016	MI, IL	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	2/22/2016-2/25/2016	TX, NC, LA, FL, GA, VA, NY, SC, PA, MA, AL, CT, MS, DC, DE	600m-1b
Severe Convective Storm	Thunderstorms, hail, flood	3/5/2016 - 3/11/2016	LA, TX, CA, MS, AR, TN, OK	300-600m
Severe Convective Storm	Thunderstorms, tornadoes, hail	3/13/2016 - 3/14/2016	SC, AR, NC	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	3/13/2016 - 3/15/2016	IL, WA, CA	100-300m
Severe Convective Storm	Thunderstorms, hail	3/17/2016 - 3/18/2016	TX, LA, MS, AR, FL, AL	600m-1b
Severe Convective Storm	Thunderstorms, hail	3/27/2016	IN	25-100m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	3/30/2016 - 4/1/2016	TX, OK, MS, AR, AL, LA, KS	100-300m
Severe Convective Storm	Thunderstorms, hail	4/2/2016 - 4/3/2016	IN, OH, NJ, IL, PA, MD, VA, NY, DE, DC	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	4/25/2016 - 4/28/2016	TX, KS, MO, IN, WV, OK, IL, NC, MS	600m-1b
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	4/29/2016 - 5/3/2016	TX, AR, VA, IN, NC, MD, OK, GA, MO, IL, WV	1-3b
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/7/2016 - 5/10/2016	NE, KY, TX, OK, CO, TN, KS	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/11/2016 - 5/12/2016	MO, TX, NE, IL	600m-1b
Severe Convective Storm	Thunderstorms, hail	5/16/2016 - 5/19/2016	TX	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/21/2016 - 5/28/2016	TX, MT, KS, MO, CO	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, flood	5/29/2016 - 6/2/2016	TX	100-300m
Severe Convective Storm	Thunderstorms, hail	6/6/2016 - 6/7/2016	CO	100-300m
Severe Convective Storm	Thunderstorms, hail	6/16/2016 - 6/18/2016	VA, GA, AL, SC	100-300m
Severe Convective Storm	Thunderstorms, hail	6/16/2016 - 6/18/2016	ND, SD, MN	100-300m
Severe Convective Storm	Thunderstorms, hail, flood	7/5/2016 - 7/7/2016	MN, TN, KY, WI	100-300m
Severe Convective Storm	Thunderstorms, hail	7/7/2016 - 7/9/2016	CO, MI, NC, TN	100-300m
Severe Convective Storm	Thunderstorms, hail, tornadoes	7/13/2016 - 7/15/2016	CO, OK, IL, AR, MO, KS	300-600m
Severe Convective Storm	Thunderstorms, hail	7/20/2016 - 7/21/2016	MN	25-100m
Severe Convective Storm	Thunderstorms, hail, flood	7/30/2016 - 8/1/2016	MD, NJ, NY, PA, VA	100-300m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	8/24/2016 - 8/25/2016	IN, OH	25-100m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	9/19/2016 - 9/23/2016	WI, MN, IA	100-300m
Severe Convective Storm	Thunderstorms, tornadoes	11/28/2016 - 12/1/2016	TN, AL, GA, SC, MS, LA, NC	100-300m
Severe Convective Storm	Hailstorm	3/23/2016	TX	1-3b
Severe Convective Storm	Hailstorm	4/10/2016 - 4/15/2016	TX, FL	1-3b
Severe Convective Storm	Hailstorm	7/28/2016 - 7/29/2016	CO, WY	1-3b
Severe Convective Storm	Hailstorm	11/4/2016 - 11/6/2016	TX, NM	300-600m
Wildfire	Erskine Fire	6/23/16-7/11/16	Lake Isabella, Kern County, California	~26 million
Wildfire	Soberanes Fire	7/22/16-9/30/16	Soberanes Creek, Garrapata State Park, Santa Lucia Preserve, Monterey County, California	> 200 million
Wildfire	Chimney Fire	8/13/16-9/6/16	Santa Lucia Range, San Luis Obispo County, California	> 25 million
Wildfire	Clayton Fire	8/13/16-8/26/16	Lake County, California	>25 million
Wildfire	Gatlinburg Wildfire	11/29/16-12/5/16	Sevier County, Gatlinburg, Pigeon Forge, Tennessee	~637 million
Wildfire	Northern California Wildfires	10/8/17-10/31/17	Northern California	~ 11 billion
Wildfire	Southern California Wildfires	12/4/17-12/23/17	Southern California	~ 2.2 billion
Hurricane	Harvey	2017	Texas, Lousiana	25+ million
Hurricane	Jose	2017	East Coast of the United States	25+ million
Hurricane	Irma	2017	Eastern United States	25+ million
Hurricane	Maria	2017	Southeastern United States, Mid-Atlantic States	25+ million
Hurricane	Nate	2017	Louisiana, Mississippi, Alabama, Tennessee and Eastern United States	25+ million
Severe Convective Storm	Thunderstorms, tornadoes	1/1/2017 - 1/3/2017	GA, TX, AL, LA, MS	100-100m
Severe Convective Storm	Tornadoes	1/18/2017 - 1/23/2017	CA, GA, MS, TX, FL, AL, LA, SC	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, hail	2/7/2017	LA, AL, FL, MS	100-300m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	2/19/2017 - 2/20/2017	TX	100-300m
Severe Convective Storm	Windstorm, flood	2/19/2017 - 2/21/2017	CA	25-100m
Severe Convective Storm	Thunderstorms, tornadoes, hail	2/25/2017	VA, PA	100m-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	2/28/2017 - 3/2/2017	IL, MO, IN, KY, OH, TN, GA, IA, AR, NC, VA, AL, SC, WV, MD, MI	1-3b
Severe Convective Storm	Thunderstorms, tornadoes, hail	3/6/2017 - 3/9/2017	MO, MI, NY, MN, IA, OH, IL, WI, AR, OK, NE	1-3b
Severe Convective Storm	Thunderstorms, hail	3/21/2017 - 3/22/2017	SC, TN, GA, NC	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, hail	3/28/2017 - 3/31/2017	TX, VA, NC, OK	100-300m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	4/2/2017 - 4/3/2017	TX, GA, LA, MS, AL, SC, FL, AR, NC	100-300m

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Type of Event	Name	Date	Location	Overall losses when occurred
Severe Convective Storm	Thunderstorms, tornadoes, hail	4/4/2017 - 4/6/2017	AL, KY, GA, VA, SC, TX, MO, NC, TN,FL, MD, OK, AR, KS, DC	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes	4/10/2017 - 4/11/2017	TX, IL, IN	100-300m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	4/21/2017 - 4/25/2017	TX, TN, OK, NC, VA, SC	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, hail	4/26/2017	TX	25-100m
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/3/2017 - 5/5/2017	TX, LA, GA, VA, NC	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/15/2017 - 5/18/2017	IL, WI, MN, OK, IA, NY	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/27/2017 - 5/28/2017	MO, TN, VA, OK, KY	300-600m
Severe Convective Storm	Thunderstorms, hail	6/2/2017 - 6/4/2017	TX	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	6/12/2017 - 6/14/2017	TX, WY, Midwest	600m-1b
Severe Convective Storm	Thunderstorms, tornadoes, hail	6/16/2017 - 6/19/2017	NE, IA, KS, MO, PA, IL, VA, NY	300-600m
Severe Convective Storm	Thunderstorms, tornadoes, hail	6/27/2017 - 6/29/2017	NE, IA, IL	1-3b
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	7/11/2017 - 7/12/2017	IL, MN	100-300m
Severe Convective Storm	Thunderstorms, hail	7/21/2017 - 7/23/2017	IL, KS, MO	300-600m
Severe Convective Storm	Thunderstorms, hail, tornadoes, flood	8/5/2017 - 8/8/2017	TX, OK, LA, KS, MO	100-300m
Severe Convective Storm	Thunderstorms, hail, flood	10/14/2017 - 10/15/2017	IL, MO, KS	100-300m
Severe Convective Storm	Thunderstorms, hail	11/5/2017 - 11/6/2017	OH, MO	100-300m
Severe Convective Storm	Thunderstorms, tornadoes, hail	3/26/2017 - 3/28/2017	TX, OK, AL, TN, KY, MS	1-3b
Severe Convective Storm	Thunderstorms, tornadoes, hail	5/8/2017 - 5/11/2017	CO, NM, OK, TX, MO	1-3b
Severe Convective Storm	Hailstorm	6/11/2017	MN, WI	1-3b
Tropical Storm	Alberto	2018	Southeast, Midwest	25+ million
Hurricane	Lane	2018	Hawaii	25+ million
Tropical Storm	Gordon	2018	Southeast, Gulf coast of the United States, Arkansas and Missouri	25+ million
Hurricane	Florence	2018	Southeast, Mid-Atlantic	25+ million
Hurricane	Michael	2018	Southeastern and East Coasts of United States	25+ million
Wildfire	Spring Creek Fire	6/27/18-7/11/18	Spring Creek, Colorado	< 100 million
Wildfire	Carr, Mendocino California Wildfires	7/23/18-8/15/18	Northern California	>1,000 million
Wildfire	Northern California Camp Wildfire	11/8/18-11/25/18	Butte County, California	>7.5 billion
Wildfire	Southern California Woolsey Wildfires	11/8/18-11/21/18	Los Angeles andVentura County, California	2.9 billion
Severe Convective Storm		1/8/2018 - 1/10/2018	CA	<1,000m
Severe Convective Storm		2/24/2018 - 2/26/2018	KY, TN, MO, AR	<1,000m
Severe Convective Storm		3/18/2018 - 3/21/2018	TX, LA, AL, MS, GA, FL, SC	>1,000m
Severe Convective Storm		4/6/2018 - 4/7/2018	TX, LA, MS, OK	<1,000m
Severe Convective Storm		4/13/2018 - 4/17/2018	TX, OK, MO, AR, LA, MS, IA, KS, VA, NC, SC, GA, FL	<1,000m
Severe Convective Storm		4/28/2018 - 5/5/2018	KS, MO, IA, IL	>1,000m
Severe Convective Storm		5/12/2018 - 5/16/2018	Northeast, Midwest, Southern	>1,000m
Severe Convective Storm		6/3/2018 - 6/6/2018	Southwest	<1,000m
Severe Convective Storm		6/12/2018 - 6/13/2018	Midwest	<1,000m
Severe Convective Storm		6/18/2018 - 6/20/2018	Midwest	>1,000m
Severe Convective Storm		6/24/2018 - 6/26/2018	Midwest	<1,000m
Severe Convective Storm		6/29/2018 - 7/1/2018	Midwest	<1,000m
Severe Convective Storm		7/19/2018 - 7/22/2018	Midwest, Southern	>1,000m
Severe Convective Storm		7/21/2018 - 7/26/2018	Northeast	<1,000m
Severe Convective Storm		7/26/218 - 7/29/2018	Midwest, Southern	<1,000m
Severe Convective Storm		7/30/2018 - 7/31/2018	Southwest	<1,000m
Severe Convective Storm		8/6/2018 - 8/7/2018	Midwest	<1,000m
Severe Convective Storm		9/20/2018 - 9/21/2018	Midwest	<1,000m
Severe Convective Storm		10/31/2018 - 11/1/2018	Midwest	>1,000m
Severe Convective Storm		11/14/2018 - 11/16/2018	Northeast	<1,000m
Hurricane	Dorian	2019	Southeast, Mid-Atlantic	500+ million
Hurricane	Barry	2019	Southeast, Midwest, Northeast	300+ million
Tropical Storm	Imelda	2019	Plains, Southeast	25+ million
Tropical Storm	Nestor	2019	Southeast	25+ million
Tropical Storm	Olga	2019	Louisiana, Mississippi, Texas and Arkansas	25+ million
Wildfire	Saddleridge Wildfire	10/10/19-10/23/19	Sylmar, Los Angeles, Calimesa, Riverside County, California	<1,000 million
Wildfire	Kincade Wildfire	10/23/19-11/6/19	Northeast of Geyserville, Sonoma County, California	<1,000 million
Severe Convective Storm		2/1/2019 - 2/3/2019	CA	<100m
Severe Convective Storm		2/23/2019 - 2/26/2019	Midwest, Northeastern	<1,000m

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Severe Convective Storm		2/26/2019 - 2/28/2019	CA	<100m
Severe Convective Storm		3/3/2019 - 3/4/2019	Southern	<1,000m
Severe Convective Storm		3/23/2019 - 3/25/2019	Southern	>1,000m
Severe Convective Storm		3/26/2019 - 3/27/2019	FL	<1,000m
Severe Convective Storm		4/5/2019 - 4/7/2019	Southern	<1,000m
Severe Convective Storm		4/12/2019 - 4/15/2019	Midwest, Southeast	<1,000m
Severe Convective Storm		4/17/2019 - 4/20/2019	Southern	<1,000m
Severe Convective Storm		4/23/2019 - 4/25/2019	Southern	<1,000m
Severe Convective Storm		4/30/2019 - 5/2/2019	Midwest, Southern	<1,000m
Severe Convective Storm		5/7/2019 - 5/10/2019	Southern	<1,000m
Severe Convective Storm		5/13/2019	NC	<1,000m
Severe Convective Storm		5/16/2019 - 5/17/2019	Midwest	<1,000m
Severe Convective Storm		5/17/2019 - 5/18/2019	TX	<1,000m
Severe Convective Storm		5/20/2019 - 5/22/2019	Midwest, Southern	<1,000m
Severe Convective Storm		5/24/2019 - 5/25/2019	Southern	<100m
Severe Convective Storm		5/26/2019 - 5/29/2019	Multistate	>1,000m
Severe Convective Storm		6/4/2019 - 6/6/2019	Midwest	<1,000m
Severe Convective Storm		6/9/2019 - 6/10/2019	Southern	<1,000m
Severe Convective Storm		6/15/2019 - 6/16/2019	IN	<100m
Severe Convective Storm		6/16/2019 - 6/17/2019	TX	<1,000m
Severe Convective Storm		6/23/2019 - 6/24/2019	TX	<1,000m
Severe Convective Storm		6/29/2019 - 6/30/2019	IL, NY	<100m
Severe Convective Storm		7/4/2019 - 7/5/2019	CO	<1,000m
Severe Convective Storm		7/7/2019 - 7/8/2019	Southern	<1,000m
Severe Convective Storm		7/17/2019 - 7/18/2019	MN, WY	<1,000m
Severe Convective Storm		7/19/2019 - 7/23/2019	Northeast, Midwest	<1,000m
Severe Convective Storm		7/26/2019 - 7/27/2019	MN	<1,000m
Severe Convective Storm		8/4/2019 - 8/5/2019	MN, WI	<1,000m
Severe Convective Storm		8/6/2019	ND, SD	<1,000m
Severe Convective Storm		8/10/2019 - 8/11/2019	MT	<1,000m
Severe Convective Storm		8/14/2019 - 8/18/2019	Midwest	<1,000m
Severe Convective Storm		8/25/2019 - 8/26/2019	Midwest, South	<1,000m
Severe Convective Storm		9/10/2019 - 9/11/2019	Midwest	<1,000m
Severe Convective Storm		9/27/2019 - 9/28/2019	Midwest	<100m
Severe Convective Storm		10/16/2019 - 10/17/2019	Northeast	<1,000m
Severe Convective Storm		10/20/2019 - 10/21/2019	Southern	>1,000m
Severe Convective Storm		10/26/2019 - 10/27/2019	CA	<100m
Severe Convective Storm		10/31/2019 - 11/1/2019	Northeast, South	<1,000m
Severe Convective Storm		11/19/2019 - 11/21/2019	AZ	<100m
Severe Convective Storm		11/26/2019 - 11/28/2019	Midwest	<1,000m
Tropical Storm	Cristobal	2020	Southeast, Plains, Midwest	150 million
Tropical Storm	Fay	2020	Southeast, Northeast	400 million
Hurricane	Hanna	2020	Texas	350 million
Hurricane	Isaias	2020	Southeast, Mid-Atlantic, Northeast	> 3 billion
Hurricane	Laura	2020	Plains, Southeast, Mid-Atlantic	> 4 billion
Hurricane	Sally	2020	Southeast (Alabama, Mississippi, Louisiana)	> 1 billion
Tropical Storm	Beta	2020	Plains, Southeast	25+ million
Hurricane	Delta	2020	Gulf Coast of United States, Southeast, Northeast (AL, GA, NC, SC, MS, LA, TX)	> 2 billion
Hurricane	Eta	2020	Florida	>1 billion
Hurricane	Zeta	2020	Gulf coast of the United States, Southeastern United States, Mid-Atlantic	> 1.5 billion
Wildfire	Cameron Peak	08/13/20-12/02/20	Roosevelt National Forest, Larimer County, Colorado	~71 million
Wildfire	SCU Lighting Complex Wildfire	8/16/20-9/16/20	San Franciscon Bay Area, Central Valleym Santa Clara, Alameda, Contra Costa, San Joaquin, Merced, Stanislaus	<1,000 million
Wildfire	Beachie Creek Wildfire	8/16/20-10/10/20	Approx. 2 miles south of Jaw Bones flats in rugged terrain deep in the Opal Creek Wilderness.	>1,000 million
Wilfire	CZU Lightning Complex Wildfire	8/16/20-9/22/20	San Mateo and Santa Cruz Counties, California	>1,000 million
Wildfire	LNU Lightning Complex WildFire	8/17/20-10/2/20	Lake, Napa, Sonoma, Solano, and Yolo Counties, California	> 1,000 million
Wildfire	Carmel Fire	8/18/20-9/4/20	Carmel Valley, California	<1,000 milion

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Type of Event	Name	Date	Location	Overall losses when occurred
Wildfire	North Complex Fire	8/18/20-10/12/20	Plumas and Butte Counties, California	<1,000 milion
Wildfire	Creek Fire	9/4/20-10/12/20	Fresno and Madera Counties, California	<1,000 milion
Wildfire	Bobcat Fire	9/6/20-10/23/20	Central San Gabriel Mountains, in and around the Angeles National Forest California	< 1,000 million
Wildfire	Babb Road Fire	9/7/20-9/18/20	Malden and Pine City, Palouse County of Eastern Washington	<1,000 million
Wildfire	Almeda Fire	9/7/20-9/16/20	Jackson County, Oregon	<1,000 milion
Wildfire	Holiday Farm Fire	9/7/20-10/3/20	Willamette National Forest	<1,000 milion
Wildfire	Echo Mountain Complex Fire	9/7/20-9/23/20	north of Lincoln City, Oregon	<100 milion
Wildfire	Riverside FIre	9/8/20-10/3/20	Valley Drive between Misty Ridge Drive and Mitchell Avenue, Oregon	<100 milion
Wildfire	Slater Fire	9/8/20-10-9/20	Northern California and Southern Oregon	<100 million
Wildfire	Glass Fire	9/27/20-10/19/20	Napa and Sonoma Counties, California	> 1,000 million
Wildfire	East Troublesome Fire	10/14/20-11/9/20	Grand County, Colorado	~543 million
Severe Convective Storm		1/10/2020 - 1/12/2020	Midwest, Southern	<1,000m
Severe Convective Storm		2/5/2020 - 2/8/2020	South, Northeast	<1,000m
Severe Convective Storm		2/8/2020 - 2/11/2020	AZ, CA	<100m
Severe Convective Storm		3/2/2020 - 3/4/2020	Midwest, Southern	>1,000m
Severe Convective Storm		3/17/2020 - 3/20/2020	Midwest, Southern	<1,000m
Severe Convective Storm		3/27/2020 - 3/30/2020	Midwest. Southern	>1,000m
Severe Convective Storm		4/7/2020 - 4/9/2020	Northeast, Midwest	>1,000m
Severe Convective Storm		4/10/2020 - 4/14/2020	Northeast, Southern	>1,000m
Severe Convective Storm		4/18/2020 - 4/20/2020	Southern	<1,000m
Severe Convective Storm		4/21/2020 - 4/24/2020	Southern	>1,000m
Severe Convective Storm		4/24/2020 - 4/26/2020	Southern	<1,000m
Severe Convective Storm		4/27/2020 - 4/30/2020	South, Northeast	<1,000m
Severe Convective Storm		5/2/2020 - 5/3/2020	Southern	<1,000m
Severe Convective Storm		5/4/2020 - 5/5/2020	Southern	>1,000m
Severe Convective Storm		5/7/2020 - 5/8/2020	Southern	<1,000m
Severe Convective Storm		5/13/2020 - 5/15/2020	Midwest, Northeast	<1,000m
Severe Convective Storm		5/16/2020 - 5/21/2020	South, Northeast	<1,000m
Severe Convective Storm		5/20/2020 - 5/24/2020	Southern	>1,000m
Severe Convective Storm		5/25/2020 - 5/26/2020	TX	<100m
Severe Convective Storm		5/27/2020 - 5/28/2020	TX	>1,000m
Severe Convective Storm		6/2/2020 - 6/3/2020	Northeast	<1,000m
Severe Convective Storm		6/4/2020	SD	<1,000m
Severe Convective Storm		6/5/2020 - 6/11/2020	Midwest	<1,000m
Severe Convective Storm		6/6/2020 - 6/9/2020	Southern	<1,000m
Severe Convective Storm		6/19/2020 - 6/21/2020	TX	<1,000m
Severe Convective Storm		7/5/2020 - 7/7/2020	Northeast	<1,000m
Severe Convective Storm		7/10/2020 - 7/12/2020	Midwest	<1,000m
Severe Convective Storm		7/17/2020 - 7/19/2020	Midwest	<1,000m
Severe Convective Storm		7/25/2020 - 7/27/2020	TX	<1,000m
Severe Convective Storm		8/4/2020 - 8/5/2020	CO	<1,000m
Severe Convective Storm		8/8/2020 - 8/11/2020	Midwest	>1,000m
Severe Convective Storm		8/13/2020 - 8/17/2020	Midwest, Southern	<1,000m
Severe Convective Storm		8/26/2020 - 8/28/2020	Northeast	<1,000m
Severe Convective Storm		8/29/2020 - 8/30/2020	TX	<100m
Severe Convective Storm		9/5/2020 - 9/6/2020	IA, MN	<1,000m
Severe Convective Storm		9/7/2020 - 9/9/2020	ID, UT	<1,000m
Severe Convective Storm		10/7/2020 - 10/8/2020	Northeast	<1,000m
Severe Convective Storm		10/25/2020 - 10/28/2020	CA, OK	<1,000m
Severe Convective Storm		11/10/2020 - 11/12/2020	Midwest, Southern	<1,000m
Severe Convective Storm		11/15/2020 - 11/16/2020	Northeast	<1,000m
Severe Convective Storm		11/30/2020 - 12/1/2020	Northeast	<100m
Tropical Storm	Claudette	2021	Gulf Coast of the United States, Georgia, Carolinas	> 350 million
Hurricane	Elsa	2021	East Coast of the United States	1.2 billion
Tropical Storm	Fred	2021	Eastern United States (particularly Florida and North Carolina)	1.3 billion
Hurricane	Henri	2021	Northeastern United States	550 million

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Type of Event	Name	Date	Location	Overall losses when occurred
Hurricane	Ida	2021	Gulf Coast of the United States (especially Louisana), East Coast of the United States (especially the Northeastern United States)	44 billion
Tropical Storm	Nicholas	2021	LA, TX	>1.1b
Tropical Storm	Wanda	2021	Southern United States, Mid-Atlantic United States, Northeastern United States	>200 million
Wildfire	Bootleg Wildfire	7/17/21-8/6/21	Northwest of Beatty, Oregon	<1,000 million
Wildfire	Dixie Wildfire	7/14/21-10/5/21	Butte, Plumas, Tehama, Lassen and Shasta Counties, California	>1,000 million
Wildfire	Caldor Fire	8/14/21-10/5/21	El Dorado National Forest and other areas of the Sierra Nevada in El Dorado, Amador, and Alpine County, Calfornia	<1,000 million
Wildfire	Corkscrew Fire	8/15/21-8/30/21	Ford, WA; Tum Tum, Springdale, City of Deer Park, Loon Lake, Clayton, H395, Scoop Mt	<100 million
Wilfire	Marshall Fire	12/30/21-1/1/22	Boulder County, Colorado	~ 2 billion
Severe Convective Storm		1/11/2021 - 1/13/2021	Western	<1,000m
Severe Convective Storm		1/17/2021 - 1/20/2021	CA	<1,000m
Severe Convective Storm		1/25/2021 - 1/26/2021	Southern	<100m
Severe Convective Storm		1/24/2021 - 1/29/2021	AZ, CA	<1,000m
Severe Convective Storm		2/25/2021 - 2/26/2021	TX	<1,000m
Severe Convective Storm		3/9/2021 - 3/11/2021	MN	<100m
Severe Convective Storm		3/9/2021 - 3/11/2021	Midwest, Southern	<1,000m
Severe Convective Storm		3/22/2021 - 3/23/2021	TX	<1,000m
Severe Convective Storm		3/24/2021 - 3/26/2021	Northeast, Midwest	>1,000m
Severe Convective Storm		3/27/2021 - 3/29/2021	Northeast, Midwest, Southern	<1,000m
Severe Convective Storm		4/6/2021 - 4/8/2021	TX	<1,000m
Severe Convective Storm		4/9/2021 - 4/11/2021	Southern	<1,000m
Severe Convective Storm		4/9/2021 - 4/14/2021	LA, TX	<1,000m
Severe Convective Storm		4/15/2021 - 4/16/2021	TX	>1,000m
Severe Convective Storm		4/27/2021 - 5/2/2021	Southern, Northeast	>1,000m
Severe Convective Storm		5/3/2021 - 5/4/2021	Southern, Northeast	<1,000m
Severe Convective Storm		5/7/2021 - 5/11/2021	Southern, Midwest	<1,000m
Severe Convective Storm		5/14/2021 - 5/19/2021	Southern, Midwest	<1,000m
Severe Convective Storm		5/26/2021 - 5/28/2021	South, Northeast	<1,000m
Severe Convective Storm		5/25/2021 - 5/26/2021	Northeast	<1,000m
Severe Convective Storm		5/29/2021 - 5/31/2021	Midwest	<1,000m
Severe Convective Storm		6/7/2021 - 6/9/2021	TX	<100m
Severe Convective Storm		6/11/2021 - 6/14/2021	Midwest, Northeast	<1,000m
Severe Convective Storm		6/17/2021 - 6/20/2021	Midwest, Northeast	>1,000m
Severe Convective Storm		6/24/2021 - 7/1/2021	Midwest	<1,000m
Severe Convective Storm		7/8/2021 - 7/10/2021	Midwest	<1,000m
Severe Convective Storm		7/9/2021 - 7/11/2021	Southern	<1,000m
Severe Convective Storm		7/22/2021 - 7/25/2021	AZ, NM	<1,000m
Severe Convective Storm		7/24/2021	MI	<100m
Severe Convective Storm		7/26/2021 - 7/27/2021	MN, WI	<1,000m
Severe Convective Storm		7/28/2021 - 7/29/2021	Midwest, Northeast	<1,000m
Severe Convective Storm		8/1/2021	TX	<100m
Severe Convective Storm		8/7/2021 -8/9/2021	Midwest	<100m
Severe Convective Storm		8/10/2021 - 8/13/2021	Midwest, Northeast	<1,000m
Severe Convective Storm		8/10/2021 - 8/16/2021	AZ	<1,000m
Severe Convective Storm		8/17/2021 - 8/19/2021	Western	<1,000m
Severe Convective Storm		8/21/2021 - 8/22/2021	TN	<100m
Severe Convective Storm		8/26/2021 - 8/28/2021	Midwest	<1,000m
Severe Convective Storm		9/6/2021 - 9/7/2021	Midwest	<1,000m
Severe Convective Storm		9/15/2021 - 9/17/2021	Midwest	<100m
Severe Convective Storm		9/24/2021 - 9/29/2021	Southern	<100m
Severe Convective Storm		9/30/2021 - 10/2/2021	TX	<100m
Severe Convective Storm		10/4/2021 - 10/7/2021	Southern	<1,000m
Severe Convective Storm		10/10/2021 - 10/11/2021	Southern	<1,000m
Severe Convective Storm		10/10/2021 - 10/12/2021	Western	<100m
Severe Convective Storm		10/24/2021 - 10/28/2021	Western, Southern	<1,000m
Severe Convective Storm		10/24/2021 - 10/25/2021	Midwest	<100m

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U.S. List of Catastrophes for Use in Reporting catastrophe Data in PR036 and PR100+

Type of Event	Name	Date	Location	Overall losses when occurred
Severe Convective Storm		10/24/2021 - 10/25/2021	Northeast	<100m
Severe Convective Storm		11/11/2021 - 11/13/2021	WA	<100m
Severe Convective Storm		11/14/2021 - 11/16/2021	TX	<100m
Severe Convective Storm		11/10/2021 - 11/11/2021	TX	<100m
Severe Convective Storm		12/10/2021 - 12/11/2021	South, Eastern, Central	>1,000m
Severe Convective Storm		12/13/2021 - 12/16/2021	TX	>1,000m
Severe Convective Storm		12/17/2021 - 12/18/2021	TX	<100m
Severe Convective Storm		12/21/2021	FL	<100m
Wildfire	Calf Canyon/Hermits Peak Fire	4/6/22-8/22/22	San Miguel County, Mora County, Taos County	> 25 million
Wildfire	McKinney Fire	7/29/22-9/7/222	Siskiyou County, Northern California	> 25 million
Wildfire	Cedar Creek Fire	8/1/22-present	Central Oregon	> 25 million
Wildfire	Mosquito Fire	9/6/22- present	Northern California, Placer County, El Dorado County	> 25 million
Hurricane	Hurricane Fiona	9/18/22-9/20/22	PR	>3 billion
Hurricane	Ian	9/23/22-10/2/22	Florida and the Carolinas, FL, GA, NC, SC, VA	>110 billion
Hurricane	Hurricane Nicole	11/9/22-11/11/22	FL, GA, SC	>1 billion
Severe Convective Storm		1/21/2022 - 1/22/2022	GA, SC	>25m
Severe Convective Storm		2/21/2022 - 2/22/2022	MO, KY	>500m
Severe Convective Storm		3/5/2022 - 3/7/2022	MO, IA, IL, WI, IN	>250m
Severe Convective Storm		3/11/2022 - 3/13/2022	FL, GA	>50m
Severe Convective Storm		3/14/2022 - 3/16/2022	TX, FL, GA, SC	>100m
Severe Convective Storm	New Orleans Tornado	3/21/2022 - 3/23/2022	TX, LA, MS, AL, OK	>250m
Severe Convective Storm		3/29/2022 - 3/31/2022	TX, OK, AR, LA, AL, MS, FL, TN	>500m
Severe Convective Storm		4/2/2022 - 4/4/2022	MS, LA, AR, TX, OK	>50m
Severe Convective Storm		4/3/2022 - 4/7/2022	MS, AL, GA, FL, SC, NC, TN	>500m
Severe Convective Storm		4/10/2022 - 4/14/2022	MO, AR, TX, LA, IA, NE, KS, MS, AL, TN, KY, MN, WI	>1b
Severe Convective Storm		4/15/2022 - 4/17/2022	AR, MS, LA, FL, AL	>250m
Severe Convective Storm		4/21/2022 - 4/24/2022	TX, OK, KS, NE, SD, IA	>250m
Severe Convective Storm	Andover Tornado	4/26/2022 - 4/30/2022	NC, VA, KS, MO, NE, OK	>100m
Severe Convective Storm	Tornadoes, Hail	5/1/2022 - 5/3/2022	TX, OK, AR, KS, KY, OH,	>500m
Severe Convective Storm	Tornadoes, Hail	5/4/2022 - 5/6/2022	TX, OK, MS, FL, GA, SC, NC, VA, TN, KY	>250m
Severe Convective Storm	Thunderstorms, Hail	5/9/2022 - 5/10/2022	MN, WI, TX	>1b
Severe Convective Storm	Upper Midwest Derecho	5/11/2022 - 5/12/2022	ND, SD, MN, IA, NE	>1b
Severe Convective Storm	Tornadoes, Hail	5/13/2022 - 5/16/2022	IL, MO, TX, OK, KA, NE, NC, NY, NH, CO	>250m
Severe Convective Storm	Tornadoes, Hail	5/17/2022 - 5/19/2022	KS, NE, OK, MO, IL, KY	>25m
Severe Convective Storm		5/19/2022 - 5/22/2022	MN, WI, MI, IN, OH, AR, TX	>1b
Severe Convective Storm	Tornadoes, Hail	5/23/2022 - 5/25/2022	TX, NC, SC, MS, IL	>50m
Severe Convective Storm	Tornadom, Hail	5/29/2022	NE, SD, MN	>25m
Severe Convective Storm	Tornadoes, Hail	5/30/2022 - 6/2/2022	MN, IA, NE, SD, KS, OK, TX, VA, OH	>250m
Severe Convective Storm		6/1/2022 - 6/3/2022	NM, CO, TX	>25m
Severe Convective Storm	Tornadoes, Hail	6/4/2022 - 6/8/2022	KS, NE, MO, IN, OH, OK, AR, TX	>1b
Severe Convective Storm	Tornadoes, Hail	6/11/2022 - 6/17/2022	KS, NE, SD, MN, OH, KY, MI, IN, WI, VA, NC, SC	>1b
Severe Convective Storm	Tornadoes, Hail	6/22/2022 - 6/23/2022	OH, KS, MN, KY, ND, SD	>25m
Severe Convective Storm	South Dakota Derecho	7/1/2022 - 7/7/2022		>250m
Severe Convective Storm		7/7/2022 - 7/13/2022	MT, ND, SD, MN, NE, IA	>250m
Severe Convective Storm		7/21/2022 - 7/25/2022	ND, SD, NE, KS, IL, IN, OH, WI, IA, MN, MI	>500m
Severe Convective Storm		8/1/2022 - 8/4/2022	WV, PA, IL, WI, MN, MI, MD	>25m
Severe Convective Storm		8/11/2022 - 8/12/2022	WA, OR, ID, MT	>25m
Severe Convective Storm		8/20/2022 - 8/21/2022	IA, IL, IN, OH, MO	>250m
Severe Convective Storm		8/27/2022 - 8/29/2022	MN, IA, IL, MI	>25m
Severe Convective Storm		8/28/2022 - 9/6/2022	TX, OK, KS	>100m
Severe Convective Storm		9/18/2022 - 9/21/2022	IL, MO, IA, WI, MI	>250m
Severe Convective Storm		10/1/2022 - 10/4/2022	CO, UT, AZ	>25m
Severe Convective Storm		10/15/2022 - 10/26/2022	OK, AR, NE, ND, MN	>100m
Severe Convective Storm		10/24/2022 - 10/25/2022	TX	>100m
Severe Convective Storm	Southern Plains Tornadoes	11/4/2022 - 11/5/2022	TX, LA, OK, AR	>100m
Severe Convective Storm		11/4/2022 - 11/5/2022	WI, IA, IL	>25m
Severe Convective Storm		11/11/2022	TX, VA	>25m

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Severe Convective Storm	Western PA Hail	11/27/2022	PA	>25m
Severe Convective Storm		11/29/2022 - 11/30/2022	LA, MS, AL, GA, FL, AR, TN, KY	>25m
Severe Convective Storm	Mid-December Tornadoes	12/13/2022 - 12/14/2022	TX, OK, LA, AR, MS, AL, FL, GA	>100m
Wildfire	Hawaii Wildfire	8/8/23-8/17/23	Hawaii	> 25 million
Hurricane	Hurricane Hilary	8/17/23-8/22/23	West, Southwest United States	> 25 million
Wildfire	Washington Wildfire	8/18/23-8/22/23	Washington	> 25 million
Hurricane	Hurricane Idalia	8/27/23-8/31/23	Southeastern United States	> 25 million
Hurricane	Hurricane Lee	9/14/23-9/17/23	Northeast United States	> 25 million
Tropical Storm	Ophelia	9/22/23-9/26/23	East Coast of the United States	> 25 million
Severe Convective Storm	Selma Tornado	1/12/2023	MS, AL, GA, TN, KY, NC, SC	>250m
Severe Convective Storm	Houston Tornado	1/24/2023	TX, LA	>100m
Severe Convective Storm		2/7/2023	TX, LA, MS	>100m
Severe Convective Storm		2/15/2023 - 2/17/2023	OK, AR, MO, MS, TN	>100m
Severe Convective Storm	Southern Plains Derecho	2/26/2023 - 2/28/2023	TX, OK, KS, MO, IL, IN, OH	>250m
Severe Convective Storm		3/1/2023 - 3/3/2023	TX, AR, OK, LA, KY, IN, OH	>1b
Severe Convective Storm	Dallas Hail	3/16/2023 - 3/17/2023	TX, OK	>250m
Severe Convective Storm	Mississippi Tornado	3/23/2023 - 3/28/2023	TX, OK, MO, IL, AR, TN, MS, AL, GA, LA	>1b
Severe Convective Storm		3/30/2023 - 4/1/2023	NE, IA, MO, IL, WI, AR, TN, KY, IN, OH, MI, NJ, MD	>1b
Severe Convective Storm		4/2/2023	TX, LA, MS	>25m
Severe Convective Storm		4/3/2023 - 4/5/2023	IA, WI, IL, MO, KY, IN, OH, TX	>1b
Severe Convective Storm	Missouri Tornadoes	4/14/2023 - 4/16/2023	KS, NE, MO, IL, AR, TX, LA	>250m
Severe Convective Storm	Oklahoma Tornadoes	4/18/2023 - 4/22/2023	KS, NE, IA, WI, IL, OK, TX	>1b
Severe Convective Storm		4/23/2023 - 4/27/2023	TX, FL	>500m
Severe Convective Storm		4/28/2023 - 5/1/2023	TX	>500m
Severe Convective Storm		5/2/2023 -5/9/2023	TX, NE, MO, IL, IA, IL, KY, KS	>1b
Severe Convective Storm		5/9/2023 - 5/16/2023	CO, KS, TX, OK, LA, NE, IA, KY	>1b
Severe Convective Storm		5/17/2023 - 5/20/2023	TX	>1b
Severe Convective Storm		5/22/2023 - 5/26/2023	TX, NM, CO	>250m
Severe Convective Storm		5/23/2023 - 5/25/2023	ID, MT	>25m
Severe Convective Storm		5/31/2023 - 6/4/2023	NM, TX, TN, PA	>100m
Severe Convective Storm		6/5/2023 - 6/8/2023	KS, TX, TN, VA	>100m
Severe Convective Storm		6/9/2023 - 6/14/2023	TX, OK, AR, MS, AL, TN, GA, LA	>1b
Severe Convective Storm		6/15/2023 - 6/19/2023	TX, OK, LA, AMS, AL, FL, KS, AR, MO	>1b
Severe Convective Storm		6/15/2023 - 6/16/2023	OH, MI, VA	>250m
Severe Convective Storm		6/21/2023 - 6/26/2023	TX, CO, NM, WY, NE, SD, IA, MN, AR, IN, KY	>3b
Severe Convective Storm	Midwest Derecho	6/28/2023 - 7/4/2023	CO, KS, NE, IL, MO, IA, IN, KY, PA	>1b
Severe Convective Storm		7/3/2023 - 7/9/2023	SC, NC, VA	>250m
Severe Convective Storm		7/5/2023 - 7/10/2023	TX, OK, CO, KS, NE	>1b
Severe Convective Storm	Illinois Tornadoes	7/9/2023 - 7/14/2023	NE, IA, SD, IL, MI, MN	>500m
Severe Convective Storm		7/15/2023 - 7/19/2023	KS, MO, NE	>250m
Severe Convective Storm		7/19/2023 - 7/21/2023	MI, OH, PA, TN, AL	>1b
Severe Convective Storm		7/19/2023 - 7/20/2023	MN	>25m
Severe Convective Storm		7/25/2023 - 7/31/2023	MN, WI, IA, IL, IN, OH, MO, KS, NE	>500m
Severe Convective Storm	Arizona Duststorm	7/25/2023 - 7/30/2023	NY, NH, VT, PA, MA	>25m
Severe Convective Storm		8/4/2023 - 8/8/2023	MO, KS, CO, IL, NC, PA, NE	>500m
Severe Convective Storm		8/10/2023 - 8/11/2023	SD, NE, MN, IA, MO, WI, MI	>1b
Severe Convective Storm		8/12/2023 - 8/15/2023	OH, PA, NY, KY, TN, NC, SC, GA	>25m
Severe Convective Storm		8/22/2023 - 8/24/2023	MI, OH,PA	>250m
Severe Convective Storm		8/31/2023 - 9/2/2023	AZ, CA, NV	>25m
Severe Convective Storm		9/9/2023 - 9/11/2023	KS, NE, TX, OK	>250m
Severe Convective Storm		9/12/2023 - 9/14/2023	TX	>25m
Severe Convective Storm		9/23/2023 - 9/24/2023	MN, SD, NE, KS, MO, OK, TX	>500m
Severe Convective Storm		9/26/2023 - 9/27/2023	MO, IL, KY	>25m
Severe Convective Storm		10/2/2023 - 10/5/2023	TX, KS, NE, OK	>250m
Severe Convective Storm		10/23/2023 - 10/24/2023	WI, MN	>100m
Severe Convective Storm	Tornados	10/24/2023 - 10/26/2023	TX	>100m
Severe Convective Storm	Tornadoes, Hail	12/8/2023 - 12/10/2023	LA, TN, KY, MS, AL, FL, NC	>250m

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Type of Event	Name	Date	Location	Overall losses when occurred
Severe Convective Storm		1/8/24-1/10/24	Multistate	> 25 million
Winter Storm		1/11/24-1/18/24	Multistate	> 25 million
Severe Convective Storm		1/19/24-1/22/24	Multistate	> 25 million
Severe Convective Storm	Jan Southern SCS	1/22/24-1/26/24	Multistate	> 25 million
Severe Convective Storm	Early Feb Outbreak	2/8/24-2/13/24	Midwest, Southeast	> 25 million
Severe Convective Storm	Polar Front & SCS	2/26/24-2/29/24	Multistate	> 25 million
Severe Convective Storm	Western US Storm	2/28/24-3/4/24	Multistate	> 25 million
Wildfire	Smokehouse Creek Fire	2/26/24-3/9/24	Texas	> 25 million
Severe Convective Storm		2/28/24-3/2/24	Ohio, Pennsylvania	> 25 million
Severe Convective Storm	Early March Storm Complex	3/6/24-3/11/24	Southeast, Midwest	> 25 million
Winter Storm	Colorado Snow Storm	3/13/24-3/15/24	Colorado	> 25 million
Severe Convective Storm	Mid-March SCS Outbreak	3/12/24-3/17/24	Northeast	> 25 million
Severe Convective Storm	San Antonio Hail & SCS	3/21/24-3/23/24	Texas	> 25 million
Severe Convective Storm	Late March Southern SCS	3/24/24-3/28/24	California, Southeast	> 25 million
Severe Convective Storm	Early April Outbreak	3/31/24-4/4/24	California, Midwest	> 25 million
Severe Convective Storm	Southern SCS & Floods	4/6/24-4/12/24	Multistate	> 25 million
Severe Convective Storm	April Mid-Atlantic SCS	4/14/24-4/16/24	US	> 25 million
Severe Convective Storm	April Plains & Midwest SCS	4/15/24-4/16/24	Texas, Missouri	> 25 million
Severe Convective Storm	Central & Eastern Outbreak	4/17/24-4/20/24	Southeast	> 25 million
Severe Convective Storm	Texas April SCS	4/19/24-4/21/24	Texas	> 25 million
Severe Convective Storm	Late April Central SCS	4/25/24-4/29/24	Midwest, Southwest	> 25 million
Severe Convective Storm	Early May Hail	4/30/24-5/2/24	Kansas, Oklahoma, Texas	> 25 million
Severe Convective Storm	Texas SCS	5/3/24-5/5/24	Texas	> 25 million
Severe Convective Storm	Early May SCS	5/6/24-5/10/24	Multistate	> 25 million
Severe Convective Storm	Southern SCS	5/11/24-5/14/24	Southwest, Southeast	> 25 million
Severe Convective Storm	Houston Derecho	5/15/24-5/19/24	Southwest, Southeast	> 25 million
Severe Convective Storm	Mid-May SCS	5/17/24-5/22/24	Multistate	> 25 million
Severe Convective Storm	Late May Plains Outbreak	5/23/24-5/24/24	Southwest, Midwest	> 25 million
Severe Convective Storm	Late May Central & East SCS	5/25/24-5/26/24	Multistate	> 25 million
Severe Convective Storm	Dallas SCS	5/27/24-5/29/24	Southwest	> 25 million
Severe Convective Storm	Denver SCS	5/30/24-6/1/24	Southwest, Southeast	> 25 million
Severe Convective Storm	TX Hail & MD Tornadoes	6/2/24-6/5/24	Multistate	> 25 million
Severe Convective Storm	Early June Outbreak	6/6/24-6/10/24	Multistate	> 25 million
Severe Convective Storm	Colorado June SCS	6/9/24-6/10/24	Colorado	> 25 million
Severe Convective Storm	Midwest Mid-June Outbreak	6/12/24-6/13/24	Southwest, Midwest	> 25 million
Severe Convective Storm	Central & East Mid-June SCS	6/14/24-6/18/24	Multistate	> 25 million
Wildfire	South Fork & Salt fires	6/17/24-6/25/24	New Mexico	> 25 million
Severe Convective Storm	Central & East Late-June SCS	6/19/24-6/23/24	Multistate	> 25 million
Tropical Storm	Trophical Storm Alberto	6/19/24-6/20/24	Texas, Louisiana	> 25 million
Severe Convective Storm		6/24/24-6/26/24	Multistate	> 25 million
Severe Convective Storm	US Lat-June Outbreak	6/27/24-6/30/24	Multistate	> 25 million
Severe Convective Storm	Early July Plains Outbreak	7/1/24-7/4/24	Multistate	> 25 million
Severe Convective Storm	Southeast SCS	7/1/24-7/4/24	Multistate	> 25 million
Hurricane	Hurricane Beryl	7/1/24-7/12/24	Texas, Louisiana, the Ohio Valley, and the Lower Peninsula of Michigan	> 25 million
Severe Convective Storm	Early July Central Outbreak	7/6/24-7/7/24	Multistate	> 25 million
Severe Convective Storm	Chicago Derecho & SCS	7/13/24-7/18/24	Multistate	> 25 million
Severe Convective Storm	Arizon Monsoon SCS	7/14/24-7/15/24	Arizona	> 25 million
Severe Convective Storm	Late July Central Outbreak	7/19/24-7/20/24	Multistate	> 25 million
Severe Convective Storm	July Southwest Monsoon	7/15/24-7/21/24	Multistate	> 25 million
Severe Convective Storm	Late July US SCS Outbreak	7/24/24-8/1/24	Multistate	> 25 million
Wildfire	Park Fire California	7/24/24-8/20/24	California	> 25 million
Severe Convective Storm	Early Aug Eastern Outbreak	8/2/24-8/3/24	Multistate	> 25 million
Severe Convective Storm	Minnesota Aug SCS	8/3/24-8/5/24	Minnesota	> 25 million
Hurricane	Hurricane Debby	8/3/24-8/14/24	Florida, Georgia, and the Carolinas	> 25 million
Severe Convective Storm	Northeast July SCS	8/4/24-8/6/24	Northeast	> 25 million
Severe Convective Storm	Mid August SCS	8/12/24-8/19/24	Multistate	> 25 million
Severe Convective Storm	August Northern Outbreak	8/22/24-8/30/24	Multistate	> 25 million

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Hurricane	Hurricane Francine	9/9/24-9/14/24	Mississippi and Louisiana	> 25 million
Severe Convective Storm	Oklahoma City Hail & SCS	9/21/24-9/24/24	Oklahoma	> 25 million
Hurricane	Hurricane Helene	9/24/24-9/29/24	Florida, Carolinas, Georgia, Alabama, Tennessee, Kentucky, Virginia, West Virginia, Illinois, Indiana, Ohio	> 25 million
Hurricane	Hurricane Milton	10/5/24-10/12/24	Florida, Georgia	> 25 million
Severe Convective Storm		11/2/24-11/4/24	South Central US	>25 million
Wildfire	Wildland Fire Mountain Fire	11/6/24-11/14/24	California	>25 million
Winter storm		11/19/25-11/24/24	Multistate	>25 million
Wind and thunderstorm		12/13/24-12/16/24	Northeast, West Coast	>25 million
Wind and thunderstorm		12/26/24-12/29/24	South	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	1/5/2025	Arkansas, Louisiana, Alabama	>25 million
Wildfire	Palisades Fire	1/7/25-1/28/25	California	>1 billion
Wildfire	Eaton Fire	1/7/25-1/27/25	California	>1 billion
Severe Convective Storm	Wind	1/7/25-1/9/25	California	>25 million
Severe Convective Storm	Flooding, Freezing, Ice, Snow, Wind	1/9/25-1/11/25	Georgia, Texas	>25 million
Severe Convective Storm	Flooding, Snow, Wind	1/11/25-1/13/25	Alaska	>25 million
Severe Convective Storm	Flooding, Freezing, Ice, Snow, Wind	1/20/25-1/22/25	Florida, Georgia, Louisiana, Texas	>25 million
Severe Convective Storm	Flooding, Freezing, Ice, Snow, Wind	1/21/25-1/25/25	Illinois, Maryland, New Jersey, Pennsylvania, Ohio, Virginia	>25 million
Severe Convective Storm	Flooding, Snow, Wind	1/30/25-2/7/25	California, Nevada, Oregon, Washington	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	2/5/25-2/7/25	Kentucky, Tennesse	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	2/11/25-2/13/25	Virginia	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	2/12/25-2/17/25	Alabama, California, Conneticut, Georgia, Kentucky, Massachusetts, Maryland, North Carolina, New Jersey, New York, Pennsylvainia, Tennesse	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	2/15/25-2/16/25	Louisiana, Mississippi, Alabama, Georgia, Tennesse, North Carolina, South Carolina	>25 million
Severe Convective Storm		2/21/25-2/25/25	California, Oregon, Washington	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	3/3/25-3/6/25	Oklahoma, Texas, Louisiana, Mississippi, Alabama, Georgia, Tennesse, North Carolina, Virginia	>25 million
Severe Convective Storm		3/7/25-3/10/25	Florida, Georgia, Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	3/14/25-3/17/25	Missouri, Iowa, Illinois, Indiana, Alabama, Louisiana, Mississippi, Tennesse, West Virginia, Pennsylvania, New York, Ohio	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	3/18/25-3/20/25	Arkansas, Illinois, Indiana, Missouri, Nebraska, New Mexico, Texas	>25 million
Severe Convective Storm	Hail	3/23/25-3/24/25	Texas, Louisiana, Mississippi, Alabama, Tennesse	>25 million
Severe Convective Storm		3/25/25-3/27/25	Texas	>25 million
Severe Convective Storm		3/28/25-3/31/25	Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Michigan, Missouri, Ohio, Tennesse, Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	4/1/25-4/7/25	Texas, Oklahoma, Kansas, Nebraska, Missouri, Arkansas,Louisiana, Mississippi, Tennesse, Kentucky, Illinois, Indiana, Michigan, Ohio, West Virginia, Georgia, Alabama, South Carolina, North Carolina	>25 million
Severe Convective Storm	Wind, Hail	4/10/25-4/11/25	Tennesse, Alabama, Georgia	>25 million
Severe Convective Storm	Wind, Hail	4/14/25-4/15/25	Kentucky, West Virginia, Virginia	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	4/16/25-4/21/25	Nebraska, Iowa, Missouri, Wisconsin, Oklahoma, Texas, Illinois	>25 million
Severe Convective Storm		4/21/25-4/26/25	Iowa, Kansas, Louisiana, Nebraska, New Mexico, Oklahoma, Texas	>25 million
Severe Convective Storm		4/27/25-5/1/25	Kansas, Missouri, New York, Ohio, Oklahoma, Pennsylvania, Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	5/1/25-5/3/25	Nebraska, Minnesota, Wisconsin, Texas, Oklahoma, Kansas, Missouri, Ohio, Pennsylvania, Illinois, Arkansas, Tennesse, Mississippi, Alabama, Kentucky, Georgia, New Jersey, New York, Massachusetts, Conneticut	>25 million
Severe Convective Storm	Wind, Thunderstorms, Hail	5/4/25-5/8/25	Texas, Louisiana	>25 million
Severe Convective Storm	Wind, Thunderstorms, Hail	5/9/25-5/14/25	Alabama, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Virginia	>25 million
Severe Convective Storm		5/15/25-5/16/25	Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, Texas, Virginia, Wisconsin	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	5/17/25-5/20/25	Alabama, Arkansas, Georgia, Kansas, Missouri, Mississippi, Oklahoma, Tennesse, Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	5/22/25-5/27/25	Texas, Oklahoma, Mississippi Tennesse, Alabama, Georgia, Louisiana	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes	5/28/25-5/30/25	West Virginia, Virginia, South Carolina	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	6/1/25-6/7/25	Texas, Colorado, Kansas, Oklahoma, Nebraska, Iowa, Minnesota, Missouri, Illinois	>25 million

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Type of Event	Name	Date	Location	Overall losses when occurred
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	6/5/25-6/8/25	Texas, Oklahoma, Arkansas, Tennesse, Alabama, Mississippi, Georgia, South Carolina, Virginia, Missouri	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	6/8/25-6/12/25	Illinois, Texas	>25 million
Wildfire	Rowena Fire	6/11/25-6/30/25	Oregon	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	6/15/25-6/20/25	Montana, Minnesota, South Dakota, Nebraska, Kansas, Oklahoma, Illinois, Indiana, Ohio, West Virginia, Virginia, Maryland, North Dakota	>25 million
Severe Convective Storm	Wind, Thunderstorms, Hail	6/23/25-6/26/25	Georgia, South Carolina, North Carolina, Florida	>25 million
Severe Convective Storm	Wind, Thunderstorms, Hail	6/27/25-7/3/25	Pennsylvania, New York, New Jersey, Conneticut, Vermont, New Hampshire	>25 million
Severe Convective Storm		7/3/25-7/7/25	Texas	>25 million
Severe Convective Storm		7/4/25-7/7/25	Colorado	>25 million
Tropical Storm	Tropical Storm Chantal	7/5/25-7/7/25	Florida, North Carolina, Virginia	500 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	7/8/25-7/13/25	Texas, Oklahoma, Virginia, Maryland, Deleware, New Jersey, Pennsylvania, South Carolina, Niorth Dakota, South Dakota, Missouri, Iowa,Illinois	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	7/14/25-7/19/25	Nebraska, South Dakota	>25 million
Severe Convective Storm		7/20/25-7/30/25	Florida, Georgia, Illinois, Maryland, Michigan, North Carolina, New Jersey, Ohio, Texas, Virginia	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	7/26/25-7/30/25	Minnesota, Iowa, South Dakota, Nebraska	>25 million
Severe Convective Storm		7/31/25-8/3/25	Texas, Wyoming	>25 million
Severe Convective Storm	Wind, Thunderstorm, Hail	8/4/25-8/12/25	North Dakota, Montana, Nebraska, Kansas, Colorado, Wisconsin	>25 million
Severe Convective Storm	Wind, Thunderstorm, Hail	8/14/25-8/20/25	South Dakota, Minnesota, Iowa, Wisconsin, Illinois	>25 million
Wildfire	TCU September Lightning Complex	9/2/25-9/13/2025	California	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	9/3/25-9/5/25	Kansas, Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	9/6/2025	Massachusetts, Conneticut, New Hampshire, New York	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	9/8/25-9/9/25	Texas, Oklahoma, Kansas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	9/14/2025	North Dakota, South Dakota, Nebraska	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	9/15/25-9/21/25	Minnesota, Nebraska, Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	9/25/25-9/28/25	Arizona	>25 million
Severe Convective Storm		10/11/25-10/13/25	Arizona	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	10/11/25-10/14/25	Conneticut, Massachusetts, North Carolina, New Jersey, New York, South Carolina, Virginia	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	10/18/2025	Louisiana, Mississippi	>25 million
Severe Convective Storm	Wind, Thunderstorms, Tornadoes, Hail	10/23/25-10/26/25	Texas, Oklahoma, Florida	>25 million
Severe Convective Storm	Wind, Rain, Hail	10/30/25-11/6/25	New York, New Jersey, Connecticut	>25 million
Severe Convective Storm	Wind, Rain, Hail	11/3/25-11/6/25	Texas	>25 million
Severe Convective Storm	Wind, Thunderstorms, Hail	11/13/25-11/20/25	California, Nevada, Arizona, Texas, Missouri, Oklahoma	>25 million
Severe Convective Storm	Earth Movement, Flooding, Snow, Wind	12/4/25-12/13/25	California, Oregon, Washington	>25 million
Severe Convective Storm	Flooding, Snow, Wind	12/16/25-12/19/25	Idaho, Montana, Tennessee,Virginia, Kentucky, North Carolina, Pennsylvania, New Jersey, New York, Conneticut	>25 million
Severe Convective Storm	Earth Movement, Flooding, Tornadoes, Wind	12/23/25-12/25/25	California	>25 million
Severe Convective Storm	Winter Strom, Tornadoes	12/28/25-12/31/25	New York, Illinois, Michigan, Indiana, Wisconsin, Ohio	>25 million

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2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Tropical Cyclone	02/16/16	02/22/16	TC Winston		South Pacific Islands	N/A	N/A	> 25 million
2016	Earthquake	02/06/16		Earthquake	Taiwan	Asia	N/A	N/A	> 25 million
2016	Earthquake	01/03/16		Kaohsiung EQ	India, Bangladesh, Myanmar	Asia	N/A	N/A	> 25 million
2016	Earthquake	02/14/16		Christchurch EQ	New Zealand	Oceania	N/A	N/A	> 25 million
2016	Earthquake	04/14/16	04/16/16	Kumamoto EQs	Japan	Asia	N/A	N/A	> 25 million
2016	Earthquake	04/16/16		Ecuador EQ	Ecuador	South America	N/A	N/A	> 25 million
2016	Tropical Cyclone	05/14/16	05/23/16	CY Roanu	Sri Lanka, india, Bangladesh, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	08/24/16		Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/14/16	09/16/16	STY Meranti	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/08/16	07/12/16	STY Nepartak	China, Taiwan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/26/16	09/29/16	TY Megi	Taiwan, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	09/10/16		Kagera EQ	Tanzania, Uganda	Africa	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/29/16	09/01/16	TY Lionrock	China, Japan, South Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/19/16	09/22/16	TY Malakas	Japan, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/18/16	08/20/16	TS Dianmu	China, Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/31/16	08/03/16	TY Nidia	China, Phillippines Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/02/16	08/10/16	HU Earl	Belize, Mexico, Carribbean Islands	Caribbean Islands, Mexico and Central America	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/22/16	08/23/16	TS Mindulle	Japan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/06/16	09/08/16	HU Newton	Mexico	North America (non-U.S.)	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/04/16	10/07/16	STY Chaba	Japan, Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/16/16	10/22/16	STY Haima	Phillipines, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/14/16	10/20/16	TY Sarika	Phillipines, China, Vietanm	Asia	N/A	N/A	> 25 million
2016	Earthquake	10/26/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/27/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/21/16		Tottori	Japan	Asia	N/A	N/A	> 25 million
2016	Hurricane	09/28/16	10/10/16	Hurricane Matthew		Carribbean Islands and Eastern Canada	N/A	N/A	> 25 million
2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Wildfire	01/06/16		Waroona-Yarloop Bushfire	Western Australia				~$71.25m
2016	Wildfire	05/01/16	05/26/16	Canada Wildfire	Canada	Fort McMurray			$3.52b
2016	Wildfire	11/22/16	11/27/16	November 2016 Israel Fires	Israel	Various regions in Israel, mainly in Haifa, Judaean Mountains and the Sharon Plain			>$25m
2016	Severe Convective Storm	02/22/16	02/25/16	Thunderstorms, tornadoes	Canada				600m-1b
2016	Severe Convective Storm	03/08/16	03/11/16	Thunderstorms, hail	UAE, Oman				100m
2016	Severe Convective Storm	04/20/16	04/25/16	Thunderstorm, hail	China				25+m
2016	Severe Convective Storm	06/23/16		Thunderstorm, hail, tornado	China				100+m
2016	Severe Convective Storm	06/23/16		Thunderstorms, hail	Netherlands				527m
2016	Severe Convective Storm	06/24/16	06/25/16	Thunderstorm, hail, flood	Germany				253m
2016	Severe Convective Storm	06/28/16	06/30/16	Thunderstorms, hail, tornado, flood	Canada				64m
2016	Severe Convective Storm	07/15/16	07/16/16	Thunderstorms, hail, flood	Canada				56m
2016	Severe Convective Storm	07/18/16	07/20/16	Thunderstorm, hail, tornadoes	Canada				74m
2016	Severe Convective Storm	07/30/16	08/01/16	Thunderstorms, hail, tornadoes, flood	Canada				327m
2016	Severe Convective Storm	11/11/16		Thunderstorms, hail	Australia				197m
2016	Severe Convective Storm	07/22/16		Hailstorm	Canada				56m
2017	Earthquake	01/18/17		Earthquake	Italy	Europe	N/A	N/A	> 25 million
2017	Earthquake	01/28/17		Earthquake	China	Asia	N/A	N/A	> 25 million

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2017	Earthquake	02/10/17		Earthquake	Philippines	Asia	N/A	N/A	> 25 million
2017	Earthquake	03/27/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Cyclone	03/28/17	04/05/17	CY Debbie	Australia	Queensland, New South Wales, New Zealand	N/A	N/A	> 25 million
2017	Earthquake	05/11/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	07/29/17	07/31/17	TY Nesat & TS Haitang	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/07/17	08/09/17	Typhoon Noru	Japan	Asia	N/A	N/A	> 25 million
2017	Earthquake	08/08/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/23/17	08/24/17	TY Hato	China	Macau, Hong Kong	N/A	N/A	> 25 million
2017	Typhoon	08/25/17	08/28/17	TY Pakhar	China	Asia	N/A	N/A	> 25 million
2017	Hurricane	08/25/17	09/02/17	Hurricane Harvey		Caribbean Islands and Central America	N/A	N/A	> 25 million
2017	Hurricane	08/30/17	09/16/17	Hurricane Irma		Caribbean Islands and Cape Verde	N/A	N/A	> 25 million
2017	Hurricane	09/05/17	09/26/17	Hurricane Jose		Caribbean Islands and Eastern Canada	N/A	N/A	> 25 million
2017	Hurricane	09/16/17	10/03/17	Hurricane Maria		Caribbean Islands, UK, Francs and Spain	N/A	N/A	> 25 million
2017	Earthquake	09/07/17		Earthquake		Mexico, Guatemala	N/A	N/A	> 25 million
2017	Earthquake	09/19/17		Earthquake	Mexico	Mexico City	>200	N/A	> 25 million
2017	Hurricane	10/04/17		Hurricane Nate		Central America, Cayman Islands, Cuba Yucatan Peninsula	N/A	N/A	> 25 million
2017	Wildfire	06/06/17		Knysna Fires	South Africa	Knysna region of the Western Cape			~$146m
2017	Wildfire	07/01/17	08/01/17	British Columnbia Wildfires	Canada	British Columbia			>$78m
2017	Wildfire	10/15/17	10/16/17	Iberian Wildfires	Portugal	Northern Portugal and Northwestern Spain			~$210m
2017	Severe Convective Storm	02/01/17	02/02/17	Windstorm Kurt, Live, Marcel	France, Spain				86m
2017	Severe Convective Storm	02/23/17	02/24/17	Windstorm Thomas	UK, Germany, Belgium, Netherlands, Ireland				292m
2017	Severe Convective Storm	03/06/17	03/07/17	Windstorm Zues	France				341m
2017	Severe Convective Storm	03/08/17	03/09/17	Windstorm	Canada				84m
2017	Severe Convective Storm	05/23/17	05/24/17	Thunderstorms, hail, flood	Canada				52m
2017	Severe Convective Storm	08/06/17	08/10/17	Thunderstorms, hail, flood	Italy				168m
2017	Severe Convective Storm	10/05/17		Windstorm Xavier	Germany, Poland, Czech Republic, Netherlands				420m
2017	Severe Convective Storm	10/09/17	10/10/17	Thunderstorms, hail, flood	South Africa				81m
2017	Severe Convective Storm	10/16/17	10/18/17	Windstorm	Canada				87m
2017	Severe Convective Storm	10/29/17		Windstorm Herwart	Germany, Austria, Denmark, Poland, Czech Republic, Slovakia, Hungary				390m
2017	Severe Convective Storm	12/19/17		Thunderstorms, hail, flood	Australia				296m
2017	Severe Convective Storm	02/18/17		Hailstorm	Australia				400m
2017	Severe Convective Storm	06/22/17	06/23/17	Hailstorm Paul, Hailstorm Rasmund	Germany, Hungary				721m
2017	Severe Convective Storm	06/24/17	06/28/17	Thunderstorms, hail, flood	Italy				132m
2017	Severe Convective Storm	07/21/17	07/27/17	Hailstorm	Switzerland				88m
2017	Severe Convective Storm	07/27/17		Thunderstorms, hail, flood	Turkey				185m
2018	Earthquake	02/06/18		Earthquake	Taiwan				> 25 million
2018	Earthquake	02/16/18		Earthquake	Mexico				> 25 million
2018	Cyclone	02/09/18	02/20/18	CY Gita	Tonga, Fiji, Samoa, New Zealand				> 25 million
2018	Earthquake	02/26/18		Earthquake	Papua New Guinea				> 25 million
2018	Earthquake	03/05/18		Earthquake	Papua New Guinea				> 25 million
2018	Cyclone	03/17/18		CY Marcus					> 25 million
2018	Tropical Storm	05/23/18	05/27/18	Tropical Storm Mekunu	Yamen, Oman , Saudi Arabia				> 25 million
2018	Tropical Storm	06/02/18	06/07/18	Tropical Storm Ewiniar	Vietnam, China, Taiwan, Philippines and Ryukyu Islands	Guangdong Province, Jiangxi, Fujian, Zhejiang Provinces, and Hainan Island.			> 25 million
2018	Earthquake	06/18/18		Earthquake	Japan				> 25 million
2018	Super Typhoon	07/10/18	07/12/18	STY Maria	China, Taiwan, Guam and Japan	Fujian province, Yantze River Basin, Japan's Ryukyu Islands			> 25 million

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2018	Tropical Storm	07/17/18	07/24/18	TS Sonh-Tinh	Vietnam, China, Loas	Japan, Russian Far East			> 25 million
2018	Tropical Storm	07/22/18	07/25/15	TS Ampil	China	Jiangsu, Zhejiang, Shandong, and Hebei			> 25 million
2018	Typhoon	07/27/18	08/03/18	TY Jongdari	Japan, China				> 25 million
2018	Earthquake	08/05/15	08/09/18	Earthquake	Indonesia				> 25 million
2018	Tropical Storm	08/09/18	08/15/18	TS Yagi	Philippines, China	Zhejiang, Anhui, Jiangsu and Shandong Provinces.			> 25 million
2018	Tropical Storm	08/13/18	08/19/18	TS Bebinca	China	Hong Kong, Guangdong and Hainan			> 25 million
2018	Typhoon	08/16/18	08/18/18	TY Rumbia	China	Shanghai, Jiangsu, Zhehiang, Anhui, Shandong and Henan			> 25 million
2018	Typhoon	08/23/18	08/25/18	TY Soulik	Japan, South Korea, China and Russia	Haenam County, South Jeolla Province			> 25 million
2018	Typhoon	09/04/18	09/05/18	RY Jebi	Japan, Mariana Islands, Taiwan, Japan, Russian Far East and Artic				> 25 million
2018	Earthquake	09/06/18		Earthquake	Japan	Hokkaido			> 25 million
2018	Super Typhoon	09/15/18	0918/18	STY Mangkhut	N. Mariana Islands, Philippines, China and Hong Kong				> 25 million
2018	Hurricane	Leslie	09/23/18	Hurricane Leslie	Azores, Bermuda, Europe	Azores, Bermuda, Madeira, Iberian Peninsula, France			> 25 million
2018	Hurricane	10/07/18	10/16/18	Hurricane Michael	Central American, Yucatan Peninsula, Cayman Islands, Cuba, Atlantic, Canad				> 25 million
2018	Wildfire	May-18	Aug-18	Sweden Wildfires	Sweden	ranging from north of Arctic Circle to the sourthern County of Scania.			>$87m
2018	Wildfire	Jul-18		Greece Wildfires	Greece	Attica, Greece			~38.1m
2018	Severe Convective Storm	01/01/18		Windstorm Ingmar	France				<226m
2018	Severe Convective Storm	01/03/18		Windstorm Burglind	Austria, Belgium, France, Germany, Ireland, Luxembourg, Netherlands, Switzerland, U.K.				1020m
2018	Severe Convective Storm	01/17/18	01/18/18	Windstorm Friederike	Belgium, France, Germany, Great Britain, Netherlands, Italy, Central Europe				2,100m
2018	Severe Convective Storm	01/23/18	01/24/18	Windstorm Georgina	Ireland, Norway, U.K.				<226m
2018	Severe Convective Storm	09/19/18	09/20/18	Windstorm Dorcas-Elena	Ireland, Norway, U.K.				<226m
2018	Severe Convective Storm	09/23/18		Windstorm Fabienne	Germany, Austria, Switzerland				<226m
2018	Severe Convective Storm	04/10/18	04/11/18	Tornadoes	New Zealand				51m
2018	Severe Convective Storm	May	June		Central/western Europe				900m
2018	Severe Convective Storm	12/20/18		Hailstorm	Australia				492m
2019	Cyclone	05/03/19	05/05/19	Cyclone Fani	India, Bangladesh				>500 million
2019	Earthquake	06/17/19		Earthquake	China				> 25 million
2019	Tropical Storm	08/01/19	08/08/19	Tropical Storm Wipha	China, Vietnam				> 25 million
2019	Typhoon	08/09/19	08/11/19	Typhoon Lekima	China				> 855 million
2019	Typhoon	08/15/19	08/16/19	Typhoon Krosa	Japan				>25 million
2019	Hurricane	08/31/19	09/07/19	Hurricane Dorian	Caribbean, Bahamas, Canada				>1 billion
2019	Typhoon	09/05/19	09/08/19	Typhoon Lingling	Japan, China, Korea				>5.78 billion
2019	Typhoon	09/08/19	09/09/19	Typhoon Faxai	Japan				> 7 billion
2019	Hurricane	09/19/19	09/22/19	Hurricane Humberto	Bermuda				>25+ million
2019	Hurricane	09/17/19	09/26/19	Hurricane Lorenzo	Portugal				>25+ million
2019	Earthquake	11/26/19		Earthquake	Albania				>25+ million
2019	Cyclone	11/08/19	11/11/19	Cyclone Matmo (Bulbul)	India, Bangladesh				>25+ million
2019	Typhoon	10/01/19	10/02/19	Typhoon Hagibis	Japan				> 7 billion
2019	Earthquake	12/18/19		Earthquake	Philippines				>25+ million
2019	Wildfire	Sep-19	Mar-20	Australian Bushfires	New South Wales, Queensland, Victoria, South Australia, Western Australia, Tasmania and Northern Territory				~910 million
2019	Severe Convective Storm	03/09/19	03/10/19	Windstorm Dragi-Eberhard	Belgium. France, UK, Germany, Czech Republic, Poland, Slovakia, Netherlands, Luxembourg				851m
2019	Severe Convective Storm	06/20/19	06/23/19	Windstorm	Italy				277m
2019	Severe Convective Storm	07/08/19	07/10/19	Windstorm	Italy				165m
2019	Severe Convective Storm	11/17/19		Sunshine Coast Hailstorm	Australia				112m

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2019	Severe Convective Storm	12/10/19	12/22/19	Ewindstorm Elsa-Fabien	Spain, Portugal, France				149m
2019	Severe Convective Storm	06/10/19	06/13/19	European Hailstorm	Germany, Poland, Slvenia, Czech Republic				830m
2020	Earthquake	03/22/20		Earthquake	Croatia				>25+ million
2020	Cyclone	04/01/20	04/11/20	Cyclone Harold	Solomon Islands, Canuatu, Fiji, Tonga				> 25+ million
2020	Tropical Storm	05/31/20		Tropical Storm Amanda	El Salvador, Guatemala, Honduras				> 25+ million
2020	Tropical Storm	06/01/20	06/05/20	Tropical Storm Cristobal	Mexico, Guatemala, El Salvador				150 million
2020	Hurricane	07/25/20	07/27/20	Hurricane Hanna	Mexico				350 million
2020	Hurricane	07/28/20	08/01/20	Hurricane Isaias	Caribbean, Canada				> 3 billion
2020	Hurricane	08/22/20	08/25/20	Hurricane Laura	Caribbean				> 4 billion
2020	Typhoon	05/15/20	05/22/20	Typhoon Amphan	India, Bangladesh, Sri Lanka				15 billion
2020	Tropical Storm	06/03/20	06/04/20	Tropical Storm Nisarga	India				> 25+ million
2020	Typhoon	08/03/20	08/04/20	Typhoon Hagupit	China, Taiwan				> 100+ million
2020	Hurricane	10/05/20	10/12/20	Hurricane Delta	Jamaica, Nicaragua, Cayman Island, Yucatan Peninsula				> 2 billion
2020	Hurricane	10/24/20	10/30/20	Hurricane Zeta	Cayman Islands, Jamaica, Central America, Yucatan Peninsula, Ireland, United Kingdom				> 1.5 billion
2020	Cyclone	04/01/20	04/11/20	Cyclone Harold	Solomon Islands, Canuatu, Fiji, Tonga				> 25+ million
2020	Hurricane	10/31/20	11/14/20	Hurricane Eta	Colombia, Jamaica, Central America, Cayman Islands, Cuba, The Bahamas				> 7.9 billion
2020	Hurricane	11/14/20	11/19/20	Hurricane Iota	ABC Islands, Colombia, Jamaica, Central America				> 1.4 billion
2020	Typhoon	11/22/20	11/23/20	Typhoon Goni	Philippines, Vietnam, Cambodia, Laos				> 400+ million
2020	Typhoon	11/08/20	11/15/20	Typhoon Vamco	Philippines, Vietnam, Laos, Thailand				> 400+ million
2020	Wildfire	10/04/20		Lake Ohau Fire	New Zealand	Northwest of Lake Ohau Village			~$25m
2020	Severe Convective Storm	01/20/20		Hailstorm	Australia				1,250m
2020	Severe Convective Storm	02/08/20	02/11/20	Windstorm Sabine/Ciara	Austria, Belgium, Switzerland. Germany, Denmark, France, UK, Ireland, Luxembourg, Netherlands, Norway, Sweden				2,200m
2020	Severe Convective Storm	02/15/20	02/17/24	Windstorm Victoria-Dennis	Belgium, Demark, France, Germany, Ireland, Luxembourg, Netherlands, Norway, Sweden, UK				372m
2020	Severe Convective Storm	09/26/20	09/27/20	Windstorm Odette	Belgium				28+m
2020	Severe Convective Storm	09/30/20	10/03/20	Windstorm Alex-Brigitte	UK, Spain, Portugal, France, Italy, Austria, Poland, Czech Republic				340m
2020	Severe Convective Storm	10/31/20		South East Queensland Hailstorm	Australia				905m
2021	Wildfire	02/05/21		Perth Hills Wildfire	Australia	Shire of Mundaring, Shire of Chittering, Shire of Northam City of Swan			~$63m
2021	Earthquake	01/14/21	01/14/21	West Sulawesi	Indonesia				> 58.1 million
2021	Earthquake	02/13/21	02/13/21	Fukushima Prefecture Offshore	Japan				1.3 billion
2021	Tropical Cyclone	05/17/21		Toropical Cyclone Tautae	India				> 25+ million
2021	Tropical Storm	06/19/21	06/23/21	Trophical Storm Claudette	Oaxaca, Veracruz, Atlantic Canada				> 25+ million
2021	Earthquake	06/21/21	06/21/21	China	Yunnan Dali				> 25+ million
2021	Earthquake	06/21/21	06/21/21	China	Southern Qinghai				> 25+ million
2021	Hurricane	07/01/21	07/14/21	Elsa	Lesser Antilles, Greater Antilles, Venezuela, Colombia, Atlantic Canada, Greenland, Iceland				50 million
2021	Typhoon	07/16/21	07/31/21	In-fa (Fabian)	Philippines, Ryukyu Islands, Taiwan, China, North Korea				> 25+ million
2021	Trophical Storm	08/11/21	08/20/21	Fred	Lesser Antilles, Greater Antilles, Southern Quebec, The Maritimes				25 million
2021	Hurricane	08/13/21	08/21/21	Grace	Lesser Antilles, Greater Antilles, Yucatan Peninsula, Central Mexico				513 million
2021	Earthquake	08/14/21	08/14/21		Haiti				1 billion
2021	Hurricane	08/26/21	09/04/21	Ida	Venezuela, Colombia, Jamaica, Cayman Islands, Cuba, Atlantic Canada				> 250 million
2021	Earthquake	09/07/21	09/07/21	Guerrero	Mexico				200 million
2021	Earthquake	09/16/21			China				> 25+ million

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2021	Hurricane	09/12/21	09/18/21	Nicholas	Yucatan Peninsula, Tamaulipas				1.1 billion
2021	Hurricane	09/10/21	09/11/21	Larry	Canada				80 million
2021	Cyclone	10/02/21	10/04/21	Cyclone Shaheen	Oman, Iran, India, Pakistan, United Arab Emirates, Saudi Arabia, Yemen				> 25+ million
2021	Earthquake	10/07/21	10/07/21		Japan				> 25+ million
2021	Tropical Storm	10/10/21	10/14/21	Tropical Storm Kompasu	Philippines, Hong Kong, China				245 million
2021	Earthquake	10/16/21	10/16/21		Indonesia				> 25+ million
2021	Tropical Cyclone	10/24/21	11/02/21	Apollo	Italy, Malta, Tunisia, Algeria, Libya, Turkey				> 25+ million
2021	Tropical Storm	10/31/21	11/07/21	Wanda	Atlantic Canada, Bermuda, Azores				> 25+ million
2021	Earthquake	11/14/21	11/14/21		Iran				> 25+ million
2021	Tropical Cyclone	12/14/21	12/18/21	Rai (Odette)	Caroline Islands, Palau, Philippines				> 25+ million
2021	Severe Convective Storm	01/08/21	01/10/21	Windstorm Filomena	Spain				259m
2021	Severe Convective Storm	01/18/21	01/20/21	Windstorm Christoph	UK, Norway				106-159m
2021	Severe Convective Storm	03/10/21	03/13/21	Windstorm Klaus-Luis	France, Belgium, UK, Ireland, Germany, Netherlaands, Luxembourg				192m
2021	Severe Convective Storm	10/20/21	10/23/21	Windstorm Aurore	France, Belgium, Germany, Poland, Luxembourg, Czech Republic				362m
2021	Severe Convective Storm	11/26/21	11/28/21	Windstorm Arwen	UK				330-396m
2021	Severe Convective Storm	06/18/21	07/01/21	Europe Hailstorm	Austria, Czech Republic, Germany, Poland, Switzerland, Slovakia, France, Italy				2,132m
2021	Severe Convective Storm	06/24/21		Tronado	Czech Republic				200m
2021	Severe Convective Storm	10/28/21	10/29/21	Hail	Australia				733m
2022	Wildfire	01/15/22	02/28/22	Corrientes	Corrientes Province, Argentina				> 25+ million
2022	Earthquake	03/16/22		Fukushima Earthquake	Japan				2.8 billion
2022	Tropical Storm	04/08/22	04/12/22	Megi	Philippines				>25+ million
2022	Typhoon	08/28/22	09/07/22	Hinnamnor	Japan, Taiwan, Philippines, South Korea, Russian, Far East				>25+ million
2022	Earthquake	09/05/22		Luding Earthquake	Luding County in Sichuan province				>25+ million
2022	Hurricane	09/14/22	09/28/22	Fiona	Leeward Islands, Puerto Rico, Dominican Republic, Lucayan Archipelago, Bermuda, Eastern Canada, Saint Pierre and Miquelon, Greenland				660 million
2022	Hurricane	09/23/22	10/02/22	Ian	Trinidad and Tobago, Venezuela, Colombia, ABC Islands, Jamaica, Cayman Islands, Cuba				> 110 billion
2022	Hurricane	10/07/22	10/10/22	Julia	Trinidad and Tobago, Venezuela, ABC islands, Colombia, Nicaragua, El Salvador, Honduras, Guatemala, Panama, Mexico				>400 million
2022	Severe Convective Storm	01/16/22	01/17/22	Windstorm Hannelore	Norway, Sweden, Denmark, Poland, Finland, Lithuania, Liechtenstein				>25m
2022	Severe Convective Storm	01/29/22	01/30/22	Windstorms Malik, Nadia, Valtteri	Denmark, Germany, Sweden, Austria, Czech Republic, UK, Norway, Poland, Slovakia, Lithuania, Latvia				>100m
2022	Severe Convective Storm	02/06/22	02/07/22	Windstorm Roxana	Germany, France, UK, Belgium				>25m
2022	Severe Convective Storm	02/16/22	02/21/22	Windstorms Dudley, Eunice, Franklin	Germany, Belgium, Netherlands, Luxembourg, UK, Ireland, France, Poland, Czech Republic, Austria, Denmark, Switzerland				>1b
2022	Severe Convective Storm	04/06/22	04/07/22	Windstorm Nasim	Germany, Belgium, France, UK, Netherlands				>25m
2022	Severe Convective Storm	05/20/22		Emmelinde	France, Germany				>100m
2022	Severe Convective Storm	05/22/22	05/25/22	Finja	France, Italy, Austria, Hungary, Switzerland, Slovenia				>100m
2022	Severe Convective Storm	06/02/22	06/06/22	Leocardia, May	France, Switzerland, Germany, Slovenia, Austria, Czech Republic, Hungary				>250m
2022	Severe Convective Storm	06/19/22	06/24/22	Petra, Qiara	France, Germany, Switzerland, Italy, Czech Republic, Poland				>1b
2022	Severe Convective Storm	06/26/22	06/29/22	Rebecca, Scarlett	France, Czech Republic, Germany, Italy, Poland, Netherlands, Austria				>250m
2022	Severe Convective Storm	06/30/22	07/01/22	Ulrike	France, Germany, Poland				>25m

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2022	Severe Convective Storm	07/20/22		Carolin	Switzerland, France, Denmark, Austria, Poland				>25m
2022	Severe Convective Storm	08/17/22	08/21/22	Karin, Lavinia	France, Italy, Austria, Switzerland, Slovenia,				>100m
2022	Severe Convective Storm	05/21/22		Southern Canada Derecho	Canada				>250m
2022	Severe Convective Storm	07/18/22	07/21/22		Canada				>25m
2023	Wildfire	02/01/23	03/06/23		Chile				>25 million
2023	Earthquake	02/06/23	02/20/23		Turkey, Syria				> 25 million
2023	Cyclone	02/12/23	02/17/23	Gabrielle	New Zealand				> 25 million
2023	Typhoon	05/23/23	05/31/23	Mawar	Guam				> 25 million
2023	Earthquake	06/16/23		France Earthquake	France				> 25 million
2023	Wildfire	08/15/23	09/21/23	Kelowna Wildfire	Canada				> 25 million
2023	Wildfire	08/24/23	09/30/23	Bush Creek Wildfire	Canada				> 25 million
2023	Earthquake	09/08/23			Morocco				> 25 million
2023	Typhoon	07/26/23	08/01/23	Doksuri	Philippines, Taiwan, China, Vietnam				> 25 million
2023	Typhoon	08/26/23	09/03/23	Saola	Eastern Asoa				> 25 million
2023	Typhoon	09/03/23	09/07/23	Haikui	Philippines, Taiwan, China				> 25 million
2023	Typhoon	09/27/23	10/11/23	Koinu	China, Japan, Philippines				>25 million
2023	Hurricane	10/22/23	10/25/23	Otis	Southern Mexico, primarily Guerrero				> 25 million
2023	Earthquake	12/18/23		Jishishan Earthquake	China				> 25 million
2023	Severe Convective Storm	01/15/23	01/18/23	Windstorm Gerard/Gero	Belgium, Switzerland, Czech Republic, Germany, France, UK				>25m
2023	Severe Convective Storm	02/16/23	02/18/23	Windstorm Otto/Ulf	Germany, Denmark, UK, Norway, Poland, Sweden				>25m
2023	Severe Convective Storm	03/07/23	03/10/23	Windstorm Larisa/Diethelm	Austria, Belgium, Czech Republic, Germany,France, Ireland, UK, Netherlands, Luxembourg				>25m
2023	Severe Convective Storm	03/30/23	03/31/23	Windstorm Mathis/Markus	Belgium, Swtzerland, Czech Republic, Germany, France, UK				>25m
2023	Severe Convective Storm	07/04/23	07/06/23	Windstorm Poly	Germany, Italy, Netherlands				>25m
2023	Severe Convective Storm	11/01/23	11/03/23	Windstorm Ciaran/Emir	Bulgaria, Germany, Spain, France, UK, Ireland, Italy, Netherlands				>1b
2023	Severe Convective Storm	11/04/23	11/05/23	Windstorm Domingos/Fred	Spain, France				>100m
2023	Severe Convective Storm	11/15/23	11/17/23	Windstorm Frederico/Linus	Germany, France, UK				>25m
2023	Severe Convective Storm	12/20/23	12/22/23	Windstorm Pia/Zoltan	Austria, Belgium, Czech Republic, Germany, Denmark, France, UK, Netherlands,Norway				>100m
2023	Severe Convective Storm	12/26/23	12/28/23	Windstorm Gerrit/Bodo	Ireland, UK				>25m
2023	Severe Convective Storm	06/18/23	06/23/23	Lows Kay, Lambert	Austria, Belgium, Czech Republic, Germany, France, Slovakia				>250m
2023	Severe Convective Storm	07/06/23		Zargoza	Spain, France				>25m
2023	Severe Convective Storm	07/11/23	07/13/23		Austria, Czech Republic, France, Germany, Italy, Slovenia, Serbia				>250m
2023	Severe Convective Storm	07/17/23	07/19/23		Austria, Bosnia, Croatia, Germany, Italy, Serbia, Slovakia, Slovenia				>1b
2023	Severe Convective Storm	07/20/23	07/25/23		Bosnia, Switzerland, Germany, France, Serbia, Hungary, Italy, Serbia, Slovakia, Slovenia, Romania				>1b
2023	Severe Convective Storm	08/12/23	08/16/23	Arend, Bernd	Austria, Czech Republic, Germany, France, Italy, Poland				>100m
2023	Severe Convective Storm	08/24/23	08/30/23	Denis, Rae	Austria, Czech Republic, France, Germany, Italy, Lithuania, Latvia, Norway, Poland, Spain, Switzerland				>1b
2023	Severe Convective Storm	07/01/23			Canada				>25m
2023	Severe Convective Storm	07/13/23			Canada				>25m
2023	Severe Convective Storm	07/15/23	07/16/23		Canada				>25m
2023	Severe Convective Storm	07/20/23	07/21/23		Canada				>25m
2023	Severe Convective Storm	08/03/23			Canada				>25m
2023	Severe Convective Storm	08/23/23	08/25/23		Canada				>25m
2023	Severe Convective Storm	08/24/23			Canada				>25m
2023	Severe Convective Storm	05/23/23	05/26/23		Australia				>25m
2023	Severe Convective Storm	12/23/23	12/26/23		Australia				>100m
2024	Earthquake	01/01/24		Noto Earthquake	Ishikawa Japan				>25 million

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2024	Severe Convective Storm	01/20/24	01/22/24	Windstorm Isha	Belgium, Switzerland, Germany, Denmark France, Great Britain, Ireland, Netherlands, Norway				>25 million
2024	Severe Convective Storm	01/23/24	01/24/24	Windstorm Jocelyn	Great Britain, Ireland, Demark, Germany, Netherlands, Norway, Poland				>25 million
2024	Severe Convective Storm	01/31/24	02/01/24	Windstorm Ingunn	Norway, Great Britain, Ireland, Sweden				>25 million
2024	Wildfire	02/01/24	03/22/24	Chile Wildfires	Chile				>25 million
2024	Severe Convective Storm	02/12/24	02/23/24	Windstorm Louis	Western & Northern Europe				>25 million
2024	Severe Convective Storm	02/14/24		Victoria Valentine's Day SCS	Australia				>25 million
2024	Severe Convective Storm	02/21/24	02/23/24	Windstorm Nelson	France, Potgugal, Spain, Great Britain				>25 million
2024	Severe Convective Storm	03/30/24	04/03/24	Easter Weekend SCS	Czech Republic, France, Italy, Poland				>25 million
2024	Earthquake	04/03/24		Hualien Earthquake	Taiwan				>25 million
2024	Severe Convective Storm	04/03/24	04/08/24		Australia				>25 million
2024	Severe Convective Storm	04/04/24	04/07/24	Windstorm Olivia	Ireland, Great Britain, France, Spain, Portugal, Netherlands				>25 million
2024	Severe Convective Storm	04/16/24		Hyogo Hailstorm	Japan				>25 million
2024	Severe Convective Storm	05/14/24	05/17/24		Western & Central Europe				>25 million
2024	Severe Convective Storm	06/06/24	06/10/24	Storm Tina	Austria, Demark, Hungary, Switzerland, Slovakia, Romania				>25 million
2024	Severe Convective Storm	06/17/24	06/20/24	Storm Wibke	Denmark, France, Czech Republic, Poland, Switzerland, Beliguim				>25 million
2024	Severe Convective Storm	06/10/24	06/16/24		Chile				>25 million
2024	Tropical Storm	06/19/24	06/20/24	Tropical Storm Alberto	Mexico, Yucatan Peninsula				>25 million
2024	Severe Convective Storm	06/25/24	06/28/24		Central Europe				>25 million
2024	Severe Convective Storm	06/28/24	06/30/24	Storm Annelie	France, Italy, Switzerland				>25 million
2024	Hurricane	07/01/24	07/12/24	Hurricane Beryl	Barbados, Windward Islands, Trinidad and Tobago, Venezuela, Hispaniola, Jamaica, Cayman Islands, Yucatan Peninsula, Belize, Eastern Canada				>25 million
2024	Typhoon	07/23/24	07/28/24	Typhoon Gaemi	Taiwan, China, Philippines, Yaeyama Islands, Indonesia, Vietnam, North Korea				>25 million
2024	Hurricane	08/03/24	08/14/24	Hurricane Debby	Caribbean, Quebec, Atlantic Canada				>25 million
2024	Hurricane	08/13/24	08/19/24	Hurricane Ernesto	Bermuda, Puerto Rico, U.S. Virgin Islands, Antigua and Barbuda, Guadeloupe				>25 million
2024	Wildfire	08/23/24	09/06/24	Brazil/Sao Paulo Fires					
2024	Typhoon	08/28/24	08/31/24	Typhoon Shanshan	Japan, South Korea				>25 million
2024	Typhoon	09/01/24	09/12/24	Typhoon Yagi	China, Phillippines, Vietnam, Loas, Thailand, Myanmar, Hong Kong, Macau				>25 million
2024	Hurricane	09/09/24	09/14/24	Hurricane Francine	Mexico				>25 million
2024	Wildfire	09/15/24	09/20/24	Portugal Wildfires	Central and Northern Portugal				>25 million
2024	Typhoon	09/15/24	09/17/24	Typhoon Bebinca	China, Philippines, NorthMariana Islands, Ryukyu Islands				>25 million
2024	Hurricane	09/22/24	09/28/24	Hurricane John	Mexico				>25 million
2024	Hurricane	09/24/24	09/29/24	Hurricane Helene	Yucatan Peninsula, Honduras, Cayman Islands, Cuba				>25 million
2024	Typhoon	09/26/24	10/04/24	Typhoon Krathon (Julian)	Philippines, Taiwan				>25 million
2024	Hurricane	10/05/24	10/12/24	Hurricane Milton	Mexico, Yucatan Peninsula, Western Cuba, The Bahamas				>25 million
2024	Tropical Storm	10/25/24	10/27/24	Tropical Storm Trami	Philippines, Vietnam				>25 million
2024	Huricane	11/04/24	11/10/24	Huricane Rafeal	Cuba, Panama, Coast Rica, Columbia				>25 million
2024	Typhoon	11/01/24	11/07/24	Typhoon Kong-rey	Philippines, China, South Korea, Japan, Taiwan				>25 million
2024	Typhoon	11/09/24	11/20/24	Typhoon Man-yi	Philippines, Guam, Northern Mariana Islands				>25 million
2025	Earthquake	01/07/25			China, Nepal				>100 million
2025	Windstorm	01/23/25	01/25/25	Windstorm Eowyn (Gilles)	UK, Ireland				>500 million
2025	Cyclone	02/27/25	02/28/25	Cyclone Garance	Reunion, Mauritus				>100 million
2025	Cyclone	03/06/25	03/08/25	Cyclone Alfred	Australia				>100 million
2025	Earthquake	03/28/25			Myanmar, Thailand, Vietnam				>100 million
2025	Earthquake	04/23/25			Turkey				>25 million

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2025	Severe Convective Storm	05/02/25	05/04/25		Spain, France, Portugal, Germany, Austria, Czechia, Poland, Sebia, Bosnia, Romania, Bulgaria, Macedonia				>100 million
2025	Severe Convective Storm	05/13/25	05/14/25		China				>25 million
2025	Wildfire	May	June		Canada				>25 million
2025	Severe Convective Storm	06/13/25	06/15/25		France, Italy, Germany, Switzerland, Belgium, Austria, Czechia, Croatia				>100 million
2025	Typhoon Wutip	06/11/25	06/15/25		China, Philippines, Thailand, Veitnam				>25 million
2025	Hurricane Erick	06/16/25	06/21/25		Mexico, Guatemala, El Salvador, Honduras				>25 million
2025	Severe Convective Storm	06/21/25	06/27/25		France, Italy, Germany, Switzerland, Belgium, Austria, Czechia, Slovakia				>25 million
2025	Typhoon Danas	07/04/25	07/10/25		China, Taiwan, Philippines				>25 million
2025	Tropical Storm Wipha	07/18/25	07/24/25		China, Philippines, Vietnam,				>25 million
2025	Wildfire	07/01/25	07/31/25		Cyprese, Greece, Turkey, Bulgaria, Bosnia, Herzegovina				>25 million
2025	Severe Convective Storm	09/04/25	09/09/25		France, Switzerland, Germany, Italy, Austria, Belgium, Luxembourg, Poland				>25 million
2025	Super Typhoon Ragasa	09/22/25	09/26/25		China, Taiwan, Philippines				>25 million
2025	Windstorm Amy	10/03/25	10/04/25		UK, Ireland, France, Norway, Sweden				>25 million
2025	Earthquake	10/27/25			Turkey				>25 million
2025	Huricane Melissa	10/25/25	10/30/25		Cuba, Dominican Republic, Haiti, Jamaica				>25 million
2025	Severe Convective Storm	10/25/25			Australia				>25 million
2025	Severe Convective Storm	11/13/25	11/17/25	Windstorms Claudia and Sascha	Pourtugal, Spain, Italy, France				>25 million
2025	Severe Convective Storm	11/23/25	11/25/25		Australia				>25 million
2025	Severe Convective Storm	12/04/25	12/13/25	Earth Movement, Flooding, Snow, Wind	Canada				>25 million

Source: Munich Re's NAT CAT Service, Swiss Re Sigma and Aon Benfield

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Draft: 3/30/26

Health Risk-Based Capital (E) Working Group
San Diego, California
March 23, 2026

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 23, 2026. The following Working Group members participated: Steve Drutz, Chair, and Katy Bardsley (WA); Danielle Smith, Vice Chair (MO); Wanchin Chou (CT); Kyle Collins (FL); Chut Tee (KS); and Rachel Hemphill (TX). Also participating were: Tom Botsko (OH); Andy Schallhorn (OK); and John Tudino (RI).

1. Adopted its Feb. 13 Minutes

Drutz said the Working Group met Feb. 13. During this meeting, the Working Group took the following action: 1) adopted its Nov. 6, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment One*); 2) received comments on the referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group; 3) received comments on proposal 2025-15-CA and exposed 2025-15-CA MOD; 4) received comments on the managed care credit draft; 5) discussed its letter to the American Academy of Actuaries (Academy); and discussed H2 risk factor implementation.

Chou made a motion, seconded by Smith, to adopt the Working Group's Feb. 13 minutes (Attachment Two-A). The motion passed unanimously.

2. Referred Proposal 2025-15-CA MOD to the Capital Adequacy (E) Task Force

Drutz said the proposal implements the structural change outlined in the Academy's H2 Underwriting Risk Report as well as the alternate risk charge. The materials include a letter from the Academy answering the industry's question about the implementation of the alternate risk charge in the proposal. In the letter, the Academy agreed that the implementation of the alternate risk charge was consistent with the Academy's recommendation (Attachment Eight).

Derek Noe (NAIC) said the Academy submitted a letter to the Working Group explaining how to implement the stand-alone investment income adjustment as requested by the industry. To facilitate this change, line 12 was split into lines 12.1 and 12.2, allowing the initial premium factor and excess premium factor to have separate income adjustment amounts as presented by the Academy.

Drutz said that the proposal would impact health, life, and property/casualty (P/C) risk-based capital (RBC) formulas and recommended referring the proposal to the Capital Adequacy (E) Task Force for a 30-day re-exposure.

Chou made a motion, seconded by Smith, to adopt the referral recommendation. The motion passed unanimously.

3. Exposed Proposal 2026-03-CA (Underwriting Risk Inv Income Update)

Drutz said proposal 2026-03-CA was the annual update of underwriting risk factors for comprehensive medical, Medicare supplement, and dental and vision for the investment income adjustment. The proposal was based on the structure and instructions in proposal 2025-15-CA, which expands the lines of business detail and implements

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the investment income adjustment as a stand-alone factor. The yield for the six-month U.S. Treasury bond ranged from 3.56% to 3.63% in January, so a 4.0% adjustment was applied based on the guidance adopted in 2022. He reminded the participants that the proposal will affect health, life, and P/C RBC blanks and that the Working Group would first expose the proposal before referring it to the Capital Adequacy (E) Task Force for re-exposure.

Drutz exposed the proposal for a 30-day public comment period ending April 22 (Attachment Two-B).

4. Exposed the Underwriting Factor Three-Year Phase-In Analysis

Noe said the three-year phase-in had three parts: the initial premium factors, the excess premium factors, and the premium tiers as presented in the Academy's report. The analysis was performed for increasing the factors alone and for increasing the factors and tiers in tandem, and it focused strictly on the first year of the phase-in. The 2025 recalculation data was pulled on March 10, 2026. While more companies are expected to file, 1,025 were included in the 2025 recalculation and 1,143 in the 2024 recalculation. In 2025, 24 companies were adversely impacted by the factor increase alone, and 40 by the factor and tier increase in tandem, an increase of 16 companies from the factor increase alone. In 2024, 27 companies were adversely impacted by the factor increase alone, and 57 by the factor and tier increase in tandem, an increase of 30 companies from the factor increase alone.

The companies adversely impacted by the year-one phase-in of the tier and factor in tandem amount to approximately one-third of the 153 companies adversely impacted by the complete tier and factor change, based on the analysis presented in September 2025. Interested parties had discussed wanting the Academy to develop and implement a diversification credit based on the more granular reporting of the new structure; therefore, a chart showing the number of lines of business under the new structure each company filed in 2024 was included. The chart showed that approximately 54% of companies that filed health RBC in 2024 had fewer than two lines of business included in the Academy's proposed structure.

Drutz reminded participants that the initial analysis was performed using the 87.5% risk percentile and a one-year time horizon from the Academy's report, but the Working Group has not decided on the final factor set.

Ray Nelson (AHIP) said AHIP supports a three-year phase-in of factors. In the questions submitted on the report, many asked the Academy about the inclusion of new data years, data from the life blank, and additional lower-risk percentiles based on the increased granularity of the reporting. He stressed that the Working Group and interested parties should keep the final factors in mind as the discussion continues.

Carl Labus (Blue Cross Blue Shield Association—BCBSA) said there are other moving parts. The managed care credit broken out by line of business results in a more conservative charge, which impacts smaller companies, and many of the companies under the BCBSA are single-state non-profit organizations. The companies under BCBSA have to earn their capital, and some have assets under a billion dollars.

Drutz said that implementing the higher risk factors will have a material impact, based on the analysis completed in 2025. Based on feedback from interested parties, he believes implementing the higher-risk factors over a three-year period, starting in 2027, would help impacted companies prepare for any additional capital that could be required. The three-year phase-in would also allow for the investigation and development of a diversification credit, with the goal of implementation during the third year of the phase-in. Drutz said based on the analysis, 54% of companies would not benefit from the diversification credit.

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Bardsley asked what zero lines of business reported on XR013 meant in the chart. Noe said the chart showed the companies that wrote business on page XR013, and that zero lines meant the company had no premium to report on XR013.

Drutz said that the Academy report had many variables that the Working Group would need to decide. The Working Group sent a letter to the Academy, and the answers should help the Working Group decide on new tier cut-offs and discuss the appropriateness of the 87.5% risk percentile and the one-year time horizon factor set.

The Working Group exposed the impact analysis of a three-year phase-in implementation of the one-year time horizon, 87.5% risk percentile underwriting risk factors from the Academy's H2—Underwriting Risk Report for a 30-day public comment period ending April 22 (Attachment Two-C).

5. Heard a Presentation from the Academy on the RBC Impairment Project

Steve Jackson (Academy) said that the project started as a way to explore the relationship between authorized control level (ACL) RBC ratios and impairment. The study examines health, life, and P/C companies in aggregate and also analyzes each line individually. The study provides preliminary answers to three questions: are RBC ratios and probability of impairment highly correlated among all companies in a sector; if the sample is restricted by excluding small companies and companies with high RBC ratios, is the relationship stronger; and what probabilities of impairment are implied with the best estimate. Previous studies of the relationship have been conducted, but none have examined qualitative impacts or conducted multivariate analysis. Impairment is defined to match the AM Best definition, as the Academy is utilizing their data (Attachment Eleven).

Jackson said that to answer the first two questions, the Academy performed a regression to estimate the likelihood of impairment for a company based on its RBC ratio. For the entire data set, the relationship between the RBC ratio and impairment was low. When restricting the sample, the relationship becomes stronger but remains only moderately correlated. The probability that a company will become impaired over the next year is 9% for a company with an RBC ratio of 300%, and at an RBC ratio of 1,000%, all companies have a less than 1% chance of becoming impaired over the next one to five years. The next steps in the analysis are to perform sensitivity testing and add additional variables to the model to see the predictive effect on impairment.

Drutz asked whether the Academy would include capital infusions in future analysis. Jackson noted that he believed the Academy would include capital changes in future analyses and would ensure capital was included.

6. Discussed Other Matters

Drutz informed the participants that the Working Group is starting projects with the Academy's stop-loss and long-term care (LTC) groups, and that the Working Group was still developing the managed care credit expansion.

Having no further business, the Health Risk-Based Capital (E) Working Group adjourned.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/CADTF/2026/1Spring/Health/HRBC%20SpNM%20Minutes%20TPRd.docx

Draft: 3/3/26

Health Risk-Based Capital (E) Working Group
Virtual Meeting
February 13, 2026

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Feb. 13, 2026. The following Working Group members participated: Steve Drutz, Chair (WA); Danielle Smith, Vice Chair (MO); Wanchin Chou (CT); Kyle Collins (FL); Tish Becker (KS); Margaret Otto (NE); and Bing Wu (TX).

1. Adopted its Nov. 6, 2025, Minutes

The Working Group met Nov. 6, 2025. During the meeting, the Working Group took the following action: 1) adopted its Sept. 29, 2025, and June 20, 2025, minutes; 2) adopted its revised 2026 working agenda; 3) exposed proposal 2025-15-CA for a 75-day comment period ending Jan. 20, 2026; and 4) requested comments on a conceptual draft for managed care credit.

Chou made a motion, seconded by Smith, to adopt the Working Group's Nov. 6, 2025, minutes(*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment One*). The motion passed unanimously.

2. Received Comments on the Referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group

The Working Group received a referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group on the alignment of bond fund implementation in the health risk-based capital (RBC) formula. Drutz said that the referral asked the Working Group to consider aligning bond fund implementation with the bond ETF and private funds, noting that during the September meeting, in the health RBC formula, neither registered bond mutual fund nor private bond funds are currently assigned factors by designation. The Working Group exposed the referral for comments during its Sept. 29 meeting, which were due Dec. 3, 2025, and it received two comment letters (Attachment Two-A1).

Helen Remeza (PineBridge Investments) said PineBridge Investments had been acquired by MetLife Investment Management since submitting the comment letter, and the comments are on behalf of both entities. Remeza said that many insurers may find it challenging to source a diverse portfolio given the scale needed. PineBridge believes the solution could be diversified funds tailored to risk, and that the NAIC designation process is a robust framework for assessing them. Remeza said that currently the funds carry a 20% risk charge for being Schedule BA assets, which is much higher than the charges on comparably designated bonds. This treatment is inconsistent with life RBC, as they currently treat private NAIC-designated bond funds the same as directly held bonds. Remeza said that the discussion was timely, as the Risk-Based Capital Model Governance (EX) Task Force had recently requested comments on possible differences in risk treatment across the formulas, and PineBridge believes this is an example and strongly supports all lines of business treating bond funds like directly held bonds. Chou asked whether, in the future, PineBridge could comment on the risks associated with private bond funds and exchange-traded funds, and on how these funds performed during the 2008 crisis. Remeza replied that PineBridge would be happy to collaborate with the NAIC on any future analysis and that the NAIC designations are focused on the credit risk of the underlying bonds that make up the fund.

David Ratliff (Premera Blue Cross) said that Premera Blue Cross was a smaller health insurer but still has $3 billion in assets. There are significant differences in the risk-based charge for the NAIC-designated bond funds between the different RBC formulas, and health companies are experiencing utilization and other cost pressures that are

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negatively impacting surplus. Premera Blue Cross believes the bond funds help with diversification and reduce risk, and asks for similar RBC treatment to that of life companies. Drutz asked whether Premera Blue Cross was aware of the impact of granting the bond funds bond-like treatment on the company's RBC, as a percentage-point difference. Ratliff did not know the amount but could calculate the change. He also added that the company used bond funds through separate accounts and in smaller portions of the investment portfolio to increase diversification.

Drutz said that during the Risk-Based Capital Investment Risk and Evaluation (E) Working Group meeting on Nov. 4, 2025, the Working Group decided to table the proposal to incorporate this treatment into the life formula. The discussion brought to the Working Group's attention the accounting difference between accounting treatment of individual bonds, which is amortized cost, and bond funds using fair market value, and the likelihood that the impact on the health RBC formula would be minimal, as investment risk tends to be much less than underwriting risk in the formula. He asked whether the Working Group would object to tabling the discussion until the issues could be addressed. Chou agreed that tabling the subject would be appropriate and echoed the request for Premera Blue Cross to demonstrate the impact of changing the bond fund reporting on their RBC. Drutz tabled the discussion and requested NAIC committee support to perform an impact analysis for the Working Group once the annual statement filings are available.

3. Received Comments on Proposal 2025-15-CA

The Working Group exposed Proposal 2025-15-CA on Nov. 6, 2025, with comments due Jan. 20, 2026. The proposal incorporated the structural changes and alternate risk charge changes presented in the American Academy of Actuaries' (Academy's) H2–Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report. The Working Group received three comment letters (Attachment Two-A2)

Ray Nelson (AHIP) said AHIP had a small number of comments regarding the proposal, specifically that the description of the alternate risk charge did not appear to match the implementation. AHIP also believed that the implementation of the alternate risk charge had unintended consequences that differed from those expected. He noted that the materials included a modified proposal that appears to incorporate the comments from the letter.

Carl Labus (Blue Cross Blue Shield Association—BCBSA) said that the comments presented in the letter were addressed in the modified proposal included in the meeting materials.

James Braue (UnitedHealth Group—UHG) said the main point of the comment letter was the alternate risk charge. UHG believes the implementation of the alternate risk charge in the proposal differed from that presented in the Academy's report and noted that the question was included in the letter to the Academy, which was included in the materials. The rest of the comments were technical corrections that appeared to be addressed in the modified proposal included in the materials.

Drutz asked NAIC committee support to discuss the changes included in Proposal 20205-15-CA modified. Derek Noe (NAIC) said many of the changes were line numbers to align the instructions and blanks. The description of the alternate risk charge was revised to the wording suggested by UHG in its comment letter, and commentors were requested to confirm that the description matches the alternate risk charge implementation. The modified proposal aligned the "Dental Only" and "Vision Only" naming throughout the proposal and clarified the term "Investment Income Adjustment Factor." The proposal also included updated formulas based on the comments received. All changes were highlighted in yellow. Drutz asked if there were any objections to exposing the modified

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proposal. Hearing none, the modified proposal was exposed with comments due March 11, 2026 (Attachment Two-A3).

4. Received Comments on the Managed Care Credit Draft

The Working Group exposed a draft on Nov. 6, 2025, to collect information to use in updating the Managed Care Credit, with comments due Jan. 20. The draft was based on a request from the Academy in its H2–Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report. The Working Group received four comment letters (Attachment Two-A4).

Nelson said that AHIP had three main comments. The first comment is the need to clarify the instructions for the added exhibit. He said that the exhibit included tables for direct business, ceded reinsurance, and net business but excluded a table for assumed business. This would exclude assumed business from the data collection, but given that the exhibit was for data collection rather than RBC reporting, the exclusion of assumed business may be appropriate. He also asked that the Working Group add language to the proposed exhibit acknowledging that companies may estimate amounts in each category and include an indicator to identify which categories have exact data and which have estimated data.

Labus said most of the BCBSA comments were addressed in the letter to the Academy included in the materials. He also said that the companies would need time to appropriately categorize the transactions and asked for the Working Group to increase the clarity of the instructions to help companies file.

Connie Jasper Woodroof (CJW Associates) said she had similar comments on the reinsurance topics as the other commentators and that they are addressed in the Academy letter included in the meeting materials. She noted that the title of the exhibit should be changed to “Exhibit 7 Part 1A” to maintain consistency in blanks formatting, as well as the structures called “tables” in the draft should be titled “section” for similar reasons. She also asked for more clarification on the lines of business, as the included lines are similar but do not directly match those included in the Analysis of Operations by Line of Business. The comment also asked for clarity on lines 7, 7.1, and 7.2, and she wants clarification on whether line 7 was a single line for 7.1 and 7.2, or whether all three lines were independent. She also noted that some of the lines ask for paid amounts and some ask for incurred amounts, and would like clarification on what is actually being reported. She also said that the timeline to get the draft exhibit through the Blanks (E) Working Group so that it could be included in the 2026 annual statement was very tight, as the exhibit would need to be exposed during the Blanks (E) Working Group's meeting in May.

Braue said that UHG is concerned about providing data on a ceded basis, noting that the current managed care credit is based on direct business and that it does not believe this is an oversight. Producing data for reinsurance can be very difficult, depending on the type of reinsurance used, and companies must review claims in great detail to accurately categorize payment types. UHG was also unsure what the Academy could use the collected reinsurance data for regarding the managed care credit and recommended that the new exhibit collect only direct business. Braue also said that UHG would like clearer line-of-business definitions, for the Academy to clarify the risk-sharing arrangements, and to include an example of how to complete the new exhibit. There may also be a timing issue, as the contract terms may not align with the calendar year, and he would like clarification on how to report those arrangements. Braue also asked for clarification on whether the total for the proposed exhibit should equal the total in the current Exhibit 7, Part 1.

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Chou agreed with the need for an example of how to fill out the proposed exhibit, emphasizing the importance of a proper cost-benefit analysis when requesting new information from the industry. Drutz said that the Working Group has reached out to the Academy for help with a redraft and asked interested parties to consider if they would be willing to help with the redraft if requested.

5. Discussed the Working Group's Letter to the Academy

Drutz said that the Working Group sent a letter to the Academy requesting that it address comments on the H2 report, proposal 2025-15-CA, and the managed care credit draft, as well as any potential problems with a three-year phase-in of the proposed factors (Attachment Two-A5). He said the letter was sent in a timely manner to give the Academy ample opportunity to respond to the request, but additional questions could be sent if interested parties had any. Braue asked if the Working Group could add a question for the Academy to ask if the confidence levels are too high, given the more granular reporting and the lack of a diversification credit. Drutz said that the Academy would most likely say the confidence-level decision was a Working Group decision, and the Academy would provide the analysis, but that the question would be sent to the Academy. Braue said that the Working Group's request for additional confidence levels, as discussions of the factors continue, seemed reasonable.

6. Discussed H2 Risk Factor Implementation

Drutz said that, with work currently underway on the structural changes, the Working Group should begin discussions on implementing the factors presented in the Academy's H2 report. Taking into account comments from the interested parties, a way forward might be a three-year phase-in approach starting in 2027. Drutz said he believed this was a similar approach that the Property and Casualty Risk-Based Capital (E) Working Group has used for significant changes in the past, and suggested starting the discussion by using 87.5% risk level and one year duration factors from the Academy's report and noted that this does not lock the Working Group into these parameters in the future, and the discussions would include the Academy's proposed premium tier changes. Drutz asked NAIC committee support to start on impact analysis for the approach and stated that the goal of the Working Group is to let interested parties know the thinking of the regulators, as the changes could be significant.

7. Discussed Other Matters

Drutz informed attendees that the Working Group will be meeting at the Spring National Meeting. He also said the Academy's long-term care working group has been formed, and it contacted the NAIC. The NAIC is currently gathering data for the Academy's stop-loss working group.

Having no further business, the Health Risk-Based Capital (E) Working Group adjourned.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/CADTF/2026/1Spring/Health/02_13/A_Feb%2013%20HRBC%20Meeting%20Minutes%20TPRd.docx

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NAIC
1101 K Street, N.W., Suite 650
Washington, DC 20005

August 5, 2025

Dear Chair and members of **Property and Casualty Risk-Based Capital (E) Working Group (Health Risk-Based Capital (E) Working Group)**,

While we support the principle of developing a proposal for harmonization that includes assigning bond-like treatment to SVO designated funds, we urge the Working Group to expand this from Life companies only to all insurer types.

Industry research notes that 96% of SVO-designated mutual funds and a significant amount of private funds reside on non-life insurance balance sheets. However, for fixed income funds, as a P&C insurer, presently we are subject to punitive RBC charges, i.e., Schedule D-2 Equity charge to mutual funds and Schedule BA charge to private funds. At the same time, Life insurers have been benefiting from bond-like treatment for SVO designated private funds and will likely be able to apply the same to mutual funds given the exposure draft. This inconsistency disadvantages us as a P&C (Health).

There are capital efficiency considerations to our investment decisions. We utilize fund vehicles such as ETFs and mutual funds for certain fixed income exposures due to their liquidity, diversification, operational and expense efficiencies. We also invest in private funds for access to other types of private fixed income exposure. In our view, the ability to invest in fixed income funds and to receive fair RBC treatment commensurate with the associated SVO designation is critical for leveling market access. This is primarily true for smaller insurers, where cost or complexity issues render funds as the only reasonable vehicle, but also impacts larger insurers seeking to access more niche strategies for similar benefit.

In our opinion, this movement furthers the guiding RBC principle of "equal capital for equal risk" and agrees with the recent Principles-Based Bond Definition initiative that stressed "substance over form." Aligning these metrics improves solvency assessments for all insurance lines, not just Life companies where this has been exposed.

Sincerely,



David Ratliff, CFA
VP, Treasury & Investments

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042313 (06-01-2017)

PineBridge® INVESTMENTS

September 29, 2025

TO: NAIC Health Risk-Based Capital (E) Working Group ("Health RBC WG")
CC: NAIC Risk-Based Capital Investment Risk and Evaluation (E) Working Group ("IRE WG"); Valuation of Securities (E) Task Force

Subject: Harmonization of RBC Treatment for Investment Funds for Health Insurers

Dear Chair and members of Health Risk-Based Capital (E) Working Group,

We commend the NAIC for its continued efforts to align the Risk-Based Capital ("RBC") treatment of investment funds. We are grateful to the Health RBC WG for addressing the referral from the IRE WG regarding the harmonization across life and non-life insurers.

We appreciate the time and effort the NAIC has dedicated to this important issue. Over the last decade, investment funds have increasingly enabled insurers to access a broader and more diversified range of asset classes, many of which were previously difficult for insurers to access, especially smaller insurers. Notable examples include insurer participation in loan markets and infrastructure projects, which are now more accessible through fund structures due to their operational efficiencies and diversification benefits.

The initiative to harmonize RBC treatment for funds aligns funds risk assessment with the NAIC's Securities Valuation Office ("SVO") designation and supports certain NAIC guiding principles:

- **Substance Over Form**: Regardless of the legal form (e.g., ETF, mutual fund, or private fund), if the underlying portfolio carries the same investment risk as measured by SVO designation, the RBC charge should be applied consistently.
- **Equal Capital for Equal Risk**: RBC charges for fixed income funds should reflect the credit risk of the aggregate underlying portfolio on a look-through basis. Accordingly, fixed income funds should receive bond-like RBC treatment.

The NAIC noted that non-life insurers currently face more conservative RBC charges for funds; and non-life insurers, if aligned with life insurers, would have the option to use SVO designation for RBC relief at their discretion.[1] Specifically,

- **Mutual funds and private funds with an existing designation**. A non-life insurer would apply a bond-like RBC commensurate with the SVO designation, which is more accurate than the existing framework that assigns a flat 15% or 20% RBC charge. We also believe covariance adjustments do not fully mitigate the current punitive RBC charges to these funds.
- **Other funds.** If a fund lacks an SVO designation, the insurer or the fund manager may seek one. If no action is taken, the existing RBC charge remains unchanged and conservatively applied.

[1] The NAIC RBC IRE Working Group June 23, 2025 meeting minutes stated "filers potentially face more conservative capital charges," and "filing with the SVO is optional, and the proposal for life insurers is to allow risk charges commensurate with the risk as represented by the SVO designations."

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- **Asset Concentration Factor**. Applying look-through treatment for asset concentration, consistent with the life insurance industry's implementation proposal, would also be beneficial for non-life insurers.

Sincerely yours,
PineBridge Insurance Solutions and Strategies

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January 29, 2026

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

Via email: Derek Noe, dnoe@naic.org
Maggie Chang, mchang@naic.org
Steve Drutz, steve.drutz@oic.wa.gov

Re: Exposures of 2025-15-CA A&H Underwriting Risk Structure Change and Managed Care Credit Concept Draft

Dear Mr. Drutz:

On behalf of the members of AHIP[1], we appreciate the opportunity to provide comments on the above referenced items that were exposed during the Working Group's meeting held on November 6, 2025.

AHIP is appreciative of the significant work done to date on this complex project by the Working Group, NAIC Staff, and the American Academy of Actuaries. Following are our comments on the exposures:

Proposal 2025-15-CA A&H Underwriting Risk Structure Change

1. XR013 Instructions – working on page 1:
    - Under 'Claims Experience Fluctuation', the existing wording in Section B for the alternate risk charge regarding multi-line organizations appears to be inconsistent with the later instructions for Lines 17-19. The language regarding offsets (as well as the cap amounts) and the charge not being cumulative for each line do not match up with the subsequent instructions.

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- For consistency, the word 'alternative' should to be changed to 'alternate' when referring to the risk charge. This would be consistent with the subsequent instructions as well as page XR013 which refers to 'alternate risk charge'.

2. XR013 Instructions – wording on page 2: In Column (1) instructions there are multiple existing sentences about what is not included in this category. We believe these sentences also apply to the other Columns on this page. These sentences should be moved to the first paragraph, in order to apply to all Columns.
3. XR013 Instructions – page 6: The instructions for Line 17 Alternate Risk Charge appear to require the Alternate Risk Charge whether or not a company has business in a particular product line. A modification is recommended to note that in the event a company does not have business in a particular product line column, the Alternate Risk Charge should be zero.
4. XR013 Instructions – page 6: In the instructions for Line 18 Net Alternate Risk Charge, is it intended that only columns 5-8 receive offsets from other business lines? In addition, should there be instructions for Column (9) included in the Line 18 instructions?

<u>Managed Care Credit Concept Draft</u>

5. Draft Instructions:
   - It appears that the existing instructions apply to Exhibit 7 – Part 1 and that the new draft contains instructions for Part 1B.
     i. Should the Part 1 instructions for lines 1-6 be repeated in Part 1B?
     ii. Should definitions for lines 11-15 be included in Part 1B?
   - All instructions should be as clear as possible to ensure uniform data collection among companies. For example, the term 'prior year' is included in many of the instructions. Does 'prior year' mean the year prior to the statement year? This clarification should be made.
6. Exhibit 7 – Part 1B: It should be noted that Table 1 is labeled as 'Direct', Table 2 as 'Ceded' and Table 3 as 'Net'. Is Table 3 intended to be Table 1 less Table 2? However, since Assumed business is not reflected, Table 3 may not truly be 'Net'. AHIP is not recommending that Assumed business be included as we do not believe that these splits will necessarily be available for Assumed business. As this data is for analysis purposes only

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and does not impact RBC, we believe that the 'Net' data being 'Direct' less 'Ceded' is all right for these purposes.

7. Please note that the availability of the additional data splits contained in the Part 1B tables vary from company to company. Changes may be needed for many companies to track the requested data. As such, AHIP suggests language be added to allow for companies to apply reasonable estimation methods in instances where the exact data is not readily available.

Thank you for the opportunity to provide these comments. We look forward to continuing to work with the Health Risk-Based Capital (E) Working Group on these matters in the future.

Sincerely,

LaCosta Wix
AHIP Senior Regulatory Counsel
State Affairs and Policy

Cc: Miranda Motter, AHIP Senior Vice President of State Affairs and Policy
Raymond Nelson, AHIP Consultant

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are Guiding Greater Health.

January 20, 2026

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

By Email to: Steve Drutz at steve.drutz@oic.wa.gov, Derek Noe at dnoe@naic.org, and Maggie Change at mchang@naic.org

Re: Exposures 2025-15-CA A&H Underwriting Risk Structure Change and the Managed Care Concept Draft

Dear Mr. Drutz:

The Blue Cross Blue Shield Association (BCBSA) appreciates the opportunity to comment on Exposure 2025-15-CA A&H Underwriting Risk Structure Change and the Managed Care Concept Draft. BCBSA continues to support the work of the Health Risk Based Capital Working Group (HRBCWG) in their efforts to revise the H2-Underwriting Risk section of the Health Risk Based Capital formula.

BCBSA is a national federation of 33 independent, community-based and locally operated BCBS companies (Plans) that collectively cover, serve and support 1 in 3 Americans in every ZIP code across all 50 states and Puerto Rico. BCBS Plans contract with 96% of hospitals and 95% of doctors across the country and serve those who are covered through Medicare, Medicaid, an employer, or purchase coverage on their own. BCBSA has long advocated for commonsense solutions to ensure a robust, competitive private marketplace that offers individuals a broad range of choices to meet their needs at the best possible price. We appreciate the HRBCWG efforts to revise the H2-Underwriting Risk section of the Health Risk Based Capital formula. Our comments, which follow below, relate to the Health Risk Based Capital formula and are more editorial in nature regarding potential instruction or exhibit clarifications and/or questions.

1. **Column (1) Comprehensive (Hospital & Medical) Individual instructions**. These instructions refer to the exclusion of administrative services contracts, administrative services only contracts, or any non-underwritten business along with an exclusion for FEHBP and TRICARE. Should those exclusions be included in the Comprehensive (Hospital & Medical) Group instructions for consistency where the exclusions may be more relevant?

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2. **Page XR013 the Cell A1 and A2 formulas reference Line (1) in the calculations**. Should that reference be Line (10)?
3. **The Managed Care Credit Concept Draft instructions reference prior years for certain lines**. We presume that it is the prior reporting year after contracts are settled. So, for 2026 calendar year reporting, we would report the 2025 year. Is that correct?
4. **The Managed Care Credit Concept Draft Exhibit 1-Part 1B excludes a table for assumed business when determining the Net Medical Expense Payments**. We presume the assumption is that transactions with providers will not be available on assumed business, which may be the case or difficult to obtain. Therefore, the current tables may be appropriate for developing revised managed care credit criteria.
5. **The new line categories on Exhibit 1-Part 1B may require reporting changes initially for companies to report accurately and consistently**. We ask the working group to take this into consideration and allow estimates and the best judgement of appropriate reporting for the new categories in the initial reporting period for 2026.

We appreciate your consideration of our comments. If you have any questions or want additional information, please contact **Carl Labus**, Principal Analyst, Plan Financial Services, at carl.labus@bcbsa.com.

Sincerely,



Clay S. McClure
Senior Director, State Affairs
Blue Cross Blue Shield Association

UNITEDHEALTH GROUP

Corporate Finance – Actuarial Services Division
185 Asylum Street, CityPlace I ● Hartford, CT 06103

January 20, 2026

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

Via electronic mail to Derek Noe.

Re: Proposal 2025-15-CA.

Dear Mr. Drutz:

I am writing on behalf of UnitedHealth Group with regard to Proposal 2025-15-CA, as exposed for comment by the Health Risk-Based Capital (E) Working Group ("Working Group") on November 6, 2025. The first section of this letter addresses some issues regarding the Alternate Risk Charge. The second section contains our recommendations for clarifications and corrections to the exposed language.

Alternate Risk Charge.

The Alternate Risk Charge in Proposal 2025-15-CA differs significantly from what was proposed by the American Academy of Actuaries in their April 2025 report, "H2—Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report." The Academy's report continued the current approach of assigning a specified minimum risk charge to each line of business, and then taking the maximum of those amounts across all lines of business as the Alternate Risk Charge.

Proposal 2025-15-CA, in contrast, assigns a smaller minimum risk charge ($500,000 vs. $1,500,000) to each of the "comprehensive" lines of business (Comprehensive Individual, Comprehensive Group, Medicare, and Medicaid), and then sums the relevant amounts to create a minimum risk charge for those lines in aggregate. Whereas the Academy's proposal would have created an Alternate Risk Charge of $1,500,000 if a reporting entity wrote any of the comprehensive lines of business, Proposal 2025-15-CA would create an Alternate Risk Charge

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ranging between $500,000 and $2,000,000 depending on the number of the comprehensive lines written by that entity.

The reason for this deviation from the Academy's original proposal is not clear to us, and we would welcome an explanation from either the Working Group or Academy staff.

We also note that the formulas for B1, B2, and B3 on pages 48, 57, and 69 are misleading. As written, the formulas suggest that the Alternate Risk Charges for the non-comprehensive lines of business apply regardless of whether the reporting entity actually writes those other lines of business. The descriptive language on pages 8, 29, and 44 could be interpreted as supporting that same approach. We feel certain that this does not represent the actual intent of the Working Group, but care should be taken that the eventual coding of the adopted formulas does not inadvertently maintain that inappropriate treatment.

Recommended clarifications and corrections.

Recommendations below are listed according to the page of Proposal 2025-15-CA on which the relevant material appears.

Page 3: The paragraph labeled "B" does not match the Alternate Risk Charge approach that is specified in the proposal. If that approach is retained, paragraph B should be revised as follows.

> B. An alternative risk charge that addresses the risk of catastrophic claims on any single individual. The alternative risk charge~~maximum retained risk (level of potential claim exposure)~~ is ~~capped at~~ $500,000 per line for medical coverage~~.~~, ~~;~~ $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e~~e.g.~~, writing more than one coverage type), the total alternative risk charge is the highest of the cumulative alternative risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Vision Only, Dental Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternative risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only. ~~for each subsequent line of business is reduced by the amount of the highest cap. For example, if an organization is writing both comprehensive (hospital & medical) individual & group (with a cap of $1,500,000) and dental (with a cap of $50,000), then only the larger alternative risk charge is considered when calculating the RBC requirement (i.e., the alternative risk charges for each line of business are not cumulative).~~

Page 4: The header on this page says "L(1) through L(20)," but in fact there are only 19 lines in the proposed version of XR013.

The comment in the Column (1) instructions about excluding ASC/ASO business actually applies to all of the lines of business. It should be moved to a position before the instructions for

the separate columns. Likewise, the comment about including prescription drug benefits applies to multiple lines of business, and should be moved to a similar position.

The instructions for Column (1) also say, "Neither does it include Federal Employees Health Benefit Plan (FEHBP) or TRICARE, which are handled in Line 24 of this section." In the proposed structure, FEHBP and TRICARE are actually addressed on Line (22).

The instructions for Column (6) and Column (7) refer to "Vision" and "Dental"; however, the column headings on XR013 are actually "Vison Only" and "Dental Only" (although the subsidiary tables for the Alternate Risk Charge and the Initial Premium Amount use "Vision" and "Dental"). There are similar differences in terminology throughout the instructions and the formula pages. We suggest that the naming convention for those lines of business be made consistent throughout.

Page 5: The instructions for Column (9) say, "Stop-loss premiums are addressed separately in Line (25) on page XR015." The correct line reference is Line (23).

The instructions for Line (1) Premium say, "It is the earned amount of prepayments (usually on a per member per month basis) made by a covered group or individual to the reporting entity." Note that for Medicaid and Medicare business, premiums may also be received from state agencies or from CMS, not only from the covered group or individual.

The instructions for Line (5) Net Incurred Claims say, in regard to Stand-Alone Medicare Part D, "report the incurred claims amount (supplemental benefit portion) on Line (25.1) of page XR015." The correct line reference is Line (24.1).

Page 6: In the instructions for Line (12), and throughout the instructions and blanks pages, the term "Income Adjustment Factor" should be "Investment Income Adjustment Factor," for the sake of clarity. (Or, if something briefer is desired, even "Investment Income Factor" would do.) Note that in the Property Casualty RBC formula, the line for the comparable adjustment is captioned, "Adjustment for Investment Income."

Also, in the instructions for Line (13), the comment about the investment yield probably should be deleted. If the yield is stated at all, it should be in the instructions for Line (12).

Page 20: In the instructions for Line (32), item (b), the line references should be to Line (32) rather than Line (31).

Page 24: The paragraph labeled "B" has been edited to give only a very brief description of the Alternate Risk Charge. For the sake of clarity, some consideration should be given to adding the full language suggested above in our comments on p. 3.

Page 27: While the caption "Line (12) Income Adjustment Factor" appears on this page, no description of that line is actually given. We recommend that the description from p. 6 be inserted here. (This also applies to the PR020 instructions on p. 43.)

Page 40: In the first paragraph under the heading "Line (1) through Line (19)," the number of relevant lines of business has been updated from four to eight in the first sentence, but not in the third sentence. The third sentence should be updated accordingly.

Page 41: In the instructions for Line (4) Underwriting Risk Revenue, the reference to Line (1.3) has been revised to Line (1). However, the structure of PR020 as shown on p. 68 indicates that Line (1.3) is still the correct reference, and should be restored.

Page 46 (XR013): It appears that in Column (10), Line (6) should contain "XXX" rather than being blank. Is there any reason there would ever be an amount there?

Also, since there is no Managed Care Discount Factor applicable to Other Health, it seems that in Column (9), Line (15) should contain "XXX" rather than being blank.

There apparently was supposed to be a footnote, as indicated by the double-dagger, to the section listing the Initial Premium Amount for each category of business; however, the footnote is not included on the page. (This also applies to p. 55, LR020, and p. 68, PR020.)

Page 48: In the formulas for A1 and A2, the references to Line (1) should actually be to Line (10). (This also applies to pp. 57 and 69.)

Page 49 (XR015): For Line 24.3, the source is given as "Sum of Lines (21) through (24.2)." The sum actually begins with Line 20, not Line 21.

Page 51 (XR017): The caption for Line (41.1) should reference Line (41), not Line (42).

The captions for Lines (42.1) and (42.2) should reference Line (42), not Line (43), and the captions for Lines (42.4) and (42.5) should reference Lines (42.3) and (42.4) respectively, rather than Lines (43.3) and (43.4).

In the footnote indicated by Φ, the description "XR013, Column (11), Line (21) Less Column (8)" should read "XR013, Column (11), Line (19) Less Column (8), Line (19)".

Page 54 (LR019): Line 1, Comprehensive Medical and Hospital, should be split into separate lines for Individual and Group. (This also applies to p. 67, PR019.)

The † footnote indicates which types of business require the completion of the Health Administrative Risk portion of LR029. This footnote was updated to reflect the new line numbers on LR019. However, the revised note includes Stand-Alone Medicare Part D among the business that is subject to the Health Administrative Risk calculation, whereas Stand-Alone Medicare Part D is not included in the current version of the note. While we do not necessarily disagree with this change, we would be interested in the reasoning behind including it in this proposal. Was it considered essentially a correction rather than a change in intention?

Page 55 (LR020): Now that Individual and Group business are in separate columns, Lines 1.1, 1.2, and 1.3 can be collapsed into one line. (This also applies to p. 68, PR020.)

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Also note that in the table at the bottom for the Initial Premium Amount, the amounts shown are actually the Alternate Risk Charge amounts.

* * * * *

Thank you for the opportunity to provide these comments. We would be happy to discuss these comments with you and the Working Group.

Sincerely,



James R. Braue
Vice President, Actuarial Services
UnitedHealth Group

cc: Derek Noe, NAIC
Alena Yankouskaya, UnitedHealth Group
Mollie Zito, UnitedHealth Group

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☒ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

	DATE: 11/4/2025	**FOR NAIC USE ONLY**
CONTACT PERSON:	**Derek Noe**	Agenda Item # 2025-15-CA-MOD Year 2026
TELEPHONE:	**816-783-8973**	**DISPOSITION**
EMAIL ADDRESS:	**dnoe@naic.org**	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
ON BEHALF OF:	**Health Risk-Based Capital (E) Working Group**	
NAME:	**Steve Drutz**	
TITLE:	**Chief Financial Analyst/Chair**	**EXPOSED:** ☐ TASK FORCE (TF) _____ ☒ WORKING GROUP (WG) 2/13/2026 ☐ SUBGROUP (SG) _____
AFFILIATION:	**WA Office of Insurance Commissioner**	
ADDRESS:	**5000 Capital Blvd SE** **Tumwater, WA 98501**	**REJECTED:** ☐ TF ☐ WG ☐ SG _____ **OTHER:** ☐ DEFERRED TO _____ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) _____

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

☒ Health RBC Blanks ☒ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☒ Health RBC Instructions ☒ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☒ Health RBC Formula ☒ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Changes to the structure of pages XR013, XR014, PR019, PR020, PR022, PR025, LR019, and LR020 based on the recommendations from the Academy's H-2 Underwriting Risk Report.

The Academy presented their *H2-Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report* to the Health Risk-Based Capital Working Group at their April 30, 2025 meeting. The report presented a revised structure to more closely align the underwriting risk pages with the lines of business as presented in the Analysis of Operations of the Health Annual Statement. The report also advised to change the implementation in the Life and Property and Casualty RBC to mirror the line of business changes in Health.

This proposal also implements a new alternative risk charge based on the recommendation from the Academy that the multiple of maximum individual risk be eliminated.

Additional Staff Comments:

LR029 Line (42) and PR022 Line (5) now include Title XVIII Medicare and Title XIX Medicaid as part of total health premium.

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Income adjustment factor instructions and values will be updated during the annual Investment Income Adjustment review.

02/10/26 Revisions

Changes are highlighted in yellow.

Changed numeric references in the health instructions and blanks to match the renumbered lines.

Updated line reference for PR019 to match renumbered lines.

Added description to the PR020 and LR020 line 12 instructions.

Changed verbiage in the instructions for the Alternate Risk Charge

Did not remove lines 1.1, 1.2, and 1.3 from PR020 and LR020 as those lines are used for calculations on other pages. LR019 individual and Group comprehensive were already separated.

** **This section must be completed on all forms.** **Revised 2-2023**

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UNDERWRITING RISK - L(1) THROUGH L(1921)

XR013

Underwriting Risk is the largest portion of the risk-based capital charge for most reporting entities. The Underwriting Risk page generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this page comes from the Managed Care Credit Calculation page.

Underwriting risk is present when the next dollar of unexpected claim payments comes directly out of the reporting entity's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, a reporting entity may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by that reporting entity. If the individual incurs $101 in claims costs, the reporting entity's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the reporting entity is not at risk for excessive claims payments, such as when an HMO agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claim costs, so the risk of excessive claims experience is borne by the self-insured employer, not the reporting entity. The underwriting risk section of the formula, therefore, requires some adjustments to remove non-underwriting risk business (both premiums and claims) before the RBC requirement is calculated. Appendix 1 contains commonly used terms for general types of health insurance. Refer to INT 05-05: Accounting for Revenue under Medicare Part D Cover for terms specifically used with respect to Medicare Part D coverage of prescription drugs.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

A. Underwriting risk revenue, times the underwriting risk claims ratio, times a set of tiered factors. The tiered factors are determined by the underwriting risk revenue volume.

or

B. An alternate~~ive~~ risk charge that addresses the risk of catastrophic claims on any single individual. ~~The alternative risk charge is equal to multiple of the maximum retained risk on any single individual in a claims year.~~ The alternate risk charge ~~maximum retained risk (level of potential claim exposure)~~ is ~~capped at $750,000 per individual and~~ $1~~,~~500,000 per line ~~total~~ for medical coverage~~,~~; ~~$25,000 per individual and~~ $50,000 each~~total~~ for all other coverage except Medicare Part D coverage, and ~~$25,000 per individual and~~ $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e.~~e.g.~~, writing more than one coverage type), the total alternate~~ive~~ risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~for each subsequent line of business is reduced by the amount of the highest cap. For example, if an organization is writing both comprehensive (hospital & medical) individual & group (with a cap of $1,500,000) and dental (with a cap of $50,000), then only the larger alternative risk charge is considered when calculating the RBC requirement (i.e., the alternative risk charges for each line of business are not cumulative).~~

For RBC reports to be filed by a health organization commencing operations in this reporting year, the health organization shall estimate the initial RBC levels using operating (revenue and expense) projections (considering managed care arrangements) for its first full year (12 months) of managed care operations. The projections, including the risk-based capital requirement, should be the same as those filed as part of a comprehensive business plan that is submitted as part of the application for

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licensure. The Underwriting, Credit (capitation risk only), and Business Risk sections of the first RBC report submitted shall be completed using the health organization's actual operating data for the period from the commencement of operations until year-end, plus projections for the number of months necessary to provide 12 months of data. The affiliate, asset and portions of the credit risk section that are based on balance sheet information shall be reported using actual data. For subsequent years' reports, the RBC results for all of the formula components shall be calculated using actual data.

L(1) through L(1921)

There are tensix lines of business used in the formula for calculating the RBC requirement for this risk: (1) Comprehensive (Hospital & Medical) individual & group; (2) Comprehensive (Hospital & Medical) group; (3) Title XVIII Medicare; (4) Title XIX Medicaid; (52) Medicare Supplement; (63) Dental/Vision Only; (7) Dental Only; (84) Stand-Alone Medicare Part D Coverage; (95) Other Health; and (106) Other Non-Health. Each of these lines of business has its own column in the Underwriting Risk – Experience Fluctuation Risk table. The categories listed in the columns of this page include all risk revenue and risk revenue that is received from another reporting entity in exchange for medical services provided to its members. These categories DO NOT include administrative services contracts (ASC), administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in the Business Risk section of the formula. The descriptions of the items are described as follows:

Column (1) – Comprehensive (Hospital & Medical) Individual & Group. Includes policies providing for medical coverages including hospital, surgical, and major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This category DOES NOT include administrative services contracts (ASC), administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in the Business Risk section of the formula. Neither does It does not include Federal Employees Health Benefit Plan (FEHBP) or TRICARE, which are handled in Line 224 of this section. Medicaid Pass-Through Payments reported as premiums should also be excluded from this category and should be reported in Line 25.2 of this section. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000. Prescription drug benefits included in major medical insurance plans (including Medicare Advantage plans with prescription drug coverage) should be reported in this line. These benefits should also be included in the Managed Care Credit calculation.

Column (2) – Comprehensive (Hospital & Medical) Group Includes policies providing for medical coverages including hospital, surgical, and major medical. Prescription drug benefits included in major medical insurance plans should be reported in this line. These benefits should also be included in the Managed Care Credit calculation.

Column (3) – Title XVIII Medicare Business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the beneficiary premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans

Column (4) – Title XIX Medicaid Business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicaid subscribers.

Column (52) – Medicare Supplement. This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement and includes Medicare Select. Medicare risk business is reported under Comprehensive (Hospital & Medical) Individual & Group.under Title XVIII Medicare.

Column (63) – Dental & Vision Only. This is limited to policies providing for dental-only or vision-only coverage issued as a stand-alone policy or as a rider to a medical policy, which is not related to the medical policy through deductibles or out-of-pocket limits.

Column (7) – Dental Only This is limited to policies providing for dental-only coverage issued as a stand-alone policy or as a rider to a medical policy, which is not related to the medical policy through deductibles or out-of-pocket limits.

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Column (84) – Stand-Alone Medicare Part D Coverage. This includes both individual coverage and group coverage of Medicare Part D coverage where the plan sponsor has risk corridor protection. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. Medicare drug benefits included in major medical plans or benefits that do not meet the above criteria are not to be included in this line. Supplemental benefits within Medicare Part D (benefits in excess of the standard benefit design) are addressed separately on page XR015. Employer-based Part D coverage that is in an uninsured plan as defined in *SSAP No. 47—Uninsured Plans* is not to be included here.

Column (95) – Other Health Coverages. This includes other health coverages such as other stand-alone prescription drug benefit plans, that have not been specifically addressed in Columns (1) through (84) listed above and those lines of business addressed separately on page XR015, such as stop loss. Stop-loss premiums are addressed separately in Line (235) on page XR015.

Column (106) – Other Non-Health Coverages. This includes life and property and casualty coverages.

The following paragraphs explain the meaning of each line of the table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium. This is the amount of money charged by the reporting entity for the specified benefit plan. It is the earned amount of prepayments (usually on a per member per month basis) made by a covered group, ~~or~~ individual, CMS, or state agency to the reporting entity in exchange for services to be provided or offered by such organization. However, it does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-underwritten business. Nor does it include federal employees health benefit programs (FEHBP) and TRICARE. Report premium net of payments for stop-loss or other reinsurance. The amounts reported in the individual columns should come directly from Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement. For Stand-Alone Medicare Part D Coverage the premium includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D payment demonstration amounts and risk corridor payment adjustments. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. It does not include revenue received for reinsurance payments or low-income subsidy (cost-sharing portion), which are considered funds received for uninsured plans in accordance with Emerging Accounting Issues Working Group (EAIWG) INT. No. 05-05. Also exclude the beneficiary premium (supplemental benefit portion) for Stand-Alone Medicare Part D coverage.

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

~~Line (2) Title XVIII Medicare. This is the earned amount of money charged by the reporting entity (net of reinsurance) for Medicare risk business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the beneficiary premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans. The total of this line will tie to the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement.~~

~~Line (3) Title XIX Medicaid. This is the earned amount of money charged by the reporting entity for Medicaid risk business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicaid subscribers. The total of this line will tie to the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement. Stand-Alone Medicare Part D coverage of low-income enrollees is not included in this line.~~

Line (24) Other Health Risk Revenue. This is earned amounts charged by the reporting entity as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders, or members of another insurer or health entity. Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health entity to the reporting entity in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the reporting entity from another

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reporting entity. This revenue is reported in the Business Risk section of the formula as non-underwritten and limited risk revenue. The amounts reported in the individual columns will come directly from Page 7, Line 4 of the annual statement.

Line (~~35~~) Medicaid Pass-Through Payments Reported as Premiums. Medicaid Pass-Through Payments that are included as premiums in the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 should be reported in this line.

Line (~~46~~) Underwriting Risk Revenue. The sum of Lines (1) ~~through~~ and (24) minus Line (~~35~~).

Line (~~57~~) Net Incurred Claims. Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the reporting entity. Paid claims include capitation and all other payments to providers for services to members of the reporting entity, as well as reimbursement directly to members for covered services. Paid claims also include salaries paid to reporting entity employees that provide medical services to members and related expenses. Do not include ASC payments or Federal Employees Health Benefits Program (FEHBP) and TRICARE claims. These amounts are found on Page 7, Line 17 of the annual statement.

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in INT 05-05: Accounting for Revenue under Medicare Part D Coverage). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claims liabilities should reflect expected recoveries from the reinsurance coverage, for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS. Exclude the beneficiary incurred claims (supplemental benefit portion) for Stand-Alone Medicare Part D coverage and report the incurred claims amount (supplemental benefit portion) on Line (245.1) of page XR015.

Line (~~68~~) Medicaid Pass-Through Payments Reported as Claims. Medicaid Pass-Through Payments that are included as claims in the Analysis of Operations by Lines of Business, Page 7, Line 17 should be reported in this line.

~~Line (9) Total Net Incurred Claims Less Medicaid Pass-Through Payments Reported as Claims. Line (7) minus Line (8).~~

Line (7~~10~~) Fee-for-Service Offset. Report fee for service revenue that is directly related to medical expense payments. The fee for service line does not include revenue where there is no associated claim payment (e.g., fees from non-member patients where the provider receives no additional compensation from the reporting entity) and when such revenue was excluded from the pricing of medical benefits. The amounts reported in the individual columns should come directly from Page 7, Line 3 of the annual statement.

Line (8~~11~~) Underwriting Risk Incurred Claims. Line (59) minus Lines (6~~10~~) and (7).

Line (9~~12~~) Underwriting Risk Claims Ratio. For Columns (1) through (9~~5~~), Line (8~~11~~)/Line (4~~6~~). If either Line (4~~6~~) or Line (8~~11~~) is zero or negative, Line (9~~12~~) is zero.

Line (10) Underwriting Risk Factor for Initial Amounts of Premium. Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7),

Line (11) Underwriting Risk Factor for Excess of Initial Amount. Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7),

Line (12) Investment Income Adjustment Factor. The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned

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by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (13) Composite Underwriting Risk Factor. A weighted average factor based on the amount reported in Line (46), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor ~~The factors for Column (1) through (3) have incorporated an investment income yield of 4.5%.~~

	~~$0 – $3 Million~~	~~$3 – $25 Million~~	~~Over $25 Million~~
~~Comprehensive (Hospital & Medical) Individual & Group~~	~~0.1440~~	~~0.1440~~	~~0.0844~~
~~Medicare Supplement~~	~~0.0987~~	~~0.0609~~	~~0.0609~~
~~Dental & Vision~~	~~0.1153~~	~~0.0716~~	~~0.0716~~
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~
~~Other Health~~	~~0.130~~	~~0.130~~	~~0.130~~
~~Other Non-Health~~	~~0.130~~	~~0.130~~	~~0.130~~

~~The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 0.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.~~

Line (14) Base Underwriting Risk RBC. Line (46) x Line (912) x Line (13).

Line (15) Managed Care Discount. For Comprehensive (Hospital & Medical) individual & group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), and Dental/Vision, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claim payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (17) of the Managed Care Credit Calculation page. An average factor based on the combined results of these ~~three~~ categories ~~is used for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (17) of the Managed Care Credit Calculation page.

There is no discount given for the Other Health and Other Non-Health lines of business.

Line (16) RBC After Managed Care Discount. Line (14) x Line (15).

~~Line (17) Maximum Per-Individual Risk After Reinsurance. This is the maximum after-reinsurance loss for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:~~

- ~~Where coverage under the stop-loss protection (plus retention) with the highest attachment point is capped at less than $750,000 per member, the maximum retained loss will be equal to such attachment point plus the difference between the coverage (plus retention) and $750,000.~~

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- Where the stop-loss layer is subject to participation by the reporting entity, the maximum retained risk as calculated above will be increased by the reporting entity's participation in the stop-loss layer (up to $750,000 less retention).

If there is no specific stop-loss or reinsurance in place, enter $9,999,999.

Examples of the calculation are presented below:

EXAMPLE 1 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$100,000
Reinsurance Coverage	90% of $500,000 in excess of $100,000
Maximum reinsured coverage	$600,000 ($100,000 + $500,000)

Maximum Ret. Risk =	$100,000	deductible
	+ $150,000	($750,000 – $600,000)
	+ $ 50,000	(10% of ($600,000 – $100,000) coverage layer)
	= $300,000	

EXAMPLE 2 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$75,000
Reinsurance Coverage	90% of $1,000,000 in excess of $75,000
Maximum reinsured coverage	$1,075,000 ($75,000 + $1,000,000)

Maximum Ret. Risk =	$ 75,000	deductible
	+ 0	($750,000 – $1,075,000)
	+ $ 67,500	(10% of ($750,000 – $75,000)) coverage layer)
	= $142,500	

Line (178) Alternate Risk Charge. This is twice the amount in Line (17) for columns (1), (2), (3) and (5) and Column (4) is six times the amount in Line (17), subject to a maximum of $1,500,000 for Column (1), $50,000 for Columns (2), (3) and (5) and $150,000 for Column (4). Column (6) is excluded from this calculation. $500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), (7), and (9); and $150,000 for Column (8).

Line (19) Alternate Risk Adjustment. This line shows the largest value in Line (18) for the column and all columns left of the column. Column (6) is excluded from this calculation.

Line (1820) Net Alternate Risk Charge. This is the amount in Line (18), less the amount in the previous column of Line (19), but not less than zero. Column (6) is excluded from this calculation. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

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Line (~~21~~19) Net Underwriting Risk RBC. This is the maximum of Line (16) and Line (18~~20~~) for each of columns (1) through (9~~5~~). This is the amount in Line (14) for Column (~~6~~10). The amount in Column (11~~7~~) is the sum of the values in Columns (1) through (10~~6~~).

OTHER UNDERWRITING RISK – L(202) THROUGH L(445)

XR015–XR017

In addition to the general risk of fluctuations in the claims experience, there is an additional risk generated when reporting entities guarantee rates for extended periods beyond one year. If rate guarantees are extended between 15 and 36 months from policy inception, a factor of 0.024 is applied against the direct premiums earned for those guaranteed policies. Where a rate guaranty extends beyond 36 months, the factor is increased to 0.064. This calculation only applies to those lines of accident and health business, which include a medical trend risk, (i.e., Comprehensive (Hospital & Medical) individual & group, Medicare Supplement, Dental/Vision, Stand-Alone Medicare Part D Coverage, Supplemental benefits within Medicare Part D Coverage, Stop-Loss, and Minimum Premium). Premiums entered should be earned premium for the current calendar year period and not for the entire period of the rate guarantees. Premium amounts should be shown net of reinsurance only when the reinsurance ceded premium is also subject to the same rate guarantee.

A separate risk factor has been established to recognize the reduced risk associated with safeguards built into the Federal Employees Health Benefit Program (FEHBP) created under Section 8909(f)(1) of Title 5 of the United States Code and TRICARE business. Claims incurred are multiplied by 2% to determine total underwriting RBC on this business.

The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive (Hospital & Medical) individual & group or Other Health Coverages (Page XR013). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to premium in excess of $25,000,000. Stop-loss premiums should be reported on a net basis.

Line (24~~5~~.1) Supplemental Benefits within Stand-Alone Medicare Part D Coverage. A separate risk factor has been established to recognize the different risk (as described in INT 05-05: Accounting for Revenue under Medicare Part D Coverage) for the incurred claims associated with the beneficiaries for these supplemental drug benefits.

Line (24~~5~~.2) Medicaid Pass-Through Payments Reported as Premium. The treatment of Medicaid Pass-Through Payments varies from state to state, and in some instances is treated as premium. The Health Risk-Based Capital (E) Working Group, however, determined that the risk associated with these payments is more administrative in nature and similar to uninsured plans. As such, the Working Group determined that the charge should follow that of the uninsured plans (ASC and ASO) and apply a 2% factor charge to those Medicaid Pass-Through Payments reported as premiums. This amount should be equal to the amount reported on page XR013, Column (4~~1~~), Line (3~~5~~).

Lines (25~~6~~) through (31~~2~~) Disability Income. Disability Income Premiums are to be separately entered depending upon category (Individual and Group). For Individual Disability Income, a further split is between noncancellable (NC) or other (guaranteed renewable, etc.). For Group Disability Income, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. In determining the premiums subject to the higher factors, Individual Disability Income NC and Other are combined. All types of Group and Credit Disability Income are combined in a different category from Individual.

STOP-LOSS ELECTRONIC-ONLY TABLES

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The Health Risk-Based Capital (E) Working Group revised the stop-loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop-loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop-Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2019, will reflect the incurred data for calendar year 2018 run-out through December 31, 2019.

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss (including aggregating specific) = This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = Specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = Specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = Specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Do not include quota share or excess reinsurance written on stop-loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed, e.g., the RBC report filed for 2019 should provide experience information for calendar year 2018 with run-out through December 31, 2019. If the contract year does not follow a calendar year (e.g. 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Contract 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

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Total Gross Claims + Expenses =

Total Gross Claims – These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability.

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio – This is equal to (Total Gross Claims + Expenses)/Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims – These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Electronic Table 2a – Calendar Year Specific Stop-Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop-Loss Contracts by Group Size

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop-loss data and Table 2b should reflect the aggregate stop-loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (e.g. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop-loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) – The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

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Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =
(Sum of Specific Attachment Points X Reported Lives)/(Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$200,000	115%	90	Include	
2	$100,000	120%	60	Include	
3	$50,000	140%	40	Exclude	Not in Group Size Band
4	$120,000	N/A	50	Include	
Calculation:	(200,000 x 90 + 100,000 x 60 + 120,000 x 50)/(90 + 60 + 50) = $150,000				

Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop-loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %)/(Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$200,000	115%	$ 500,000	90	Include	
2	$100,000	120%	$ 300,000	60	Include	
3	$50,000	140%	$ 200,000	40	Exclude	Not in Group Size Band
4	$120,000	N/A	$ 400,000	50	Exclude	Aggregate not purchased by group
Calculation:	(500,000 x 115% + 300,000 x 120%)/(500,000 + 300,000) = 116.7%					

Footnote – The number of covered lives for stop-loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop-loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

Lines (323) through (401) Long Term Care. Long-Term Care Insurance (LTCI) Premiums are used to determine both a rate risk and the morbidity risk. The rate risk relates to all Noncancellable LTCI premiums. The morbidity risk is partially applied directly to premium with a higher factor (10%) applied to amounts up to $50,000,000 and a lower factor (3%) applied to premiums in excess of $50,000,000. In addition, the earned premiums and incurred claims for the last two years are used to determine an average loss ratio (incurred claims divided by earned premiums). This average loss ratio times the current year's premium is called Adjusted LTCI Claims for RBC. A higher factor (25%) is applied to claims up to $35,000,000 and a lower factor (8%) is applied to claims above $35,000,000. In certain situations where loss ratios cannot

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be used because one of the values is zero or negative, the current year's incurred claims are used. In a situation where the current year's premium is not positive, higher factors are applied to current year's incurred claims to reflect the lack of a premium-based RBC. The RBC for LTCI is the sum of these three calculations.

Line (412) Limited Benefit Plans. There is a factor for certain types of Limited Benefit coverage (Hospital Indemnity, which includes a per diem for intensive care facility stays, and Specified Disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

Line (423) Accidental Death and Dismemberment. There is a factor for Accidental Death and Dismemberment (AD&D) insurance (where a single lump sum is paid) which depends on several items:

1. Three times the maximum amount of retained risk for any single claim;
2. $300,000 if 3 times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and maximum retained risk on any single claim. The actual RBC amount will be calculated automatically as the lesser of 1 and 2. That result is then added to 3 and 4.

Line (434) Other Accident. There is a factor for Other Accident coverage that provides for any accident-based contingency other than those contained in Line 43. For example, this line should contain all the premium for policies that provide coverage for accident only disability or accident only hospital indemnity. The premium for policies that contain AD&D in addition to other accident only benefits should be shown on this line.

Line (445) Premium Stabilization Reserves. Premium stabilization reserves are funds held by the company in order to stabilize the premium a group policyholder must pay from year to year. Usually experience-rating refunds are accumulated in such a reserve so that they can be drawn upon in the event of poor future experience. This reduces the insurer's risk.

For health insurance, 50% of the premium stabilization reserves held in the annual statement as a liability (not as appropriated surplus) are permitted as an offset up to the amount of risk-based capital. The 50% factor was chosen to approximate the portion of premium stabilization reserves that would be an appropriate offset if the formula were applied on a contract-by-contract basis, and the reserve offset were limited to the amount of risk-based capital required for each contract.

Companies must list each group having 5% or more of the total premium stabilization reserve of the reporting entity. All other groups may be summarized on one line and labeled as various.

No credit is given here for premium stabilization reserves held for FEHBP and TRICARE coverage, because that coverage is already subject to a lesser percentage of premium in the underwriting risk calculation to reflect its reduced level of risk. Similarly, no credit is given here for any amounts held in connection with stand-alone Medicare Part D Coverage (i.e., amounts held as liabilities to the federal government under the risk-corridor mechanism), since Medicare Part D Coverage premium is already subject to a lesser factor in the underwriting risk calculation to reflect the reduced net level of risk. Amounts held as prepayments from the federal government for reinsurance coverage or low-income subsidy (cost-sharing portion) under Medicare Part D Coverage are not considered premium stabilization reserves as they relate to an uninsured plan.

As such, the company must exclude all amounts relating to FEHBP, TRICARE or stand-alone Medicare Part D Coverage in determining the amount of reserves to be reported.

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HEALTH PREMIUMS and HEALTH CLAIMS RESERVES

LR019, LR023 and LR024

Basis of Factors

Risk-based capital factors for health insurance are applied to medical and disability income, long-term care insurance and other types of health insurance premiums and Exhibit 6 claim reserves with an offset for premium stabilization reserves. For health coverage that does not fit into one of the defined categories for risk-based capital, the "Other Health" category is to be used.

Medical Insurance Premium

The business is subdivided by product into categories for individual coverages and for group and credit coverages depending on the risk related to volatility of claims. The factors were developed from a model that determines the minimum amount of surplus needed to protect the company against a worst-case scenario for each type of coverage. The results of the model were then translated into either a uniform percentage or a two-tier formula to be applied to premium. The two-tier formula reflects the decreased risk of a larger in-force block. The formula includes several changes starting in 1998 for some types of health insurance. These changes add several worksheets and are designed to keep the RBC amounts for health coverage consistent regardless of the RBC formula used. If the company has comprehensive medical business **(Individual & Group)**, **Title XVIII Medicare, Title XIX Medicaid,** Medicare Supplement, **Vision, Dental** business, or Stand-Alone Medicare Part D coverage through a PDP arrangement, it will be directed to these additional worksheets. The instructions for including paid health claims in the various categories of the Managed Care Discount Factor Calculation can be found in the instructions to LR022 Underwriting Risk – Managed Care Credit. Appendix 32 of these instructions lists commonly used health insurance terms. Appendix 43 of these instructions ~~lists~~list commonly used terms specific to Stand-Alone Medicare Part D coverage. If the company has any of the ~~four~~ mentioned types of medical insurance, it will also be required to complete additional parts of the formula for C-3 Health Credit Risk and C-4 Health Administrative Expenses Risk portion of the Business Risk.

Disability Income Premium

Prior to 2001, the individual disability income factors were based on models of the disability risk completed by several companies with significant experience in this line. The group long-term disability income risk was modeled based on methodology similar to that used by one of the largest writers of this business. The pricing risk was addressed principally as the delayed reaction to increases in incidence of new claims and to the lengthening of claims from slower recoveries than assumed.

Starting in 2001, new categories and new factors are applicable to all types of disability income premiums. These factors are based on new data and apply a model similar to that used for other health premium risk to that data.

Long-Term Care Insurance Premium

Prior to 2005, factors equal to the original disability income factors were used. Starting in 2005, factors based on LTC experience replaced those factors. The difference in the factors used in 2004 and prior years for noncancellable LTC versus other LTC has been retained as a rate risk factor applied to the NC premium. The morbidity risk is partially applied directly to premium with a higher factor applied to amounts up to $50,000,000 and a lower factor applied to premiums in excess of $50,000,000. In addition, the earned premiums and incurred claims for the last two years are used to determine an average loss ratio (incurred claims divided by earned premiums). This average loss ratio times the current year's premium is called Adjusted LTC Claims for RBC. A higher factor is applied to claims up to $35,000,000 and a lower factor is applied to claims above $35,000,000.

Claim Reserves

Additional risk-based capital of 5% of claim reserves for both individual and group and credit is required to recognize the risk of the level of recoveries and other claim terminations falling below that assumed in the development of claim reserves. However, claims reserves for workers' compensation carve-out are excluded from this charge and are separately assessed risk-based capital on page LR021 Underwriting Risk – Other, Line (5); reserves entered for this exclusion should be reported in net balance sheet reserves in Schedule P, Part 1 of the Workers Compensation Carve-Out Supplement.

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Pre-Tax and Post-Tax Factors

The formula uses pre-tax factors for all types of health insurance. Because many insurers of some types of health insurance write very little other business, it was determined that there would be no difference between pre-tax and post-tax factors except where substantial investment income is assumed as part of the product pricing. Thus, for disability income, the pre-tax factors in the table below and in LR023 Long-Term Care will be adjusted to post-tax by applying a tax-effect change to RBC in LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital. For reasons of practicality and simplicity, credit disability is included with other disability income and adjusted to post-tax. The pre-tax RBC values for other types of health insurance will not be adjusted.

Specific Instructions for Application of the Formula

The total of all earned premium categories LR019 Health Premiums, Line (~~31~~41), (Column (1) should equal Health Supplement Analysis of Operations Part 1 Columns 2 through 13 Line 1 + 2) ~~Column (1) should equal the total in Schedule H, Part 1, Line 2, Column 1~~ of the annual statement. Earned premium for each of these coverages should be from underlying company records. Earned premium may be reported in Health Supplement Analysis of Operations ~~Schedule H~~ for Administrative Services Contracts (ASC) and/or the Federal Employees Health Benefits Plan (FEHBP) and/or Workers Compensation Carve-Out, which are included in order that Line (~~31~~41) will equal the total in ~~Schedule H~~Health Supplement Analysis of Operations. As such, there is no RBC factor applied to any premium reported on Lines (~~18~~**26**), (~~28~~**36**), (38) or (~~29~~39). For some of the coverages, two-tier formulas apply. The calculations for these coverages shown below will not appear on the RBC filing software but will automatically be calculated by the software.

Lines 13, ~~16,17, 18, -19~~, 23-26, 29-33, 39, 42 and ~~34~~3 are not applicable to Fraternal Benefit Societies.

Line (1)

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

Line (2)

Health premiums for Title XVIII Medicare written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (3), Line (1.1).

Line (3)

Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (4), Line (1.1).

Line (~~42~~)

Health premiums for Medicare supplement written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (~~52~~), Line (1.1).

Line (~~53~~)

Health premiums for ~~dental or~~ vision only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (~~63~~), Line (1.1).

Line (~~56~~)

Health premiums for dental only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (7), Line (1.1).

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Line (74)
Health premium for Stand-Alone Medicare Part D coverage written on individual contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor payment adjustments. See Appendix 43 for definition of these terms. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (31). No RBC requirement is calculated in Column (2). The premium is carried forward to page LR020 Underwriting Risk – Experience Fluctuation Risk Column (84) Line (1.1).

Line (85)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on individual contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible. This does not include the low-income subsidy (cost sharing portion), which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Stand-Alone Medicare Part D Coverage on LR019.

Line (96) and (2216)
Medicaid pass-through payments reported as premium ~~and excluded from Line (1) should be reported in Line (6) or (16)~~.

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Line (107) and Line (2317)
There is a factor for certain types of limited benefit coverage (hospital indemnity, which includes a per diem for intensive care facility stays, and specified disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

Line (118) and Line (2418)
The factor for accidental death and dismemberment (AD&D) insurance (where a single lump sum is paid) depends on several items:

1. Three times the maximum amount of retained risk for any single claim;
2. $300,000 if three times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and the maximum retained risk on any single claim. The actual RBC Requirement will be calculated automatically as the sum of (a) the lesser of items 1 and 2 plus (b) items 3 plus 4.

Line (129) and Line (2519)
The factor for Other Accident coverage provides for any accident-based contingency other than those contained in Lines (811) or (1824). For example, this line should contain all the premium for policies that provide coverage for accident-only disability or accident-only hospital indemnity. The premium for policies that contain AD&D in addition to other accident-only benefits should also be shown on this line.

Line (130)
Health premiums for usual and customary major medical and hospital (including comprehensive major medical and expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (21), Line (1.2).

Line (14)
Health premiums for Title XVIII Medicare written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (3), Line (1.2).

Line (15)
Health premiums for Title XIX Medicaid written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (4), Line (1.2).

Line (161)
Health premiums for ~~dental or~~ vision only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (63), Line (1.2).

Line (17)
Health premiums for dental only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (7), Line (1.2).

Line (182)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (3240)). It is not expected that the transfer of risk through the

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various managed care credits will reduce the risk of stop-loss coverage. Medical Stop Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to the premium in excess of $25,000,000. Stop loss premiums should be reported on a net basis.

Line (193)
Health premiums for Medicare supplement written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (52), Line (1.2).

Line (2014)
Health premium for Stand-Alone Medicare Part D coverage written on group contracts only if the plan sponsor has risk corridor protection for the contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor protection payments. See Appendix 3 4 for definition of these terms. Stand-Alone Medicare Part D coverage written on group contracts without risk corridor protection is reported in Line (340) Other Health. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (1429). No RBC requirement is calculated in Column (2). The premium is carried forward to page LR020 Underwriting Risk – Experience Fluctuation Risk Column (84) Line (1.2).

Line (22115)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on group contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible where the plan sponsor has risk corridor protection for the group contract's standard benefit design coverage. This does not include the low-income subsidy (cost-sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Part D Coverage on LR019.

Lines (21627) through (22733)
Disability income premiums are to be separately entered depending upon category (individual and group). For Individual, a further split is between noncancellable (NC) or other (GR, etc.) For group, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. Starting in 2001, in determining the premiums subject to the higher factors, individual disability income noncancellable and other is combined. All types of group and credit are combined in a different category from individual.

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

	Disability Income Premium	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
Line (271)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in ~~Schedule H, Part 1, Line 2,~~ Health Supplement Analysis of Operations 11, Line 1 + 2, in part			
a)	First $50 Million Earned Premium of Line (271)	Company Records		X 0.4435 =	
b)	Over $50 Million Earned Premium of Line (271)	Company Records		X 0.1901 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (271) + b) of Line (271), Column (2)			

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Line (282)	Other Disability Income - Individual Morbidity	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (282) [up to $50 million less premium in a) of Line (271)]	Company Records		X 0.3168 =	
b)	Earned Premium in Line (282) not included in a) of Line (282)	Company Records		X 0.0889 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (282) + b) of Line (282), Column (2)			
Line (293)	Disability Income - Credit Monthly Balance	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (293)	Company Records		X 0.2534 =	
b)	Over $50 Million Earned Premium of Line (293)	Company Records		X 0.0378 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (293) + b) of Line (293), Column (2)			
Line (3024)	Disability Income – Group Long-Term	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (3024) [up to $50 million less premium in a) of Line (293)]	Company Records		X 0.1901 =	
b)	Earned Premium in Line (3024) not included in a) of Line (3024)	Company Records		X 0.0378 =	
c)	Total Disability Income – Group Long-Term	a) of Line (3024) + b) of Line (3024), Column (2)			
Line (3125)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part. This amount to be reported on LR019 Health Premiums, Line (3125)			
a)	Additional Reserves for Credit Disability Plans	LR019 Health Premiums Column (1) Line (4234)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	LR019 Health Premiums Column (1) Line (4335)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (3125) - a) of Line (3125) + b) of Line (3125)			
d)	Earned Premium in c) [up to $50 million less premium in a) of Line (293) + a) of Line (3024)]	Company Records		X 0.1901 =	
e)	Earned Premium in c) of Line (3125) not included in d) of Line (3125)	Company Records		X 0.0378 =	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (3125) + e) of Line (3125), Column (2)			

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Line (3226)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (3226) [up to $50 million less premium in a) of Line (293) + a) of Line (3024) + d) of Line (3125)]	Company Records		X 0.1267 =	
b)	Earned Premium in Line (3226) not included in a) of Line (3226)	Company Records		X 0.0378 =	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (3226) + b) of Line (3226), Column (2)			
Line (3327)	Disability Income – Group Short-Term	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (3327) [up to $50 million less premium in a) of Line (293) + a) of Line (3024) + d) of Line (3125) + a) of Line (3226)]	Company Records		X 0.0634 =	
b)	Earned Premium in Line (3327) not included in a) of Line (3327)	Company Records		X 0.0378 =	
c)	Total Disability Income – Group Short-Term	a) of Line (3327) + b) of Line (3327), Column (2)			

Lines (3528) and (3629)
Premiums for noncancellable long-term care insurance are included on Line (3528) to reflect the additional risk when rate increases are not permitted. Line (3629) includes premiums for Other LTC coverage but with no RBC value on this page (the RBC is determined on LR023 Long-Term Care) so that the validation check to ~~Schedule H~~Health Supplement Analysis of Operations can still be performed.

Line (391)
Premiums for Workers' Compensation Carve-Out are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The RBC Requirement assessed on these premiums can be found on page LR021 Underwriting Risk – Other, Line (4).

Line (4032)
It is anticipated that most health premium will have been included in one of the other lines. In the event that some coverage does not fit into any of these categories, the "Other Health" category continues the RBC factor from the 1998 and prior formula for Other Limited Benefits Anticipating Rate Increases. Stop loss premiums are addressed separately in Line (182).

Stop Loss Electronic Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop loss factors as a result of the changes to life time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop Loss Interrogatories

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The interrogatories are designed to gather the information by product type and will be reviewed on a go forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2018, will reflect the incurred data for calendar year 2017 run-out through December 31st, 2018.

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on Stop Loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for 2018 should provide experience information for calendar year 2017 with run-out through December 31st, 2018. If the contract year does not follow a calendar year (i.e. 7/1- 6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Treaty 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability. .

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

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Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to I(Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2**a** – Calendar Year Specific Stop Loss Contracts By Group Size and Table 2b – Calendar Year Aggregate Stop Loss Contracts by Group Size

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop loss data and Table 2b should reflect the aggregate stop loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (i.e. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop loss contract based on the number of covered lives in the group.

Average Specific Attachment Point **(**Table 2a**)** - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =

(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50) = $150,000

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Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the count of covered lives within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	$ 500,000	90	Include	
2	$ 100,000	120%	$ 300,000	60	Include	
3	$ 50,000	140%	$ 200,000	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	$ 400,000	50	Exclude	Aggregate not purchased by group

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000) = 116.7%

Footnote – The number of covered lives for stop loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 6, Section C. Other Business, Line 2.

If stop loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

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UNDERWRITING RISK – EXPERIENCE FLUCTUATION RISK

LR020

The underwriting risk generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this worksheet comes from LR022 Underwriting Risk – Managed Care Credit.

Underwriting risk is present when the next dollar of unexpected claims payments comes directly out of the company's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, an insurer may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by the insurer. If the individual incurs $101 in claims costs, the company's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the insurer is not at risk for excessive claims payments, such as when an insurer agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claims costs, so the risk of excessive claims experience is borne by the self-insured employer, not the insurer. The underwriting risk section of the RBC formula, therefore, requires some adjustments to remove non-risk business (premiums and claims) before the RBC requirement is calculated.

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10) through (13) of LR022 will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

A. Underwriting risk revenue times the underwriting risk claims ratio times a set of factors.

or

B. An alternate risk charge that addresses the risk of catastrophic claims on any single individual. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~The alternate risk charge is calculated for each type of health coverage, but only the largest value is compared to the value from A. above for that type. The alternate risk charge is equal to a multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at two times the maximum or $1,500,000 for Comprehensive Medical; two times the maximum or $50,000 for each of Medicare Supplement business and dental coverage and six times the maximum or $150,000 for Stand-Alone Medicare Part D coverage.~~

Line (1) through Line (1~~9~~8)

There are eight~~four~~ lines of business used in the life and fraternal RBC formula for calculating the RBC requirement in this worksheet. Other health coverages will continue to use the factors on LR019 Health Premiums. The ~~four~~ eight lines of business are: Column (1) Comprehensive Medical and Hospital - Individual; Column (2) Comprehensive Medical and Hospital - Group; Column (3) Title XVIII Medicare; Column (4) Title XIX Medicaid; Column (5~~2~~) Medicare Supplement; Column (6~~3~~) ~~Dental &~~ Vision Only; Column (7) Dental Only; and Column (8~~4~~) Stand-Alone Medicare Part D coverage. Each of the ~~four~~ eight lines of business has its own column in the Underwriting Risk - Experience Fluctuation Risk table. The

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categories listed in the columns of this worksheet include premiums plus all risk revenue that is received from another reporting entity in exchange for medical services provided to its members.

For details of each category refer to LR019 instructions.

~~The descriptions of the items are as follows:~~

~~Comprehensive Medical & Hospital~~
~~Includes policies providing for medical coverages, including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare supplement) and Medicaid risk coverage. This includes Medicare Advantage, with or without prescription drug benefits. This category DOES NOT include administrative services contracts (ASC) or administrative services only (ASO) contracts. These programs are reported in the Business Risk section of the formula. Neither does it include Federal Employees Health Benefits Program (FEHBP) business, which is reported on LR021 Underwriting Risk – Other, Line (3). The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000.~~

~~Medical Only (non-hospital professional services)~~
~~Include in Comprehensive Medical.~~

~~Medicare Supplement~~
~~This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement. Medicare risk business is reported under comprehensive medical and hospital.~~

~~Dental & Vision~~
~~These are premiums for policies providing for dental or vision only coverage issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.~~

~~Stand-Alone Medicare Part D Coverage~~
~~Includes policies and contracts providing the standard coverage for individuals enrolled in Stand-Alone Medicare Part D and the insurance is a federally approved PDP with risk corridor protection. It does not include risk revenue for Supplemental benefits within Stand-Alone Medicare Part D coverage that is a portion of the PDP's approved package. It does not include employer coverage unless the coverage meets the above criteria. Where there is a federal subsidy to the employer in lieu of risk corridor protection, the premiums are to be reported as "Other Health."~~

~~Other Health Coverages~~
~~Include in the appropriate line on LR019 Health Premiums.~~

The following paragraphs explain the meaning of each line of the worksheet table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium
This is the amount of money charged by the insurer for the specified benefit plan. It is the earned premium, net of reinsurance. It does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-risk business; or premium for the Federal Employees Health Benefit Programs (FEHBP), which has a risk factor relating to incurred claims reported separately under LR021 Underwriting Risk – Other, Line (3).

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

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For Stand-Alone Medicare Part D Coverage, this will include only certain amounts paid by the individual, an employer or CMS. See Appendix ~~3~~ 4 for details of what is and is not premium income.

~~Line (2) Title XVIII Medicare~~
~~This is the earned amount of money charged by the insurer (net of reinsurance) for Medicare risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans.~~

~~Line (3) Title XIX Medicaid~~
~~This is the earned amount of money charged by the insurer for Medicaid risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicaid subscribers. Revenue from Stand-Alone Medicare Part D coverage under the low-income subsidy (cost sharing portion) and low-income subsidy (premium portion) are not included in this line.~~

Line (~~2~~42) Other Health Risk Revenue
Earned amounts charged by the reporting company as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders or members of another insurer or managed care organization (MCO). Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or MCO to the company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the company from another reporting entity. This revenue is reported in the business risk section of the formula as health ASO/ASC and limited risk revenue.

Line (3) Medicaid Pass-Through Payments Reported as Premiums
Medicaid Pass-Through Payments that are included as premiums. Equals the total of LR019 Lines (9) and (22)

Line (~~4~~5) Underwriting Risk Revenue
~~The sum of~~ Lines (1.3) ~~through~~ + (~~2~~4) – (3).

Line (~~5~~6) Net Incurred Claims
Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims ~~includes~~include capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. Line (~~5~~6) does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

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

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in Appendix ~~3~~4). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claim liabilities should reflect expected recoveries from the reinsurance coverage – for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS.

Line (6) Medicaid Pass-Through Payments Reported as Claims.

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Medicaid Pass-Through Payments that are included as claims.

Line (7) Fee-for-Service Offset
Report fee-for-service revenue that is directly related to medical expense payments. The fee-for-service line does not include revenue where there is no associated claim payment (e.g., fees or charges to non-member/insured of the company where the provider of the service receives no additional compensation from the company) and when such revenue was excluded from the pricing of medical benefits.

Line (8) Underwriting Risk Incurred Claims
Lines (56) ~~– minus Line~~ (67) ~~–~~ (7).

Line (9) Underwriting Risk Claims Ratio
Line (8) / Line (45). If either Line (45) or Line (8) is zero or negative, Line (9) is zero.

Line (10) ~~Underwriting Risk Factor~~Underwriting Risk Factors for Initial Amounts of Premium
Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7),
~~A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue. The factors for Column 1-3 have incorporated investment income.~~

	~~$0 - $3 Million~~	~~$3 - $25 Million~~	~~Over $25 Million~~
~~Comprehensive Medical~~	~~0.14341440~~	~~0.14341440~~	~~0.08380844~~
~~Medicare Supplement~~	~~0.09800987~~	~~0.06030609~~	~~0.06030609~~
~~Dental~~	~~0.11481153~~	~~0.07110716~~	~~0.07110716~~
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~

Line (11) Underwriting Risk Factors for Excess of Initial Amount
Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7),

Line (12) Investment Income Adjustment Factor
The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (13) Composite Underwriting Risk Factor.
A weighted average factor based on the amount reported in Line (4), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor.

Line (14~~1~~) Base Underwriting Risk RBC
Line (45) x Line (9) x Line (13~~0.3~~).

Line (15~~2~~) Managed Care Discount Factor
For Comprehensive Medical & Hospital Individual, Comprehensive Medical & Hospital Group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), Vision, and Dental, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the

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uncertainty about future claims payments attributable to the managed care arrangements. The discount factor is from Column (3) Line (17) of LR022 Underwriting Risk – Managed Care Credit. An average factor based on the combined results of these ~~three~~ categories is used ~~for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (17) of LR022 Underwriting Risk – Managed Care Credit.

Line (16~~3~~) Base RBC After Managed Care Discount
Line (14~~1~~) x Line (15~~2~~).

~~Line (14) RBC Adjustment for Individual~~
~~The average experience fluctuation risk charge is increased by 20% for the portion relating to individual medical expense premiums in Column (1). Other types of health coverage do not differentiate individual and group. The additional time necessary to develop sufficient data to make a premium filing with states and then to implement the premium increase was modeled to calculate this factor.~~

~~Line (15) Maximum Per-Individual Risk After Reinsurance~~
~~This is the maximum loss after reinsurance for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:~~

- ~~Where coverage under non-proportional reinsurance or stop-loss protection with the highest attachment point is capped at less than $750,000 per insured for comprehensive medical and $25,000 for the other three lines, the maximum retained loss will be equal to such attachment point plus the difference between the coverage maximum per claim and $750,000 or $25,000, whichever is applicable.~~

- ~~Where the non-proportional reinsurance or stop-loss protection is subject to participation by the company, the maximum retained risk as calculated above will be increased by the company's participation in claims in excess of the attachment point, but not to exceed $750,000 for comprehensive medical and $25,000 for the other three coverages.~~

~~If there is no specific stop-loss or reinsurance in place, enter the largest amount payable (within a calendar year), or $9,999,999 if there is no limit.~~

~~Examples of the calculation are presented below:~~

~~EXAMPLE 1 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention)~~	~~$100,000~~	
~~Reinsurance Coverage~~	~~90% of $500,000 in excess of $100,000~~	
~~Maximum Reinsured Coverage~~	~~$600,000 ($100,000 + $500,000)~~	
~~Maximum Retained Risk =~~	~~$100,000~~	~~deductible~~
	~~+$150,000~~	~~($750,000 - $600,000)~~
	~~+$50,000~~	~~(10% of $500,000 coverage layer)~~
	~~=$300,000~~	

~~EXAMPLE 2 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention)~~	~~$75,000~~

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~~Reinsurance Coverage 90% of $1,000,000 in excess of $75,000~~
~~Maximum Reinsured Coverage $1,075,000 ($75,000 + $1,000,000)~~

~~Maximum Retained Risk = $75,000 deductible~~
~~+ 0 ($750,000 - $1,075,000)~~
~~+$67,500 (10% of $675,000 coverage layer)~~
~~=$142,500~~

Line (17~~6~~) Alternate Risk Charge
~~Twice the amount in Line (15), subject to a maximum of $1,500,000 for comprehensive medical and $50,000 for Medicare Supplement and Dental. Six times the amount in Line (15), subject to a maximum of $150,000 for Stand-Alone Medicare Part D Coverage~~. $500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), and (7); and $150,000 for Column (8).

Line (18~~7~~) Net Alternate Risk Charge
~~The largest value from Line (16) is retained for that column in Line (17) and all others are ignored.~~ The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

Line (19~~8~~) Net Underwriting Risk RBC
The maximum of Line (16~~4~~) and Line (18~~7~~).

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

If the reporting company writes 5% or more of its premiums in A&H lines in 20243, 20254 or 20265, this section of the formula must be completed. To determine if that applies, take the sum of Lines 13, 14 and 15 of the Underwriting and Investment Exhibit Part 1B Column 6 and divide by Line 35 Column 6, and round to three decimals for each individual year. If the result is at least 0.050 in any year, this exhibit and the appropriate Schedule P adjustment must be completed.

If the company writes less than 5% of its premiums in A&H lines in 20243, 20254 and 20265, disregard this section.

PR019 - Health Premiums

Basis of Factors

Risk-based capital factors for health insurance are applied to medical, disability income, long-term care insurance and other types of health insurance premiums and claim reserves with an offset for premium stabilization reserves. For health coverage that does not fit into one of the defined categories for risk-based capital, the "Other Health" category is to be used.

Medical Insurance Premium
The business is subdivided by product into categories for individual coverages and for group and credit coverages depending on the risk related to volatility of claims. The factors were developed from a model that determines the minimum amount of surplus needed to protect the company against a worst-case scenario for each type of coverage. The results of the model were then translated into either a uniform percentage or a two-tier formula to be applied to premium. The two-tier formula reflects the decreased risk of a larger in-force block. The formula includes several changes starting in 1999 for some types of health insurance. These changes add several additional worksheets and are designed to keep the RBC amounts for health coverage consistent regardless of the RBC formula used. If the company has Comprehensive Medical business, Medicare Supplement, Dental & Vision business, or Stand-Alone Medicare Part D coverage through a PDP arrangement, it will be directed to these additional worksheets. The instructions for including paid health claims in the various categories of the Managed Care Discount Factor Calculation can be found in the instructions to PR021 Underwriting Risk – Managed Care Credit. Appendix 1 - Commonly Used Health Insurance Terms haves been added to these instructions. Appendix 2 of these instructions lists commonly used terms of Stand-Alone Medicare Part D coverage. If the company has any of the three mentioned types of medical insurance, it will also be required to complete additional parts of the formula for Health Credit Risk (PR013) and Health Administrative Expenses portion in PR022.

Disability Income Premium
Prior to 2001, the individual disability income factors were based on models of the disability risk completed by several companies with significant experience in this line. The group long-term disability income risk was modeled based on methodology similar to that used by one of the largest writers of this business. The pricing risk was addressed principally as the delayed reaction to increases in incidence of new claims and to the lengthening of claims from slower recoveries than assumed.

Starting in 2001, new categories and new factors are applicable to all types of disability income premiums. These factors are based on new data and apply a model similar to that used for other health premium risk to that data.

All premium should be reported on a net of reinsurance basis.

Specific Instructions for Application of the Formula

The total of all earned premium categories PR019 Health Premiums, Line (3626), Column (1) should equal the total in ~~Schedule H~~ Underwriting and Investment Exhibit, Part 1, Line 13.1 through 15.92, Column 41 of the Annual Statement. Earned premium for each of these coverages should be from underlying company records. Earned premium may be reported in ~~Schedule H~~Underwriting and Investment Exhibit for Administrative Services Contract (ASC) and/or the Federal Employees Health Benefit Program (FEHBP) which are included in order that Line (3626) will equal the total in ~~Schedule H~~Underwriting and Investment Exhibit. As such, there is no RBC factor applied to any premium reported on lines (2214), (3223)

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or (3424). For some of the coverages, two tier formulas apply. The calculations for these coverages shown below will not appear on the RBC filing software but will automatically be calculated by the software.

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

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

Line (3)
Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.1).

Line (4~~2~~)
Health premiums for Medicare supplement written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (5~~2~~) Line (1.1).

Line (5~~3~~)
Health premiums for ~~dental or~~ vision only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (6~~3~~) Line (1.1).

Line (6)
Health premiums for dental only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (7) Line (1.1).

Line (7~~3~~.1)
Health premium for Stand-Alone Medicare Part D coverage written on individual contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor payment adjustments. See Appendix 2 for definition of these terms. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (2~~1~~). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (8~~4~~) Line (1.1).

Line (7~~3~~.2)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on individual contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible. This does not include the low-income subsidy (cost sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Stand-Alone Medicare Part D Coverage on PR019.

Line (7~~3~~.3)
Medicaid pass-through payments reported as premium ~~and excluded from Line (1) should be reported in Line (3.3)~~.

Line (8~~4~~) and Line (19~~1~~)
There is a factor for certain types of limited benefit coverage (Hospital Indemnity, which includes a per diem for intensive care facility stays, and Specified Disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

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Line (9~~5~~) and Line (20~~1~~2)
There is a factor for accidental death and dismemberment (AD&D) insurance (where a single lump sum is paid) which depends on several items:

1. The maximum amount of retained risk for any single claim;
2. $300,000 if three times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and the maximum retained risk on any single claim. The actual RBC amount will be calculated automatically as the sum of (a) the lesser of items 1 and 2; plus (b) items 3 plus 4.

Line (10~~6~~) and Line (21~~3~~)
A 5% factor for Other Accident coverage provides for any accident based contingency other than those contained in Lines (9~~5~~) or (20~~1~~2). For example, this line should contain all the premium for policies that provide coverage for accident only disability or accident only hospital indemnity. The premium for policies that contain AD&D in addition to other accident only benefits should be shown on this line.

Line (11~~7~~)
Health premiums for comprehensive (medical and hospital), which includes expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (2~~1~~) Line (1.2).

Line (12)
Health premiums for Title XVIII Medicare written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (3) Line (1.2).

Line (13)
Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.2).

Line (14~~8~~)
Health premiums for ~~dental or~~ vision only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (6~~3~~) Line (1.2).

Line (15)
Health premiums for dental only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (7) Line (1.2).

Line (16~~9~~)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (3~~2~~5)). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to the premium in excess of $25,000,000. Stop-loss premiums should be reported on a net basis.

Line (17~~0~~)
Health premiums for Medicare supplement written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (5~~2~~) Line (1.2).

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Line (180.1)
Health premium for Stand-Alone Medicare Part D coverage written on group contracts only if the plan sponsor has risk corridor protection for the contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor protection payments. See Appendix 2 for definition of these terms. Stand-Alone Medicare Part D coverage written on group contracts without risk corridor protection is reported in Line (325) Other Health. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (169). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (84) Line (1.2).

Line (180.2)
Health Incurred Claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on group contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible where the plan sponsor has risk corridor protection for the group contract's standard benefit design coverage. This does not include the low-income subsidy (cost-sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Part D Coverage on PR019.

Line (180.3)
Medicaid pass-through payments reported as premium ~~and excluded from Line (7) should be reported in Line (10.3)~~.

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Lines (2315) through (3424)

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

The following table describes the calculation process used to assign RBC charges to disability income business. The reference to line numbers (e.g., Line 2315) represent the actual line numbers used in the formula page, but the subdivisions of those lines [e.g., a), b), etc.] do not exist in the formula page. The total RBC Requirement shown in the last (Total) subdivision of each line will be included in Column (2) for that line in the formula page.

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (2315)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in U&I Part 1, Column 4 Line 15.3 ~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (2315)	Company Records		X 0.350 =	
b)	Over $50 Million Earned Premium of Line (2315)	Company Records		X 0.150 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (2315) + b) of Line (2315), Column (2)			
Line (2416)	Other Disability Income – Individual Morbidity	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (2416) [up to $50 million less premium in a) of Line (2315)]	Company Records		X 0.250 =	
b)	Earned Premium in Line (2416) not included in a) of Line (2416)	Company Records		X 0.070 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (2416) + b) of Line (2416), Column (2)			
Line (2517)	Disability Income - Credit Monthly Balance	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (2517)	Company Records		X 0.200 =	
b)	Over $50 Million Earned Premium of Line (2517)	Company Records		X 0.030 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (2517) + b) of Line (2517), Column (2)			
Line (2618)	Disability Income – Group Long Term	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (2618) [up to $50 million less premium in a) of Line (2517)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (2618) not included in a) of Line (2618)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Long Term	a) of Line (2618) + b) of Line (2618), Column (2)			

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		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (2719)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part. This amount to be reported on Health Premiums, Line (2719)			
a)	Additional Reserves for Credit Disability Plans	PR019 Health Premiums Column (1) Line (3727)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	PR019 Health Premiums Column (1) Line (3828)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (2719) - a) of Line (2719) + b) of Line (2719)			
d)	Earned Premium in c) [up to $50 million less premium in a) of Line (2517) + a) of Line (2618)]	Company Records		X 0.100 =	
e)	Earned Premium in c) of Line (2719) not included in d) of Line (2719)	Company Records		X 0.030 =	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (2719) + e) of Line (2719), Column (2)			
Line (280)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (280) [up to $50 million less premium in a) of Line (2517) + a) of Line (2618) + d) of Line (2719)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (280) not included in a) of Line (280)	Company Records		X 0.030 =	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (280) + b) of Line (280), Column (2)			
Line (291)	Disability Income – Group Short Term	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (291) [up to $50 million less premium in a) of Line (2517) + a) of Line (2618) + d) of Line (2719) + a) of Line (280)]	Company Records		X 0.050 =	
b)	Earned Premium in Line (291) not included in a) of Line (291)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Short Term	a) of Line (291) + b) of Line (291), Column (2)			
Line (3122)	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (U&I Part 1, Column 4 Line 15.7~~Schedule H, Part 1, Column 23, Line 2~~, in part)		X 0.100 =	

Line (235)

Most Health Premium will have been included in one of the prior lines. In the event that some coverage does not fit into any of these categories, "Other Health" category is applied with a 12% factor, which is from 1998 formula for Other Limited Benefits Anticipating Rate Increases. Stop-loss premiums are addressed separately in Line (169).

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Stop-Loss Electronic-Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop-loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop-loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop-Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end **2018**, will reflect the incurred data for calendar year **2017** run-out through December 31, **2018**.

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop-Loss (including aggregating specific) = This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop-Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = Specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = Specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = Specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on stop-loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for **2019** should provide experience information for calendar year **2018** with run-out through December 31, **2019**. If the contract year does not follow a calendar year (e.g., 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Contract 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.
Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability. .

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

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Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2a – Calendar Year Specific Stop-Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop-Loss Contract by Group Size

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop-loss data and Table 2b should reflect the aggregate stop-loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (e.g. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop-loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =
(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50)
= $150,000

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Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop-loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude
1	$ 200,000	115%	$ 500,000	90	Include
2	$ 100,000	120%	$ 300,000	60	Include
3	$ 50,000	140%	$ 200,000	40	Exclude
4	$ 120,000	N/A	$ 400,000	50	Exclude

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000)
= 116.7%

Footnote – The number of covered lives for stop-loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop-loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

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

(Underwriting Risk – Experience Fluctuation Factor in the LRBC Formula)

The underwriting risk generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this worksheet comes from PR021 Underwriting Risk - Managed Care Credit.

The columns are as follows:

Column (1) – Comprehensive (Hospital & Medical) Individual Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

Column (2) – Comprehensive (Hospital & Medical) Group Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

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Column (3) – Title XVIII Medicare Policies issued as Medicare Advantage Plans providing Medicare benefits to Medicare eligible beneficiaries created by title XVIII of the Social Security Act of 1965. This includes Medicare Managed Care Plans (i.e., HMO and PPO) and Medicare Private Fee-for-Service Plans. This also includes all Medicare Part D Prescription Drug Coverage through a Medicare Advantage product and whether sold directly to an individual or through a group.

Column (4) – Title XIX Medicaid Policies issued in association with the Federal/State entitlement program created by Title XIX of the Social Security Act of 1965 that pays for medical assistance for certain individuals and families with low incomes and resources.

Column (5) – Medicare Supplement. Policies that qualify as Medicare Supplement policy forms as defined in the NAIC Medicare Supplement Insurance Minimum Standards Model Act. This includes standardized plans, pre-standardized plans and Medicare select. Does not include Medicare (Title XVIII) or Medicaid (Title XIX) risk contracts.

Column (6) – Vision Only Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. Does not include self-insured business, federal employees health benefit plans (FEHBP), or Medicare and Medicaid programs.

Column (7) – Dental Only Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Column (8) – Stand-Alone Medicare Part D Coverage. This includes both individual coverage and group coverage of Medicare Part D coverage where the plan sponsor has risk corridor protection. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. Medicare drug benefits included in major medical plans or benefits that do not meet the above criteria are not to be included in this line. Supplemental benefits within Medicare Part D (benefits in excess of the standard benefit design) are addressed separately on page PR019. Employer-based Part D coverage that is in an uninsured plan as defined in *SSAP No. 47—Uninsured Plans* is not to be included here

Description from *Life Risk-Based Capital Report Including Overview & Instructions*:

Underwriting risk is present when the next dollar of unexpected claims payments comes directly out of the company's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, an insurer may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by the insurer. If the individual incurs $101 in claims costs, the company's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the insurer is not at risk for excessive claims payments, such as when an insurer agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claims costs, so the risk of excessive claims experience is borne by the self-insured employer, not the insurer. The underwriting risk section of the RBC formula, therefore, requires some adjustments to remove non-risk business (both premiums and claims) before the RBC requirement is calculated.

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10.1) through (10.4) of PR021 will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

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A. Underwriting risk revenue times the underwriting risk claims ratio times a set of factors.

or

B. An alternate risk charge that addresses the risk of catastrophic claims on any single individual. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~The alternate risk charge is calculated for each type of health coverage, but only the largest value is compared to the value from A. above for that type. The alternate risk charge is equal to a multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at two times the maximum or $1,500,000 for Comprehensive Medical; two times the maximum or $50,000 for each of Medicare Supplement business and dental coverage and six times the maximum or $1,500,000 for Stand-Alone Medicare Part D coverage.~~

Line (1) through Line (19~~8~~)

There are ~~four~~ eight lines of business used in the property/casualty RBC formula for calculating the RBC requirement in this worksheet. Other health coverages will continue to use the factors on PR019 Health Premiums. The ~~four~~ eight lines of business are Column (1) Comprehensive Medical ~~and Hospital~~Individual; Column (2) Comprehensive Medical Group; Column (3) Title XVIII Medicare; Column (4) Title XIX Medicaid; Column (5~~2~~) Medicare Supplement; Column (6~~3~~) ~~Dental &~~ Vision; Column (7) Dental; and Column (8~~4~~) Stand-Alone Medicare Part D coverage. Each of the ~~four~~ eight lines of business has its own column in the Underwriting Risk – Premium Risk table. The categories listed in the columns of this worksheet include premiums plus all risk revenue that is received from another health entity in exchange for medical services provided to such Health entity's members. ~~The descriptions of the items are as follows:~~

~~Comprehensive Medical & Hospital~~
~~Includes policies providing for medical coverages including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This includes Medicare Advantage, with or without prescription drug benefits. This category DOES NOT include administrative services contracts (ASC) or administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in PR022 Underwriting Risk – Other, Business Risk section of the formula. Neither does it include Federal Employees Health Benefit Program (FEHBP) business, which is reported on Line (3) of PR022 Underwriting Risk – Other. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000.~~

~~Medical Only (non-hospital professional services)~~
~~Include in Comprehensive Medical.~~

~~Medicare Supplement~~
~~This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement. Medicare risk business is reported under comprehensive medical and hospital.~~

~~Dental & Vision~~
~~These are premiums for policies providing for dental or vision only coverage issued as stand-alone dental or vision or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.~~

~~Stand-Alone Medicare Part D Coverage~~
~~Includes policies and contracts providing the standard coverage for individuals enrolled in Stand-Alone Medicare Part D and the insurance is a federally approved PDP with risk corridor protection. It does not include risk revenue for Supplemental benefits within Stand-Alone Medicare Part D coverage that is a portion of the PDP's approved package. It does not include employer coverage unless the coverage meets the above criteria. Where there is a federal subsidy to the employer in lieu of risk corridor protection, the premiums are to be reported as "Other Health."~~

~~Other Health Coverages~~

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~~Include in the appropriate line on PR019 Health Premiums.~~

The following paragraphs explain the meaning of each line of the worksheet table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium
This is the amount of money charged by the insurer for the specified benefit plan. It is the earned premium, net of reinsurance. It does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-risk business; or premium for the Federal Employees Health Benefit Programs (FEHBP), which has a risk factor relating to incurred claims reported separately under PR022 Underwriting Risk – Other, Line (3).

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

For Stand-Alone Medicare Part D Coverage, this will include only certain amounts paid by the individual, an employer or CMS. See Appendix 2 for details of what is and is not premium income.

The Line 1.3 sources for each column are given in the table below:

PR020 Column	Annual Statement Source
Comprehensive Medical Individual	U&I Part 1, Column 4 Line 13.1
Comprehensive Medical Group	U&I Part 1, Column 4 Line 13.2
Title XVIII Medicare	U&I Part 1, Column 4 Line 15.6
Title XIX Medicaid	U&I Part 1, Column 4 Line 15.5
Medicare Supplement	U&I Part 1, Column 4 Line 15.4
Vision	U&I Part 1, Column 4 Line 15.1
Dental	U&I Part 1, Column 4 Line 15.2
Stand-Alone Medicare Part D Coverage	Company Records, Earned Premium Net of Reinsurance

~~Line (2) Title XVIII Medicare~~
~~This is the earned amount of money charged by the insurer (net of reinsurance) for Medicare risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans.~~

~~Line (3) Title XIX Medicaid~~
~~This is the earned amount of money charged by the insurer for Medicaid risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicaid subscribers. Revenue from Stand-Alone Medicare Part D coverage under the low-income subsidy (cost sharing portion) and low-income subsidy (premium portion) are not included in this line.~~

Line (24) Other Health Risk Revenue
Earned amounts charged by the reporting company as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders or members of another insurer or health insurance company (Health). Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health insurance company to the company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the company from a health entity. This revenue is reported in the business risk section of the formula as health ASO/ASC and limited risk revenue.

Line (3) Medicaid Pass-Through Payments Reported as Premiums.
Amount is equal to the total amount reported in PR019 Lines 7.3 and Line 18.3

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Line (45) Underwriting Risk Revenue
~~The sum of~~ Line~~s~~ (1.3) ~~-~~+ Lines (2) – Line (3)~~through (4)~~.

Line (56) Net Incurred Claims
Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims include capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. This line does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

PR020 Column	**Annual Statement Source**
Comprehensive Medical Individual	U&I Part 2, Column 7 Line 13.1
Comprehensive Medical Group	U&I Part 2, Column 7 Line 13.2
Title XVIII Medicare	U&I Part 2, Column 7 Line 15.6
Title XIX Medicaid	U&I Part 2, Column 7 Line 15.5
Medicare Supplement	U&I Part 2, Column 7 Line 15.4
Vision	U&I Part 2, Column 7 Line 15.1
Dental	U&I Part 2, Column 7 Line 15.2
Stand-Alone Medicare Part D Coverage	Company Records

~~Column (1) claims come from Annual Statement, Schedule H, Part 5 Column 1+2+7+8 Line D1 less the amounts reported as incurred claims for Administrative Services Contracts (ASC) in Line (8) of PR013 and Federal Employee Health Benefit Plan (FEHBP) in Line (3) of PR022. Column (2) claims come from Schedule H, Part 5, Column 3, Line D1. Column (3) dental and vision claims come from Schedule H, Part 5, Columns 4+5, Line D11.)~~

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

Line (6) Medicaid Pass-Through Payments Reported as Claims.
Medicaid pass-through payments that were included as claims reported in Line (5)

Line (7) Fee-for-Service Offset
Report fee-for-service revenue that is directly related to medical expense payments. The fee-for-service line does not include revenue where there is no associated claim payment (e.g., fees or charges to nonmember/insured of the company where the provider of the service receives no additional compensation from the company) and when such revenue was excluded from the pricing of medical benefits.

Line (8) Underwriting Risk Incurred Claims
Line (56) – Line (6) ~~minus~~ Line (7).

Line (9) Underwriting Risk Claims Ratio
Line (8) / Line (45). If either Line (45) or Line (8) is zero or negative, Line (9) is zero.

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Line (10) Underwriting Risk Factor for Initial Amounts of Premium. Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7),

Line (11) Underwriting Risk Factor for Excess of Initial Amount. Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7),

Line (12) Investment Income Adjustment Factor
The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

~~Line (10) Underwriting Risk Factor~~
~~A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue.~~

	~~$0 - $3 Million~~	~~$3 - $25 Million~~	~~Over $25 Million~~
~~Comprehensive Medical~~	~~0.1427~~0.1440	~~0.1427~~0.1440	~~0.0832~~0.0844
~~Medicare Supplement~~	~~0.0973~~0.0987	~~0.0596~~0.0609	~~0.0596~~0.0609
~~Dental & Vision~~	~~0.1143~~0.1153	~~0.0706~~0.0716	~~0.0706~~0.0716
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~

Line (13) Composite Underwriting Risk Factor
A weighted average factor based on the amount reported in Line (4), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor

Line (14~~1~~) Base Underwriting Risk RBC
Line (4~~5~~) x Line (9) x Line (13~~0.3~~).

Line (15~~2~~) Managed Care Discount
For Comprehensive Medical & Hospital Individual, Comprehensive Medical & Hospital Group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), Vision, and Dental, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claims payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (12) of PR021 Underwriting Risk - Managed Care Credit. An average factor based on the combined results of these ~~three~~ categories ~~is used for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (12) of PR021 Underwriting Risk - Managed Care Credit.

Line (16~~3~~) Base RBC After Managed Care Discount
Line (14~~1~~) x Line (15~~2~~).

~~Line (14) RBC Adjustment for Individual~~
~~The average Experience Fluctuation Risk charge is increased by 20% for the portion relating to Individual Medical Expense premiums in Column (1). Other types of health coverage do not differentiate between Individual and Group. The additional time necessary to develop sufficient data to make a premium filing with states and then to implement the premium increase was modeled to calculate this factor.~~

~~Line (15) Maximum Per Individual Risk After Reinsurance~~

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~~This is the maximum loss after reinsurance for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:~~

- ~~Where coverage under non-proportional reinsurance or stop-loss protection with the highest attachment point is capped at less than $750,000 per insured for Comprehensive Medical and $25,000 for the other three lines, the maximum retained loss will be equal to such attachment point plus the difference between the coverage maximum per claim and $750,000 or $25,000, whichever is applicable.~~

- ~~Where the non-proportional reinsurance or stop-loss protection is subject to participation by the company, the maximum retained risk as calculated above will be increased by the company's participation in claims in excess of the attachment point, but not to exceed $750,000 for Comprehensive Medical and $25,000 for the other three coverages.~~

~~If there is no specific stop-loss or reinsurance in place, enter the largest amount payable (within a calendar year) or $9,999,999 if there is no limit.~~

~~Examples of the calculation are presented below:~~

~~EXAMPLE 1 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention) $100,000~~
~~Reinsurance Coverage 90% of $500,000 in excess of $100,000~~
~~Maximum Reinsured Coverage $600,000 ($100,000 + $500,000)~~

~~Maximum Retained Risk = $100,000 deductible~~
~~+$150,000 ($750,000 - $600,000)~~
~~+$50,000 (10% of $500,000 coverage layer)~~
~~=$300,000~~

~~EXAMPLE 2 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention) $75,000~~
~~Reinsurance Coverage 90% of $1,000,000 in excess of $75,000~~
~~Maximum Reinsured Coverage $1,075,000 ($75,000 + $1,000,000)~~

~~Maximum Retained Risk = $75,000 deductible~~
~~+$0 ($750,000 - $1,075,000)~~
~~+$67,500 (10% of $675,000 coverage layer)~~
~~=$142,500~~

Line (17~~6~~) Alternate Risk Charge
$500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), and (7); and $150,000 for Column (8).~~Twice the amount in Line (15), subject to a maximum of $1,500,000 for comprehensive medical and $50,000 for Medicare Supplement and Dental. Six times the amount in Line (15), subject to maximum of $150,000 for Stand-Alone Medicare Part D Coverage.~~

Line (18~~7~~) Net Alternate Risk Charge
~~The largest value from Line (16) is retained for that column in line (17) and all others are ignored.~~ The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage

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type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

Line (198) Net Underwriting Risk RBC
The maximum of Line (164) and Line (187).

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UNDERWRITING RISK

Experience Fluctuation Risk

		Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non-Health	(11) Total
(1)	†	Premium											
(2)	†	Other Health Risk Revenue					XXX					XXX	
(3)		Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(4)		Underwriting Risk Revenue (1) + (2) – (3)											
(5)	†	Net Incured Claims										XXX	
(6)		Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(7)	†	Fee-For-Service Offset					XXX					XXX	
(8)		Underwring Risk Incurred Claims (5) – (6) – (7)										XXX	
(9)		Underwriting Risk Claim Ratio (8)/(4)										1.000	XXX
(10)		Underwriting Risk Factor for Initial Amounts of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	0.130	0.130	XXX
(11)		Underwriting Risk Factor for Excess of Initial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	0.130	0.130	XXX
(12)		Investment Income Adjustment Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX	XXX	XXX
(13)		Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	0.130	0.130	XXX
(14)		Base Underwriting Risk RBC = (4) x (9) x (13)											
(15)		Managed Care Discount Factor*									XXX	XXX	XXX
(16)		RBC After Managed Care Discount = Lines (14) x (15)										XXX	
(17)		Alternate Risk Charge	$500,000	$500,000	$500,000	$500,000	$50,000	$50,000	$50,000	$150,000	$50,000	XXX	XXX
(18)		Net Alternate Risk Charge***	B0	B0	B0	B0	B1	B2	B2	B3	B4	XXX	
(19)		Net Underwriting Risk RBC (MAX{Line (16), Line (18)}) for Columns (1) through (9), Column (10), Line (14)											

Initial Premium Amount‡									
Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000	N/A	N/A

Denotes items that must be manually entered on filing software.

† The Annual Statement Sources are found on page XR014.

* **This row uses the factors calculated on page XR018**

*** Limited to the largest of the applicable alternate risk adjustments, prorated if necessary.

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† Annual Statement Source

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non-Health	(11) Total
(1)	Premium	Page 7, Columns 2, Lines 1 + 2	Page 7, Columns 3, Lines 1 + 2	Page 7, Columns 8, Lines 1 + 2	Page 7, Columns 9, Lines 1 + 2	Page 7, Column 4, Line 1 + 2	Page 7, Columns 5, Line 1 + 2	Page 7, Columns 6, Line 1 + 2			Page 7, Column 14, Lines 1 + 2	
(2)	Other Health Risk Revenue	Page 7, Columns 2, Line 4	Page 7, Columns 3, Line 4	Page 7, Columns 8, Line 4	Page 7, Columns 9, Line 4	XXX	Page 7, Columns 5, Line 4	Page 7, Columns 6, Line 4			XXX	
(5)	Net Incurred Claims	Page 7, Columns 2, Line 17	Page 7, Columns 3, Line 17	Page 7, Columns 8, Line 17	Page 7, Columns 9, Line 17	Page 7, Column 4, Line 17	Page 7, Columns 5, Line 17	Page 7, Columns 6, Line 17			XXX	
(7)	Fee-For-Service Offset	Page 7, Columns 2, Line 3	Page 7, Columns 3, Line 3	Page 7, Columns 8, Line 3	Page 7, Columns 9, Line 3	XXX	Page 7, Columns 5, Line 3	Page 7, Columns 6, Line 3			XXX	

Denotes items that must be manually entered on filing software.

XR014

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XR013 Formulas

Cell Label	Formula
A1	=Line 12 x {Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
A2	=Line 12 x {Min[Line (4) x Line (10), 3,000,000 x Line (10)] + Max[0, (Line (4) - 3,000,000) x Line (11)] } / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L
B4	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(

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		Annual Statement Source	(1) Amount	Factor	(2) RBC Requirement
Other Underwriting Risk					
(20)	Business with Rate Guarantees Between 15-36 Months - Direct Premium Earned	Gen Int Part 2 Line 9.21		0.024	
(21)	Business with Rate Guarantees Over 36 Months - Direct Premium Earned	Gen Int Part 2 Line 9.22		0.064	
(22)	FEHBP and TRICARE Claims Incurred	UI, Part 2, Column 7, Line 12.4		0.020	
(23)	Stop Loss and Minimum Premium	Company Records		*	
(24.1)	Supplemental Benefits within Stand-Alone Medicare Part D Coverage (Claims Incurred)	Company Records		0.500	
(24.2)	Medicaid Pass-Through Payments Reported as Premiums	XR013, Column (1), Line (5)		0.020	
(24.3)	Total Other Underwriting Risk	Sum of Lines (20) through (24.2)			
Disability Income Premium					
(25)	Noncancellable Disability Income - Individual Morbidity	Company Records			
(25.1)	First $50 Million Earned Premium of Line (25)			0.350	
(25.2)	Over $50 Million Earned Premium of Line (25)			0.150	
(25.3)	Total Noncancellable Disability Income - Individual Morbidity	Lines (25.1) + (25.2)			
(26)	Other Disability Income - Individual Morbidity	Company Records			
(26.1)	Earned Premium in Line (26) [up to $50 Million less Premium in Line (25.1)]			0.250	
(26.2)	Earned Premium in Line (26) not included in Line (26.1)			0.070	
(26.3)	Total Other Disability Income - Individual Morbidity	Lines (26.1) + (26.2)			
(27)	Disability Income - Credit Monthly Balance Plans	Company Records			
(27.1)	First $50 Million Earned Premium of Line (27)			0.200	
(27.2)	Over $50 Million Earned Premium of Line (27)			0.030	
(27.3)	Total Disability Income - Credit Morbidity	Lines (27.1) + (27.2)			
(28)	Disability Income - Group Long-Term	Company Records			
(28.1)	Earned Premium in Line (28) [up to $50 Million less Premium in Line (27.1)]			0.150	
(28.2)	Earned Premium in Line (28) not included in Line (28.1)			0.030	
(28.3)	Total Disability Income - Group Long-Term	Lines (28.1) + (28.2)			
(29)	Disability Income - Credit Single Premium with Additional Reserves	Company Records			
(29.1)	Additional Reserves for Credit Disability Plans	Company Records			
(29.2)	Additional Reserves for Credit Disability Plans, Prior Year	Company Records			
(29.3)	Sub-Total Disability Income - Credit Single Prem w/Addl Reserves	Lines (29) - (29.1) + (29.2)			
(29.4)	Earned Premium in Line (29.3) [up to $50 Million less Premium in Lines (27.1) + (28.1)]			0.100	
(29.5)	Earned Premium in Line (29.3) not included in Line (29.4)			0.030	
(29.6)	Total Disability Income - Credit Single Premium with Additional Reserves	Lines (29.4) + (29.5)			
(30)	Disability Income - Credit Single Premium without Additional Reserves	Company Records			
(30.1)	Earned Prem in Line (30) [up to $50 Million less Prem in Lines (27.1) + (28.1) + (29.4)]			0.150	
(30.2)	Earned Premium in Line (30) not included in Line (30.1)			0.030	
(30.3)	Total Disability Income - Credit Single Premium without Additional Reserves	Lines (30.1) + (30.2)			
(31)	Disability Income - Group Short-Term	Company Records			
(31.1)	Earned Prem in Line (31) [up to $50 Million less Prem in Lines (27.1) + (28.1) + (29.4) + (30.1)]			0.050	
(31.2)	Earned Premium in Line (31) not included in Line (31.1)			0.030	
(31.3)	Total Disability Income - Group Short-Term	Lines (31.1) + (31.2)			

Denotes items that must be manually entered on filing software.

* A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (23) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

XR015

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Long-Term Care (LTC) Insurance Premium		Annual Statement Source	(1) Amount	Factor		(2) RBC Requirement
(32)	Noncancellable LTC Premium - Rate Risk	Company Records		0.100	*	
(33)	All LTC Premium - Morbidity Risk (to $50 Million)	Line (36.1) Column (1) up to $50 Million		0.100		
(34)	LTC Premium (over $50 Million) - Morbidity Risk	Remainder of Line (36.1) Column (1) over $50 Million		0.030		
(35)	Premium-Based RBC	Column (2), Lines (32) + (33) + (34)				

Historical Loss Ratio Experience		Annual Statement Source	(1) Premiums	(2) Incurred Claims	(3) Column (2)/(1) § Loss Ratio		(4) RBC Requirement
(36.1)	Current Year	Company Records					
(36.2)	Immediate Prior Year	Company Records					
(36.3)	Average Loss Ratio	If loss ratios are used, [Column (3), Line (36.1) + Line (36.2)/2, otherwise zero]					
(37)	Adjusted LTC Claims for RBC	If Column (3) Line (36.3) <> 0, then [Column (1), Line (33) + Line (34)] x Column (3), Line (36.3), else Column (2) Line (36.1)					
(37.1)	Claims (to $35 Million) - Morbidity Risk	Lower of Column (2), Line (37) and $35 Million			0.370	†	
(37.2)	Claims (over $35 Million) - Morbidity Risk	Excess of Column (2), Line (37) over $35 Million			0.120	‡	
(38)	LTC Claims Reserves	Company Records			0.050		
(39)	Claims-Based RBC	Column (4), Lines (37.1) + (37.2)					
(40)	LTC RBC	Column (2), Line (35) + Column (4), Lines (38) + (39)					

* The factor applies to all Noncanellable premium.

† If Column (1), Line (36.1) is positive, then a factor of 0.250 is used. Otherwise, a higher factor of 0.370 is used

‡ If Column (1), Line (36.1) is positive, then a factor of 0.080 is used. Otherwise, a higher factor of 0.120 is used

§ If Column (1), Line (36.1) or (36.2) are less than or equal to zero or if Column (2), Line (36.1) or (36.2) are less than zero, the loss ratios are not used and Column (3), Line (36.3) is set to zero.

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	Limited Benefit Plans (Individual and Group Combined)	Annual Statement Source	(1) Amount	Factor	(2) RBC Requirement
(41)	Hospital Indemnity and Specified Disease	Included in Page 7, Column 13, Line 1 and 2, in part		0.035	
(41.1)	$50,000 if Line (41) is Greater Than Zero				
(41.2)	Total Hospital Indemnity and Specified Disease	Lines (41) + (41.1)			
(42)	Accidental Death & Dismemberment	Included in Page 7, Column 13, Line 1 and 2, in part			
(42.1)	First $10 Million Earned Premium of Line (42)			0.055	
(42.2)	Over $10 Million Earned Premium of Line (42)			0.015	
(42.3)	Maximum Retained Risk for Any Single Claim	Company Records			
(42.4)	Three Times Line (42.3)				
(42.5)	Lesser of Line (42.4) or $300,000				
(42.6)	Total AD&D	Lines (42.1) + (42.2) + (42.5)			
(43)	Other Accident	Included in Page 7, Column 13, Line 1 and 2, in part		0.050	
(44)	Premium Stabilization Reserves	Included in U&I, Part 2D, Column 1, Line 4		-0.500 Φ	
(45)	Total Other Underwriting Risk	Lines (24.3) + (25.3) + (26.3) + (27.3) + (28.3) + (29.6) + (30.3) + (31.3) + (40) + (41.2) + (42.6) + (43) + (44)			

Φ This is limited to the Total Net Underwriting RBC on XR013, Column (11), Line (19) Less Column (8), Line (19) and XR015, Column (2), Lines (24.3), (25.3), (26.3), (27.3), (28.3), (29.6), (30.3), (31.3), XR016 Column (2), Line (35) and XR017 Column (2), Lines (41.2), (42.6), and (43).

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BUSINESS RISK

		Annual Statement Source	(1) Amount	Factor	(2) RBC Requirement
Administrative Expense Risk					
(1)	Claims Adjustment Expenses	Page 4, Column 2, Line 20			
(2)	General Administrative Expenses	Page 4, Column 2, Line 21			
(3)	Less the Net Amount of ASC Revenue and Expenses Included in Lines 1 and 2	Company Records			
(4)	Less the Net Amount of ASO Revenue and Expenses Included in Lines 1 and 2	Company Records			
(5)	Less Admin Expenses for Commission & Premium Taxes	Underwriting & Investment Exhibit Part 3, Line 3, in part			
(6)	Administrative Expenses Base RBC	Lines (1) + (2) - (3) - (4) - (5)		*	
(7)	Proration of Admin Expense to Experience Fluctuation Risk	Lines (6) x (20)/(Lines (21) + (22))			
Non-Underwritten and Limited-Risk					
(8)	Administrative Expenses for ASC Arrangements	Company Records		0.020	
(9)	Administrative Expenses for ASO Arrangements	Company Records		0.020	
(10)	Medical Costs Paid Through ASC Arrangements (Including Fee-for Service Received From Other Health Entities)	Company Records		0.010	
(11)	Non-Underwritten and Limited Risk Business RBC				
Guaranty Fund Assessment Risk					
(12)	Premiums Subject to Guaranty Fund Assessment	Included in Sch T - Company Records		0.005	
Excessive Growth Risk					
(13)	UW Risk Revenue, Prior Year	**2025** XR013, Column (7), Line (6) *(manual entry)* †			
(14)	UW Risk Revenue, Current Year	**2026** XR013, Column **(11)**, Line **(4)**			
(15)	Net UW Risk RBC, Prior Year	**2025** XR013, Column (7), Line (21) *(manual entry)* †			
(16)	Net UW Risk RBC, Current Year	**2026** XR013, Column **(11)**, Line **(19)**			
(17)	RBC Growth Safe Harbor	[Lines (14)/(13)+.10] x Line (15)			
(18)	Excess of RBC Growth Over Safe Harbor	Max{0, Lines (16) - (17)}			
(19)	Excessive Growth Risk RBC	.5 x Line (18)			
			Premium	Weight	Weighted Premium
(20)	Experience Fluctuation Risk Revenue	XR013, Column **(11)**, Line **(4)**			
(21)	Premiums Earned	Page 4, Column 2, Lines 2 + 3			
(22)	Risk Revenue	Page 4, Column 2, Line 5			
(23)	Tier 1 - $0 to $25 Million of Line (20)			0.070	
(24)	Tier 2 - Amount Over $25 Million of Line (20)			0.040	
(25)	Total Experience Fluctuation Risk Revenue	Lines (23) + (24)			
(26)	Administrative Expenses Base RBC Factor	Column (2), Line (25) / Column (1), Line (25)			

* The factor for the Administrative Expenses Base RBC is calculated as a weighted average, based on premium volume from XR013.

† For start-up health companies using projected amounts from the domicile state approved proforma, complete Footnote 1.

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Footnote 1: If your company is a start-up health company that has received approval from your domiciliary state to use projected amounts in Lines (13) and (15), please explain the projections used.

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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 (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 (26)	
(24)	Total H1	Sum Lines (11) through (23)	
H2 - UNDERWRITING RISK			
(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line **(19)**	
(26)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line **(24.3)**	
(27)	Disability Income	XR015, Underwriting Risk Page, Lines **(25.3) + (26.3) + (27.3) + (28.3) + (29.6) + (30.3) + (31.3)**	
(28)	Long-Term Care	XR016, Underwriting Risk Page, Line **(40)**	
(29)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines **(41.2) + (42.6) + (43)**	
(30)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line **(44)**	
(31)	Total H2	Sum Lines (25) through (30)	

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HEALTH PREMIUMS

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Medical Insurance Premiums - Individual						
(1)	Comprehensive Medical and Hospital	Earned Premium (Health Supplement Analysis of Operations Column 2 Line 1 + 2)			†		XXX
(2)	Title XVIII Medicare	Earned Premium (Health Supplement Analysis of Operations Column 8 Line 1 + 2 in part)			†		XXX
(3)	Title XIX Medicaid	Earned Premium (Health Supplement Analysis of Operations Column 9 Line 1 + 2 in part)			†		XXX
(4)	Medicare Supplement	Earned Premium (Health Supplement Analysis of Operations Column 4 Line 1 + 2 in part)			†		XXX
(5)	Vision Only	Earned Premium (Health Supplement Analysis of Operations Column 5 Line 1 + 2 in part)			†		XXX
(6)	Dental Only	Earned Premium (Health Supplement Analysis of Operations Column 6 Line 1 + 2 in part)			†		XXX
(7)	Stand-Alone Medicare Part D Coverage	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)			†		XXX
(8)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records		X	0.500	=	
(9)	Medicaid Pass-Through Payments Reported as Premium	Company Records		X	0.020	=	
(10)	Hospital Indemnity and Specified Disease	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	*	=	
(11)	AD&D (Maximum Retained Risk Per Life)	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	‡	=	
(12)	Other Accident	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	0.050	=	
	Medical Insurance Premiums - Group and Credit						
(13)	Comprehensive Medical and Hospital	Earned Premium (Health Supplement Analysis of Operations Column 3 Line 1 + 2)			†		XXX
(14)	Title XVIII Medicare	Earned Premium (Health Supplement Analysis of Operations Column 8 Line 1 + 2 in part)			†		XXX
(15)	Title XIX Medicaid	Earned Premium (Health Supplement Analysis of Operations Column 9 Line 1 + 2 in part)			†		XXX
(16)	Vision Only	Earned Premium (Health Supplement Analysis of Operations Column 5 Line 1 + 2 in part)			†		XXX
(17)	Dental Only	Earned Premium (Health Supplement Analysis of Operations Column 6 Line 1 + 2 in part)			†		XXX
(18)	Stop Loss and Minimum Premium	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	¥	=	
(19)	Medicare Supplement	Earned Premium (Health Supplement Analysis of Operations Column 4 Line 1 + 2 in part)			†		XXX
(20)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)			†		XXX
(21)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records		X	0.500	=	
(22)	Medicaid Pass-Through Payments Reported as Premium	Company Records		X	0.020	=	
(23)	Hospital Indemnity and Specified Disease	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	*	=	
(24)	AD&D (Maximum Retained Risk Per Life)	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	‡	=	
(25)	Other Accident	Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	0.050	=	
(26)	Federal Employee Health Benefit Plan	Earned Premium (Health Supplement Column 7 Line 1 + 2)		X	0.000	=	
	Disability Income Premium						
(27)	Noncancellable Disability Income - Individual Morbidity	Earned Premium (Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(28)	Other Disability Income - Individual Morbidity	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(29)	Disability Income - Credit Monthly Balance Plans	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(30)	Disability Income - Group Long-Term	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(31)	Disability Income-Credit Single Premium with Additional Reserves	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(32)	Disability Income-Credit Single Premium without Additional Reserves	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(33)	Disability Income - Group Short-Term	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)		X	‡	=	
(34)	Total Disability Income	Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2)					
	Long-Term Care						
(35)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium Health Supplement Analysis of Operations Column 12 Line 1 + 2 in part)		X	0.127**	=	
(36)	Other Long-Term Care Premium ‡‡	Earned Premium Health Supplement Analysis of Operations Column 12 Line 1 + 2 in part)		X	0.000	=	‡‡
(37)	Total Long Term Care	Earned Premium Health Supplement Analysis of Operations Column 12 Line 1 + 2)					
	Health Premium With Limited Underwriting Risk						
(38)	ASC Business Reported as Revenue Premium	Earned Premium Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	0.000	=	
	Other Health						
(39)	Workers Compensation Carve-Out	Earned Premium Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)		X	0.000	=	
(40)	Other Health	Earned Premium Health Supplement Analysis of Operations Column 10 and 13 Line 1 + 2 in part)		X	0.120	=	
(41)	Total Earned Premiums (Column (1) should equal sum of Health Supplement Analysis of Operations Columns 2 through 13 Line 1 + 2)	Sum of Lines (1) through (26) excluding (9) and (22); Line (34); and Line (37) through (40)					
(42)	Additional Reserves for Credit Disability Plans	Exhibit 6, Column 10, Line 2		§			
(43)	Additional Reserves for Credit Disability Plans, prior year	Exhibit 6, Column 10, Line 2, prior year		§			

† The premium amounts in these lines are transferred to LR020 Underwriting Risk – Experience Fluctuation Risk Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete LR022 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete LR028 Health Credit Risk in the (C-3) portion of the formula. If there are amounts in any of lines (1) through (6), (13) through (17), or (19) on page LR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of LR029 Business Risk in the (C-4) portion of the formula.

‡ The two tiered calculation is illustrated in the risk-based capital instructions for LR019 Health Premiums.

‡‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on page LR023. The premium is shown to allow totals to check to Health Supplement Analysis of Operations.

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

** The factor applies to all Noncancellable premium.

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

¥ A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (12) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

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

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UNDERWRITING RISK

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Total
(1.1)	Individual Premium †		XXX							
(1.2)	Group Premium †	XXX								
(1.3)	Total Premium† (1.1) + (1.2)									
(2)	Other Health Risk Rev†					XXX				
(3)	Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(4)	Underwriting Risk Revenue (1.3) + (2) - (3)									
(5)	Net Incured Claims†									
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(7)	Fee-For-Service Offset†					XXX				
(8)	Underwring Risk Incurred Claims (5) - (6) - (7)									
(9)	Underwriting Risk Claim Ratio (8)/(4)									XXX
(10)	Underwriting Risk Factor for Intial Amounts of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Intial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	XXX
(12)	Investment Income Adjustment Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	
(13)	Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	XXX
(14)	Base Underwriting Risk RBC = (4) x (9) x (13)									
(15)	Managed Care Discount Factor (LR022 Line 17)									XXX
(16)	RBC After Managed Care Discount = Lines (14) x (15)									
(17)	Alternate Risk Charge	$500,000	$500,000	$500,000	$500,000	$50,000	$50,000	$50,000	$150,000	
(18)	Net Alternate Risk Charge	B0	B0	B0	B0	B1	B2	B2	B3	
(19)	Net Underwriting Risk RBC (MAX{Line (16), Line (18)})									

† The Annual Statement Sources are found on page LR020-A.

Initial Premium Amount‡								
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

~~* The Line (17) Alternate Risk Charge is calculated as follows:~~

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† Annual Statement Source

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(11) Total
(1.3)	Premium	Health Supp Analysis of Operations, Columns 2, Lines 1 + 2	Health Supp Analysis of Operations, Columns 3, Lines 1 + 2	Health Supp Analysis of Operations, Columns 8, Lines 1 + 2	Health Supp Analysis of Operations, Columns 9, Lines 1 + 2	Health Supp Analysis of Operations, Column 4, Line 1 + 2	Health Supp Analysis of Operations, Columns 5, Line 1 + 2	Health Supp Analysis of Operations, Columns 6, Line 1 + 2		
(2)	Other Health Risk Revenue	Health Supp Analysis of Operations, Columns 2, Line 4	Health Supp Analysis of Operations, Columns 3, Line 4	Health Supp Analysis of Operations, Columns 8, Line 4	Health Supp Analysis of Operations, Columns 9, Line 4	XXX	Health Supp Analysis of Operations, Columns 5, Line 4	Health Supp Analysis of Operations, Columns 6, Line 4		
(5)	Net Incurred Claims	Health Supp Analysis of Operations, Columns 2, Line 17	Health Supp Analysis of Operations, Columns 3, Line 17	Health Supp Analysis of Operations, Columns 8, Line 17	Health Supp Analysis of Operations, Columns 9, Line 17	Analysis of Operations, Column 4, Line 17	Health Supp Analysis of Operations, Columns 5, Line 17	Health Supp Analysis of Operations, Columns 6, Line 17		
(7)	Fee-For-Service Offset	Health Supp Analysis of Operations, Columns 2, Line 3	Health Supp Analysis of Operations, Columns 3, Line 3	Health Supp Analysis of Operations, Columns 8, Line 3	Health Supp Analysis of Operations, Columns 9, Line 3	XXX	Health Supp Analysis of Operations, Columns 5, Line 3	Health Supp Analysis of Operations, Columns 6, Line 3		

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LR020 Formulas

Cell Lab	Formula
A1	=Line 12 x {Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
A2	=Line 12 x {Min[Line (4) x Line (10), 3,000,000 x Line (10)] + Max[0, (Line (4) - 3,000,000) x Line (11)] } / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(18) - C(7) L(18)], 0]

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HEALTH CLAIMS RESERVES

		Annual Statement Source	(1) Statement Value	(2) Less Workers Compensation Carve Out	(3) RBC Subtotal		Factor		(4) RBC Requirement
	Individual Claim Reserves								
(1)	Exhibit 6 Total Individual Claim Reserves	Company Records							
(2)	Line is to be left blank or zero-filled for **2025**								
(3)	Line is to be left blank or zero-filled for **2025**								
(4)	Line is to be left blank or zero-filled for **2025**								
(5)	Line is to be left blank or zero-filled for **2025**								
(6)	Line is to be left blank or zero-filled for **2025**								
(7)	Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 2 Column 12, in part †							
(8)	Less Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 2 Column 13, in part †							
(9)	Disability Income and Long-Term Care Claim Reserves	Company Records				X	0.063	=	
(10)	Total Individual Claim Reserves	Lines (1) + (2) + (3) + (4) + (5) + (6) + (7) - (8) - (9)				X	0.050	=	
	Group and Credit Claim Reserves								
(11)	Exhibit 6 Total Group & Credit Claim Reserves	Company Records							
(12)	Line is to be left blank or zero-filled for **2025**								
(13)	Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 2 Column 12, in part †							
(14)	Less Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 2 Column 13, in part †							
(15)	Disability Income and Long-Term Care Claim Reserves	Company Records				X	0.063	=	
(16)	Total Exhibit 6 Group and Credit Claim Reserves	Lines (11) + (12) + (13) - (14) - (15)				X	0.050	=	
(17)	Total Claim Reserves	Lines (9) + (10) + (15) + (16)							
(18)	Total Health RBC	LR019 Health Premiums Column (2) Line **(41)** + LR020 Underwriting Risk Experience Fluctuation Risk Column **(9)** Line **(19)** + LR021 Underwriting Risk Other Column (2) Line (7) + LR023 Long-Term Care Morbidity Risk Column (4) Line (7) + LR024 Health Claim Reserves Column (4) Line (17)							

† Include only the portion which relates to claim reserves that, if written on a direct basis, would be included on Exhibit 6.

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PREMIUM STABILIZATION RESERVES

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Group and Credit Life and Health Reported Premium Stabilization Reserves						
(1)	Stabilization Reserves and Experience Rating Refunds included in Line 3	Page 3 Column 1 Line 3 in part		X	0.500	=	
(2)	Provision for Experience Rating Refunds	Page 3 Column 1 Line 9.2 in part		X	0.500	=	
(3)	Reserve for Group Rate Credits	Company Records		X	0.500	=	
(4)	Reserve for Credit Rate Credits	Company Records		X	0.500	=	
(5)	Premium Stabilization Reserves	Page 3 Column 1 Line 25 in part		X	0.500	=	
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)					
	Group & Credit Life and Health Risk-Based Capital						
(7)	Life	LR025 Life Insurance Column (2) Line (12)					
(8)	Health	LR024 Health Claim Reserves Column (4) Line (16) + [LR024 Column (4) Line (15) x 0.65] + LR019 Health Premiums Column (2) Lines **(18), (23), (24)** and **(25)** + [[LR019 Column (2) Lines **(29), (30),** and **(33)**] x 0.65] + [LR020 Underwriting Risk - Experience Fluctuation Risk Column **(9)** Line **(19)** - Column **(8)** Line **(19)** x **Column 9** Line (1.2) / (1.3)]					
(9)	Maximum Risk-Based Capital	Lines (7) + (8)					
(10)	Final Premium Stabilization Reserve	Column (2) Line (6), but not more than Column (1) Line (9)		X	-1.000	=	

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BUSINESS RISK

			(1) Statement Value		(2) RBC Requirement
	Life Insurance Premiums	Annual Statement Source		Factor	
(1)	Total Life Premiums	Schedule T Column 2 Line 59			
(2)	Less American Samoa Life Premiums	Schedule T Column 2 Line 52			
(3)	Less Guam Life Premiums	Schedule T Column 2 Line 53			
(4)	Less Puerto Rico Life Premiums	Schedule T Column 2 Line 54			
(5)	Less U.S. Virgin Islands Life Premiums	Schedule T Column 2 Line 55			
(6)	Less Northern Mariana Islands Life Premiums	Schedule T Column 2 Line 56			
(7)	Less Canada Life Premiums	Schedule T Column 2 Line 57			
(8)	Less Other Alien Life Premiums	Schedule T Column 2 Line 58			
(9)	Subtotal Net Life Premiums	Line (1) less the Sum of Lines (2) through (8)			
(10)	Plus Foreign Variable and Other Life Premiums	See Instructions†			
(11)	Less Total Variable and Other Life Premiums	See Instructions†			
(12)	Net Life Premiums	Line (9) plus Line (10) less Line (11)		X 0.0253 =	
	Annuity Considerations				
(13)	Total Annuity Considerations	Schedule T Column 3 Line 59			
(14)	Less American Samoa Annuity Considerations	Schedule T Column 3 Line 52			
(15)	Less Guam Annuity Considerations	Schedule T Column 3 Line 53			
(16)	Less Puerto Rico Annuity Considerations	Schedule T Column 3 Line 54			
(17)	Less U.S. Virgin Islands Annuity Considerations	Schedule T Column 3 Line 55			
(18)	Less Northern Mariana Islands Annuity Considerations	Schedule T Column 3 Line 56			
(19)	Less Canada Annuity Considerations	Schedule T Column 3 Line 57			
(20)	Less Other Alien Annuity Considerations	Schedule T Column 3 Line 58			
(21)	Subtotal Net Annuity Considerations	Line (13) less the Sum of Lines (14) through (20)			
(22)	Plus Foreign Variable and Other Annuity Considerations	See Instructions†			
(23)	Less Total Variable and Other Annuity Considerations	See Instructions†			
(24)	Net Annuity Considerations	Line (21) plus Line (22) less Line (23)		X 0.0253 =	
	Accident and Health Premiums				
(25)	Total Accident and Health Premiums	Schedule T Column 4 Line 59			
(26)	Less American Samoa Accident and Health Premiums	Schedule T Column 4 Line 52			
(27)	Less Guam Accident and Health Premiums	Schedule T Column 4 Line 53			
(28)	Less Puerto Rico Accident and Health Premiums	Schedule T Column 4 Line 54			
(29)	Less U.S. Virgin Islands Accident and Health Premiums	Schedule T Column 4 Line 55			
(30)	Less Northern Mariana Islands Accident and Health Premiums	Schedule T Column 4 Line 56			
(31)	Less Canada Accident and Health Premiums	Schedule T Column 4 Line 57			
(32)	Less Other Alien Accident and Health Premiums	Schedule T Column 4 Line 58			
(33)	Subtotal Net Accident and Health Premiums	Line (25) less the Sum of Lines (26) through (32)			
(34)	Plus Foreign Variable and Other A&H Premiums	See Instructions†			
(35)	Less Total Variable and Other A&H Premiums	See Instructions†			
(36)	Net Accident and Health Premiums	Line (33) plus Line (34) less Line (35)		X 0.0063 =	

† Enter amounts only if included in Schedule T Column 2 (life), Column 3 (annuity) or Column 4 (accident and health).

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BUSINESS RISK (CONTINUED)

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Separate Account Liabilities						
(37)	Total Liabilities from Separate Accounts Statement	Page 3 Column 1 Line 27					
(38)	Transfers to Separate Accounts Due or Accrued	Page 3 Column 1 Line 13					
(39)	Total Separate Account Liabilities	Line (37) plus Line (38)		X	0.0006	=	
(40)	Business Risk (C-4a)	Lines (12) + (24) + (36) + (39)					
	Administrative Expenses for Certain A&H Coverages						
(41)	Total Accident and Health Premiums	LR019 Health Premiums Column (1) Line **(41)**					
(42)	Accident and Health Premiums from Underwriting Risk	LR020 Underwriting Risk Column **(9) Line (1.3)**					
(43)	Accident and Health Premiums Factor	Line (42) / Line (41)					
(44)	Exhibit 2 Administrative Expenses for Health Insurance	Exhibit 2 Column 2 + Column 3 Line 10					
(45)	Exhibit 3 Administrative Expenses for Health Insurance	Exhibit 3 Column 2 Line 7					
(46)	Less Administrative Expenses for Administrative Service Contracts (ASC)	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2					
(47)	Less Administrative Expenses for Administrative Services Only (ASO) Business	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2					
(48)	Less Administrative Expenses for Commissions and Premium Taxes	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2					
(49)	Net Administrative Expenses	Lines (44) + (45) - (46) - (47) - (48)					
(50)	Composite Health Administrative Expense Risk Factor	(7% of Line (42) up to $25 million + 4% of any in excess of $25 million)/Line (42)					
(51)	Administrative Expense Component for Health	Line (49) x factor Line (43) x factor Line (50)					
	Health ASO/ASC						
(52)	Administrative Expenses for ASC Business	Company Records§		X	0.0200	=	
(53)	Administrative Expenses for ASO Business	Company Records§		X	0.0200	=	
(54)	ASC Claims Reported as Incurred Claims	Company Records		X	0.0100	=	
(55)	Other Medical Costs Paid through ASC Arrangements	Company Records		X	0.0100	=	
(56)	Fee-for-Service Received from Health Entities	Company Records		X	0.0100	=	
(57)	Business Risk (C-4b)	Column (2) Lines (51) + (52) + (53) + (54) + (55) + (56)					

§ Line (52) should be greater than or equal to Line (46). Line (53) should be greater than or equal to Line (47).

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

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

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

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=		
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=		
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=		
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=		
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=		
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=		
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=		†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=		
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12)		X	0.1575	=		
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)		X	0.1575	=		
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)		X	0.1575	=		
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)		X	0.1575	=		
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)		X	0.1575	=		
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)		X	0.2100	=		
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)		X	0.2100	=		†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)		X	0.2100	=		
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)		X	0.1575	=		
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)		X	0.1575	=		
(081)	BA Common Stock Affiliated	LR008 Other Long-Term Assets Column (5) Line (50.3)		X	0.2100	=		
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (51)		X	0.1575	=		
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (53.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		X	0.2100	=		
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X	0.2100	=		†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (56)		X	0.2100	=		
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (12)		X	0.1575	=		
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (16)		X	0.1575	=		
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (20)		X	0.1575	=		
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X	0.2100	=		†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (23)		X	0.2100	=		
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page		X	0.1575	=		
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X	0.1575	=		
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X	0.1575	=		
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X	0.1575	=		
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X	0.1575	=		
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X	0.1575	=		
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X	0.1575	=		
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X	0.1575	=		
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X	0.2100	=		
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X	0.2100	=		†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X	0.2100	=		

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)		X	0.2100	=		
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)		X	0.2100	=		
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)		X	0.2100	=		
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)		X	0.2100	=		
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)		X	0.2100	=		
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)		X	0.2100	=		
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)		X	0.2100	=		
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)		X	0.2100	=		
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)		X	0.2100	=		
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)		X	0.2100	=		
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)		X	0.2100	=		
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)		X	0.2100	=		
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)		X	0.0000	=		
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)		X	0.0000	=		
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)						
	Common Stock							
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual							
(127)	Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (49) - Line (45)		X	0.2100	=		
(128)	Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (45)		X	0.2100	=		
(129)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=		
(130)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)		X	0.1575	=		
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)		X	0.1575	=		
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)		X	0.2100	=		
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)		X	0.2100	=		
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)						
	Insurance Risk							
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (34)		X	0.2100	=		

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (35) + LR023 Long-Term Care Column (4) Line (7)		X	0.2100	=	
(137)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (5)		X	0.2100	=	
(138)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (12)		X	0.2100	=	
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)		X	0.2100	=	
(139)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)		X	0.2100	=	
(140)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)		X	0.0000	=	
(141)	Total C-2 Risk	L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (Correlation Factor) * (L(137) + L(138)) * L(138b)]]					
(142)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)		X	0.2100	=	
(143)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)		X	0.0000	=	
(144)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)		X	0.2100	=	
(145)	Business Risk	LR029 Business Risk Column (2) Line (40)		X	0.2100	=	
(146)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)		X	0.0000	=	
(147)	Total Tax Effect	Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)					

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HEALTH PREMIUMS PR019

			(1)		(2)
		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Medical Insurance Premium - Individual				
(1)	Comprehensive (Medical and Hospital)	Earned Premium (U&I Part 1, Column 4 Line 13.1)	0	†	XXX
(2)	Title XVIII Medicare	Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0	†	XXX
(3)	Title XIX Medicaid	Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0	†	XXX
(4)	Medicare Supplement	Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0	†	XXX
(5)	Vision Only	Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0	†	XXX
(6)	Dental Only	Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0	†	XXX
(7.1)	Stand-Alone Medicare Part D Coverage	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	†	XXX
(7.2)	Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0	0.500	0
(7.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0	0.020	0
(8)	Hospital Indemnity and Specified Disease	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.035 *	0
(9)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	‡	0
(10)	Other Accident	Earned Premium (U&I Part 1, Column 4 Line 15 in part)	0	0.050	0
	Medical Insurance Premium - Group and Credit				
(11)	Comprehensive (Medical and Hospital)	Earned Premium (U&I Part 1, Column 4 Line 13.2)	0	†	XXX
(12)	Title XVIII Medicare	Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0	†	XXX
(13)	Title XIX Medicaid	Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0	†	XXX
(14)	Vision Only	Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0	†	XXX
(15)	Dental Only	Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0	†	XXX
(16)	Stop Loss and Minimum Premium	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	¥	0
(17)	Medicare Supplement	Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0	†	XXX
(18.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	†	XXX
(18.2)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0	0.500	0
(18.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0	0.020	0
(19)	Hospital Indemnity and Specified Disease	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.035 *	0
(20)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	‡	0
(21)	Other Accident	Earned Premium (U&I Part 1, Column 4 Line 15 in Part)	0	0.050	0
(22)	Federal Employee Health Benefit Plan	Earned Premium (U&I Part 1, Column 4 Line 15.8)	0	0.000	0
	Disability Income Premium				
(23)	Noncancellable Disability Income - Individual Morbidity	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(24)	Other Disability Income - Individual Morbidity	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(25)	Disability Income - Credit Monthly Balance Plans	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	
(26)	Disability Income - Group Long-Term	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(27)	Disability Income - Credit Single Premium with Additional Reserve	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(28)	Disability Income - Credit Single Premium without Additional Reserve	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(29)	Disability Income - Group Short-Term	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(30)	Total Disability Income	Earned Premium (U&I Part 1, Column 4 Line 15.3)	0		
	Long-Term Care				
(31)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0	0.100	0
(32)	Other Long-Term Care Premium ‡ ‡	Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0	0.000	0 ‡ ‡
(33)	Total Long-Term Care	Earned Premium (U&I Part 1, Column 4 Line 15.7)	0		
	Health Premium with Limited Underwriting Risk				
(34)	ASC Business with Premium Revenue	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.000	0
	Other Health				
(35)	Other Health	Earned Premium (U&I Part 1, Column 4 Line 14 and 15.9 in part)	0	0.120	0
(36)	Total Earned Premiums	Sum of Lines (1) through (22), Line (30), and Lines (33) through (35) minus Lines (7.3) and (18.3)	0		0
	C(1), L(36) should equal U&I Part 1 Column 4 Lines 13.1 through 15.9				
(37)	Additional Reserves for Credit Disability Plans	Company records	0	§	
(38)	Additional Reserves for Credit Disability Plans, prior year	Company records	0	§	

† The premium amounts in these lines are transferred to PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement, Dental & Vision and Stand-Alone Medicare Part D Coverage Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete PR021 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete PR013 Health Credit Risk in the formula.
If there are amounts in any of lines (1) through (6), (11) through (15), and (17) on page PR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of PR023.

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

‡ ‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on Page PR023. The premium is shown to allow totals to check to U&I Part 1.

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

** The factor applies to all Noncancellable premium.

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

¥ A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (16) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical Individual	(2) Comprehensive Medical Group	(3) Title XVIII-Medicare	(4) Title XIX-Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) TOTAL
(1.1)	Individual Premium	0	0	0	0	0	0	0	0	0
(1.2)	Group Premium	0	0	0	0	0	0	0	0	0
(1.3)	Total Premium	0	0	0	0	0	0	0	0	0
(2)	Other Health Risk Revenue†	0	0	0	0	XXX	0	0	0	0
(3)	Medicaid Pass-Through Payments Reported as Premium	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(4)	Underwriting Risk Revenue = Lines (1.3) + (2) - (3)	0	0	0	0	0	0	0	0	0
(5)	Net Incurred Claims	0	0	0	0	0	0	0	0	0
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(7)	Fee-for-Service Offset†	0	0	0	0	XXX	0	0	0	0
(8)	Underwriting Risk Incurred Claims = Lines (5) – (6) – (7)	0	0	0	0	0	0	0	0	0
(9)	Underwriting Risk Claim Ratio (8)/(4)	0	0	0	0	0	0	0	0	XXX
(10)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	XXX
(12)	Investment Income Adjustment Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(13)	Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	XXX
(14)	Base Underwriting Risk RBC = Line (4) x Line (9) x Line (13)	0	0	0	0	0	0	0	0	XXX
(15)	Managed Care Discount Factor = PR021 Line (12)	0	0	0	0	0	0	0	0	XXX
(16)	Base RBC After Managed Care Discount = Line (14) x Line (15)	0	0	0	0	0	0	0	0	0
(17)	Alternate Risk Charge	500,000	500,000	500,000	500,000	50,000	50,000	50,000	150,000	XXX
(18)	Net Alternate Risk Charge	B0	B0	B0	B0	B1	B2	B2	B3	0
(19)	Net Underwriting Risk RBC (Maximum of Line (16) or Line (18))	0	0	0	0	0	0	0	0	0

† Source is company records unless already included in premiums.

	Initial Premium Amount‡						
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

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

~~a The Line (17) Alternate Risk Charge is calculated as follows:~~

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

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PR020 Formulas

Cell Label	Formula
A1	=Line 12 x {Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
A2	=Line 12 x {Min[Line (4) x Line (10), 3,000,000 x Line (10)] + Max[0, (Line (4) - 3,000,000) x Line (11)] } / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(

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UNDERWRITING RISK - OTHER AND TOTAL NET HEALTH PREMIUM RBC PR022

			(1) Amount	Factor	(2) RBC Requirement
	Rate Guarantees & Federal Employees Health Benefits	Data Source			
(1)	Business with Rate Guarantees Between 15-36 Months	Company Records	0	0.024	0
(2)	Business with Rate Guarantees Over 36 Months	Company Records	0	0.064	0
(3)	Federal Employees Health Benefit Program (FEHBP) Claims Incurred	Company Records	0	0.020	0
(4)	Total, Rate Guarantees & Federal Employees Health Benefits	L(1) + L(2) + L(3)	0		0
	Administrative Expenses for Certain A&H Coverages				
(5)	Total Accident and Health Premiums	PR019 Health Premiums Column (1) Line (36)	0		
(6)	Accident and Health Premiums from Underwriting Risk	PR020 Underwriting Risk Column (9) Line (1.3)	0		
(7)	Accident and Health Premiums Factor	L(6)/L(5)	0.000		
(8)	Administrative Expenses for Health Insurance	Company Records	0		
(9)	Less Administrative Expenses for Administrative Service Contracts (ASC) included in Line (8)	Company Records	0		
(10)	Less Administrative Expenses for Administrative Services Only (ASO) Business included in Line (8)	Company Records	0		
(11)	Less Administrative Expenses for Commissions and Premium Taxes	Company Records	0		
(12)	Net Administrative Expenses	L(8) - L(9) - L(10) - L(11)	0		
(13)	Composite Health Administrative Expense Risk Factor	(7% of L(6) up to $25 million + 4% of excess)/L(6)	0.000		
(14)	Administrative Expense Component for Health	L(12) x L(7) x L(13)			0
	Health ASO/ASC				
(15)	Administrative Expenses for ASC Business	Company Records*	0	0.020	0
(16)	Administrative Expenses for ASO Business	Company Records*	0	0.020	0
(17)	Total Health ASO/ASC	L(15) + L(16)	0		0
(18)	Total Underwriting Risk - Other	L(4) + L(14) + L(17)			0
	Total Net Health Premium RBC				
(19)	Total Health Premium RBC	L(18) + PR019 C(2) L(36) + PR020 C(9) L(19)			
(20)	Premium Concentration Factor	PR018 C(20) L(14)			1.000
(21)	Total Net Health Premium RBC	L(19) x L(20)			0

* Line (15) should be greater than or equal to Line (9). Line (16) should be greater than or equal to Line (10).

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PREMIUM STABILIZATION RESERVES PR025

		Data Source	(1) Statement Value	Factor	(2) RBC Requirement
	Group & Credit Health Premium Stabilization Reserves Reported				
(1)	Stabilization Reserves and Experience Rating Refunds	Company Records	0	0.500	0
(2)	Provision for Experience Rating Refunds	Company Records	0	0.500	0
(3)	Reserve for Group Rate Credits	Company Records	0	0.500	0
(4)	Reserve for Credit Rate Credits	Company Records	0	0.500	0
(5)	Premium Stabilization Reserves	Company Records	0	0.500	0
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)	0		0
	Group & Credit Health Risk-Based Capital				
(7)	Maximum Risk-Based Capital	PR024 Health Claim Reserves Column (2) Line (2) + PR019 Health Premiums Column (2) Lines **(16), (19), (20), (21), (25), (26), (27), (28) and (29)** + [PR020 Underwriting Risk- Premiums Risk **Column (9) Line (19) - Column (8) Line (19)** x **Column (9) Line (1.2) / Column (9) Line (1.3)**]	0		
(8)	Final Premium Stabilization Reserve Credit	Column (2) Line (6), but not more than Column (1) Line (7)	0	-1.000	0

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

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December 22, 2025

Chairman Steve Drutz
c/o Derek Noe, Health RBC Analyst
NAIC Health Risk-Based Capital Working Group
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

RE: Managed Care Credit Concept Draft exposure

Dear Chairman Drutz and Working Group members,

The provided comments concentrate on the proposed reporting format and the proposed instructions for the Managed Care Credit Concept Draft. They do not cover the overall concept of the proposal.

Exhibit 7
Table 1 indicates "direct" payments. Should that include "assumed" business, if there is any? Table 2 specifically indicates ceded reinsurance, with Table 3 being net. But what if the reporting entity has "assumed" business?

The exposure does not indicate the renaming of Exhibit 7 – Part 1. Therefore, the new additions should be entitled Exhibit 7 – Part 1A, not Part 1B. In addition, in order to conform to the usual format used for statement reporting, identifiers labeled as "tables" should be renamed in the following manner.

Exhibit 7 – Part 1A- Section 1 – Summary of Transactions with Providers – Direct Medical Payments
Exhibit 7 – Part 1A- Section 2 – Summary of Transactions with Providers – Reinsurance Ceded Medical Payments
Exhibit 7 – Part 1A- Section 3 – Summary of Transactions with Providers – Net Medical Payments

Within statement reporting, instructions usually do not indicate if reporting is used for the RBC calculation or not. Therefore, suggest removing the following statement from the instructions for Exhibit 7 – Part 1B.

EXHIBIT 7 – PART 1A~~B~~ – SUMMARY OF TRANSACTIONS WITH PROVIDERS
~~Please note that Exhibit 7- Part 1B is for information-only and will not impact RBC calculations.~~

Based on the above mentioned renaming, the following rewrite within the instructions is suggested.

This schedule requires disclosure of claim payments by type of managed care arrangement.

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~~Table 2 – Net Reinsurance Amount~~
~~Amount of payment ceded to reinsurance~~
~~Table 3 – Medical Expense Payment (Net of Reinsurance)~~
~~Table 1 - 2~~
Section 1 discloses direct medical expenses paid.
Section 2 discloses ceded reinsurance payment.
Section 3 discloses the net amount of medical expense payments and is calculated, on a column per column basis, as Section 1 minus Section 2.

Also suggest adding an instructional line prior to the line definitions that states:
Except as noted, instructions for the various reporting lines are defined in the instructions for Exhibit 7 – Part 1.

An instruction for the columnar lines of business should be included. For example
Columnar lines of business are defined in the instructions for the Analysis of Operations By Line of Business (ANAOPS).

Please note, however, the correct reference may not be the ANAOPs. The lines of business are generally defined in the statement instructions either for a specific schedule, like the ANAOPS or in the Appendix. The problem here is if the reader is referred to the definitions provided for the ANAOPS, not all of the definitions match. For example, on the ANAOPS "Other Health" includes policies providing stand alone Medicare Part D. On the proposed Exhibit 7 – Part 1A, stand-alone Medicare Part D is reported separately and not part of "Other Health." A referral to the Appendix of the statement instructions also would be incomplete, as not all of the referenced lines of business are included in the Appendix.

Since the proposed reporting sections are labeled as "payments" it could be assumed that cash amounts are to be reported. Line 7 seems to comply with that concept. However, Line 7.1, "Bonus Payment Exposure," appears to ask for an incurred number or maybe an outstanding liability number. The directions say this reporting applies to the prior year. Therefore, it seems the description of Line7.1 should be "Bonus Payment Expense, prior year." At the same time, the instructions need to provide more reporting detail. For example, are these payments that were made in the current year, but were incurred and unpaid at the end of the prior year (and would be included in Line 7)? Or does this line ask for the total amount of bonus payments that were made during the prior year (maybe as a comparison to the reported amount in Line 7 for the current year)?

A similar problem arises with Line 7.2 which should probably also have a new line description of "Bonus Payments Made, prior year" and also have more specific instructional details.

For The same types of problems exist for Lines 8.1, 8.2, 10.1, 10.2, and 10.3. All have a mixture of what appears to be payment amounts (cash) and incurred or liability amounts., as well as some of them referring to prior year amounts.

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Line 9 instructions could benefit from examples and/or more clarity. What would be the difference between amounts reported as "bundled" vs. "fee-for-service" or "contractual fee payments?"

Line 14 needs an explicit provided calculation. Is the calculation the sum of Lines 5+6+7+8+9+10+11+12+13? Or are lines 7.1, 7.2, 8.1, 8.2, 10.1, 10.2 and 10.3 also included in the calculation?

Sincerely,

Connie Jasper Woodroof

Connie Jasper Woodroof
CJW Associates
connie.cjwassociates@gmail.com

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Katie Dzurec, American Academy of Actuaries
Steve Guzski, American Academy of Actuaries
Derek Skoog, American Academy of Actuaries
Julian Levin, American Academy of Actuaries

FROM: Steve Drutz, Chair, Health Risk-Based Capital (E) Working Group
Danielle Smith, Vice Chair, Health Risk-Based Capital (E) Working Group

DATE: February 9, 2026

RE: Request for Academy Responses to H-2 Project Comments

The Health Risk-Based Capital (E) Working group received the *H-2 Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report* from the American Academy of Actuaries (Academy) at its April 30, 2025, call. The report included six sets of factors at two risk percentiles and three time horizons. The Working Group would like the Academy to provide its thoughts on a possible three-year phase-in approach, in which the final factors and/or premium tier would be approached over three years. We note that the need for a phased-in approach was contemplated in the report (page 27, last sentence). Does the Academy foresee any issues with this approach?

The Working Group also received a comment from interested parties asking the Academy to review factors for Medicaid and determine an appropriate tier to align with the other factors presented in the report. The report notes that the reason the Medicaid factors did not include a tiered approach is for credibility purposes (page 26, last paragraph). Can you provide an example of the Tier 1 and Tier 2 risk factors that came from the data, ignoring the credibility issues? Was there a specific cut-off point between Tiers 1 and 2 that made sense based on the data (again, ignoring the credibility issues)?

Commenters also had questions about the data development that the Working Group would like the Academy to address. Paraphrased below are the questions with our input. Please refer to the attached comment letters for details and context.

- How were the premium tiers chosen for the lines of business? We note that the adjustment of tier cut-points from $3 million and $25 million to $10 million and $100 million is intended to capture market dynamics that influence risk (page 27, third paragraph), but were there other logical cut-points apparent based on a noticeable change in the volatility of the results between larger and smaller companies?

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Kansas City 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197 p | 816 842 3600
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- Reinsurance was allocated between individual and group lines based on premium share. Is there a reason for the allocation instead of using the reported values? (Our understanding is that reinsurance recoveries information was only available for the two lines of business combined.)
- Was any analysis done removing the Affordable Care Act (ACA) implementation and/or COVID events? If so, what were the results?
- What percentage of companies were excluded as outliers?

The Working Group received comments from interested parties regarding the implementation of the Alternate Risk Charge in Proposal 2025-15-CA. Can the Academy clarify by what method the Alternate Risk Charge was proposed to be implemented in the report, and if the implementation in Proposal 2025-15-CA meets that implementation recommendation (page 9, last paragraph)?

The Working Group also received comments from interested parties on the exposure of Exhibit 7, Part 1B, and would like the Academy's help addressing them. Paraphrased below are the questions. Please refer to the attached comment letters for details and context.

- Was "Assumed Reinsurance" left out of the exhibit purposefully, and does the Academy believe the exclusion of the Assumed business affects future analysis?
- Can the Academy refine the line descriptions to be more specific about the types of contracts that would be reported on those lines? Would the Academy need help from interested parties during the refinement process?
- Can the Academy clarify if the values are to be reported on a cash basis or an accrual basis?
- Some lines refer to the prior year. Can you clarify if that is the filing year or the year before the filing year?
- Can the Academy create an illustrative example for how Exhibit 7, Part 1B, would be filled out?

Thank you for taking the time to answer our questions. Please reply with written answers by March 11, 2026. Please contact the Health Risk-Based Capital (E) Working Group's NAIC committee support with any questions.

Cc: Derek Noe, Maggie Chang, Eva Yeung, Kazeem Okosum

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March 13, 2026

Steve Drutz
Chair, Health Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners (NAIC)

Re: Request for feedback on Proposal 2025-15-CA

Dear Chair Drutz:

On behalf of the Health Underwriting Risk Factors Analysis Work Group of the Health Solvency & Risk Management Committee of the American Academy of Actuaries,[1] I appreciate the opportunity to provide an initial response to the Health Risk-Based Capital (E) Working Group's exposed Proposal 2025-15-CA.

The Academy has reviewed the implementation in Proposal 2025-15-CA and believes the implementation is consistent with our recommendation. This implementation approach both simplifies and streamlines the calculation without losing the intent of the charge.

If you have any questions, please contact Michelle Anaba (anaba@actuary.org), the Academy's health policy project manager, and Katie Dzurec (dzurec@actuary.org), the Academy's director for state public policy outreach.

Sincerely,

Derek Skoog, MAAA, FSA
Chairperson, Health Underwriting Risk Factors Analysis Work Group
American Academy of Actuaries

Cc: Derek Noe, Health RBC Analyst, Financial Regulatory Services, NAIC

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☒ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

DATE:	
CONTACT PERSON:	**Derek Noe**
TELEPHONE:	**816-783-8973**
EMAIL ADDRESS:	**dnoe@naic.org**
ON BEHALF OF:	**Health Risk-Based Capital (E) Working Group**
NAME:	**Steve Drutz**
TITLE:	**Chief Financial Analyst/Chair**
AFFILIATION:	**WA Office of Insurance Commissioner**
ADDRESS:	**5000 Capital Blvd SE**
	Tumwater, WA 98501

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Agenda Item # 2026-03-CA
Year 2026

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____

EXPOSED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) 3/23/2026
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

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

☒ Health RBC Blanks ☒ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☒ Health RBC Instructions ☒ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☐ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Annual update of the underwriting factors for Comprehensive Medical, Medicare Supplement, and Dental & Vision for the investment income adjustment.

Update the Underwriting factors for Comprehensive Medical, Medicare Supplement, and Dental & Vision on pages XR013, LR019, LR020, PR019, and PR020 for the investment income adjustment.

Implements the stand-alone investment income factor.

Additional Staff Comments:

** **This section must be completed on all forms.** **Revised 2-2023**

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2025 Investment Yield for Investment Income Adjustment
https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield

Date	1 Mo	1.5 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr
01/02/2026	3.72	3.71	3.66	3.65	3.62	3.58	3.47	3.47	3.55
01/05/2026	3.71	3.68	3.64	3.64	3.61	3.57	3.47	3.46	3.53
01/06/2026	3.70	3.70	3.61	3.63	3.58	3.56	3.48	3.47	3.54
01/07/2026	3.70	3.69	3.60	3.62	3.60	3.56	3.48	3.47	3.53
01/08/2026	3.70	3.69	3.63	3.62	3.60	3.56	3.48	3.49	3.56
01/09/2026	3.70	3.68	3.63	3.62	3.62	3.57	3.52	3.54	3.59
01/12/2026	3.71	3.68	3.64	3.67	3.63	3.58	3.53	3.54	3.59
01/13/2026	3.72	3.72	3.66	3.67	3.63	3.59	3.51	3.53	3.57
01/14/2026	3.72	3.71	3.66	3.67	3.65	3.58	3.50	3.51	3.56
01/15/2026	3.75	3.73	3.69	3.68	3.66	3.60	3.54	3.56	3.62
01/16/2026	3.75	3.72	3.68	3.67	3.66	3.60	3.55	3.59	3.67
01/20/2026	3.75	3.71	3.69	3.70	3.65	3.61	3.53	3.60	3.68
01/21/2026	3.75	3.71	3.70	3.70	3.67	3.62	3.53	3.60	3.66
01/22/2026	3.79	3.71	3.72	3.71	3.67	3.61	3.53	3.61	3.68
01/23/2026	3.78	3.71	3.72	3.70	3.67	3.61	3.53	3.60	3.67
01/26/2026	3.77	3.71	3.70	3.67	3.67	3.62	3.52	3.56	3.66
01/27/2026	3.77	3.72	3.70	3.67	3.66	3.61	3.50	3.53	3.65
01/28/2026	3.76	3.72	3.71	3.68	3.70	3.63	3.52	3.56	3.66

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February 27, 2026

Steve Drutz
Chair, Health Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners (NAIC)

Re: Request for a standalone Investment Income Adjustment factor to incorporate into the Underwriting Risk Component of the Health Risk-Based Capital (HRBC) Formula

Dear Mr. Drutz:

On behalf of the Health Underwriting Risk Factors Analysis Work Group of the Health Solvency Subcommittee of the American Academy of Actuaries (Academy),[1] I am writing in response to the Health Risk-Based Capital (E) Working Group's request for guidance on how to calculate a standalone Investment Income Adjustment (IIA) factor for use within the H2–Underwriting Risk component of the Health Risk-Based Capital (HRBC) formula.

Definition of a standalone IIA factor
Using the previously provided Investment Income Adjusted Tiered Risk-Based Capital (RBC) Factors table (reproduced in Attachment A), a standalone IIA factor for a given product and tier can be calculated as a ratio:

$$\mathrm{IIA}_{p,t}(r) = \frac{F_{p,t}(r)}{F_{p,t}(0.0\%)}$$

where:

- p= product (e.g., Comprehensive Medical),
- t= tier (e.g., High Tier or Low Tier),
- r= assumed investment return, and
- $F_{p,t}(r)$= the investment-income-adjusted tiered RBC factor from Attachment A at return r.

Under this approach, the IIA factor can be used as a multiplicative adjustment to reflect alternative investment return assumptions. If the working group elects to apply an IIA factor directly to an existing base underwriting factor (rather than re-basing to a 0.0% reference), the denominator should be aligned to the return assumption embedded in that base factor.

Calculation steps

1. Identify the applicable product and tier in Attachment A.
2. Select the assumed investment return r.

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

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3. Obtain $F_{p,t}(r)$ from the table. If r falls between listed rows, a linear interpolation between the adjacent rows is likely reasonable.
4. Obtain the corresponding $F_{p,t}(0.0\%)$ from the 0.0% row for that same product and tier.
5. Compute $\text{IIA}_{p,t}(r) = F_{p,t}(r)/F_{p,t}(0.0\%)$.

Worked examples (from Attachment A)

- **Comprehensive Medical, High Tier, 4.0% return:**
  $F(4.0\%) = 14.47\%$ and $F(0.0\%) = 15.00\%$, so
  $\text{IIA} = 14.47\%/15.00\% = 0.965$.
- **Comprehensive Medical, Low Tier, 4.0% return:**
  $F(4.0\%) = 8.50\%$ and $F(0.0\%) = 9.00\%$, so
  $\text{IIA} = 8.50\%/9.00\% = 0.944$.

*****

If you have any questions or would like to discuss further, please contact Katie Dzurec, the Academy's State Public Policy Outreach Director, at Dzurec@actuary.org.

Sincerely,

Derek Skoog, MAAA, FSA
Chairperson, Health Underwriting Risk Factors Analysis Work Group
American Academy of Actuaries

Cc: Derek Noe, Health RBC Analyst, Financial Regulatory Services, NAIC

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Attachment A—Investment Income Adjusted Tiered RBC Factors (excerpted from Feb. 2, 2023, Academy response)

Investment Income Adjusted Tiered RBC Factors

Assumed Investment Return	Comprehensive Medical (CM)	Medicare Supplement	Dental/Vision
	High Tier (i.e., less than $3M or less than $25M)		
0.0%	15.00%	10.50%	12.00%
3.5%	14.53%	10.01%	11.63%
4.0%	14.47%	9.94%	11.58%
4.5%	14.40%	9.87%	11.53%
5.0%	14.34%	9.80%	11.48%
5.5%	14.27%	9.73%	11.43%
6.0%	14.21%	9.67%	11.38%
	Low Tier		
0.0%	9.00%	6.70%	7.60%
3.5%	8.56%	6.23%	7.25%
4.0%	8.50%	6.16%	7.20%
4.5%	8.44%	6.09%	7.16%
5.0%	8.38%	6.03%	7.11%
5.5%	8.32%	5.96%	7.06%
6.0%	8.25%	5.90%	7.01%

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Health Instructions

Page XR013, Line 12



Line (12) Investment Income Adjustment Factor. The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

P/C Instructions

Page PR020, Line 12



Line (12) Investment Income Adjustment Factor

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Life Instructions

LR020, Line 12



Line (12) Investment Income Adjustment Factor

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

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UNDERWRITING RISK

Experience Fluctuation Risk

		Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non-Health	(11) Total
(1)	†	Premium											
(2)	†	Other Health Risk Revenue					XXX					XXX	
(3)		Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(4)		Underwriting Risk Revenue (1) + (2) – (3)											
(5)	†	Net Incured Claims										XXX	
(6)		Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(7)	†	Fee-For-Service Offset					XXX					XXX	
(8)		Underwring Risk Incurred Claims (5) – (6) – (7)										XXX	
(9)		Underwriting Risk Claim Ratio (8)/(4)										1.000	XXX
(10)		Underwriting Risk Factor for Initial Amounts of Premium‡	0.1500	0.1500	0.1500	0.1500	0.105	0.12	0.12	0.251	0.130	0.130	XXX
(11)		Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	0.130	0.130	XXX
(12.1)		Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX	XXX	XXX
(12.2)		Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX	XXX	XXX
(13)		Composite Underwriting Risk Factor									0.130	0.130	XXX
(14)		Base Underwriting Risk RBC = (4) x (9) x (13)											
(15)		Managed Care Discount Factor*									XXX	XXX	XXX
(16)		RBC After Managed Care Discount = Lines (14) x (15)										XXX	
(17)		Alternate Risk Charge	$500,000	$500,000	$500,000	$500,000	$50,000	$50,000	$50,000	$150,000	$50,000	XXX	XXX
(18)		Net Alternate Risk Charge***										XXX	
(19)		Net Underwriting Risk RBC (MAX{Line (16), Line (18)}) for Columns (1) through (9), Column (10), Line (14)											

Initial Premium Amount‡									
Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000	N/A	N/A

Denotes items that must be manually entered on filing software.

† The Annual Statement Sources are found on page XR014.

*** This row uses the factors calculated on page XR018**

*** Limited to the largest of the applicable alternate risk adjustments, prorated if necessary.

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UNDERWRITING RISK

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Total
(1.1)	Individual Premium †		XXX							
(1.2)	Group Premium †	XXX								
(1.3)	Total Premium† (1.1) + (1.2)									
(2)	Other Health Risk Rev†					XXX				
(3)	Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(4)	Underwriting Risk Revenue (1.3) + (2) - (3)									
(5)	Net Incured Claims†									
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(7)	Fee-For-Service Offset†					XXX				
(8)	Underwring Risk Incurred Claims (5) - (6) - (7)									
(9)	Underwriting Risk Claim Ratio (8)/(4)									XXX
(10)	Underwriting Risk Factor for Intial Amounts of Premium‡	0.1500	0.1500	0.1500	0.1500	0.1050	0.1200	0.1200	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Intial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX
(13)	Composite Underwriting Risk Factor									XXX
(14)	Base Underwriting Risk RBC = (4) x (9) x (13)									
(15)	Managed Care Discount Factor (LR022 Line 17)									XXX
(16)	RBC After Managed Care Discount = Lines (14) x (15)									
(17)	Alternate Risk Charge	$500,000	$500,000	$500,000	$500,000	$50,000	$50,000	$50,000	$150,000	
(18)	Net Alternate Risk Charge									
(19)	Net Underwriting Risk RBC (MAX{Line (16), Line (18)})									

† **The Annual Statement Sources are found on page LR020-A.**

Initial Premium Amount‡								
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

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

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical Individual	(2) Comprehensive Medical Group	(3) Title XVIII-Medicare	(4) Title XIX-Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) TOTAL
(1.1)	Individual Premium	0	0	0	0	0	0	0	0	0
(1.2)	Group Premium	0	0	0	0	0	0	0	0	0
(1.3)	Total Premium	0	0	0	0	0	0	0	0	0
(2)	Other Health Risk Revenue†	0	0	0	0	XXX	0	0	0	0
(3)	Medicaid Pass-Through Payments Reported as Premium	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(4)	Underwriting Risk Revenue = Lines (1.3) + (2) - (3)	0	0	0	0	0	0	0	0	0
(5)	Net Incurred Claims	0	0	0	0	0	0	0	0	0
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(7)	Fee-for-Service Offset†	0	0	0	0	XXX	0	0	0	0
(8)	Underwriting Risk Incurred Claims = Lines (5) – (6) – (7)	0	0	0	0	0	0	0	0	0
(9)	Underwriting Risk Claim Ratio (8)/(4)	0	0	0	0	0	0	0	0	XXX
(10)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1500	0.1500	0.1500	0.1500	0.1050	0.1200	0.1200	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX
(13)	Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000	XXX
(14)	Base Underwriting Risk RBC = Line (4) x Line (9) x Line (13)	0	0	0	0	0	0	0	0	XXX
(15)	Managed Care Discount Factor = PR021 Line (12)	0	0	0	0	0	0	0	0	XXX
(16)	Base RBC After Managed Care Discount = Line (14) x Line (15)	0	0	0	0	0	0	0	0	0
(17)	Alternate Risk Charge	500,000	500,000	500,000	500,000	50,000	50,000	50,000	150,000	XXX
(18)	Net Alternate Risk Charge	0	0	0	0	0	0	0	0	0
(19)	Net Underwriting Risk RBC (Maximum of Line (16) or Line (18))	0	0	0	0	0	0	0	0	0

† Source is company records unless already included in premiums.

Initial Premium Amount‡							
Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

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

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		Treasury Rate		
		0%	4%	Factor
Comp Med	High Tier	15.00%	14.47%	0.9647
	Low Tier	9.00%	8.50%	0.9444
Med Supp	High Tier	10.50%	9.94%	0.9467
	Low Tier	6.70%	6.16%	0.9194
Dental/vision	High Tier	12.00%	11.58%	0.9650
	Low Tier	7.60%	7.20%	0.9474

Factor Calculation

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The Analysis of a 3-year phase in was performed on 2024 Health filings and 2025 Health filings received as of March 10, 2026. The following tables present the first year of the 3-year phase in for factors and premium tier increases.

	Initial Factor				
	Original	New	Difference	1/3	Phase in
Comprehensive Ind	15.00%	24.70%	9.70%	3.23%	18.23%
Comprehensive Group	15.00%	25.10%	10.10%	3.37%	18.37%
Title XVIII Medicare	15.00%	29.60%	14.60%	4.87%	19.87%
Title XIX Medicaid	15.00%	8.30%	-6.70%	-2.23%	12.77%
Medicare Supplement	10.50%	36.90%	26.40%	8.80%	19.30%
Stand-Alone Part D	25.10%	26.70%	1.60%	0.53%	25.63%
Dental Only	12.00%	16.40%	4.40%	1.47%	13.47%
Vision Only	12.00%	9.40%	-2.60%	-0.87%	11.13%

	Excess Factor				
	Original	New	Difference	1/3	Phase in
Comprehensive Ind	9.00%	13.80%	4.80%	1.60%	10.60%
Comprehensive Group	9.00%	4.80%	-4.20%	-1.40%	7.60%
Title XVIII Medicare	9.00%	4.40%	-4.60%	-1.53%	7.47%
Title XIX Medicaid	9.00%	8.30%	-0.70%	-0.23%	8.77%
Medicare Supplement	6.70%	0.50%	-6.20%	-2.07%	4.63%
Stand-Alone Part D	15.10%	6.00%	-9.10%	-3.03%	12.07%
Dental Only	7.60%	1.10%	-6.50%	-2.17%	5.43%
Vision Only	7.60%	-5.70%	-13.30%	-4.43%	3.17%

	Premium Tier (In Millions)				
	Original	New	Difference	1/3	Phase in
Comprehensive Ind	25.00	100.00	75.00	25.00	50.00
Comprehensive Group	25.00	100.00	75.00	25.00	50.00
Title XVIII Medicare	25.00	100.00	75.00	25.00	50.00
Title XIX Medicaid	25.00	100.00	75.00	25.00	50.00
Medicare Supplement	3.00	10.00	7.00	2.33	5.33
Stand-Alone Part D	25.00	100.00	75.00	25.00	50.00
Dental Only	3.00	10.00	7.00	2.33	5.33
Vision Only	3.00	10.00	7.00	2.33	5.33

The analysis was performed with both the current premium tiers and an increase to the tiers equal to a third of the increase the Academy included in the H2 Underwriting Risk Report.

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The following assumptions were used:

- Investment Income Adjustment factors remain the same for new factors, utilizing the stand-alone factor methodology.
- Alternate Risk Change is implementation from 2025-15-CA MOD.
- 2024 uses a 5.5% investment yield, 2025 uses a 4.5% investment yield.

2025

Original vs No Tier Change	No Tier Change						
Original Filing	No Action	Trend Test	CAL	RAL	ACL	MCL	Grand Total
No Action	983	16	3				1002
Trend Test	1	5	2				8
CAL	1		2	2			5
RAL				1	1		2
ACL				1			1
MCL						7	7
Grand Total	**985**	**21**	**7**	**4**	**1**	**7**	**1025**
				Total Adverse:			24

Original vs Tier Change	Tier Change						
Original Filing	No Action	Trend Test	CAL	RAL	ACL	MCL	Grand Total
No Action	969	28	4	1			1002
Trend Test		4	3	1			8
CAL	1		2	2			5
RAL				1		1	2
ACL				1			1
MCL						7	7
Grand Total	**970**	**32**	**9**	**6**	**0**	**8**	**1025**
				Total Adverse:			40

The 2025 data was pulled on March 10, 2026.

The number of Health Risk-Based Capital filings for 2025 is expected to increase through April 2026. Complete data for 2025 would be available during the early summer if additional analyses are requested.

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2024

Original vs No Tier Change	No Tier Change						
Original Filing	No Action	Trend Test	CAL	RAL	ACL	MCL	Grand Total
No Action	1084	21					1105
Trend Test	3	8	5				16
CAL			7	1			8
RAL				3			3
ACL				1	6		7
MCL						4	4
Grand Total	**1087**	**29**	**12**	**5**	**6**	**4**	**1143**
				Total Adverse:			27

Original vs Tier Change	Tier Change						
Original Filing	No Action	Trend Test	CAL	RAL	ACL	MCL	Grand Total
No Action	1062	39	4				1105
Trend Test	3	7	4	2			16
CAL			4	4			8
RAL				2	1		3
ACL				1	3	3	7
MCL						4	4
Grand Total	**1065**	**46**	**12**	**9**	**4**	**7**	**1143**
				Total Adverse:			57

Increasing the tiers along with the factors approximately doubles the amount of companies who experience an adverse change in their RBC Action Level. In the initial analysis, the total number of companies that experienced adverse change to their RBC Action Level was 153 companies when utilizing the full factor change and full premium tier change from the Academy report, when using a third of the factor and tier increase for 2024 filings 57 companies experience adverse change to their RBC Action Level.

Discussion about the inclusion of a diversification factor for companies that write multiple lines of business reported on page XR013 of the Health Risk-Based Capital report has been part of the factor discussions. Included below is a table of 2024 filings with the number of lines of business written by each company that appear on XR013 if they were to report in the structure presented in 2025-15-CA MOD. As an example:

- A Company writing Comprehensive Group and Comprehensive Individual writes 2 lines of business.
- A company writing Title XIX Medicaid, Dental, and Stand-alone Medicare Part D writes 3 lines of business.

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2024

Number of XR013 Business Lines	Number of Companies	% of Filers
0	130	11.4%
1	489	42.8%
2	200	17.5%
3	140	12.2%
4	85	7.4%
5	36	3.1%
6	26	2.3%
7	24	2.1%
8	9	0.8%
9	4	0.3%
10	0	0.0%
Total	1143	100.0%

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Draft: 3/30/26

Life Risk-Based Capital (E) Working Group
San Diego, California
March 22, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 22, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri (AL); Shaowei Yang (CA); Wanchin Chou (CT); Mike Yanacheak and Kevin Clark (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). Also participating were: Tish Becker (KS); Tom Botsko (OH); and Steve Drutz (WA).

1. Adopted its Feb. 25 and Feb. 10 Minutes

The Working Group met Feb. 25 and Feb. 10. During these meetings, the Working Group took the following action: 1) exposed the C-3 alignment field test specs for a 47-day public comment period ending April 13; 2) exposed proposal 2026-06-L LR027 (Blanks Page) for a 30-day public comment period ending March 27; 3) adopted its Nov. 14, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Two*); 4) adopted the Oct. 29, 2025, minutes of the Generator of Economic Scenarios (GOES) (E/A) Subgroup (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Seventeen*); 5) exposed proposal 2025-16-L MOD (Collateral Loans) for a 24-day public comment period ending March 6; 6) exposed proposal 2026-02-L (BA Residential Mortgage Loans) for a 30-day public comment period ending March 12; 7) exposed proposal 2026-01-L (AVR Changes) for a 30-day comment period ending March 6; and 8) heard an update from the American Academy of Actuaries (Academy) on the C-3 field test survey.

Chou made a motion, seconded by Leung, to adopt the Working Group's Feb. 25 (Attachment Three-A) and Feb. 10 (Attachment Three-B) minutes. The motion passed unanimously.

2. Adopted its Feb. 11 Joint Minutes

The Working Group met Feb. 11 in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup. During this meeting, the Working Group and Subgroup took the following action: 1) adopted their joint Oct. 31, 2025, minutes (see *NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Eight*); 2) discussed comments received from the Academy, American Council of Life Insurers (ACLI), and Committee of Annuity Insurers (CAI) on the C-3 Phase I and C-3 Phase II framework; 3) re-exposed the updated proposal for the C-3 Phase I and C-3 Phase II framework for a 23-day public comment period ending March 6; and 4) re-exposed APF 2025-14 for a 23-day public comment period ending March 6.

Reedy made a motion, seconded by Yanacheak, to adopt the Working Group and Subgroup's Feb. 11 joint minutes (*see NAIC Proceedings – Spring 2026, Life Actuarial (A) Task Force*). The motion passed unanimously.

3. Adopted the Reports of its Subgroups

Slutsker said verbal updates from the Working Group's subgroups would not be provided, and that written reports are available for the GOES (E/A) Subgroup, Longevity Risk (E/A) Subgroup, and Variable Annuities Capital and Reserve (E/A) Subgroup. Slutsker said that questions on these materials would be taken.

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Yanacheak made a motion, seconded by Reedy, to adopt the reports of the GOES (E/A) Subgroup, Longevity Risk (E/A) Subgroup, and Variable Annuities Capital and Reserve (E/A) Subgroup (*see NAIC Proceedings – Spring 2026, Life Actuarial (A) Task Force*). The motion passed unanimously.

4. Re-Exposed Proposal 2025-14-L (C-3 GOES Implementation)

Slutsker provided background on proposal 2025-14-L, noting that the GOES underpins interest rate and equity assumptions for annuity and single-premium life C-3 calculations. He explained that the generator was updated following a five-year project to better capture tail risk in low-interest and volatile equity environments. While the updated generator has already been adopted for statutory reserves, the current proposal is limited to its adoption for risk-based capital (RBC) purposes. He added that prior exposures included additional C-3 changes, which were subsequently removed and deferred, leaving the proposal narrowly focused on the GOES update.

Brian Bayerle (ACLI) expressed appreciation for the multiyear work on the updated GOES and reiterated support for transitioning to a net asset earned rate (NAER) methodology as part of future C-3 efforts. As an interim step, he outlined the ACLI's proposal (Attachment Three-C) to adjust the discount rate framework by replacing the one-year Treasury with a 10-year Treasury and replacing the current 105% multiple with an explicit spread/default adjustment of approximately 85 basis points. He stated that the 10-year Treasury serves as a reasonable proxy based on NAIC investment data and Federal Reserve Bank of Chicago (Chicago Fed) research, and that the spread adjustment was derived from *Valuation Manual* Tables H and A. He noted that these changes would better reflect asset spreads, mitigate issues associated with negative short-term rates, and serve as a reasonable interim approximation pending adoption of a full NAER methodology.

Hemphill stated that the proposal is conceptually sound and agreed that a 10-year tenor could be representative of the industry on an aggregate basis. However, she raised concerns that an average-based approach may not accurately reflect individual products and emphasized the importance of an interim solution that avoids product-level distortions. She noted that a shorter tenor, such as five years, was considered but ultimately deemed unnecessary. Hemphill expressed support for using the 10-year Treasury as an interim measure but recommended deferring consideration of an additional spread adjustment at this time.

Bayerle agreed that adopting a 10-year Treasury alone represents a more straightforward and consistent interim approach that advances the framework while avoiding added complexity associated with spread adjustments. Cheung likewise supported a simpler interim solution, noting that although he initially favored a shorter tenor, the 10-year Treasury provides a practical simplification and mitigates issues associated with negative short-term rates. He reiterated support for adopting the 10-year Treasury without an additional spread as an interim measure.

Slutsker noted growing support for using a 10-year Treasury as an interim discount rate and shifted the discussion to the overall direction of the proposal. He outlined options including maintaining the current framework of 105% of the one-year Treasury, adopting the ACLI's proposal of a longer tenor with an added spread, or using a 10-year Treasury alone as a simpler interim approach, as suggested by Hemphill and Cheung. Slutsker asked whether Working Group members had concerns about increasing the discount rate on an interim basis concurrent with implementation of the updated GOES.

Yanacheak asked whether the interim discount-rate change was intended to be temporary or permanent and how long it was expected to remain in effect. Hemphill responded that the Working Group continues to view an NAER

approach as the long-term objective but noted that unresolved issues, particularly regarding the basis and adversity level of asset return assumptions, preclude adoption at this time. Accordingly, she characterized the proposed discount-rate change as an interim measure, expected to be replaced once those issues are resolved, while acknowledging that interim solutions can remain in place longer than originally intended.

Yanacheak said the interim approach is consistent with his understanding but raised concerns about potential incentives. While supportive of a long-term transition to an NAER approach, he cautioned that an overly permissive interim change could reduce urgency to complete the more robust solution. He emphasized the need for shared responsibility between regulators and industry and asked the ACLI to confirm its continued commitment to advancing the longer-term framework.

Bayerle affirmed that the proposal is intended as a short-term measure and reiterated strong industry support for C-3 modernization and a transition to an NAER approach. He noted the upcoming C-3 field tests and stated that industry would support implementation as early as 2027 reporting, with resolution expected by 2028, and potentially sooner if issues are addressed promptly. He emphasized that the interim approach is intended to facilitate progress toward the long-term framework, not delay it.

Cheung agreed that the proposal is a true interim solution, with the expectation that an NAER approach will be adopted in the near term, and stated that the ACLI's proposed timeline is reasonable. Eom asked the ACLI to provide a comparative analysis showing how an NAER proxy compares with interim discount-rate approaches, including a 10-year Treasury rate with and without a spread, to better inform the Working Group's evaluation and any potential re-exposure.

Bayerle stated that the ACLI would attempt to provide a simplified comparative analysis between an NAER proxy and the proposed interim discount-rate approaches, noting limitations such as the absence of a representative portfolio. He added that while a scenario-based or simplified analysis may be feasible, the timing and scope of any potential life RBC exposure could limit what can be completed within the available timeframe. Slutsker noted strong interest in the interim proposal but highlighted outstanding questions regarding whether it could result in lower capital requirements than a future NAER-based approach. As a next step, he recommended re-exposing the amendment to allow for further consideration, indicating that a 23-day chair exposure would be appropriate.

Slutsker re-exposed proposal 2025-14-L (C-3 GOES Implementation) for a 23-day public comment period ending April 13, with the re-exposure narrowly focused on updating the discount rate to a 10-year Treasury. He noted that the re-exposure would provide additional time for stakeholder review and further discussion before final decisions are made.

5. Re-Exposed Proposal 2025-16-L (Collateral Loans)

Slutsker stated that the Working Group would review comments received (Attachment Three-D) on proposal 2025-16-L regarding collateral loans and consider re-exposure. He noted that the proposal was initially exposed at the Working Group's Feb. 10 meeting. Four comment letters were received, and the affected assets currently carry a C-1 factor of approximately 6%–7%. He added that the proposal considers a look-through approach that would vary capital charges based on underlying collateral and apply a haircut for over-collateralization. Slutsker said the Working Group also discussed whether the proposal should be implemented for year-end 2026 or 2027 reporting.

Marc Altschull (ACLI) expressed appreciation for the Working Group's ongoing engagement and supported the goal of better aligning RBC capital requirements with underlying risk while maintaining simplicity. He stated that the ACLI views the modified proposal as a constructive step and referenced recommendations in its comment letter, including an effective date of Dec. 31, 2027.

The Working Group noted that no American Investment Council (AIC) representative was available to address its comment letter.

Serbinowski stated that Utah's comment letter did not propose specific calibration details but emphasized that the loan-to-value ratio should be a key driver of RBC charges for collateral loans. He noted that collateral loans differ fundamentally from structured securities because insurers retain a loan secured by collateral, rather than ownership of the collateral itself. Accordingly, applying the same RBC charge regardless of whether the loan-to-value is 80% or 20% does not appropriately reflect risk. Serbinowski supported a framework that recognizes lower risk and correspondingly lower RBC charges for loans with lower loan-to-value ratios, while leaving calibration and granularity decisions to the Working Group.

Joe Engelhard (Alternative Credit Council—ACC) addressed his comment letter. He thanked the Working Group for addressing prior comments and expressed support for the proposed look-through approach for collateral loans, including extending look-through treatment beyond mortgage loans and incorporating over-collateralization, consistent with recent Risk-Based Capital Model Governance (EX) Task Force principles. While supportive of these enhancements, he noted that additional empirical, data-driven analysis would be beneficial to ensure appropriate calibration of capital charges and to confirm that the proposal appropriately reflects underlying economic risk.

Slutsker identified two primary issues for the Working Group's consideration: implementation timing and administration of the look-through reduction framework. He focused the discussion initially on timing, noting that the proposal could be implemented for either year-end 2026 or year-end 2027. He explained that a 2026 effective date would require an accelerated schedule with limited opportunity for further exposure and earlier resolution of structural decisions, whereas a 2027 effective date would allow additional time for refinement and implementation. He invited Working Group members to share their views prior to conducting a non-binding straw poll to assess the Working Group's preliminary preference.

Muldoon said he supported allowing additional time before implementation, noting that further data-driven analysis, particularly regarding the proposed 20% discount, would be beneficial and require time to evaluate. He stated that there was no urgent need to advance the proposal in 2026, especially given Nebraska's limited exposure to collateral loan portfolios, and favored targeting a year-end 2027 effective date to allow states with larger exposures adequate time to assess impacts. Reedy also supported a 2027 implementation date, emphasizing that additional time should be used to maintain momentum and advance the necessary quantitative analysis and technical work rather than delay progress.

Hemphill agreed, stating that there is insufficient time for the implementation of 2026 and supporting a move to 2027 while stressing the importance of maintaining momentum. She emphasized continuing detailed work now and supported establishing an early, clearly defined adoption timeline for 2027. Eom also supported continued analytical work, including refining the analysis and adjusting factors as needed. She suggested proceeding with development as though targeting a 2026 framework, while recognizing that implementation would occur in 2027, and emphasized that the proposal focuses on look-through treatment rather than the creation of new factors.

Barlow stated that there was sufficient information to proceed and that the proposal had been exposed long enough for affected companies to raise concerns. He expressed support for moving forward with a 2026 effective date and did not view potential company impacts as a basis for further delay. Clark expressed no strong preference between a 2026 or 2027 effective date, noting that a large empirical study was not necessary. He indicated support for 2027 implementation, provided the framework is simple, clearly defined, and finalized promptly to allow companies adequate time for implementation. Carmello said he supported a year-end 2026 effective date, while Becker expressed support for a 2027 implementation date, emphasizing the need to allow sufficient time to finalize and implement a simple and workable framework.

Slutsker noted that while most comments favored a 2027 effective date, there was also support for 2026. He proposed conducting a non-binding straw poll to inform the Working Group's timing considerations, clarifying that it was not a formal NAIC vote. He added that the initial voice vote indicated stronger support for 2027 and that a roll call vote might be necessary to confirm the outcome.

Slutsker reported that the roll call straw poll demonstrated clear support for an effective year-end 2027 date, with 11 members in favor of 2027, three in favor of 2026, and one abstention. He confirmed that the Working Group would proceed with implementation effective year-end 2027. He then turned to the look-through reduction methodology, noting that the current exposure applies a single uniform reduction, while the ACLI has proposed a more granular alternative. He invited Working Group members to comment on the merits and concerns of the ACLI approach to inform whether to proceed with a chair exposure, facilitate side-by-side comparisons, and identify potential areas for further refinement.

Serbinowski expressed general support for a more granular look-through approach but raised concerns that tiering could create valuation incentives, particularly where collateral values lack independent market observability. He noted that broad loan-to-value (LTV) bands may encourage valuation behavior aimed at crossing thresholds, especially for less-capitalized companies. Small changes in LTV could result in disproportionate changes in RBC charges, creating unintended incentives. He clarified that his concern is primarily with less granular frameworks, as wide tiers increase the risk that modest valuation adjustments could shift loans into more favorable RBC categories. Clark noted that valuation incentives exist regardless of granularity, emphasizing that any framework relying on LTV inherently creates such incentives and that this risk should be acknowledged irrespective of the tiering approach.

Slutsker asked NAIC staff whether LTV -information disclosed in the annual statement is subject to audit. Maggie Chang (NAIC) responded that LTV will be reported in a new column on Schedule BA beginning in 2026, though audit treatment may vary by asset type. She noted that audited financial statements are required for collateral loan admittance, such as collateral loans backed by limited partner (LP) interests pursuant to *Statement of Statutory Accounting Principles (SSAP) No. 21—Other Admitted Assets*, but not for collateral loans backed by residual interests.

Clark stated that the ACLI proposal is reasonable in principle, particularly its reliance on loan-to-value-based factors, but raised concerns regarding the reliability and auditability of collateral valuations used to apply those factors. He noted that over-collateralization data would be reported on Schedule D, which is not audited, potentially limiting confidence in the resulting RBC treatment. Clark suggested that incorporating safeguards, such as requiring independent valuations through RBC instructions, could improve comfort with the approach. He emphasized that his concern was not with the framework itself, but with ensuring the credibility of valuation inputs.

Slutsker echoed concerns regarding valuation reliability, noting that many collateral assets are Level 3, affiliated, and not market-observable, which complicates verification. He added that these valuations directly influence loan-to-value ratios and corresponding RBC charges under the proposal and asked the ACLI to comment on potential safeguards to address unobservable asset values. Altschull responded that SSAP No. 21 provides an important safeguard by requiring audited financial statements for LP, limited liability company (LLC), and joint venture (JV) investments, along with documentation supporting the reasonableness of fair value determinations. He stated that these requirements help address concerns related to Level 3 valuations used in determining loan-to-value and RBC charges. Reedy agreed that valuation reliability and auditability are critical considerations and noted that greater confidence in these inputs supports a 2027 implementation timeline.

Slutsker asked the ACLI to clarify how loans at the 80% loan-to-value threshold would be treated under the proposed tiered framework, noting that 80% is a common statutory benchmark. Specifically, he asked whether a loan at that threshold would fall into the higher or lower RBC tier. Altschull responded that, under the ACLI's proposal, an 80% loan-to-value loan would fall into the second tier and receive a 70% adjustment factor.

Slutsker then asked whether ACLI members would be amenable to revising the tier breakpoints so that the first tier covers 90%–100%, with subsequent tiers structured such that 80% loan-to-value is the midpoint, to better align with common statutory thresholds and improve intuitiveness. Altschull indicated tentative openness to this approach but noted that further consultation with ACLI members would be required before confirming support.

To conclude the discussion, Slutsker noted general conceptual support for the ACLI look-through proposal, while acknowledging outstanding concerns related to valuation auditability and tier design. He stated that the Working Group plans to proceed with a chair exposure of the ACLI proposal, accompanied by two targeted cover questions: 1) what specific changes or safeguards could address regulators' concerns regarding fair value determinations for assets with unobservable inputs, including whether a reduced look-through benefit should apply when collateral values are not market-observable; and 2) whether an alternative tiering structure is appropriate such that 80% loan-to-value represents the midpoint of a tier, given its prevalence as a statutory investment limit. Slutsker added that the proposal will be exposed for a 23-day public comment period, coordinated with other RBC-related deadlines.

Slutsker re-exposed proposal 2025-16-L MOD (Collateral Loans) for a 23-day public comment period ending April 13.

6. Adopted Proposal 2025-17-L (LR027 Scope Clarification)

Cheung explained that this proposal includes a clarification to the C-3 Phase I instructions, specifying that payout annuities reserved under VM-21: Requirements for Principle-Based Reserves for Variable Annuities are not subject to C-3 Phase I, as they automatically flow into C-3 Phase II. He emphasized that the proposal makes no substantive changes and is intended solely as a clarification.

Cheung made a motion, seconded by Hemphill, to adopt proposal 2025-17-L (LR027 Scope Clarification) (Attachment Six). The motion passed unanimously.

7. Heard a Report from the Academy on RBC Ratios and Impairment Risk

Steve Jackson (Academy) presented Phase 1 research examining the relationship between authorized control level (ACL) RBC ratios and impairment probability across insurance sectors, with a focus on life insurers. He said that

using logistic regression, the analysis evaluated impairment risk over a five-year horizon, with each year modeled independently (Attachment Eleven). Jackson emphasized that the results are preliminary and based solely on RBC ratios, without additional explanatory variables. He noted that Phase 2 will incorporate additional factors, with further results expected by the Summer National Meeting and a final report anticipated by year-end.

Slutsker emphasized the importance of the Academy's analysis in evaluating whether RBC ratios effectively signal impending insolvency, noting that this remains a fundamental issue in solvency regulation. He thanked the Academy for its work and indicated that questions would be deferred, adding that the Academy will be available for follow-up discussions and will present the findings at other RBC and Capital Adequacy (E) Task Force meetings.

8. Discussed Other Matters

Steve Drutz provided an update on the H-2 proposal, noting that proposal 2025-15-CA MOD was exposed at the Health Risk-Based Capital (E) Working Group's Feb. 13 meeting and received no comments. He stated that the Working Group plans to refer the proposal to the Capital Adequacy (E) Task Force for re-exposure at the Summer National Meeting. He added that the proposal expands LR020 reporting and, in its updated form, separates the investment income adjustment factor into two components (an initial underwriting factor and an excess underwriting factor) to better implement the stand-alone investment income adjustment recommended by the Academy.

Slutsker noted that due to the volume of life RBC activity, the Working Group plans to meet again in late April to discuss pending items and the two re-exposed items from this meeting. He advised Working Group members to watch for the meeting notice. He also reminded participants of the upcoming Longevity Risk (E/A) Subgroup meeting scheduled for early April.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.

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Draft: 3/4/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
February 25, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Feb. 25, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak and Kevin Clark (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Exposed the C-3 Alignment Field Test Specs

Slutsker stated that the Working Group has two main active topics: 1) collateral loans, which are on the asset side; and 2) principle-based capital calculations, specifically C-3 Phase I (single-premium life and annuities) and C-3 Phase II (variable annuities [VAs]). He noted that the focus of the meeting was C-3 Phase I modernization, building on the American Academy of Actuaries' (Academy's) prior presentations aimed at better aligning C-3 Phase I with the recently updated C-3 Phase II and principle-based reserve (PBR) frameworks in the *Valuation Manual*. Slutsker highlighted the Academy's questions and sought input from the Working Group, with the objective of developing an exposure to address the questions. He encouraged active engagement given the project's scope and importance.

Maambo Mujala (Academy) provided a brief background to the project and an update on the C-3 Alignment Field Test specifications (Attachment Three-A1). Mujala stated that the Academy incorporated feedback from prior presentations and the preliminary survey of potential field test participants in developing the draft field-test specifications. She emphasized that these specifications are intended to support a planned field test window in the summer, with the goal of adopting the C-3 alignment by year-end 2027. To remain on schedule, she underscored the need for timely and substantive feedback so the specifications can be refined in advance of the summer field test.

Slutsker asked whether the Academy is seeking feedback on both the draft field test specifications and the accompanying cover questions. Mujala confirmed that it is. She added that the Academy is also requesting input on whether C-3 issues identified during the generator of economic scenarios (GOES) implementation should be included in the current field test, deferred to a later effort, or addressed by another group.

Slutsker highlighted Mujala's key questions for Working Group feedback, including whether items such as the risk threshold or target level, C-3 Phase II distribution assumptions, and the treatment of voluntary reserves should be addressed as part of the current C-3 Phase I/II modernization effort. He noted that these topics were excluded from the GOES update proposals but emphasized their importance. Slutsker acknowledged that addressing them now would significantly expand the scope due to their implications for C-3 Phase II and outlined options to either include them in the current initiative, address them in a separate project, or defer them to a future effort.

Cheung asked whether, in addition to prescribed default sensitivities, the Working Group was considering a sensitivity related to reinvestment spreads. Mujala noted that this had not previously been discussed but that the Academy was open to the idea. She asked whether such a sensitivity should be required or optional and how it should be prioritized relative to others.

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Cheung indicated that he would prefer a single sensitivity encompassing both prescribed spreads and defaults, rather than separate sensitivities. Slutsker asked Mujala to confirm that the intent was to limit sensitivities to prescribed spreads and defaults, which Mujala affirmed. Cheung then asked whether "prescribed defaults" were intended to include spreads as well. Mujala clarified that under the GOES scenarios, spreads are implied and, therefore, both spread and default assumptions would be prescribed. Slutsker asked whether this differed from the current C-3 Phase I framework, and Mujala confirmed that it did.

Slutsker emphasized that alignment with C-3 Phase II would require a shift to prescribed assumptions and sought confirmation that this was the intent of the proposed change, which Mujala confirmed.

Cheung asked whether reinvestment asset spreads, in addition to bond spreads, are explicitly defined within the scenario generator when using GOES scenarios. Slutsker responded that he did not believe reinvestment spreads are specified in the generator. Hemphill added that spreads and defaults are addressed separately in the *Valuation Manual*, suggesting they are not fully embedded in the scenario generator.

Cheung further sought clarification on whether "prescribed defaults" in sensitivity testing are intended to include prescribed spreads, or whether company-determined spread assumptions would be used alongside prescribed defaults. He noted that uncertainty around the treatment of spreads and defaults contributed to the exclusion of the proposed RBC changes from the net asset earned rate (NAER) and raised the issue to clarify the intended approach.

Mujala explained that prior Working Group discussions identified challenges in advancing NAER-related changes due to complexities in C-3 Phase II, particularly reinvestment guardrails and net spread adjustments under both C-3 Phase II and PBR. She noted that a key question is whether the current initiative should evaluate the use of prescribed versus company-specific spread assumptions, and whether the scope should differ based on that distinction.

Cheung stated his understanding that the requested sensitivity analysis would compare two approaches: one using company-specific assumptions for spreads and defaults, and another using prescribed assumptions consistent with PBR. Mujala acknowledged this interpretation and indicated she would follow up.

Slutsker then raised the question of whether the field test should include guardrails and evaluate surplus-based versus asset-based metrics. He noted shared interest with the Academy in exploring a surplus-based metric and observed that survey results suggest many companies could produce it. However, given the project's scope, he suggested prioritizing alignment of C-3 Phase I with C-3 Phase II first, with a subsequent joint effort to more broadly assess the appropriate principle-based capital metric. He added that including a surplus-based metric in the field test could be informative if it does not impose undue burden and helps inform future work. He indicated a preference for addressing it alongside C-3 Phase II.

Reedy agreed that including both surplus-based and asset-based metrics would be valuable, despite the additional burden on companies. He noted that the appropriateness of each metric depends on liability characteristics, with shorter-duration liabilities aligning more closely with surplus-based measures and longer-duration liabilities with asset-based measures. Evaluating both, he said, would provide more meaningful insight across liability profiles.

Cheung agreed with earlier comments, framing the issue as a broader conceptual question about the objectives of a principle-based capital metric. He highlighted the trade-off between capturing short-term balance-sheet effects, reflected in surplus-based metrics, and focusing on longer-term risk perspectives, particularly given that PBR capital is already calibrated at higher conditional tail expectation (CTE) levels. Drawing on his experience with VAs, where surplus impacts were ultimately excluded, he suggested first harmonizing approaches before

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determining whether surplus-based measures should be incorporated, emphasizing that this is a fundamental design decision rather than a purely technical one.

Slutsker noted the range of views expressed on the call, observing that surplus-based metrics could be informative but are better framed as conceptual at this stage rather than as immediate implementation items. He asked whether such metrics should be treated as optional rather than required runs. Cheung indicated openness to an optional approach and remarked that, in general, asset-based metrics may be less stringent than surplus-based ones. He also raised concerns about whether a surplus-based framework sufficiently mitigates interim balance-sheet volatility driven by short-term scenario fluctuations, and whether the group is comfortable with that exposure.

Reedy agreed that evaluating both approaches would be informative and indicated a preference for making such analyses mandatory over time, potentially through a phased or staged implementation coordinated with the Academy to manage timing and workload. He emphasized the importance of minimizing the burden on companies, for example, by introducing one calculation earlier and another at a later stage. Mujala noted that the field test survey primarily focused on C-3 Phase I, which was considered the main scope, and that VA writers may face greater challenges in producing surplus-based metrics for C-3 Phase II. She added that companies currently performing C-3 Phase I are assumed to be capable of generating surplus-based metrics, as this is an existing requirement, and that the survey already identifies which companies can produce asset-based metrics. The remaining question, she explained, is whether the field test should assess the feasibility of surplus-based metrics for C-3 Phase II products and whether such calculations should be required.

Cheung expressed a preference not to revisit the C-3 Phase II framework absent a compelling regulatory rationale. He emphasized that the VA framework was deliberately designed to prevent interim deficiencies driven by reserve projections and short-term equity movements from affecting reserve outcomes. He stated that he did not support revisiting that policy choice without new considerations. In response to Slutsker's question regarding metric consistency across phases, Cheung noted that consistency is not necessary given the differing liability profiles. He argued that shorter-duration frameworks may appropriately reflect balance-sheet impacts, while longer-duration frameworks need not, and concluded that differing objectives across phases justify the use of different metrics.

Slutsker noted general support for including a surplus-based metric where feasible, while deferring its application to VAs and maintaining a focus on fixed annuities at this stage. He indicated that this reflects the Working Group's initial feedback. Due to time constraints, he then proposed moving to the remaining agenda items and suggested deferring topics such as NAER discounting and direct iteration to the exposure phase.

Slutsker further observed that the second and third questions relate to issues removed from the most recent exposure associated with GOES implementation for C-3 Phase I and Phase II. He proposed that these topics, particularly the treatment of voluntary reserves in C-3 Phase I, be considered for inclusion in the field test, acknowledging that doing so would materially expand the scope and raise broader regulatory and conceptual considerations. He asked the Working Group for feedback to inform the Academy on whether these matters should be included. Hemphill clarified that the intent was not to require additional field test runs, noting that tail scenarios could be analyzed using existing scenario outputs. She questioned, however, what incremental information the field test would collect beyond what already emerges from current results. Slutsker clarified that C-3 Phase II is not presently within the scope of the proposed field test and reframed the question to ask whether Phase II–related issues, such as voluntary reserves, target risk thresholds, or VA considerations, should nevertheless be addressed through the field test questions. Mujala confirmed that the Academy has been defaulting to the current C-3 Phase II standard of 25% × CTE 98 and noted that, if alternative thresholds are under consideration, the field test would provide a useful mechanism to confirm preferences and gather supporting information.

Hemphill stated that if the field test is intended to explore alternatives, it should not be limited to a small set of predefined thresholds (e.g., 25% × CTE 98 or the addition of CTE 95 or CTE 90). Instead, she recommended collecting sufficiently granular results to enable evaluation of a broader range of scalers and percentile levels after the fact. She emphasized that the field test presents an opportunity to gather flexible, reusable data to support more comprehensive analysis beyond the current standard. Slutsker agreed, noting the importance of actively examining these issues rather than defaulting to the existing risk threshold. Hemphill reiterated that the objective should be to enable analysis of multiple scalers and metrics, including previously discussed alternatives, rather than to constrain the review to a single predefined approach.

Carmello agreed that alternative metrics should be derivable from the same results but questioned the continued use of the 25% scalar. He noted that the factor was originally adopted as a practical response to concerns regarding asset intensive reinsurance transaction (AIRT) robustness rather than as a theoretically grounded target. From a conceptual perspective, he stated that RBC is intended to approximate a 95th-percentile risk level, which aligns more naturally with CTE 90. Accordingly, he argued that CTE 90 should remain the primary benchmark for both C-3 Phase I and Phase II. He also rejected constructs such as 25% × CTE 95, stating that they do not correspond to a 95th percentile under standard theoretical assumptions and, therefore, lack conceptual justification.

Slutsker agreed that emphasis on the scalar itself is misplaced and explained that the issue arises from the current calibration's reference to CTE 98, despite the project being framed as a continuation from C-3 Phase I to C-3 Phase II. He noted that, historically, the intended target has been CTE 90, which is why it was included in the GOES proposal and why regulators are interested in further exploration. He then asked whether, rather than requiring additional variable annuity runs, it would be appropriate to leverage existing C-3 Phase II runs to collect results at multiple risk thresholds (CTE 90, CTE 95, and CTE 98), thereby obtaining the necessary data without imposing additional modeling burden.

Hemphill suggested that, rather than running additional scenarios, it would be sufficient to request results for the 10% tail. With those results, other percentiles, CTE levels, or scalers could be evaluated as needed, provided the analysis does not extend below CTE 90.

Slutsker asked whether, for informational purposes, it would be useful to collect data on the presence of voluntary reserves for business in scope for C-3 Phase I and C-3 Phase II. He noted that the definition of "voluntary reserves" needed clarification and sought the Working Group's input on whether this question should be included in the field-test data collection. He added that the topic had been discussed previously with the Variable Annuities Capital and Reserve (E/A) Subgroup, but was tabled to avoid delaying GOES implementation and remains unresolved.

Yanacheak expressed a preference for collecting scenario-level results rather than pre-aggregated metrics to allow greater flexibility in calculating key statistics. He agreed that the 25% metric is unnecessary and instead supported focusing on measures such as CTE 90, CTE 95, the 95th percentile, and potentially the 98th percentile. At a minimum, he recommended comparing CTE 90 with the 95th percentile to better understand their relationship, noting that scenario-level data would facilitate this analysis.

Brian Bayerle (American Council of Life Insurers—ACLI) emphasized that the discussion remains focused on conceptual issues and expressed appreciation for the regulators' perspectives. He supported keeping the exposure analysis open-ended, with final determinations reserved for the Working Group. He noted concerns about relying on previously submitted C-3 Phase II field-test data, given subsequent calibration updates, but welcomed including a question on whether any elements of that data should be considered, allowing ACLI to review and provide input.

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Slutsker noted that the most recent year-end results are not usable because they do not reflect GOES or the updated generator, meaning any analysis would need to rely on prior field-test data, which presents challenges. He summarized emerging feedback indicating regulator interest in including a surplus-based metric to assess its impact and in collecting existing information, such as tail results at multiple risk levels and data on voluntary reserves for informational purposes rather than requiring additional model runs. While the use of prior field-test data warrants further consideration, he observed growing consensus on these points. Other matters, including data granularity, supplemental information, and certain NAER-related issues, may require further evaluation during the exposure process.

Mujala stated that the discussion was constructive and noted that additional feedback could be provided through the exposure process. She clarified that the supplemental information and example granularity included in the appendix are illustrative only and are intended solely to solicit input on appropriate types and levels of data collection.

Slutsker thanked the Academy for its strong work in developing the specifications and framing the cover questions, noting that the questions are complex and foundational to the overall effort.

Slutsker then exposed the C-3 alignment field test specs for a 47-day public comment period ending April 13.

2. Exposed Proposal 2026-06-L LR027 (Blank Page)

Slutsker noted that NAIC staff identified proposed editorial updates to proposal LR027 (Blank Page) to correct outdated line references and improve accuracy, accompanied by a cover question. Kazeem Okosun (NAIC) clarified that the revisions would not affect RBC calculations and that the cover question seeks Working Group guidance due to ambiguity in the annual statement source regarding general versus separate account reporting. Slutsker reiterated that the changes are intended solely to enhance internal consistency across reporting requirements and not to alter RBC outcomes.

Slutsker exposed proposal 2026-06-L LR027 (Blank Page) for a 30-day public comment period ending March 27.

3. Discussed Other Matters

Slutsker reminded the Working Group that the longevity reinsurance proposal is exposed for a 35-day public comment period ending March 27. He noted that the Working Group will meet in person at the Spring National Meeting, with a focus on reaching consensus on collateral loans, including the effective date of potential changes, advanced approaches for reductions and capital charges under a new look-through methodology, and consideration of comments received during the exposure period.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.

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C-3 Alignment, Part III

Life Risk-Based Capital (E) Working Group

September 11, 2025

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About the Academy



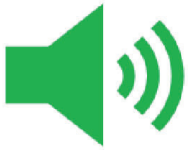
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Objectives of Discussion

- Outline set of current C-3 framework recommendations.
- Highlight framework decisions where further analysis is recommended.
- Discuss when framework elements would be implemented.
- Solicit feedback on the above from regulators and interested parties to be used to inform future Field Test and Model Office analysis.

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Summary of Key Framework Proposals

- **Adoption Date and Phase-in**: Adopt for a yet-to-be-determined year-end with a three-year phase-in period, dependent on field testing and model office schedule.
- **Product Scope**: All current products subject to C3 Phase 1 and C3 Phase 2 will transition to new methodology. FIA will be included in scope of C3 Phase 1.
- **Scenarios**: Use new Generator of Economic Scenarios.
- **Discounting**: Leverage C3 Phase 2 discounting, i.e., Net Asset Earned Rate or Direct Iteration.
- **Assumptions and Models**: Use PBR models with prudent estimate assumptions where possible. Otherwise, continue to use CFT models with moderately adverse assumptions.
- **Factor-based C-3 Floor**: Factors will be revisited at a future date and will remain unchanged for now.
- **Aggregation between C3P1 and C3P2**: Will be revisited once methodologies are finalized.

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Framework Proposals where Additional Feedback is Requested

A Field Test (FT) and a Model Office (MO) analysis are expected to provide additional information to inform these framework decisions.

- **Metric**: MO measures run on the bank and stress testing results and will be used to determine whether an asset-based metric sufficiently captures RBC interest rate risk, or whether projection of a working reserve and use of a surplus-based metric is needed. Note the field test will likely only measure results for well-matched companies. Model office can analyze metrics for other ALM scenarios.
- **Scalar**: YY% x (CTE XX less Reserves), where YY and CTE XX will be informed by further analysis.
- **Time Horizon**: To be informed by further analysis and choice of metric and scalar.
- **Default Costs**: Explore materiality of double counting of default costs between C1 and C3 and approaches to address if material.
- **Stochastic Equity**: Determine if material and degree of effort required to capture.

Should any of the above components be included in the FT/MO analysis before a decision is made, implemented or deferred to a later date? Are there other components that should be considered?

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Feedback Request

We request preliminary feedback in the following areas so that the Academy can work towards designing analysis for model office testing and field testing.

- Are there any components of the proposal that regulators would like to be implemented for year-end 2026 (with implementation of GOES and VM-22), year-end 2027 or at a future date?
- What components should be included in model office testing or a broader field test before a decision is made?
- Any analysis or components of the proposal that should be deferred?
- Are there any other components not captured in the current proposal that should be added to the analysis?

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Questions?

For more information, please contact

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Appendix – Prior Presentations

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C-3 Alignment, Part II

Life Risk-Based Capital (E) Working Group

May 1, 2025

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Summary of Key Framework Proposals

- Adoption Date and Phase-in: Adopt for year-end 2026 with a three-year phase in period, but dependent on field testing schedule.
- Product Scope: All current products subject to C3 Phase 1 and C3 Phase 2 will transition to new methodology for year-end 2026. FIA will be included in scope of C3 Phase 1.
- Scenarios: Use new Generator of Economic Scenarios
- Discounting: Leverage C3 Phase 2 discounting, i.e., Net Asset Earned Rate or Direct Iteration

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Summary of Key Framework Proposals

- Assumptions and Models: Use PBR models with prudent estimate assumptions where possible. Otherwise, continue to use CFT models with moderately adverse assumptions.
- Factor-based C-3 Floor: Factors will be revisited at a future date and will remain unchanged for now.
- Default Costs: Explore an optional credit to offset the double counting of default costs between C1 and C3.
- Aggregation between C3P1 and C3P2: Will be revisited once methodologies are finalized.

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Key Focus of Today's Discussion

- Recap of Default Costs
- Stochastic Equity Risk
- Metric, Scalar, Working Reserves and Time Horizon
- Next Steps

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Recap of Default Costs

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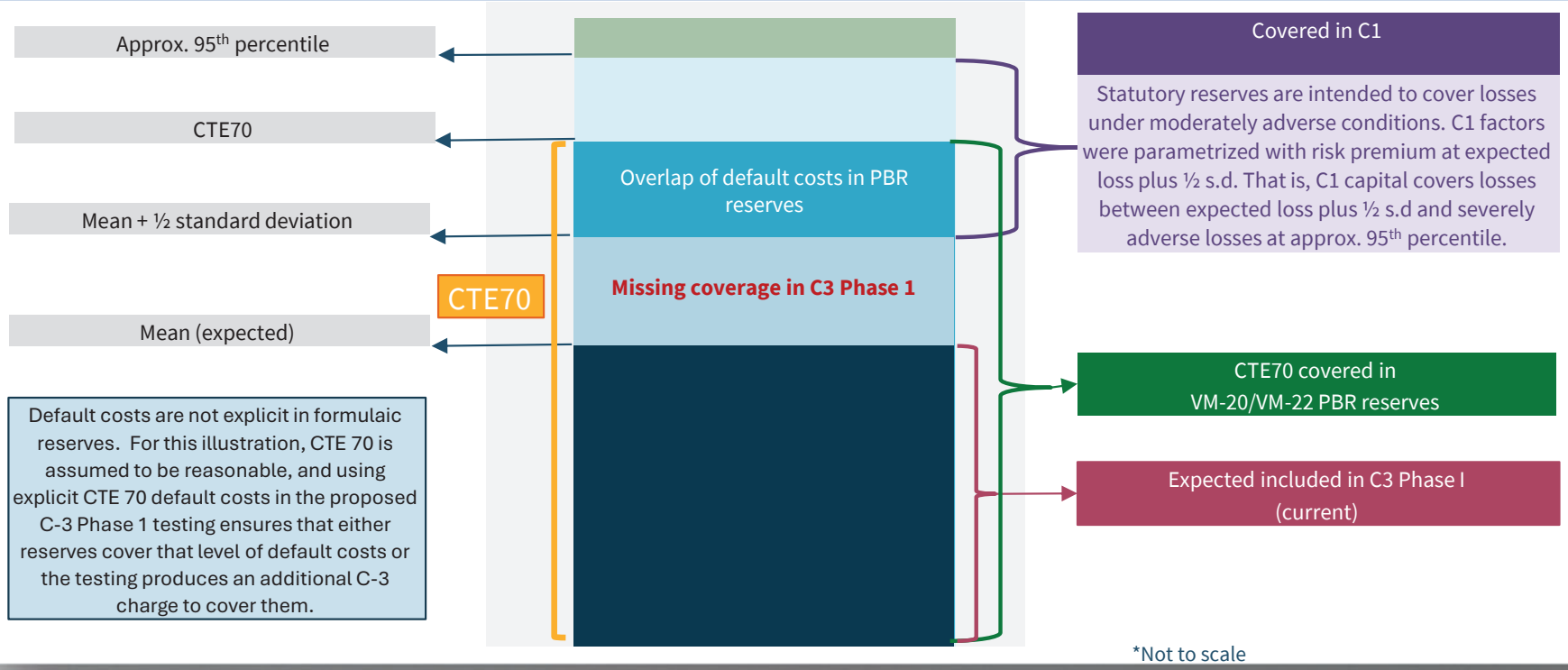
C-3 Default Costs

- C-1 RBC for fixed income assets, such as bonds and commercial mortgages, is based on the difference between the value of severely adverse default costs and the value of default costs assumed to be covered in reserves.
- For assets that cover more than the assumed level of defaults, under the relevant reserve or C-3 testing framework, RBC factors double-count the value of the portion of the default costs between the assumed coverage levels in the C-1 models and the actual coverage levels in the reserve or C-3 models.
- Recommend updating default cost assumptions in C-3 Phase 1 to more conservative CTE70 level to allow the same default assumption to be used for reserves and capital.
- CTE70 is a generally accepted standard for prudent estimate default costs and required for PBR and C-3 Phase 2.
- Because of difference with default assumption in C-1 capital, results in potential additional margin on C-1 risk capital.

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Default Costs Illustration*



*Not to scale

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C-1 Risk Capital Credit

- Generally, adjustments are not made in the RBC framework for potential deficiencies or excess in other components.
- If an adjustment is included, a possible recommendation is a factor-based credit applied to the assets included in C-3 testing to offset the C-1 risk capital margin.

Asset category	Estimated factor credit[1]
Bonds – investment grade bonds	20%
Bonds – below investment grade	15%
Commercial mortgages	Double bond credit

- Recommend further study to explore an *optional* credit that would address the double counting.

[1]From the 2021 Moody's Analytics C-1 Bond RBC report

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Stochastic Equity Risk

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Stochastic Equity - Background

- Historically, the intent of the C3P1 is to address asset/liability mismatch (ALM) risk due to interest rate risk for annuities and single premium life.
  - Disintermediation risk when selling assets at the depressed value to support policyholders' obligations, or
  - Reinvestment risk that investment returns will decline to the point that they are unable to service on-going policyholders' obligations.
- The addition of equity risk in the C3P1 calculation was tested as a part of the VM-22 PBR field test. The introduction of stochastic equity returns could introduce interim deficiencies.

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Stochastic Equity – Issues

- Similar to default costs, the introduction of stochastic equity could introduce a double count in capital that is already covered by C-1 equity risk charge.
  - The current C-1 common stock equity factor was based on the 94th percentile worst loss over twenty-four-month periods.
  - The 2013 study continues to use a two-year loss horizon and retained the same 30% factor that was originally proposed in 1993.
  - The interim deficiencies that occur in the first two years of the C3 calculation as a result of unfavorable equity returns under GOES are already reflected in C1.

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Stochastic Equity – Proposal

Type of Equity Exposure	Proposal
Equity instruments to hedge predictive liabilities cash flows (e.g., FIA index hedge or indexed GIC, etc)	• **Exclude stochastic equity risk from C3P1.** • Assume hedges are effective and reflect the same index hedge error margin for reserve and capital for additional conservatism.
Equity instruments on general account assets (e.g. equities backing long-duration contracts such as SSC)	• **Develop a prudent estimate levelized return to avoid exacerbating capital requirement.** • Option 1 -- The prescribed levelized equity return equals the gross wealth factor (GWF) at specified CTE level for the projection years that reflect the average liability duration and then appending the new levelized return for the remaining years which equal to the GWF at the same CTE level at projection year 50 (See next slide for illustration). • Option 2 -- Use AG-53 compliant assumption for general account equities[1]
Equity instruments to hedge the unpredictive liability cash flows (e.g., FIA with GLWB, etc)	• **Model stochastic equity, but allow hedge modeling simplification.** • Unlike VA, the liability cash flows are mostly exposed to the policyholder behavior assumption risk rather than equity risk. • Optional credit adjustment to account for double counting of risk reflected in the C1 equity risk charge and the C3 calculation.

[1]: An equity-like instrument under AG53 assumed to have higher value at projection year 10 or later than under an assumption of annual total returns, before the deduction of investment expenses, of 4% for the first 10 projection years after the valuation date followed by 5% for projection year 11 and after.

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Stochastic Equity -- Levelized Return (Option1) Illustration 22

- Assume the following:
  - 30 years projection
  - C3P1 metric is based on the CTE90 (it is similar to 95th percentile)
  - Average liability duration = 10
- Based on the latest GOES equity GWFs (see right table)
- Annualized levelized return:
  - First 10 years: -0.7% = 0.93 ^(1/10) - 1
  - Remaining 20 years: 4.4% = (2.22/0.93) ^ (1/20) - 1

S&P 500	1 Yr	5 Yr	10 Yr	20 Yr	30 Yr
Min	0.50	0.23	0.17	0.09	0.17
1.0%	0.71	0.59	0.58	0.73	1.12
2.5%	0.77	0.71	0.77	1.07	1.60
5.0%	0.83	0.82	0.93	1.40	2.22
10.0%	0.89	0.94	1.16	1.87	3.20
25.0%	0.99	1.19	1.58	2.92	5.45
50.0%	1.10	1.50	2.16	4.50	9.37
75.0%	1.20	1.82	2.88	6.78	15.68
90.0%	1.29	2.14	3.67	9.59	23.92
95.0%	1.35	2.37	4.25	11.72	30.79
97.5%	1.40	2.57	4.86	13.85	37.57
99.0%	1.46	2.83	5.66	17.28	47.69
Max	1.81	4.14	9.45	34.11	136.91

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C-1 Risk Capital Credit – Stochastic Equity

- Ignore the first two years of projection in GPVAD (surplus) calculation.
- Factor-based credit applied to equity assets included in C-3 testing to offset the C-1 risk capital margin.

Asset category	Estimated factor credit
Common stock	30%
Other equity-like assets	TBD

- TBD

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Metric, Scalar, Working Reserves, Time Horizon

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Metric and Scalar

- Consideration for measurement of the risk is ongoing, but will hinge on the defined metric while using the following formula:
  - **YY% x (CTE XX less Reserves)**
- YY% and CTE XX to be finalized with support of field-testing results.
- The projection length, or time horizon, will also be dependent on whether a working reserve is included.
- Prior to PBR, statutory reserves were formulaic, so interim reserves could easily be calculated. With PBR, a first principles interim reserve would require a nested stochastic projection, which may be onerous.
- The choice between a short-term **surplus** measure vs a long-term **asset** measure is dependent on what risk is intended to be captured. That is, a short-term surplus measure captures more disintermediation on deferred annuities risk vs the long-term asset measure capturing more reinvestment risk

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Greatest Present Value of Accumulated Deficiencies (Surplus)

- C-3 Phase 1 currently uses a GPVAD (**surplus)** measure.
- This measure focuses on projecting the statutory surplus, which accounts for future reserve changes. The measure inherently accounts for interim deficiencies by reviewing how future reserve changes could impact surplus.
- Due to the requirement of projecting future reserves, this measure may present computational challenges when reprojecting PBR reserves at future points in time. Particularly if those reserves are currently determined using stochastic scenarios.
- Approximations can be made by assuming the working reserve is equal to CSV, factor of formulaic reserve, actuarial present values or other simplifications for nested simulations.
- If this approach is taken, a shorter time horizon would likely be recommended.
- An interim surplus measure would capture more short-term disintermediation risk on deferred annuities.
- As noted earlier in the presentation, if stochastic equity is required, interim deficiencies on assets would be impacted, which would not have occurred in the current calculation methodology.

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Greatest Present Value of Accumulated Deficiencies (Assets)

- C-3 Phase 2 metric uses an GPVAD (**asset**) measure (working reserves are set to zero). This change was made as a part of VA Reform project.
- The metric focuses on claims payment ability and does not look at interim surplus deficiencies due to long-term reserve changes.
- Due to the computational simplicity relative to GPVAD (Surplus), the projection horizon can be set long enough to capture the life of the business.
- For PBR business, the same model may be leveraged for both reserve and capital setting.
- It was noted as part of VA Reform that the use of working reserves discouraged hedging due to the accounting mismatch between assets and liabilities.
- A long-term asset measure would capture more reinvestment risk, which could offset short term disintermediation risk.

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Example Illustration: Baseline

Assumptions

- 10-yr contract with a bullet payment at the end of 10 years.
- Asset earned rate: 2.0% for Yrs 1-5 and 5.5% for Yrs 6-10
- Guaranteed AV credited rate of 5.0%
- CARVM Stat Val Rate of 4.0%

Balance Sheet	0	1	2	3	4	5	6	7	8	9	10
Assets											
Bonds	110.04	112.24	114.49	116.78	119.11	121.50	128.18	135.23	142.67	150.51	158.79
Liabilities and Surplus											
CARVM	110.04	114.44	119.02	123.78	128.73	133.88	139.24	144.81	150.60	156.62	162.89
CSV	100.00	105.00	110.25	115.76	121.55	127.63	134.01	140.71	147.75	155.13	162.89
Surplus	-	(2.20)	(4.53)	(7.00)	(9.62)	(12.39)	(11.06)	(9.58)	(7.94)	(6.11)	(4.10)

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Example Illustration: Baseline

1. For the first 5 years, the change in liabilities (CARVM reserves) exceeds the change in assets, which results in deficiencies in early years. This relationship changes after year 6 when the asset earned rate increases.
2. This results in the C3 requirement under the surplus measure to peak at year 5, despite the liability payment only being in year 10. This is due to the C3 requirement being used to fund interim deficiencies as the reserve changes outpace the asset changes.
3. The C3 requirement under the asset measure is driven by focusing on whether the assets can pay the liability that is due in year 10.

GPVAD Scenarios	0	1	2	3	4	5	6	7	8	9	10
Working Reserves = CARVM											
Surplus	-	(2.20)	(4.53)	(7.00)	(9.62)	(12.39)	(11.06)	(9.58)	(7.94)	(6.11)	(4.10)
GPVAD (Surplus)		(2.16)	(4.36)	(6.60)	(8.89)	(11.22)	(9.50)	(7.80)	(6.12)	(4.47)	(2.84)
C3	(11.22)										
Working Reserves = $0											
Surplus = Assets	110.04	112.24	114.49	116.78	119.11	121.50	128.18	135.23	142.67	150.51	(4.10)
GPVAD (Surplus)		110.04	110.04	110.04	110.04	110.04	110.04	110.04	110.04	110.04	(2.84)
C3	**(2.84)**										

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Example Illustration: Interest Rate Spike

Assume spike in rates of 3% in year 5.

1. As a result of the interest rate spike, 20% surrender is assumed. This resulted in an outflow of $25.53.
2. Assets are sold at a loss due to the market value decrease. Higher level of assets ($46.35)need to be sold to fund the book value liability, thereby resulting in negative surplus.

Balance Sheet	0	1	2	3	4	5	6	7	8	9	10
Assets											
Bonds	110.04	116.09	122.48	129.22	136.32	75.14	79.28	83.64	88.24	93.09	98.21
						2					
Liabilities and Surplus											
CARVM (WR)	110.04	114.44	119.02	123.78	128.73	107.11	111.39	115.85	120.48	125.30	130.31
CSV	100.00	105.00	110.25	115.76	121.55	102.10	107.21	112.57	118.20	124.11	130.31
						1					
Surplus	-	1.65	3.46	5.43	7.59	(31.96)	(32.11)	(32.21)	(32.24)	(32.21)	(32.10)

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Example Illustration: Interest Rate Spike

The example below illustrates that even under an interest rate spike and excess surrenders scenarios, the GPVAD (surplus) and GPVAD (assets) both work as intended to capture their respective risks.

1 2

GPVAD Scenarios	0	1	2	3	4	5	6	7	8	9	10
Working Reserves = CARVM											
Surplus	-	1.65	3.46	5.43	7.59	(31.96)	(32.11)	(32.21)	(32.24)	(32.21)	(32.10)
GPVAD (Surplus)		1.56	3.11	4.63	6.13	(24.46)	(23.29)	(22.14)	(21.01)	(19.89)	(18.79)
C3P1	**(24.46)**										
						1					
Working Reserves = $0											
Surplus = Assets	110.04	116.09	122.48	129.22	136.32	75.14	79.28	83.64	88.24	93.09	(32.10)
GPVAD (Surplus)		110.04	110.04	110.04	110.04	57.50	57.50	57.50	57.50	57.50	(18.79)
C3P1	**(7.79)**										
											2

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Comparison of Options

GPVAD (Assets)

Pros

- Focus on solving for level of assets that would result in the defeasement of future liabilities.
- Can support a longer projection length and could leverage same model runs as was used for reserving, particularly on PBR business. A longer projection is more conservative.
- Consistency with current C3 Phase II methodology.
- May be more optimal for hedging as removes the misalignment of market-sensitivity between economic and statutory funding requirements.

Cons

- Does not consider interim surplus deficiencies, and therefore, will not fully capture future adverse scenarios where PBR reserves could dramatically increase.

GPVAD (Surplus)

Pros

- Focuses on funding future claims and reserve funding requirements.
- Considers interim deficiencies, which ensures capital accounts for both economic and statutory insolvencies.
- Maintains current methodology on C3 Phase I.

Cons

- Calculating a projected reserve, especially under PBR, would be computationally intensive due to nested stochastic calculations. The impact from the types of approximations for future PBR requirements have not been explored yet and therefore unclear.
- Discourages hedging due to accounting mismatch between hedge assets and working reserves.
- Would require a shorter projection length given the computational requirements.

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Next Steps

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Next Steps

- Confirm field testing time horizon
- Recommend an evaluation of consistency of C-1 methodology between PBR and capital be performed, and adjust recommendations as necessary
- Review field test specifications based on feedback from discussions
- Perform field test and leverage output to assist regulators in making final decisions

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Questions?

For more information, please contact

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Prior Presentation

3/24/2025

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Background

- C-3 Phase 1 applies to Single Premium Life and Non-Variable Annuities (excluding Fixed Index Annuities – FIA) and has not been updated in decades.
- C-3 Phase 2, which applies to Variable Annuities including Registered Index Linked Annuities, was recently updated and tested.
- Our purpose is to propose how to harmonize C-3 Phase 1 and C-3 Phase 2 methodology.

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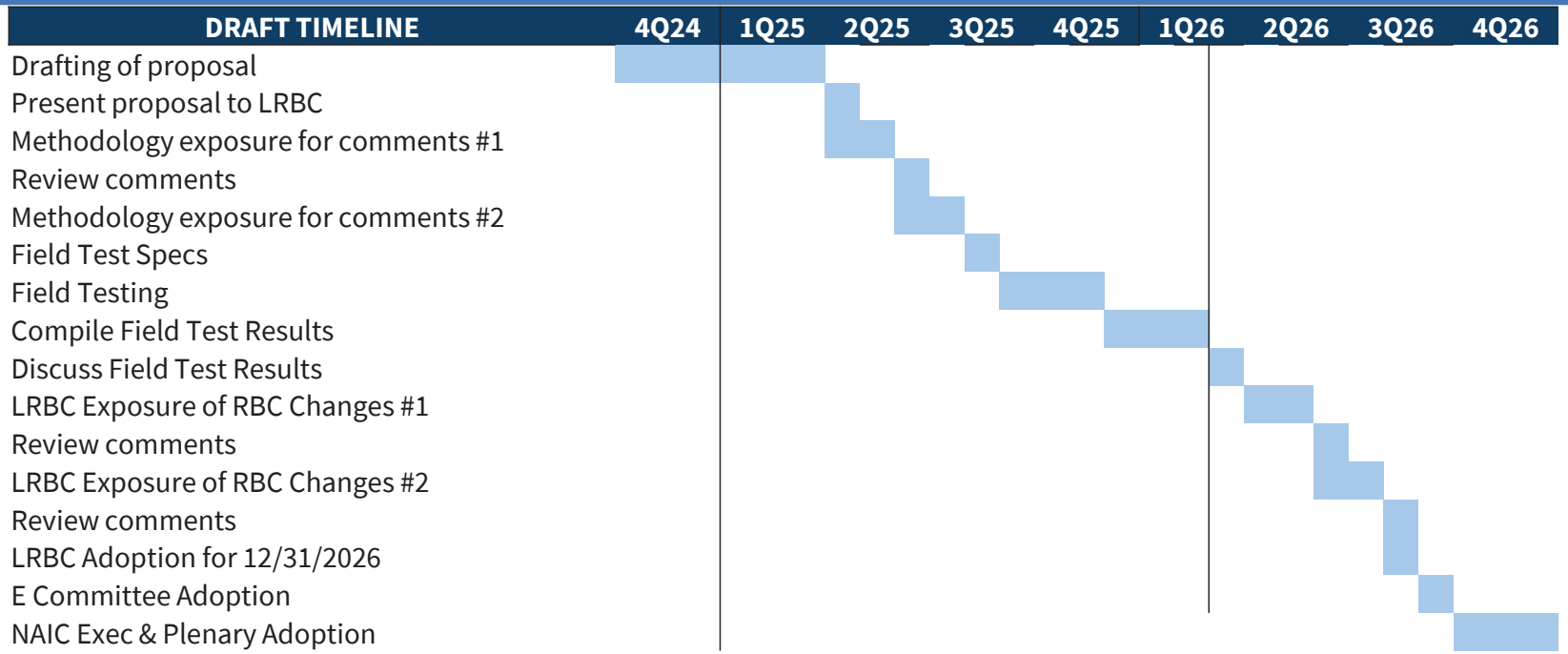
Approach to C-3 Alignment

- C-3 Phase 2 methodology was reviewed by the NAIC over the past 8 years.
- Where possible, C-3 Phase 1 will adopt changes to align with C-3 Phase 2.
- Given the scale of changes, we propose a phased approach with some changes being reflected by year-end 2026.
    - This would include the adoption of the new Generator of Economic Scenarios (GOES) which will also the prescribed generator for C-3 Phase 2 and PBR.
- Other changes may be deferred due to feasibility, magnitude of impact, and to avoid unintended consequences.

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Timeline, Adoption, Phase In Period



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Timeline, Adoption, Phase In Period

- We anticipate a field test during 2025 and adoption effective year-end 2026.
- We propose a three-year phase-in period for changes that are effective at year-end 2026.
- We propose that other C-3 changes are phased in during future years and will be outlined in the rest of the presentation

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Scenarios

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Economic Scenarios

- C-3 Phase 1 scenarios have a high Median Reversion Point (MRP) and do not include equity returns.
- C-3 Phase 2 scenarios have a formulaic MRP weighted toward recent rates and include equity returns.
- Propose using the new GOES that is expected to be adopted for an effective date of 2026.

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Product Scope

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Product Scope

The ultimate goal is a C-3 framework with consistent scenarios, metrics, and legal entity level aggregation for all products. We propose reviewing other products at a future date.

		Smallest step Option1	**Recommended** Option 2[1]	Option 3	*Closest to Ultimate Goal* Option 4
C3P1	Single Premium Life	Old C3P1	**New C3P1**	Old C3P1	**New C3P1**
	Single/Flexible Premium Annuity	**New C3P1**	**New C3P1**	Old C3P1 **PBR Annuity to New C3P1**	**New C3P1**
C3P2	VA RILA	C3P2	C3P2	C3P2	C3P2
Currently out of scope	FIA	**New C3P1**	**New C3P1**	**New C3P1**	**New C3P1**
	LTC	defer	defer	defer	**New C3P1**
	ULSG	defer	defer	defer	**New C3P1**
	Remaining Life & Health products	defer	defer	defer	defer
	Pro	small manageable step	maintains existing aggregation	aligns reserving and capital models to PBR only business	closest to ultimate goal
	Con	lose aggregation between life & annuity - which would ultimately be added back later	larger step, could be harder to execute quickly	inconsistent capital between in force and new business	most difficult to implement in one step

1: This option aligns with the timeline presented on slide 5

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Discounting

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Discounting

- **Background**
  - Phase 1 uses one-year Treasury rate discounting. Inforce assets and reinvestment assets are typically longer in duration than one year and lower in credit quality than Treasuries, both of which tend to increase yields.
  - Phase 2 allows discounting at the Net Asset Earned Rate (NAER), which likely produces better estimates of the amount of additional assets needed to eliminate a deficiency than does phase 1 discounting.
  - Phase 2 also allows Direct Iteration which solves for the amount of additional assets needed to eliminate a deficiency, whereas Phase 1 does not.
- **Proposal**
  - Use Phase 2 discounting rules which allow the use of NAER for discounting or Direct Iteration.
- **Rationale**
  - Better estimate of the amount of additional assets needed to eliminate a deficiency.
  - More principle-based.

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Assumptions and Models

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Current Assumptions and Models

- C-3 Phase 1: Cash Flow Testing (CFT)-based assumptions that are considered "moderately adverse."
- C-3 Phase 2: Principles Based Reserve (PBR) prudent estimate assumptions.

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Short-Term Solution Starting Year-End 2026 (Recommended)

- **Proposal: bifurcated solution**
  - Use PBR models and assumptions for business subject to PBR (VM-20, VM-21, VM-22).
  - Use CFT models and assumptions for non-PBR business.
  - Potentially allow flexibility between the two approaches for business subject to PBR due to operational complexity.
  - Add other products if/when underlying reserve moves to PBR.
- **Pros**
  - Efficiency of using same underlying model for reserves and capital.
  - Similar to C3P2 for Variable Annuities.
- **Cons**
  - Need to maintain two sets of models/assumptions.

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Default Costs

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C-3 Default Costs

Current		
	Non-PBR	PBR
Reserves	Moderately adverse (approach varies)	CTE70
Reserves (assumed in C-1 RBC)	Mean + ½ standard deviation	Mean + ½ standard deviation
C-3 Phase 1	Expected Defaults	Expected Defaults
C-3 Phase 2	CTE70	CTE70

Recommended		
	Non-PBR	PBR
Reserves	Moderately adverse (approach varies)	CTE70
Reserves (assumed in C-1 RBC)	Mean + ½ standard deviation	Mean + ½ standard deviation
C-3 Phase 1	CTE70	CTE70
C-3 Phase 2	CTE70	CTE70

- Recommend updating default cost assumptions in C-3 Phase 1 to more conservative CTE70 level.
- CTE70 is a generally accepted standard for moderately adverse default costs and consistent with PBR and C-3 Phase 2.
- Because of difference with default assumption in C-1 capital, results in potential additional margin on C-1 risk capital.

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C-1 Risk Capital Credit

- Generally, adjustments are not made in the RBC framework for potential deficiencies or excess in other components.
- If an adjustment is included, a possible recommendation is a factor-based credit applied to the assets included in C-3 testing to offset the C-1 risk capital margin.

Asset category	Estimated factor credit
Bonds – investment grade bonds	20%
Bonds – below investment grade	15%
Commercial mortgages	Double bond credit

- Recommend further study to explore an *optional* credit that would address the double counting.

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Stochastic Equity Risk

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Stochastic Equity

- **Background & Considerations**
  - Similar to default costs, double counting of RBC related to general account (GA) equity (or equity-like) assets is being reviewed
  - Additionally, equity risk reflected in the current C-1 charge (based on 2013 historical experience measured over a 2-year exposure period) differs from the C-3 stochastic equity element captured over a set of real-world scenarios
  - Considerations for companies with a material equity exposure in the GA are being discussed. Topics include:
    - Definition of the materiality threshold, e.g., 5% of GA for liquid liabilities or 15% for illiquid liabilities
    - Excluding equity-like assets in C-3 calculations from C-1 charge
    - Maintain C-1 charge, but allow for deficiency smoothing to address equity volatility, akin to SSAP 108 hedge accounting practices

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Aggregation of C3P1 and C3P2

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Aggregation

- **Background**
  - C-3 Phase 1 and C-3 Phase 2 are calculated separately with no aggregation.
- **Ideal Proposal**
  - No differences between C-3 Phase 1 and C-3 Phase 2 methodology and aggregation fully reflected.
- **Current Proposal**
  - Aggregation is permitted but not required (under certain conditions). Pros and cons reference this proposal.
- **Pros**
  - Reflects diversification between products, consistent with how a company manages interest rate risk.
- **Cons**
  - Requires consistency between C-3 Phase 1 and C-3 Phase 2 methodologies (dependent on outcome of other C3 – Alignment proposals)
  - Operationally complex; requires methodology for splitting VA market risk from aggregated interest rate risks.

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Aggregation - Continued

- **Parameters for Permitted Aggregation in 2026**
  - This will need to be revisited based on proposals for other topics, such as models, assumptions, and number of scenarios.
  - If there is not full consistency between C-3 Phase 1 and C-3 Phase 2, is there still some level of aggregation that can be used?
  - For example, if Company does not have alignment on interim reserves for CFT vs. PBR assumptions, can Company still reflect aggregation across scenarios if both C-3 Phase 1 and C-3 Phase 2 use the same 1000 scenarios?

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Factor Based C-3 Floor

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C-3 Floor Amount - Background

- The C-3 factors are meant to provide for a "lack of synchronization of asset and liability flows."
  - Factors are from the 1991 study report. The "Low-Risk" category assumes a well-matched portfolio (1/8th of a year difference). The other risk category factors were developed by stochastic modeling of asset and liability cashflows.
- For companies that utilize the C-3 cash flow approach, there is a floor equal to ½ the standard factors.
- Assets, liabilities, and investment strategies are likely much different today than 1991, for many companies:
  - Assets – ABS, floating rate assets, equities
  - Liabilities – Embedded options in products
  - Investment Strategies – Using floating rate assets and/or equities to support some fixed rate liabilities

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C-3 Floor Amount - Recommendation

- C-3 Phase 2 does not have a floor
  - PBR applies to almost all VA products and such reserves are reset each quarter, with a floor.
  - C-3 Phase 2 is based on a high CTE level (CTE 98) to encourage tail hedging.
- Significant changes to C-3 Phase 1 are being proposed for year-end 2026
  - GOES scenarios
  - Equity risk
  - FIAs
- Given the timeline, we cannot support the effort to update the C-3 factors and/or review the appropriateness of the floor at this time
- **Proposal**
  - Retain the current factors and floors for year-end 2026.
  - To be reviewed in greater detail after efforts to adopt year-end 2026 recommendations are complete.

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Metric, Scalar, Working Reserves, Time Horizon

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Metric and Scalar

- C-3 Phase 1 metric is a **surplus** measure whereas C-3 Phase 2 uses an **asset** measure (working reserves are set to zero).
- Currently contemplating two Greatest Present Value of Accumulated Deficiency (GPVAD) methods:
  - GPVAD (**assets**) with projection horizon to sufficiently represent life of the business.
    - Set working reserves to zero and focus on claim payment capabilities – most aligned with C-3 Phase 2.
  - GPVAD (**surplus**) with shorter projection horizon, reasonable working reserve proxy and focus on reserve funding capabilities.
    - Working reserve proxy may range from Cash Surrender Value to Actuarial Present Value methods.

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Metric and Scalar

- Consideration for measurement of the risk is ongoing, but will hinge on the defined metric while using the following formula:
  - **YY% x (CTE XX less Reserves)**
- YY% and CTE XX to be finalized with support of field testing results.
- The projection length, or time horizon, will also be dependent on whether a working reserve is included.

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Next Steps

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Next Steps

- Provide recommendation on remaining topics:
  - Metric and Scalar
  - Working Reserves and Interim Measurement
  - Time Horizon
  - Stochastic Equity Risk
- Design field test

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Cover Questions for Exposure

1. Should a guardrail be designed for NAER discounting or Direct Iteration? If yes,
    a. What should be considered in the design of the guardrail?
    b. Should the guardrail be included as a separate sensitivity (requested or optional)?
    c. Should it be tested under asset-based metric, surplus-based metric or both?
2. What scalars and metrics should be reviewed as part of the field test? For example, should CTE90, 25% * CTE98, 25% * CTE95 or others be reviewed? Should the same scalars and metrics apply to both C3 Phase 1 and C3 Phase 2? Scalar is defined as XX and metric is defined as YY in the term *XX% * CTE YY.*
3. Should the treatment of voluntary reserves be reviewed during this field test? Does this apply to both C3 Phase 1 and C3 Phase 2? How should voluntary reserves be defined?
4. At what level of granularity should results be reported? Examples are included in the exposure document.
5. What additional supplemental information should be provided to better understand the drivers of C3 results? For example, duration mismatch, average issue year, convexity, etc. for each major block of company reported results?
6. If VM-22 PBR is applied retroactively, should this change be considered as part of this field test? How would this be evaluated?

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American Academy of Actuaries
C3 Field Test Specs Draft

Section I: Field Study Overview

A. Introduction

The Academy's C3 Subcommittee was tasked with considering changes to the C3 framework given the implementation of Principle Based Reserving for VM-22 and the new Generator of Economic Scenarios (GOES) scenarios, as well as reviewing ways to harmonize the methodology with the C3 Phase 2 framework. Details of the framework are included in the [appendix].

The goals of the field test are as follows:

- Assess the impacts of using an Asset-Based metric vs. a Surplus-Based metric
- Add Equity Linked Annuities to C3 Phase 1
- Assess the impact of a prescribed equity modeling approach under C3 Phase 1
- Enable a discussion about the consideration of the appropriate discount rate
- Contemplate the impact of aggregation of products included in C3 Phase 1
- [Supplemental] Evaluate the impact of a new prescribed default assumption, and quantify a possible RBC credit
- [Supplemental] Evaluate the C3 metric under different starting economic conditions

The analysis above will be performed using GOES scenario sets and may be reviewed under different economic conditions, such as different starting yield curves.

Supplemental information may be requested as part of this field test to help understand the field test reserve liability characteristics, aligning with LR027 definitions. A key goal is to confirm that the new methodology results in relatively higher/lower C3 capital requirements for companies with relatively higher/lower interest rate exposure.

B. Communication of Field Test Results

Participants of the field test will schedule confidential, regulator-only meetings where the results of their testing will be shared with regulators. NAIC staff will reach out to companies to schedule these meetings.

NAIC staff will communicate high-level observations and themes raised by participants on drivers of results. Communication will include specific coverage of key observations related to the listed goals of the field test as well as any other items that may be significant. Where applicable, NAIC staff will include comparisons to NAIC's model office testing.

NAIC Staff Contact: [Include name/email on who to contact at NAIC]

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C. Timeline

The field test will run from [July to September] 2026. During the field test, regular Q&A sessions will be held with participants to address questions that may arise. Field test participants will present results in confidential regulator-only sessions starting in [October]. A detailed timeline is included in the Appendix II.

The NAIC's model office analysis will be shared in public meetings at Life Risk-Based Capital (E) Working Group by the end of 2026, alongside key observations shared by field test participants.

The proposed framework is intended to be effective for year-end 2027.

Section II: Field Test Scenarios and Assumption Specifications

A. Products Covered

Companies should include all products that are currently subject to C3 Phase 1, which includes single premium life and annuity products. Equity Linked Annuities, such as Fixed Indexed Annuities (FIA), will be added to the scope for testing.

B. Valuation Date

Field test will be based on a valuation date of 12/31/2025.

C. Economic Scenarios

Companies should use the prescribed field test scenario sets that will be provided by Conning. Conning will provide the scenario subsets that will be used for testing.

For companies that use a proprietary generator, results are requested under the prescribed generator instead for comparability. If fewer scenarios are used, please specify.

D. Metric definitions

For Surplus-based metrics, utilize the C3 Phase 1 prevailing proposed method as of the start of the Field Study. At the writing of this document, that would be the proposed C3 Phase 1 instructions as of [02/12/2026]. This would include applying updated weights to specific scenario results.

For Asset-based metrics, utilize the prevailing C3 Phase 2 proposed method as of the start of the Field Study. This would include flooring the scenario result at the Cash Surrender Value and utilizing 25% of CTE (98).

Reserves underlying the metrics will reflect reserve methodologies as of year-end 2025, not the newly approved VM-22 in the 2026 Valuation Manual.

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E. Discounting

Companies should continue to use the current approach that is consistent with their reported capital metrics or use the prevailing metric proposed at the time of the Field Study. This could include discounting at 105% of the after-tax 1-year U.S. treasury rates for C3 Phase 1, or discounting at the net asset earned rate (NAER) on additional assets or using the Direct Iteration method for C3 Phase 2.

If any approach used for field test scenarios differs from what is reflected in the Baseline calculations, companies should disclose this and the corresponding impact of the change in approach.

F. Other Assumptions

For other assumptions (e.g., reinvestment yields, liability assumptions, projection period), use the same assumptions as in the models currently used for CFT or PBR for the applicable assets and liabilities.

G. Granularity

If available and practical, companies should provide results at the product and/or LOB level, in addition to aggregate level.

Companies are not expected to submit results in greater granularity than what is already part of normal procedures. This request envisions that many companies aggregate multiple models representing different products or blocks. As a result, we expect that many companies can provide field test results at a less-aggregated step of the process, in addition to the fully aggregated step.

H. Field Test Scenarios

The field test will be quantifying the following:

- Use of an asset-based metric on C3 Phase 1, which would be consistent with C3 Phase 2
- The addition of Equity-Linked Annuities, such as FIA, to the scope of C3 Phase 1
- Use of prescribed asset default costs on C3 Phase 1, consistent with VM-20 Section 9.F
- Use of a prescribed equity modeling approach for C3 Phase 1
- Impact of discounting at NAER or direct iteration

The following results are requested:

Provide the statutory reserve, capital, and the sum of reserve and capital for each sensitivity. The Baseline run results will be compared to the Reported C3 Phase 1 results provided in the Supplemental Information. Sensitivities 0 to 2 will build upon each other. Sensitivities 3 to 6 will be compared to Sensitivity 1.

- *Baseline: Reported C3 Phase 1 Results as of Year End 2025*
    - Based on GOES interest rate scenarios, with Surplus-Based metric discounted at 105% of the after-tax 1-year U.S. treasury rates.

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- Company default cost assumptions from current C3 Phase 1 methodology
- Does not include Equity-Linked Annuities, such as FIA.
- If company uses proprietary generator, provide a baseline that is restated under GOES.

- *Sensitivity 0 (Optional): Impact of Adding Equity-Linked Annuities to Current C3 Phase 1*
  - Based on GOES interest rate scenarios, with Surplus-Based metric.
  - **Including Equity-Linked Annuities, such as FIA,** utilizing the spirit of the current C3P1 instructions as much as possible.
  - *Compare to Baseline.*

- *Sensitivity 1: Impact of Asset-Based Metric with Prescribed Default Cost Assumptions*
  - Based on GOES interest rate scenarios, including Equity-Linked Annuities, such as FIA.
  - **Asset-Based Metric**, **Prescribed Defaults** as specified under VM-20 Section 9.F.
  - *Compare to Baseline (or Sensitivity 0 if available)*

- *Sensitivity 2: Impact of Prescribed Equity Modeling Approach*
  - Based on GOES interest rate scenarios, including Equity-Linked Annuities, such as FIA.
  - Asset-Based Metric, Prescribed Defaults as specified under VM-20 Section 9.F.
  - Use **prescribed equity modeling approach** as described in Appendix I.
  - *Compare to Sensitivity 1*

- *Sensitivity 3: Impact of Discounting*
  - Based on GOES interest rate scenarios, including Equity-Linked Annuities, such as FIA.
  - Asset-Based Metric, Prescribed Defaults, **discounted at NAER or using direct iteration.**
  - Use prescribed equity modeling approach as described in Appendix I.
  - *Compare to Sensitivity 2*

- *Sensitivity 4 (Optional): Impact of Prescribed Default Costs*
  - GOES Interest Rates, Asset-Based Metric, including FIA if provided in Sensitivity 0.
  - **Company Defaults from current C3P1 methodology.**
  - *Compare to Sensitivity 1*

- *Sensitivity 5 (Optional): Impact of Different Economic Conditions*
  - **GOES Interest Rates Shock Up**.
  - Asset-Based Metric, Prescribed Defaults, including FIA if provided in Sensitivity 0.
  - *Compare to Sensitivity 1*

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- *Sensitivity 6 (Optional): Impact of Different Economic Conditions*
    - **GOES Interest Rates Shock Down**.
    - Asset-Based Metric, Prescribed Defaults, including FIA if provided in Sensitivity 0.
    - *Compare to Sensitivity 1*

- *Sensitivity 7 (Optional): Impact of Stochastic Equity for All Liability Types*
    - GOES Interest Rates + **GOES STOCHASTIC EQUITY (Initial Regulator Proposal)**.
    - Asset-Based Metric, Prescribed Defaults, including FIA if provided in Sensitivity 0.
    - *Compare to Sensitivity 2*

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In tabular form, please see the below requested or optional runs. Highlighted shows the change in each sensitivity.

	Requested or Optional	Surplus or Asset Based	FIA	Interest Rates	Equity	Defaults	Discounting
Baseline	Requested	Surplus	No	GOES	Company	Company	105% * 1-yr UST
Sens 0	Optional	Surplus	**Yes**	GOES	Company	Company	105% * 1-yr UST
Sens 1	Requested	**Asset**	If in Sens 0	GOES	Company	**VM-20**	105% * 1-yr UST
Sens 2	Requested	Asset	If in Sens 0	GOES	**GOES**	VM-20	105% * 1-yr UST
Sens 3	Requested	Asset	If in Sens 0	GOES	GOES	VM-20	**NAER or Direct Iteration**
Sens 4	Optional	Asset	If in Sens 0	GOES	Company	**Company**	105% * 1-yr UST
Sens 5	Optional	Asset	If in Sens 0	GOES **+ shock up**	Company	VM-20	105% * 1-yr UST
Sens 6	Optional	Asset	If in Sens 0	GOES **+ shock down**	Company	VM-20	105% * 1-yr UST
Sens 7	Optional	Asset & Surplus	If in Sens 0	GOES	**Academy**	VM-20	105% * 1-yr UST

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Section III: Supplemental Information

Additional analytics are requested to help explain the field test results to ensure the methodology reasonably measures C3 risks. These analytics will be compared along with the field test results. The analytics requested include:

A. Current Capital Results

Please provide your reported C3 Phase 1 result amount as of the valuation date as well as the modeled reserves by High/Medium/Low Risk categories, and the factor-based result. If your current C3 Phase 1 result is floored, please calculate the unfloored amount. These results will be used to compare against the new framework results to help the NAIC and Domestic Regulators to understand the impact of the new framework.

B. Liability Analytics

Average Issue Year and Statutory Reserves net of reinsurance.

VERSION 1

Low Risk Category

- Annuity Reserve with Fair Value Adjustment (excluding unitized separate accounts)
- Annuity Reserve not Withdrawable (excluding structured settlements)
- Guaranteed Investment Contract (GIC) Reserve within 1 Year of Maturity
- Single Premium Life Insurance Reserves

Medium Risk Category

- Annuity Reserve at Book Value Less Surrender Charge of 5 Percent or More
- Exhibit 7 Reserve not Included Elsewhere
- Structured Settlements
- Additional Actuarial Reserves for Annuities and Single Premium Life—Asset/Liability Analysis

High Risk Category

- Annuity Reserve at Book Value Without Adjustment (minimal or no charge or adjustment)
- Debt with GIC-like Characteristics (see Appendix 1 & 1b Instructions)

Synthetic GICs

VERSION 2

- Retail Life
- BOLI/COLI
- Variable Annuities
- Indexed Linked Variable Annuities (ILVA, RILA)

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- Deferred Annuities (SPDA, FPDA), Multi-Year Guarantee Annuities (MYGA)
    - With and without Guaranteed Life Benefits (GLB)
    - With and without Market Value Adjustments (MVA)
- Income Annuities—Single Premium Immediate Annuities (SPIA), Deferred Income Annuities (DIA)
- Fixed Indexed Annuities (FIA)
    - With and without GLB
    - With and without MVA
- Structured Settlements Contracts (SSC)
- Pension Risk Transfer (PRT)
- Guaranteed Investment Contracts (GICs)/Synthetic GICs
- Stable Value Contracts
- Funding Agreements
- Other (please specify)

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Appendix I: Stochastic Equity Levelized Return Illustration

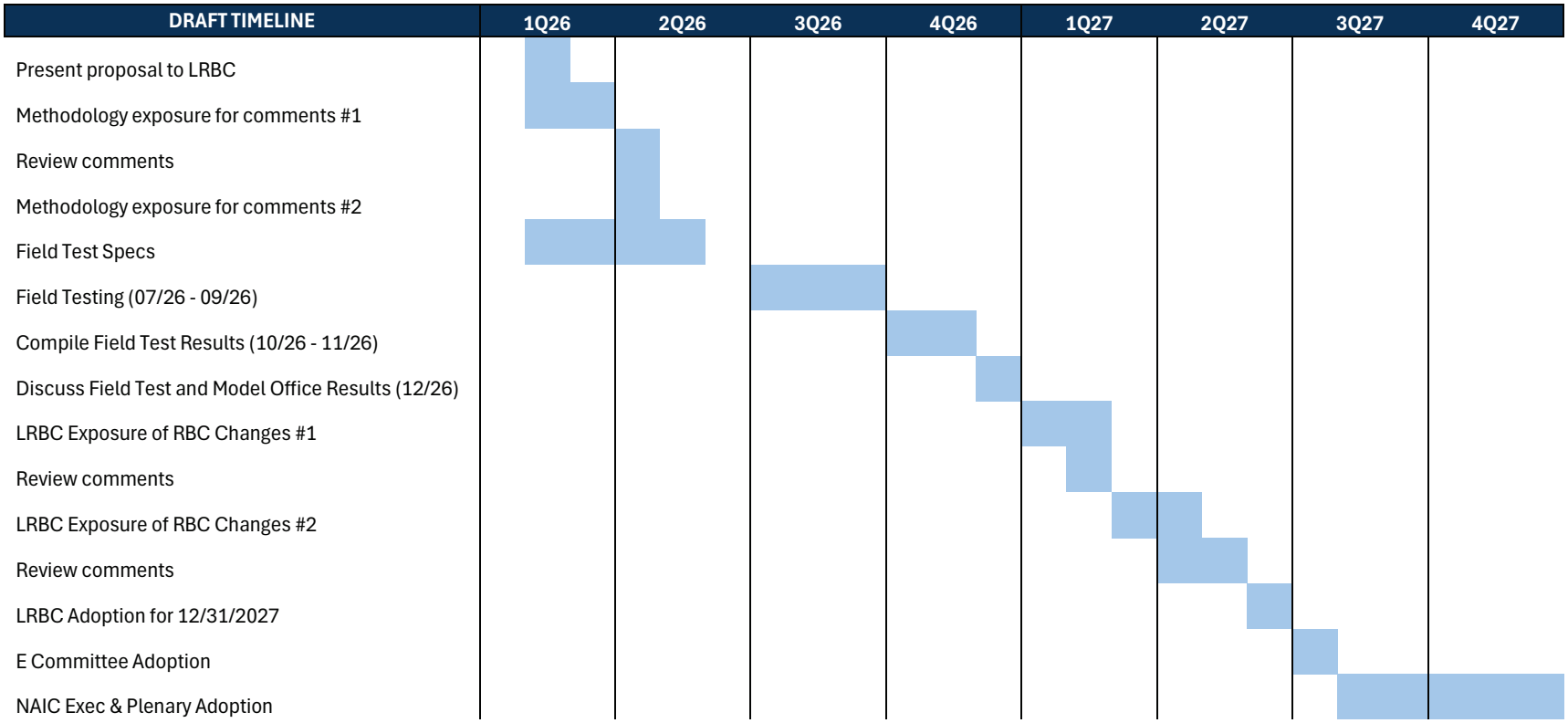
Complete Sensitivity 2, which will be compared to Sensitivity 1 in order to estimate the impact of the proposed Academy equity scenarios.
For developing the greatest present value of accumulated deficiencies (GPVAD) results that include equity linked assets and liabilities, use the following methodologies depending on the type of equity exposure.

Type of Equity Exposure	Proposal
Equity instruments to hedge predictive liabilities cash flows (e.g., FIA index hedge or indexed GIC)	• **Exclude stochastic equity risk from C3P1.** • Assume hedges are effective and reflect same index hedges error margin for reserve and capital for additional conservatism.
Equity instruments to hedge the unpredictive liability cash flows (e.g., FIA with GLWB)	• **Model stochastic equity but allow hedge modeling simplification.** • Unlike VA, the liability cash flows are mostly exposed to the policyholder behavior assumption risk than equity risk. • Optional credit adjustment to account for double counting of risk reflected in the C1 equity risk charge and the C3 calculation.
Equity instruments on general account assets (e.g., equities backing long-duration contracts such as SSC)	• **Develop the prudent estimate levelized return to avoid exacerbating capital requirement.** • Option 1 -- The prescribed levelized equity return equals the gross wealth factor (GWF) at specified CTE level for the projection years that reflect the average liability duration and then appending the new levelized return for the remaining years which equal to the GWF at the same CTE level at projection year 50 (See next slide for illustration). • Option 2 -- Use AG-53 compliant assumption for general account equities[1]

[1]An equity-like instrument under AG-53 assumed to have higher value at projection year 10 or later than under an assumption of annual total returns, before the deduction of investment expenses, of 4% for the first 10 projection years after the valuation date followed by 5% for projection year 11 and after.

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Appendix II: Timeline



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Draft: 2/25/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
February 10, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Feb. 10, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri (AL); Shaowei Yang (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak and Kevin Clark (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). Also participating was Tish Becker (KS).

1. Adopted its Nov. 14, 2025, Minutes

Slutsker said the Working Group's Nov. 14, 2025, minutes had been adopted during the Capital Adequacy (E) Task Force's Nov. 19, 2025, meeting. During the Working Group's Nov. 14, 2025, meeting, it took the following action: 1) adopted its Sept. 11, 2025, minutes; 2) adopted its Oct. 31, 2025, minutes, during which it met in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup; 3) discussed comments received on the exposed covariance slide deck; 4) adopted its 2026 working agenda; and 5) exposed proposal 2025-16-L MOD Collateral Loans for a 74-day public comment period ending Jan. 27, 2026.

Cheung made a motion, seconded by Chou, to adopt the Working Group's Nov. 14 minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Adopted the GOES (E/A) Subgroup's Oct. 29, 2025, Minutes

The Working Group noted that the Generator of Economic Scenarios (GOES) (E/A) Subgroup's Oct. 29, 2025, minutes had been adopted during the Life Actuarial (A) Task Force's meeting at the 2025 Fall National Meeting. During the Subgroup's Oct. 29, 2025, meeting, it took the following action: 1) adopted a revision to the corporate model calibration; 2) re-exposed revisions to the GOES Model Governance Framework; and 3) exposed NAIC scenario review and validation procedures.

Hemphill made a motion, seconded by Yanacheak, to adopt the Subgroup's Oct. 29 minutes (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Seventeen*). The motion passed unanimously.

3. Received Comments on Proposal 2025-16-L and Exposed Proposal 2025-16-L—MOD Collateral Loans

Slutsker said proposal 2025-16-L was exposed on Nov. 14, 2025, for a 74-day public comment period. It was noted that, under the current risk-based capital (RBC) framework, these collateral loans were subject to a single, uniform factor of approximately 6%. He stated that the proposal introduces a shift to a look-through approach, under which the applicable factor would be determined based on the underlying collateral supporting each loan, rather than applying a single standardized factor. Slutsker highlighted this change as a key element of the proposal and the primary topic for discussion. He then asked American Council of Life Insurers (ACLI) representatives to speak to their comment letter (Attachment Three-B1).

Marc Altschull (ACLI) acknowledged the need for different RBC treatments across collateral loan types but believed the exposed proposal did not adequately account for the structural features of collateral loans. Clark asked whether the ACLI has a proposal for incorporating the effects of overcollateralization into a look-through

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factor. He said that he would like to see something simple, easy to implement, justifiable given the size of the asset class, and consistent with the existing RBC framework. Altschull responded that the ACLI does not currently have a specific proposal but expressed its willingness to work collaboratively with regulators to develop a framework that appropriately reflects both the characteristics of the underlying collateral and the risk-mitigating features of collateral loans, in a manner consistent with NAIC RBC principles.

Clark addressed Iowa's comment letter (Attachment Three-B2) and expressed support for moving forward with look-through treatment, emphasizing that the issue is not newly developed or rushed but rather stems from the ACLI's proposal to adopt look-through treatment for mortgage loans approximately two years ago. Iowa's support of such a look-through was predicated on a broader scope discussion.

Justin McFarland (Security Benefit) addressed its comment letter (Attachment Three-B3), echoing the ACLI's comments and expressing support for the ongoing process to develop a look-through RBC proposal that appropriately and accurately aligns with the recently and thoroughly considered RBC principles. McFarland highlighted two areas for regulatory consideration. First, regulators were encouraged to evaluate alternative approaches and assess how structural features and overcollateralization provisions affect insurers' and policyholders' risk. Second, he emphasized the importance of considering the timing of implementation. He said insurers should be provided with a reasonable transition period to implement the changes.

The Working Group noted that no Alternative Credit Council representative was available to address its comment letter (Attachment Three-B4), which is similar to the ACLI comment letter.

Slutsker sought to assess whether there was a broad consensus among commenters and regulators on certain foundational issues. It was found that, apart from questions of timing and the magnitude of any adjustments, there was a broad consensus to move from a single uniform factor to a look-through approach for collateral loans.

Slutsker noted no objection from participants to continue the recently adopted look-through approach for collateral loans secured by mortgage loans. Clark reiterated that while Iowa has no objection, it found it unreasonable to limit look-through to collateral loans backed by mortgage loans.

Slutsker then noted no objection to the general direction of incorporating some reductions or adjustments as part of a look-through framework to reflect overcollateralization and other risk-mitigating features. Clark advocated a simple, straightforward approach given the size of the asset class. Clark also brought up that insurers have an alternative avenue to align RBC with risk by structuring investments as bonds, and that, if rated, RBC will be proportionate to the ratings received.

Cheung noted that collateral loans secured by mortgage loans did not have overcollateralization adjustments, and he would like to understand the rationale for this. Clark did not expect differences in overcollateralization requirements imposed by states on collateral loans backed by mortgage loans versus other collateral loans, but he recalled that the ACLI's original proposal did not request for overcollateralization adjustment/credit.

Barlow said he preferred to contemplate an overcollateralization adjustment for collateral loans backed by a mortgage loan in a separate future proposal.

Both Cheung and Serbinowski expressed interest in better understanding the potential magnitude of any reduction associated with overcollateralization. Serbinowski also questioned the potential structure of the adjustment, e.g., whether a sliding-scale approach might be contemplated, under which different loan-to-value (LTV) levels (e.g., higher versus lower LTVs) would result in different risk outcomes.

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Altschull explained why the ACLI did not request overcollateralization adjustments for collateral loans backed by mortgage loans. He said that the objective of any adjustment or discounting mechanism is to ensure that RBC factors are not overly punitive at the high end, citing structures such as joint ventures (JV), limited partnerships (LP), limited liability companies (LLC), and residual tranches, while also avoiding overly favorable at the low end, such as in the case of mortgage loans. This balanced approach avoids outcomes that would further reduce charges where risk is already low, while also considering moderation where charges may be higher in other cases. Slutsker and Cheung thought the balanced approach was reasonable.

Slutsker noted that commenters have expressed differing views for timing of implementation. Slutsker asked participants for their preferences between 2026 versus 2027 implementation. Yanacheak, Clark, and Barlow were in favor of 2026 adoption. Becker and the ACLI expressed support for 2027 implementation. Given divergence in viewpoints, Slutsker said he would like to poll the Working Group members in an upcoming meeting, likely at the Spring National Meeting, to decide on the implementation timeline.

Slutsker directed the Working Group to the modified proposal (Attachment Three-B5) as a starting point for evaluating potential reductions within a look-through framework for collateral loans. He explained that the modified proposal is intended to recognize certain risk-mitigating features discussed by commenters, while maintaining a simple and administrable approach. He noted in the modified proposal that the reduction is structured as a constant adjustment, rather than a granular or loan-specific calibration. He further clarified that this approach does not attempt to differentiate based on levels of overcollateralization, variations in loan-to-value, or differing statutory requirements across states. Instead, the modified proposal applies a flat 20% reduction, emphasizing simplicity and recognizing the lack of loan-to-value information in the statutory filing. Slutsker said 20% is subject to further discussion and the Working Group's discretion. Slutsker acknowledged that alternative approaches could be considered, including greater granularity by loan-to-value, collateral type, or tiered structures, and stated that the exposure of this proposal is intended to open discussion on both the proposed approach and any alternative methodologies for applying a reduction.

Clark agreed that alternative proposals can be considered. He noted that he could envision a limited number of loans-to-value bands, each with different haircuts, as a reasonable alternative. However, Clark cautioned that approaches that are more complex than that likely would be disproportionate to the size of the asset class and may not be appropriate.

Slutsker exposed Proposal 2025-16-L MOD for 24-day public comment period ending March 6.

4. Exposed Proposal 2026-02-L—BA Residential Loans

Slutsker said that in 2025, while deliberating proposal 2024-24-L—Principle Based Bond Definition Project, the ACLI and Pacific Life requested a revisit of Proposal 2026-02-L BA—Residential Loans in their comment letters, which is currently not separated out in asset valuation reserve (AVR) and, therefore, in RBC, and the proposal was drafted to address that comment. The Working Group further noted that the proposal is subject to the adoption of 2025-27BWG MOD by the Blanks (E) Working Group.

Slutsker exposed Proposal 2026-02-L—BA Residential Loans for a 30-day public comment period ending March 12.

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5. Exposed the Proposal 2026-01-L—AVR Changes

Slutsker stated that, due to proposed changes to the instructions and blanks of the AVR—Default Component and Equity and Other Invested Asset Component tables as per Blanks (E) Working Group 2025-27BWG MOD, NAIC committee support has drafted Proposal 2026-01-L—AVR Changes, subject to the adoption of 2025-27BWG MOD.

Slutsker exposed Proposal 2026-01-L—AVR Changes for a 30-day public comment period ending March 12.

6. Heard C-3 Field Test Survey Results

Scott O'Neal (NAIC) and Rick Hayes (American Academy of Actuaries—Academy) provided an update on the C-3 Field Test results (Attachment Three-B6). The results inform the NAIC and the Academy on companies' interest in participating in the C-3 alignment field test, the preferred timeframe, and their modeling capabilities.

Slutsker thanked NAIC committee support and the Academy for their work on the survey, noting that it was an important step in assessing whether a field test would be feasible. Based on the results, he observed that conducting a field test appears feasible, with respondents demonstrating meaningful modeling capabilities, albeit at varying levels of sophistication. Slutsker noted that across the various items under consideration, there appears to be sufficient availability of functionality and data to support the proposed work. As a result, he indicated that the next step would be to schedule another call, potentially later in the month, to hear more from the Academy regarding field-test specifications, including a more detailed discussion of scope and design. Slutsker also noted that this discussion would help inform whether those specifications should be exposed for comment or subject to additional feedback.

7. Discussed Other Matters

Slutsker stated that the Working Group will be meeting in person at the Spring National Meeting on March 22 at 1:15 p.m. local time. He also said that the H-2 underwriting factor proposal was exposed for 75-day public comment period ending Jan. 20 by the Health Risk-Based Capital (E) Working Group and that the proposal has an impact on life RBC blanks (e.g., LR019 and LR020) and encouraged participation in the Health Risk-Based Capital (E) Working Group, which is meeting on Feb. 13.

He also reminded the Working Group of the joint meeting with the Variable Annuities Capital and Reserve (E/A) Subgroup scheduled for Feb. 11.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.

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January 16, 2026

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

Re: Proposal 2025-16-L – Conceptual Collateral Loans

Submitted Electronically

Dear Chair Barlow:

The American Council of Life Insurers (ACLI) welcomes the opportunity to comment on the exposed Conceptual Proposal for Collateral Loans to 1) make changes to Life RBC Blanks to reflect the adopted changes in Schedule BA and Asset Valuation Reserve (AVR) reporting effective 2026 and 2) explore the potential need to revisit RBC and AVR factors based on the risk characteristics of the collateral backing collateral loans.

ACLI believes the collateral loans RBC classification serves an important purpose for the insurance industry and regulators, which is to enable insurers to invest at an appropriately conservative RBC factor in high-quality assets that don't otherwise fit neatly into other existing investment categories. As such, ACLI strongly believes the NAIC should preserve this investment mechanism while utilizing the new disclosures that identify collateral loans by type of collateral to monitor exposure for the purpose of identifying when/if it becomes appropriate to revisit RBC factors for specific types of collateral loans based on materiality of industry-wide and/or individual company exposure.

When doing so, ACLI encourages thorough consideration to ensure alignment and consistency with the NAIC RBC Principles adopted at the 2025 NAIC Fall National Meeting by the NAIC RBC Model Governance (EX) Task Force. Specifically, the Equal Capital for Equal Risk principle states that "RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, appropriate for the underlying risk, unless there are substantial differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty) to warrant alternative treatments. RBC requirements should reflect measurable risks that can impact solvency, including the mitigating effects of risk management." Furthermore, the RBC Principles highlight the process for updating RBC requirements (Principle 10: Process), noting that "maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation when possible, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions."

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

Classification: Limited

ACLI believes the Conceptual Proposal as written does not appear to represent a fulsome consideration of the appropriate RBC factors in accordance with these NAIC RBC Principles. Specifically, the Conceptual Proposal is not based on quantitative or qualitative support for the newly proposed RBC factors, which is inconsistent with the identified principles regarding the process for updating RBC requirements. Additionally, without data-driven, quantitative or qualitative support, it is not possible to ensure adherence to the principle of Equal Capital for Equal Risk. For example, one of the stated objectives of the Conceptual Proposal is to revisit RBC and AVR factors based on the risk characteristics of the collateral backing the collateral loans. While ACLI agrees that the risk characteristics of the underlying collateral is a key consideration when determining the appropriate RBC factors, the structure of the collateral loan is also a key consideration that the Conceptual Proposal does not contemplate.

For these reasons and recognizing the exposure mentions an effective date of 2026 *or later*, ACLI recommends that the NAIC pursue an effective date no earlier than December 31, 2027. This will allow for a process and adopted RBC factors that align with the NAIC RBC Principles and the NAIC's precedent for deliberative decision-making. Furthermore, while the disclosure data shows that this is not a material or emerging issue industry wide, a sudden, material increase (in some instances greater than six times) in RBC factors could have immediate adverse impacts on individual companies that have made investment decisions relying upon the existing and long-standing RBC factors. Given the lack of data suggesting immediate solvency concerns neither industry-wide nor for individual companies related to the holdings of collateral loans, ACLI believes there is no regulatory need for an expedited effective date. Moreover, the fact that individual states do not have authority to grant permitted practices surrounding RBC further supports the need for additional time to allow individual companies to make portfolio adjustments to mitigate adverse impacts that could arise from material increases to the RBC charges applicable to certain types of collateral loans.

Beyond these general comments, ACLI has the following comments on specific aspects of the proposal.

Collateral Loans Backed by Mortgage Loans

The proposed RBC factor for this type of collateral loan is 3%, which is consistent with CM3. Our understanding is that the basis for proposing 3% relies on the assumption that reporting entities do not have access to loan level information for unaffiliated issuers. However, reporting entities do have access to detailed loan level information in nearly all instances, regardless of whether the issuer is affiliated or unaffiliated. This fact was the basis for SAPWG's interim provision allowing these loans to be reported in AVR lines 38-64 based on the underlying mortgage loan details. As reporting entities have been classifying these collateral loans in accordance with the underlying mortgage loan details pursuant to the interim provision, ACLI believes this should be made permanent, with a potential default category that is only applicable in instances where a reporting entity does not possess the underlying mortgage loan details. For those limited instances where loan level information is not available, ACLI believes an RBC factor of 3.0% is appropriate.

Collateral Loans Backed by Investments in JV/LP/LLC

The proposed RBC factor for this type of collateral loan is 30%, which is consistent with the charge for Schedule BA unaffiliated stock. ACLI believes this proposed RBC factor does not fully consider the nature of the underlying collateral, and therefore, does not meet the stated objective of the proposal. Schedule BA includes multiple categories for reporting investments in JV/LP/LLC based on the nature of the underlying investments each JV/LP/LLC holds, and the RBC factors applicable to investments in JV/LP/LLC vary based on the reporting category. For example, JV/LP/LLC that hold real estate

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investments are reported as "JV/LP/LLC with underlying characteristics of real estate" with an RBC factor that is materially different than the RBC factor applicable to Schedule BA unaffiliated stock. ACLI believes that if RBC factors for collateral loans are to be based on the RBC factors applicable to the underlying collateral, then those RBC factors should reflect the RBC factors that would be applicable if the underlying JV/LP/LLC were to be reported directly on Schedule BA.

Additionally, the proposed RBC factor does not consider the characteristics of the collateral loan itself, and in doing so implies that collateral loans backed by investments in JV/LP/LLC are economically equivalent to investing directly in the underlying JV/LP/LLC. However, collateral loans are debt investments with structural features that reduce economic risk relative to investing directly in the underlying collateral. Such structural features include, but are not limited to, the following:

- Overcollateralization – This can take multiple forms, including loan-to-values ("LTV") that are less than 100% and excess spread, both of which create a buffer that will absorb losses before insurers incur a loss. In many states, there are even statutory maximum LTV limits (e.g., 80%).
- Diversification – Many collateral loans are backed by a pool of assets, creating diversification benefits similar to those seen in asset-backed securities.
- Cross-collateralization – Some collateral loans are cross-collateralized with other collateral loans issued by the same borrower or sponsor, which can further enhance diversification benefits and provide credit support if one asset underperforms relative to another.
- Covenants – Similar to other forms of private debt, collateral loans often contain lender protective covenants such as issuer/sponsor guarantees, senior rights to borrower cash flows ahead of other obligations of the borrower, or borrower dividend restrictions.

Collectively, these structural features represent significant credit enhancements that are not reflected in a 30% RBC charge. Given the above considerations, ACLI believes that a uniform 30% charge may not fully reflect the risk-reducing characteristics of these collateral loans and could result in charges that do not align with the actual risk profile. As such, ACLI believes an analysis should be performed to ensure the adopted RBC factors reflect both the characteristics of the underlying collateral as well as the characteristics of the collateral loans themselves.

Collateral Loans Backed by Residual Tranches

As with collateral loans backed by investments in JV/LP/LLC, ACLI believes the 45% proposed RBC factor for this type of collateral loan does not consider the characteristics of the collateral loan itself, which are risk reducing. As such, ACLI's comments from the previous section apply equally to this type of collateral loan.

All Other Collateral Loans

ACLI supports the exposed proposal to retain the existing 6.8% RBC factor for all other collateral loans not specifically identified above. The disclosure data shows that collateral loans that would fall within this bucket represent a much smaller proportion of industry-wide exposure to collateral loans, and therefore, does not merit reconsideration of the existing RBC factor. However, as noted previously, ACLI supports continued monitoring of the disclosure data for material changes in industry-wide and/or individual company exposure that could signal a regulatory need to revisit the RBC factor.

In summary, ACLI appreciates the initial analysis conducted to evaluate the collateral loan holdings across the industry and NAIC's recognition that the factors should vary by collateral loan type to

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appropriately reflect risk. However, the underlying collateral is only one part of a fulsome analysis. The structural features of the collateral loans themselves also need to be incorporated into the analysis to appropriately assess risk. Furthermore, ACLI believes there is an opportunity to further strengthen the Conceptual Proposal by incorporating additional quantitative and qualitative support for the newly proposed RBC factors in alignment with the recently adopted NAIC RBC Principles, which will require additional time to 1) better understand the collateral loan asset class and 2) allow for robust dialogue between industry and regulators on the appropriate charges for this important asset class. ACLI and its member companies look forward to continuing to be a part of that discussion.

Thank you once again for considering our comments.

Sincerely,



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Iowa is in favor of moving forward with implementing the changes included in the redline of LR008 and LR009 as included in the exposure materials. We understand that conforming updates to AVR may be necessary in the future, but as has commonly occurred historically, we are comfortable with the AVR updates lagging the RBC updates.

As it is currently structured, the Collateral Loan asset type is the most easily exploited asset class for capital arbitrage. Collateral Loans can be secured by any admissible asset and receive a flat 6.8% RBC charge. Unlike bonds, which require an NAIC Designation from the SVO or a Credit Rating Provider, or commercial mortgages, which have risk-sensitive designation process, collateral loans do not receive any form of risk designation disclosed or used for capital purposes. Many states have Loan-to-Value limits in their investment statutes, which typically limit collateral loans to 80% or 90% of the fair value of the collateral at the time of acquisition, but these limits are insufficient to warrant the significant differential in RBC between the collateral loan and what would otherwise apply to the underlying collateral if held directly.

Because any type of admissible asset can secure collateral loans, those that would otherwise be subject to much higher RBC charges as a standalone investment are the most susceptible to capital arbitrage when structured as a collateral loan. For example, equity investments receive a 30% charge and residual tranches receive a 45% charge. By simply papering the investment as a collateral loan, 80%-90% of the value receives a 75-85% reduction in RBC, approximately a 2/3 reduction in RBC inclusive of the residual value. This is similar to the potential arbitrage that has been of concern with CLOs; however, unlike CLOs, collateral loans lack even the validation of an independent credit rating.

This susceptibility to capital arbitrage is being actively exploited. Based on the 2024 reporting data, 42.7% of all collateral loans are secured by JV, LLC & Partnerships, which receive an equity charge when held directly, and nearly all of which were affiliated. Additionally, collateral loans are highly concentrated in a small number of companies, some holding in excess of 25% of their invested assets in collateral loans.

For these reasons, IA is in favor of the proposal moving forward. We would not oppose a simple adjustment to factor in the benefit of overcollateralization if one can be accommodated operationally. There may also be some instructional changes warranted to ensure certain JV/LLC/Partnerships that receive lower RBC factors when held directly (e.g. Schedule BA mortgages) are appropriately mapped, but there is more time available to address instructional changes later in the year.

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January 27, 2026

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

Re: Proposal 2025-16-L – Conceptual Collateral Loans

Submitted Electronically

Dear Mr. Barlow:

Executive Summary

Security Benefit Life Insurance Company ("Security Benefit") appreciates the opportunity to comment on Conceptual Proposal 2025-16-L (the "Conceptual Proposal") concerning RBC and AVR factors for collateral loans backed by various asset classes. While Security Benefit acknowledges the NAIC's objective to revisit RBC factors based on collateral risk characteristics, we respectfully submit that the Conceptual Proposal, in its current form, does not meet that objective. As the risk for insurers making collateral loans differs significantly from holding collateral assets directly, the Conceptual Proposal should be considered carefully and transparently to ensure the desired outcome of revised RBC factors aligns with the recently adopted RBC Principles, particularly those pertaining to accuracy in data-driven decision making and equal capital for equal risk.

Because sufficient time and resources should be dedicated to quantifying and validating collateral loan risk, refining the Conceptual Proposal, and giving insurers a runway to adjust to any changes without market disruption, implementation of an effective date of year-end 2026 seems unnecessarily hurried. There is no impending industry-wide solvency concern, so regulators have an opportunity to take the necessary time to review, analyze and implement any changes to RBC charges for collateral loans that closely resembles the equal capital for equal risk framework in an analytically robust manner taking into consideration input from many participants across the industry like the NAIC has done across other changes to capital charges. This approach will result in a fair outcome for affected entities and avoid unintended consequences.

Therefore, Security Benefit respectfully requests that any revised RBC framework for collateral loans be implemented no earlier than year-end 2028, to allow for data-driven analysis, stakeholder input, and orderly portfolio transition.

Recommendation: Regulators and interested parties should use the Conceptual Proposal as a starting point for further analysis to ensure that any updated RBC factors:

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- Align with recently adopted RBC Principles, particularly equal capital for equal risk as seen across other structured investments; collateral loans are, at their core, a structured investment and should be analyzed in an analytically consistent manner with other structured products
- Recognize the structural protections inherent in collateral loans that reduce insurers' risk compared to holding collateral directly
- Are supported by empirical data on structured investments (e.g. collateral loans) resiliency through adverse scenarios and recognizing the resiliency is influenced by a multitude of factors including the underlying asset/investment being financed and the amount of subordinated capital relative to the investment whose risk is being assessed
- Allow reasonable implementation timeframes to ensure an outcome consistent with the aforementioned considerations and that avoids immediate impact on insurers that have made investments based upon long-standing RBC charges.

Core Issues:

1. Equal capital for equal risk – The Conceptual Proposal does not align with the fundamental RBC principle that equal risk should carry equal capital requirements. By applying "look-through" treatment that assigns the same RBC charge as if the insurer held the collateral directly, the proposal does not account for important structural protections insurers possess including first-loss capital buffers, and other negotiated provisions that provide credit protection exist in a collateral loan but not in direct holdings.
2. Timing – Any change to regulatory capital charges for any investment should be given due and consistent process. Past experience shows that changes to capital charges for structured investments require extensive deliberation that is not likely to be effectively achieved on the Conceptual Proposal's proposed timeline for 2026 effectiveness. Further, an immediate and significant change to long-standing capital charges causes an inequitable impact on entities that have made investment decisions based upon existing rules.
3. Analytical Robustness – Any change to RBC charges should be conducted with an analytically robust modeling process. As such, the industry can implement new capital charges for this structured asset class for the long-term. Absent validated modeling that reflects the features that differentiate collateral loans from investments held directly on balance sheet, including structural subordination and other credit enhancements, accelerated implementation of the Conceptual Proposal as drafted risks violation of NAIC's core principles of accuracy and equal capital should be held for equal risk.

The Fundamental Distinction Requiring Differential Treatment: Collateral Loans Are Not Equivalent to Direct Holdings

The NAIC Staff Drafting Note within the Conceptual Proposal proposes revised RBC charges ranging from 3% (mortgage loan collateral) to 30% (JV/LP/LLC investments) to 45% (residual tranches). These factors assign the same RBC charge as if the insurer held the collateral directly

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on its balance sheet. Regulators may be tempted to assume this "look-through" treatment constitutes equal capital for equal risk. That assumption would be mistaken.

Collateral Loans Present Superior Credit Risk

Collateral loans issued by insurers are a fundamentally different—and superior—form of credit risk and are not economically equivalent to holding the underlying collateral directly. Under a collateral loan structure, declines in collateral value are first absorbed by borrower equity and/or other subordinated interests, such that insurer losses only occur after a material erosion of value well beyond the levels assumed by a simple look-through to the underlying asset class. Specifically, the statutory and contractual protections described below significantly distinguish collateral loans from underlying collateral held directly on balance sheet:

Statutory LTV Limits Provide Substantial Loss Buffers

Many state legislatures have established safety barriers requiring loan-to-value (LTV) maximums. These LTV maximums are typically 80%, meaning if an insurer loans $80 to a borrower, the borrower must pledge collateral worth *at least* $100. This statutory subordination provides a substantial buffer against loss:

- Borrowers must absorb first 20% decline of any collateral value
- Insurer incurs no loss until the loan becomes impaired and collateral value falls below loan balance

Unlike equity or mezzanine positions in other structured investment asset classes, collateral loans represent senior, secured credit positions. The insurer does not participate *pro rata* in losses with equity holders as if the insurer held the collateral directly. Rather, the insurer suffers no loss until all subordinated capital is exhausted. This additional protection is not insignificant. Interested parties should be afforded an opportunity to provide data to demonstrate the positive effects this LTV protection has against the actual risk of insurer losses and how RBC factors should be assigned based upon that risk. Furthermore, this principle is demonstrated in the NAIC's current modeling and risk assessment of other structured assets such as CMBS and RMBS. It is also incorporated into the analytical work which is being conducted on the CLO asset class by the NAIC and the American Academy of Actuaries. Lastly, this position is fundamental to any structured investment which legally protects and prioritizes the claims of senior creditors relative to junior creditors and residual interest owners (*e.g.*, equity).

Negotiated Structural Protections

As a bespoke structured asset class, collateral loans may vary considerably from insurer to insurer given the bi-lateral nature of many of the industry's investments. Varying structural protections could include, but not be limited to:

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- **Guarantee structures:** Loans may provide additional recourse beyond collateral
- **Cash disbursement priority:** The insurer can impose control over borrower cash flows, creating senior rights to borrower cash flows ahead of other obligations of the borrower, or borrower dividend restrictions
- **Diversification**: Collateral loans may be backed by a pool of assets, creating diversification benefits
- **Covenants:** As added protection for repayment, maintenance requirements and reporting obligations may be built into the loan structure
- **Cross-collateralization:** Other forms of credit enhancement such as cross-collateralization of a series of loans and/or cross default protections and/or maintenance covenants for the benefit of the lender provide diversification and additional downside protection

These negotiated protections are significant risk reduction factors that are absent when insurers hold collateral directly. As regulators are interested in ensuring appropriate capital charges based upon risk, these structural protections and potential variations must be accounted for just as they would be across other NAIC modeled risk structured asset classes. Summary-level alternative approaches are described below, but such alternatives should be evaluated in line with Principle 10 – Process – which sets forth the following:

> Maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation, when possible, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions.

The Conceptual Proposal Needs Additional Supporting Data

The Conceptual Proposal and SAPWG referral do not present data on collateral loan performance and associated risks assumed by insurers. This is an important data set that should be considered before imposing capital charges more than 6 times higher than current, long-standing levels. Before imposing such a steep change in the methodology for capital treatment for collateral loans, and absent changes in the underlying risk, the NAIC should demonstrate:

1. **Historical Loss Experience:** What actual losses have insurers experienced on collateral loans?
2. **Comparative Performance:** How have collateral loans performed relative to direct holdings of similar collateral?
3. **Stress Testing:** How did collateral loans perform during the Global Financial Crisis and subsequent stress periods?

The historically conservative 6.8% RBC charge (positioned between NAIC designations 3C/BB- and 4A/B+) may warrant review, but any revision should be data-driven and reflect actual risk experience rather than theoretical worst-case assumptions.

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Before any revised RBC factors for collateral loans are finalized, Security Benefit respectfully recommends a process that includes: (i) an industry-wide review of collateral loans focusing on collateral composition, structural subordination, and historical performance; (ii) comparative analysis of impairment frequency and loss severity relative to direct holdings of similar collateral; and (iii) stress testing under adverse market scenarios.

Implementation Timeline and Alternative Regulatory Approaches

The available data does not indicate an emergent solvency or policyholder protection concern that would justify emergency action or otherwise expedited implementation of a fundamentally revised capital framework. The relatively conservative current 6.8% charge has been in place for many years without evidence of systematic understatement of risk. Because there is no basis for expedited implementation, regulators should provide adequate time for developing a data-driven proposal.

Just as important though, once decided, a reasonable time for company response and implementation should be afforded – at least one calendar year after adoption. Companies have made investment decisions relying upon the existing and long-standing RBC factors, and a substantial and upward RBC factor adjustment in the middle of the investment period of a collateral loan equates to a retroactive or ex post facto rule making.

An expedited 2026 effective date is neither necessary nor appropriate. Security Benefit strongly supports Regulators choosing to make revised RBC factors effective no earlier than December 31, 2028, and for affected entities to have at least a full year after adoption to plan for and implement changes. Additional time is essential for:

1. **Data Collection and Analysis:** Gather industry-wide collateral loan subordination, structure, and performance data to inform appropriate factors
2. **Stakeholder Input:** Allow impacted parties and data experts to provide meaningful commentary
3. **Portfolio Adjustments:** Enable companies to adjust portfolios given immediate and potentially large capital impact despite no change in underlying characteristics of the risk.

Precedent for Deliberative Process

Security Benefit recognizes the NAIC's legitimate interest in ensuring appropriate capital treatment. The NAIC has precedent for thorough, deliberative processes when revising RBC factors. The CLO modeling process, for example, involved transparent analysis affording interested parties and data experts the opportunity to make recommendations on appropriate charges. A similar process should apply here wherein regulators should engage in a transparent and deliberative process that considers a variety of data-driven alternatives that preserve equal capital for equal risk.

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For example, regulators also could assign more refined RBC factors based on subordination level, mirroring structured securities treatment, e.g., the greater the subordination level, the lower the RBC factor. The benefits of this option would be to recognize structural protections proportionally, maintain consistency with CLO and structured securities treatment, allow for enhanced disclosure requirements, and better align with the equal capital for equal risk principle. While this approach is an improvement compared to the Conceptual Proposal, other, more refined options should be considered to ensure the greatest accuracy.

Regulators could also use a straightforward analysis that looks at the implied CTE level of the underlying collateral type, use the corresponding impairment rate to model out the losses that accommodate for the structural characteristics that benefit the senior secured insurer lender, and apply an adjustment to the proposed RBC charge that more accurately reflects the expected losses an insurer would incur. For a given risk asset with required capital amount (Annual Statement Value * RBC Factor), this resultant impairment has a waterfall impact between the senior secured lender and the borrower that reflects expectations. Thus, the given required capital amount from the risk asset should be allocated proportionally, based on the allocated impairments, between the senior lender and the borrower.

Industry Impact and Unintended Consequences

Through provision of credit through collateral loans, insurers play an important part in growing America's economy. Collateral loans provide an important source of financing across multiple industries. If adopted in the current form, the Conceptual Proposal would penalize insurers who actively manage credit risk through negotiated protections while rewarding those who passively purchase rated securities.

Without data showing elevated risk or losses on a company-specific or industry-wide basis, dramatic increases in capital charges lack empirical foundation. ***Regulators should be cautious of attempts to disincentivize the extension of secured lending when no evidence has been presented that the system is flawed.***

The proposed RBC charges based on simple look-through would:

- **Penalize conservative credit practices** – Insurers who negotiated strong protections face the same charges than those holding direct positions. This creates a disincentive for active risk management
- **Reduce credit market competition** – Fewer insurers willing to provide direct lending
- **Discourage active risk management** – Create preference for rating agency opinions over structural analysis
- **Harm policyholders** – Less efficient capital deployment results in higher costs or lower returns

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Security Benefit's Performance and Proactive Regulatory Engagement

Security Benefit's collateral loan portfolio has performed exceptionally well, including through periods of market stress. Security Benefit works closely with our domestic regulator to provide transparency into our collateral loan portfolio. We have provided extensive education on collateral loan characteristics that enable superior financial performance, including:

- Detailed structural analyses of subordination and credit protections
- Regular portfolio performance reporting

This transparency demonstrates that appropriate oversight of an insurer's risk management can be achieved without simplistic and draconian capital charges that ignore actual risk characteristics.

Security Benefit's Institutional-Quality Structures

Security Benefit has structured collateral loans with institutional-quality credit protections comparable to highly-rated CLO tranches. Where collateral loans involve affiliated borrowers, Security Benefit applies the same or more stringent structural protections, valuation discipline, and covenant enforcement mechanisms as would be required in an unaffiliated transaction. Loan-to-value maintenance tests are monitored quarterly, with contractual remedies including additional collateral, cash paydowns, or other credit support, and cross-collateralization and parent guarantees are legally enforceable obligations. Specifically, our collateral loan positions are backed by high quality asset pools and carry:

- 20%+ subordination below our position
- Cross-collateralization across diversified portfolios
- Additional guarantees and covenants
- Conservative LTV ratios within statutory limits

These structures were specifically negotiated to provide multiple layers of protection before any loss could reach our position. Our collateral loan positions carry equal or lower risk than comparably subordinated CLO tranches rated AA or A, yet would receive materially higher capital charges (30-45%) under the Conceptual Proposal compared to rated CLO tranches (0.4-1.3%). Simply put, the Conceptual Proposal of pure look-through doesn't make sense.

Further, the proposed approach would impose capital requirements more than 6 times current levels for positions that have not been shown to have negatively performed. As insurers often hold multiple times required capital, the proposed 30% and 45% charges would force insurers:

1. **Asset sales into potentially illiquid markets** – Disrupting portfolios which could necessitate sales at below market values.

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2. **Reduced new business capacity** – Unnecessarily requiring significantly more capital reduces the ability of insurers to offer products to American consumers preparing for retirement.

3. **Increased reinsurance costs** – Insurers may need to cede business to offshore reinsurers to maintain capital ratios

Conclusion and Recommendations

Again, Security Benefit supports the objective of the Conceptual Proposal to review and update RBC charges. However, the methodology and timing of the revised RBC charges must be reasonable in relation to the impact of the changes. It is particularly important that any revised framework be supported by robust analysis and implemented with sufficient transition time to avoid unintended and disproportionate impacts.

Security Benefit urges the NAIC Life Risk Based Capital Working Group to:

1. **Collect Data:** Gather comprehensive industry data on collateral loan structure, performance, and loss experience
2. **Conduct Further Analysis:** Evaluate subordination levels and structural protections across industry collateral loan portfolios
3. **Revise Methodology:** Develop RBC factors that recognize structural subordination and credit protections, aligning with the equal capital for equal risk principle
4. **Consider Alternatives:** Evaluate the subordination-based framework or other alternatives that can be developed through collaboration with industry and stakeholders
5. **Consider a later implementation date:** Revised RBC charges should go into effect no earlier than December 31, 2028
6. **Provide Adequate Timeline:** Allow at least one full year after adoption of revised factors before effective date

The Conceptual Proposal should serve as a starting point for thorough analysis. The recently adopted RBC Principles reinforce the need for greater precision. The “Accuracy” principle requires RBC requirements to be “sufficiently precise to assess solvency risk, while avoiding unnecessary complexity,” and the principle of equal capital for equal risk requires RBC factors to “reflect measurable risks and the mitigating effects of risk management.” The RBC Principles directly support refining the Conceptual Proposal to better account for statutory loss protections and negotiated structural benefits for insurer-lenders, rather than relying on incomplete data and generalized assumptions.

With appropriate data gathering, stakeholder input, and recognition of structural protections, the NAIC can develop accurate collateral loan RBC factors that truly reflect risk. Security Benefit

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appreciates the Working Group's consideration of these comments and stands ready to provide additional information, data, or analysis as requested.

Respectfully submitted,



Douglas Wolff
Chief Executive Officer

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January 27, 2026

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

Via Email: kokosun@naic.org

Re: Comments on Proposal 2025-16-L – RBC Factors for Collateral Loans Based on Underlying Collateral Type

Dear Chair Barlow and Members of the Life Risk-Based Capital (E) Working Group

The Alternative Credit Council,[1] the private credit affiliate of the Alternative Investment Management Association Ltd (AIMA), appreciates the opportunity to

[1] The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US$2 trillion of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board, which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure, and the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research to strengthen the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.



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provide comments on Proposal 2025-16-L, which was exposed for comment on November 14, 2025. We commend the Working Group for advancing this important initiative to refine the risk-based capital (RBC) treatment of collateral loans by introducing differentiated factors based on the type of underlying collateral. This proposal represents a meaningful step forward in enhancing the look-through approach, better aligning RBC charges with the actual underlying economic characteristics and risks of each asset class. By moving away from the historical 6.8% uniform factor, the proposal promotes a more nuanced, risk-sensitive framework that supports prudent capital management for life insurers.

While we support the proposal's overall direction, we believe there is room for further improvement to fully realize the benefits of a look-through methodology. Specifically, with respect to collateral loans backed by mortgages, we recommend that the RBC treatment be based on the underlying mortgage loan's risk characteristics, consistent with the interim solution adopted in 2024 for "loan on loan" structures. Under that interim approach, reporting entities identify mortgage-backed collateral loans and apply the same tiered RBC factors that apply to directly held mortgage loans. We view this as an appropriate method to address the capital required for insurers' investments in this asset class.

The proposal notes that NAIC staff believe insurers may not always know these details, which would lead to a wide range of potential outcomes. However, in our experience advising insurance company investment managers, insurers generally do have access to this information as part of their due diligence and ongoing monitoring processes. We cannot readily identify scenarios where an insurer would hold a collateral loan backed by mortgages without knowing its risk characteristics.

To address any potential uncertainty, we suggest a tiered approach. When the reporting entity has the underlying mortgage loan information, the reporting entity would apply the look-through approach described above. In cases where the reporting entity lacks underlying mortgage loan information needed to assign a mortgage risk category, the reporting entity would default to 3.0% (CM 3 factor). These refinements, including to the interim solution, would maintain conservatism where warranted while ensuring that the RBC charge accurately reflects the known risk profile, further strengthening the proposal's alignment with economic realities.

We appreciate the Working Group's commitment to completing this project in the first half of 2026 for effectiveness with the December 31, 2026 annual statements.

We stand ready to provide additional input or data as needed and look forward to the continued dialogue on this matter.

Thank you for considering our comments.

Please contact either of us at Jkrol@aima.org or Joe Engelhard, Head of Private Credit & Asset Management Policy, Americas, at jengelhard@aima.org if you have any questions or would like to discuss these topics in more detail.

Sincerely,

Jiří Król
Global Head of Alternative Credit Council

Joe Engelhard
Head of Private Credit & Asset Management Policy, Americas

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☒ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

	DATE: 02/04/2026	**FOR NAIC USE ONLY**
CONTACT PERSON:	Kazeem Okosun	Agenda Item # 2025-16-L MOD Year 2026 or later
TELEPHONE:	816-783-8981	**DISPOSITION**
EMAIL ADDRESS:	kokosun@naic.org	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
ON BEHALF OF:	Life Risk-Based Capital (E) Working Group	
NAME:	Ben Slutsker, Chair	
TITLE:	Director of Life Actuarial Valuation	**EXPOSED:** ☐ TASK FORCE (TF) _____ ☒ WORKING GROUP (WG) 11/14/2025 ☐ SUBGROUP (SG) _____
AFFILIATION:	Minnesota Department of Commerce	
ADDRESS:	85 7th Place East, Suite 280 Saint Paul, MN 55101	**REJECTED:** ☐ TF ☐ WG ☐ SG _____
		OTHER: ☐ DEFERRED TO _____ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) _____

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

☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ 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 was exposed at the Working Group on Nov 14 for a 74-day public comment period ending Jan 27, 2026.Based on comments received, a modified proposal is drafted.

Additional Staff Comments:

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2/2/26: NAIC Staff Drafting Note:

Key highlights of the modified proposal:

1) Commenters stated that some states have maximum loan-to-values (LTV) limits for collateral loans. Initial outreach indicated that LTV limits vary by states, ranging from 0% to 90%. The modified proposal, henceforth, factored into a generic haircut of [20%] to the RBC factors originally proposed for i) collateral loans backed by residual tranches/interests and ii) collateral loans backed by investments in JV/LP/LLC. The final haircut % is subject to Working Group's discussions and discretion.
2) Commenters stated that collateral loans have other structural features that should be factored into when contemplating RBC factors based on risk characteristics of the collaterals. However, these structural features are bilaterally agreed upon between issuers and insurance companies (investors) and are not readily available public information. In order to avoid unnecessary complexity, no further consideration deemed necessary on other structure features apart from LTV as discussed above.
3) Given the representations that insurance companies have access to detailed loan level information for collateral loans backed by mortgage loans, the proposal is modified to allow treatment as per Proposal 2024-15-L adopted in 2024. (i.e. interim provision made permanent)
4) The Working Group had discussed AVR factors during Nov 14 meeting and was aware of historical precedence that AVR factors update trail behind RBC factors update. As such, Staff modified the proposal to set AVR Basic Contribution, Reserve Objective and Maximum Reserve to zero (i.e. continue the current practice) until otherwise advised by the American Academy of Actuary.
5) Asset Concentration Factor consideration: current life RBC framework doubles the charge for collateral loan (0.068). Staff modified the LR010 page to continue the current practice of doubling RBC charges, subject to 45% cap.

**** This section must be completed on all forms.** **Revised 2-2023**

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OTHER LONG-TERM ASSETS

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †		(4) Factor		(5) RBC Requirement
	Schedule BA - Fixed Income - Bonds								
(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
	Schedule BA - Fixed Income - Preferred Stock								
(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
	Rated Surplus Notes Classified by Designation Equivalent								
(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

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		Annual Statement Source	(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
	Rated Capital Notes Classified by Designation Equivalent								
(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
	Schedule BA - Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs)								
(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

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OTHER LONG-TERM ASSETS

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
(43.2)	**Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests**	**AVR Equity Component Column 1 Line K3 + K4**	$0		$0 X	0.2400	= $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
(45.2)	**Schedule BA Collateral Loans backed by Residual Tranches or Interests**	**AVR Equity Component Column 1 Line K5 + K6**	$0		$0 X	0.3600	= $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) + (43.2)+ (44) + (45.1) + (45.2)	$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
	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	= $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 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 (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).

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OTHER LONG-TERM ASSETS

		(1)	(2)	(3)	(4)	(5)
		Book / Adjusted				RBC
	Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement

‡ 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.

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ASSET CONCENTRATION FACTOR

Issuer		Asset Type	(1) Book / Adjusted Carrying Value		(2) Factor		(3) Additional RBC	(4) Adjustment/ Subsidiary RBC	(5) 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)**	**Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests**	$0	X	**0.21000**	=	$0	$0	$0
#01	**(13.2)**	**Collateral Loans backed by Residual Tranches or Interests**	$0	X	**0.09000**	=	$0	$0	$0
#01	**(13.3)**	**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
#01	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#01	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#01	(31)	Farm Mortgages - 90 Days Overdue	$0						
#01	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(33)	Residential Mortgages - 90 Days Overdue	$0						
#01	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#01	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(37)	Farm Mortgages in Foreclosure	$0						
#01	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(39)	Residential Mortgages in Foreclosure	$0						
#01	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(41)	Commercial Mortgages in Foreclosure	$0						
#01	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	= $0	$0	$0
#01	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900	=	$0	$0	$0
#01	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750	=	$0	$0	$0

Details Eliminated to Conserve Space

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
		Details Eliminated to Conserve Space						
	Separate Accounts							
(046)	Guaranteed Index	LR006 Separate Accounts Column (3) Line (1)	$0	X	0.1575	=	$0	
(047)	Nonindex-Book Reserve	LR006 Separate Accounts Column (3) Line (2)	$0	X	0.1575	=	$0	
(048)	Separate Accounts Nonindex-Market Reserve	LR006 Separate Accounts Column (3) Line (3)	$0	X	0.1575	=	$0	
(049)	Separate Accounts Reduction-Reinsurance	LR006 Separate Accounts Column (3) Line (5)	$0	X	0.2100	=	$0	†
(050)	Separate Accounts Increase-Reinsurance	LR006 Separate Accounts Column (3) Line (6)	$0	X	0.2100	=	$0	
(051)	Synthetic GICs	LR006 Separate Accounts Column (3) Line (8)	$0	X	0.1575	=	$0	
(052)	Separate Account Surplus	LR006 Separate Accounts Column (3) Line (13)	$0	X	0.1575	=	$0	
	Real Estate							
(053)	Company Occupied Real Estate	LR007 Real Estate Column (3) Line (3)	$0	X	0.2100	=	$0	
(054)	Foreclosed Real Estate	LR007 Real Estate Column (3) Line (6)	$0	X	0.2100	=	$0	
(055)	Investment Real Estate	LR007 Real Estate Column (3) Line (9)	$0	X	0.2100	=	$0	
(056)	Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (11)	$0	X	0.2100	=	$0	†
(057)	Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (12)	$0	X	0.2100	=	$0	
	Schedule BA							
(058)	Sch BA Real Estate Excluding Tax Credit Investments	LR007 Real Estate Column (3) Line (16)	$0	X	0.2100	=	$0	
(059)	Yield Guaranteed State Tax Credit Investments	LR007 Real Estate Column (3) Line (17)	$0	X	0.0000	=	$0	
(060)	Qualifying and Other Tax Credit Investments	LR007 Real Estate Column (3) Line (18) + Line (19) + Line (20)	$0	X	0.0000	=	$0	
(061)	Sch BA Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (23)	$0	X	0.2100	=	$0	†
(062)	Sch BA Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (24)	$0	X	0.2100	=	$0	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)	$0	X	0.1575	=	$0	
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)	$0	X	0.1575	=	$0	
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)	$0	X	0.1575	=	$0	
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)	$0	X	0.1575	=	$0	
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)	$0	X	0.1575	=	$0	
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)	$0	X	0.2100	=	$0	
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)	$0	X	0.2100	=	$0	†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)	$0	X	0.2100	=	$0	
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12)	$0	X	0.1575	=	$0	
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)	$0	X	0.1575	=	$0	
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)	$0	X	0.1575	=	$0	
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)	$0	X	0.1575	=	$0	
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)	$0	X	0.1575	=	$0	
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)	$0	X	0.2100	=	$0	
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)	$0	X	0.2100	=	$0	†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)	$0	X	0.2100	=	$0	
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)	$0	X	0.1575	=	$0	
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)	$0	X	0.1575	=	$0	
(081)	BA Common Stock Affiliated - C-1o	LR008 Other Long-Term Assets Column (5) Line (50.3)	$0	X	0.2100	=	$0	
(082)	**All Other Schedule BA Collateral Loans** - C-1o	LR008 Other Long-Term Assets Column (5) Line (51)	$0	X	0.1575	=	$0	
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (53.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	$0	X	0.2100	=	$0	
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)	$0	X	0.2100	=	$0	†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (56)	$0	X	0.2100	=	$0	
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (12)	$0	X	0.1575	=	$0	
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (16)	$0	X	0.1575	=	$0	
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (20)	$0	X	0.1575	=	$0	
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)	$0	X	0.2100	=	$0	†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (23)	$0	X	0.2100	=	$0	
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page	$0	X	0.1575	=	$0	
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)	$0	X	0.1575	=	$0	
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)	$0	X	0.1575	=	$0	
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)	$0	X	0.1575	=	$0	
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)	$0	X	0.1575	=	$0	
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)	$0	X	0.1575	=	$0	
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)	$0	X	0.1575	=	$0	
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)	$0	X	0.1575	=	$0	
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)	$0	X	0.2100	=	$0	
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)	$0	X	0.2100	=	$0	†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)	$0	X	0.2100	=	$0	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	$0	X	0.1575	=	$0	
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	$0	X	0.2100	=	$0	

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Company Name | Cocode: 00000

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(104)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	$0	X	0.2100	=	$0	
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	$0	X	0.2100	=	$0	
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	$0	X	0.2100	=	$0	
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	$0	X	0.2100	=	$0	
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	$0	X	0.2100	=	$0	
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	$0	X	0.2100	=	$0	
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)	$0				$0	
	C-0 Affiliated Common Stock							
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)	$0	X	0.1575	=	$0	
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)	$0	X	0.2100	=	$0	†
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)	$0	X	0.2100	=	$0	
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	$0	X	0.2100	=	$0	
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	$0	X	0.2100	=	$0	
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	$0	X	0.2100	=	$0	
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	$0	X	0.2100	=	$0	
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	$0	X	0.2100	=	$0	
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	$0	X	0.2100	=	$0	
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	$0	X	0.0000	=	$0	
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	$0	X	0.0000	=	$0	
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)	$0				$0	
	Common Stock							
(123)	Unaffiliated Common Stock	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	
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual							
(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 (45.2)**	$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 (45.2)**	$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	
	Insurance Risk							
(135)	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) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (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.

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Company Name
CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

Cocode: 00000

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	$0
(2)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	$0
(3)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	$0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	$0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	$0
(6)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	$0
(7)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	$0
(8)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	$0
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	$0
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)	$0
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)	$0
(12)	Net (C-0) - Post-Tax	Line (10) - Line (11)	$0
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding		
(14)	Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) **Line (49) - Line (45.1) - Line (45.2)**	$0
(15)	Total Residual Tranches or Interests **/ Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) line **(45.1) + Line (45.2)**	$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
	Asset Risk - All Other (C-1o)		
(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

Details Eliminated to Conserve Space

LR031 MOD

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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.

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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.



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Details Eliminated to Conserve

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

SECTION K		COLLATERAL LOANS											
1		Backed by mortgage loans – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
2		Backed by mortgage loans – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
3		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
4		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
5		Backed by residual tranches or interests – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
6		Backed by residual tranches or interests – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
7		Backed by debt securities – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
8		Backed by debt securities – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
9		Backed by real estate – collateral loans – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
10		Backed by real estate – collateral loans – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
11		Collateral loans – all other – unaffiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
12		Collateral loans – all other – affiliated		XXX	XXX		0.0000		0.00000.0680		0.00000.0680		
13		Total collateral loans (Sum of Lines K1 through K12)		XXX	XXX		XXX		XXX		XXX		
SECTION L		ALL OTHER INVESTMENTS											
1100		NAIC 1 working capital finance investments		XXX			0.0000		0.0042		0.0042		
2101		NAIC 2 working capital finance investments		XXX			0.0000		0.0137		0.0137		
3102		Other invested assets - Schedule BA		XXX			0.0000		0.1580		0.1580		
4103		Other short-term invested assets - Schedule DA		XXX			0.0000		0.1580		0.1580		
5104		Total all other (Sum of Lines L100 through L4103)		XXX			XXX		XXX		XXX		
6105		Total other invested assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 79, 92, 99 and 104C8, D8, E27, F6, G4, H5, I13, J7, and K13)					XXX		XXX		XXX		

(a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
(b) Determined using same factors and breakdowns used for directly owned real estate.
(c) This will be the factor associated with the risk category determined in the company generated worksheet.

Details Eliminated to Conserve



Life RBC (E) Working Group

C3 Alignment Survey Results

2/10/26

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Background and Limitations of Survey

Background

- In support of the recommendations set forth by the American Academy of Actuaries Life Practice Council's C-3 Subcommittee (the Subcommittee) for C-3 Phase 1 and Phase 2 (C3P1 and C3P2) harmonization, a field test is being proposed by the Subcommittee.
- The C-3 methodology field test is tentatively going to be scheduled for Summer/Fall 2026. It is anticipated that the larger focus will be on C3P1, however, there is a possibility that some changes could impact C3P2 to homogenize the methodologies, which would require some focus on C3P2.
- A survey was sent out on 12/15/25 to gather information on the field test from the industry.

Limitations

- The survey was filled out once by insurance groups, sometimes for multiple legal entities. This makes it challenging to understand the level of participation by product at the legal entity level.
- In some cases the survey was filled out multiple times by different individuals at an insurance group with different answers, so some judgement was applied in compiling the results.

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Q1: Does your Company plan on Participating in the Field Test?

	Legal Entities	Groups
YES	56	32
NO	16	5

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Q2: Is Summer/Fall of 2026 a feasible timeframe for your company to participate in the field test?

	Legal Entities
YES	54
NO	2

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Q3: What product lines do you plan to include in the testing?

Products	Products Included by Group
Deferred Income Annuities (DIA)	26
Flexible Premium Deferred Annuities (FPDA)	28
Multi-Year Guarantee Annuities (MYGA)	28
Registered Index-Linked Deferred Annuities (RILA)	10
Bank-Owned Life Insurance/Company Owned Life Insurance (BOLI/COLI)	8
Single Premium Deferred Annuities (SPDA)	28
Fixed Indexed Annuities (FIA)	17
Funding Agreements	17
Guaranteed Investment Contracts (GICs)/Synthetic GICs	9
Income Annuities/Single Premium Immediate Annuities (SPIA)	26
Indexed Linked Variable Annuities (ILVA)	10
Pension Risk Transfer (PRT)	12
Retail Life	8
Stable Value Contracts	6
Structured Settlements Contracts (SSC)	14
Variable Annuities	13
Other (please specify)	2

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Q4: Can you provide the C-3 results under the surplus-based metric for the products currently subject to C3P1 testing?

	Legal Entities
YES	51
NO	5

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Q5: Are you able to calculate the asset-based metric for the products currently subject to C3P1 testing?

	Legal Entities
YES	45
NO	10
N/A	1

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Q6: Can you provide the impact of different default assumptions apart from the baseline CTE70?

	Legal Entities
YES	44
NO	11
N/A	1

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NAIC

Q7: If you can provide the impact of different default assumptions, can you provide data that would support the estimate of a potential default cost credit on C3P1, e.g., asset balances backing the liabilities being tested such as bonds by rating, commercial mortgages?

	Legal Entities
YES	40
NO	12
N/A	4

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Q8: Are you able to test the impact of the stochastic equity proposal?

	Legal Entities
YES	26
NO	29
N/A	1

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Q9: How many minimum scenarios are you able to run under an asset-based metric using either CFT or PBR models??

	Legal Entities
10,000	1
1,000	19
500	3
200	21
Other	11
N/A	1

In the commentary, other typically meant that the number of scenarios would vary by product line with more for Variable Annuities and less for Fixed Annuities and Payouts.

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Q10: Are you modeling any hedging?

	Model Segments
Explicit Hedging	15
Implicit Hedging	17
No Hedging Being Modeled	6
No Hedging Exists on Products	15
Simplified Hedging Approach	15
Other	13

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Q11: How many capital calculation iterations (maximum) would you be able to provide?

	Legal Entities
1-2	6
3-5	25
6-8	21
9-11	3
N/A	1

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Q12: If your current C-3 is reported using scenarios from a proprietary generator, are you able to provide a new baseline based on the prescribed scenarios that are posted by the NAIC?

	Legal Entities
YES	29
NO	11
N/A	16

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March 10, 2026

Ben Slutsker
Chair, NAIC Life Risk-Based Capital (E) Working Group (LRBC)

Peter Weber
Chair, NAIC Variable Annuities Capital and Reserve (E/A) Subgroup (VACR)

Re: February 2026 LRBC-VARC GOES C-3 Exposures

Dear Chairs Slutsker and Weber:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the latest set of Generator of Economic Scenarios (GOES) capital-related exposure materials addressing C-3 Phase I (C3P1) Instructions and C-3 Phase II (C3P2) updates. We also thank regulators and NAIC staff for incorporating our previous recommendation to retain CTE(98) with a 25% scalar into the C3P2 calculation.

We believe the current drafts reflect meaningful progress toward a more consistent and risk-appropriate capital framework. Our comments primarily focus on the implications of not including the Net Asset Earned Rate (NAER) methodology from C3P1. While we acknowledge regulators' concerns regarding its reliance on Valuation Manual constructs such as prescribed spreads, default assumptions, and reinvestment guardrails, we continue to support the eventual incorporation of an NAER-consistent approach once alignment efforts advance.

As an interim refinement, ACLI recommends replacing the current discount rate proxy—105% of the after-tax one-year U.S. Treasury rate—with a more representative structure better aligned to insurer asset strategies. Specifically, we propose using the ten-year U.S. Treasury rate combined with a fixed net spread of 85 basis points, reflecting long-term prescribed spreads and baseline default costs from the Valuation Manual. These refinements provide a more realistic and stable proxy while longer-term NAER alignment work is underway.

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

Primary Recommendation: Use the 10-year treasury rather than a 1-year Treasury for discounting.

- The 1-year Treasury is significantly shorter than actual company investment strategies so another tenor is more appropriate to better align to company practices. For simplicity, we are recommending a single tenor of 10 years which is a common benchmark. While no single maturity will suit all companies and products, we believe the 10-year is a reasonable choice for an interim solution. We recognize that in practice there is a range depending on product and company practices, and assets supporting products like Multi-Year Guaranteed Annuities likely have shorter weighted average life (WAL) and products like income annuities and Pension Risk Transfer likely have longer, so 10-years seems like a reasonable midpoint.
- Analysis of NAIC data (see Appendix A) suggests that 10 years would be a reasonable tenor based on weighted average of industry data.
- Additionally, the Chicago Fed wrote "Life insurers' publicly traded bond portfolio has a longer average remaining maturity of 14 years compared with ten years for their private placement portfolio" which corroborates the reasonability of this assumption.

Secondary Recommendation: Replace the 105 percent multiple with a more representative adjustment for spreads and defaults.

- If the regulators are open to additional refinement, we would suggest replacing the 105 percent multiple with an adjustment for spreads and defaults.
- Replacing the 105 percent adjustment with explicit spreads and defaults moves the methodology from a proxy-based adjustment towards a principle-based one. This is a reasonable interim step as we move to more sophisticated approaches to be defined under the C3P1 alignment effort.
- We recommend using a fixed net spread amount of 85bps, which is based on published values determined by the NAIC Valuation Manual. We calculated this value using the yearend 2025 AA spread using a WAL of 10 from Table H (12/31/2025) Investment Grade Long Term Benchmark Spreads of 87.19 less yearend 2024 AA defaults using a WAL of 10 from Table A. Baseline Annual Default Costs (in bps) using Moody's Data of 2.31, then applying simple rounding for an net spread of 85bps (calculated value of 84.88bps). Given this uses a long-term spread, this value is a reasonable proxy for an interim solution until the C3P1 alignment effort is complete.

Below are the edits reflecting these recommendations; the bracketed text reflects the second recommendation:

> 4. For each scenario, the C-3 measure is the most negative of the series of present values S(t)*pv(t), where pv(t) is the accumulated discount factor for t years using [~~105 percent of~~] the after-tax ten ~~one~~-year US Treasury rates for that scenario[, where the Treasury rate is adjusted by a net spread of 85bps prior to the tax adjustment].

Thank you very much for the chance to provide this feedback and we look forward to further discussion soon at a future NAIC meeting.

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Sincerely,



cc: Jane Ren, NAIC

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Appendix A:

Methodology: The NAIC U.S. Life and A&H Insurance Industry Analysis Report 2024 captures a snapshot of available bonds held to maturity (page 9):

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS **U.S. Life and A&H Insurance Industry | 2024 Annual Results**

years or later represented 41.0% of total bonds. **Figure 8** illustrates bond distribution by maturity.

Figure 7 – Long Term Bond Allocation

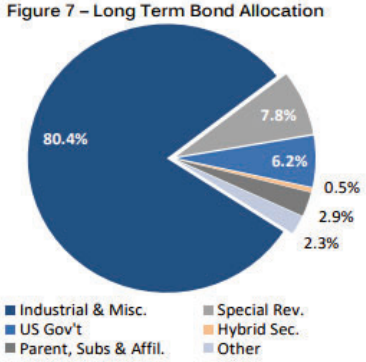
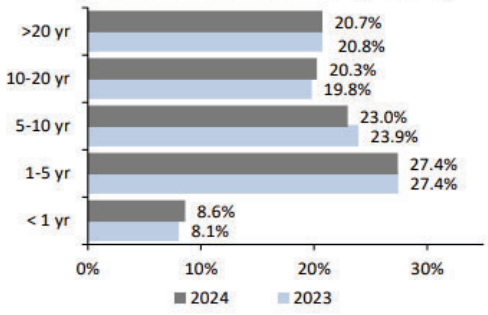


Figure 8 – % of Total Bonds Held by Maturity



LIABILITIES

The life industry reported a 6.2% ($509.7 billion) increase in total liabilities to $8.8 trillion at year-end 2024. The largest changes were in the following:

- A 7.4% ($225.0 billion) increase in separate account liabilities to $3.3 trillion
- A 35.7% ($79.1 billion) increase in funds held under coinsurance to $301.0 billion
- A 10.0% ($32.2 billion) increase in funds held under reinsurance treaties with unauthorized reinsurers to $354.0 billion
- And a 29.2% ($4.5 billion) decrease in interest maintenance reserve to $10.9 billion

The methodology attempted to approximate the weighted-average life using this data by assuming the midpoint of each bucket (using 20 years for largest bucket), and found results were consistent between 2023 and 2024. The table shows "remaining maturity," and not "average life" nor "duration," which suggests a slight increase from this calculation is reasonable:

2024 Calculation		
Bucket	Selected Point	2024 Weight
>20 yr	20.0	20.7%
10-20 yr	15.0	20.3%
5-10 yr	7.5	23.0%
1-5 yr	3.0	27.4%
<1 yr	0.5	8.6%
Weighted Ave:	9.8	100.0%

2023 Calculation		
Bucket	Selected Point	2023 Weight
>20 yr	20.0	20.8%
10-20 yr	15.0	19.8%
5-10 yr	7.5	23.9%
1-5 yr	3.0	27.4%
<1 yr	0.5	8.1%
Weighted Ave:	9.8	100.0%

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March 6, 2026

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

Re: Proposal 2025-16-L MOD Collateral Loans

Submitted Electronically

Dear Chair Slutsker:

The American Council of Life Insurers (ACLI) welcomes the opportunity to comment on the modified proposal 2025-16-L addressing the risk-based capital (RBC) treatment of collateral loans reported on Schedule BA. ACLI supports the Working Group's objective of refining RBC charges to better reflect the risk characteristics of the underlying collateral while avoiding unnecessary complexity and opportunities for regulatory arbitrage. ACLI appreciates the NAIC's consideration of our previous comments in drafting the modified proposal.

In that spirit, ACLI offers the following recommendations for a simple and conservative RBC factor framework for collateral loans backed by joint ventures, limited partnerships, and limited liability companies ("JV/LP/LLC") investments and residual tranches.

Consistent with our previous comments, ACLI recommends an effective date of December 31, 2027, providing reporting entities and regulators sufficient time to operationalize the proposed framework, update systems and controls, and ensure consistent application across jurisdictions. Given the significance of the changes contemplated and their interaction with existing Schedule BA and C-1cs structures, ACLI believes a later effective date is appropriate to support a smooth and orderly transition, particularly when the absence of an industry-wide solvency concern counters the need for expedited rule changes. Moreover, the fact that individual states do not have authority to grant permitted practices surrounding RBC further supports the need for additional time to allow individual companies to make portfolio adjustments to mitigate adverse impacts that could arise from material increases to the RBC charges applicable to certain types of collateral loans.

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The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

Classification: Limited

To promote simplicity and conservatism, ACLI recommends that the base look-through RBC factor for collateral loans backed by JV/LP/LLC investments be set equal to the RBC factor applicable to Schedule BA unaffiliated common stock (i.e., 30%), consistent with the exposed modified proposal. ACLI believes this approach is appropriate because it:

- Is a conservative starting point upon which any discounting framework may be applied recognizing that some JV/LP/LLC investments would receive a more favorable RBC factor if held directly;
- Aligns the base look-through RBC factor with RBC factor for Schedule BA equity exposures; and
- Avoids the need to introduce new, bespoke base factors for each type of JV/LP/LLC investment that would increase operational complexity.

We have attached a redline version of the exposed Blanks included in the modified proposal. ACLI's suggested edits reflect our recommendation of a five-band overcollateralization (OC) framework, by applying an adjustment factor to the base look-through RBC factor, as follows:

ACLI Recommended OC Bands and Adjustment Factor for Collateral Loans Backed by Investments in JV/LP/LLC and Residual Tranches

			Collateral Loans Backed by Investments in JV/LP/LLC		Collateral Loans Backed by Residual Tranches	
Overcollateralization Band	Loan-to-Value Band	Adjustment Factor Applied to Base Look-Through RBC Factor	Net RBC Factor	Equivalent NAIC LT Bond Rating	Net RBC Factor	Equivalent NAIC LT Bond Rating
Less than 125%	Greater than 80%	90%	27.0%	5.B to 5.C	40.5%	>6
Less than 167% and greater than or equal to 125%	Greater than 60% and less than or equal to 80%	70%	21.0%	5.A to 5.B	31.5%	>6
Less than 250% and greater than or equal to 167%	Greater than 40% and less than or equal to 60%	50%	15.0%	4.C to 5.A	22.5%	5.A to 5.B
Less than 500% and greater than or equal to 250%	Greater than 20% and less than or equal to 40%	30%	9.0%	4.A to 4.B	13.5%	4.C to 5.A
Greater than or equal to 500%	Less than or equal to 20%	10%	3.0%	2.C to 3.A	4.5%	3.A to 3.B

Classification: Limited

This structure recognizes credit enhancement resulting from higher overcollateralization levels, while retaining conservatism as leverage increases.

Beginning with the 2026 annual statements, regulators will have access to complete data on insurers' overcollateralization percentages for collateral loans, ACLI's proposed adjustment factor framework is supported by SSAP 21. Specifically, SSAP 21 requires insurers to obtain audited financial statements for LP/LLC/JV investments and to retain documentation sufficient to support the reasonableness of the fair value measurement of the underlying collateral. ACLI expects the new reporting and documentation requirements will provide greater transparency and confidence in overcollateralization percentages as a factor to adjust RBC charges.

ACLI reiterates its prior comments regarding collateral loans backed by mortgage loans. The previously proposed 3% factor was premised on an assumption that reporting entities generally lack access to loan-level information for unaffiliated borrowers. However, based on ACLI's outreach, insurers in nearly all cases have access to such information, consistent with the SAPWG interim provision, and permitting these loans to be reported using underlying mortgage loan characteristics. ACLI therefore recommends making this look-through treatment permanent, with the 3% factor retained solely as a fallback in the limited circumstances where loan-level data is not available. ACLI is not requesting any additional overcollateralization or structural adjustment for mortgage-backed collateral loans beyond look-through, as ACLI feels further reduction is unnecessary given that the look-through RBC factors are aligned with the underlying risk.

By contrast, the structural considerations proposed for collateral loans backed by JV/LP/LLC investments and residual tranches are intended to ensure that capital requirements remain conservative where leverage and structural complexity materially influence risk. ACLI also supports retaining the existing 6.8% factor for all remaining collateral loans. These exposures represent a limited portion of aggregate industry holdings, and available data does not indicate a clear need for recalibration at this time. Continued monitoring, as contemplated in the proposal, is therefore an appropriate and proportionate response. Taken together, these recommendations are intended to support a balanced framework that avoids overly punitive treatment at the higher-risk end while not extending unwarranted capital relief at the lower-risk end.

ACLI believes the recommendations outlined above provide a pragmatic and conservative path forward that aligns with existing RBC constructs, limits complexity, and reduces the risk of unintended consequences. ACLI appreciates the Working Group's consideration of these comments and looks forward to continued engagement as this proposal is further refined.

Sincerely,

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Classification: Limited

Company Name | Cocode: 00000

OTHER LONG-TERM ASSETS

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †		(4) Factor		(5) RBC Requirement
	Schedule BA - Fixed Income - Bonds								
(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
	Schedule BA - Fixed Income - Preferred Stock								
(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
	Rated Surplus Notes Classified by Designation Equivalent								
(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

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OTHER LONG-TERM ASSETS

		Annual Statement Source	(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
	Rated Capital Notes Classified by Designation Equivalent								
(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
	Schedule BA - Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs)								
(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

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OTHER LONG-TERM ASSETS

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †		(4) Factor		(5) RBC Requirement
	Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests								
(43.2)	**OC Percentage < 125%**		$0		$0	X	0.2700		$0
(43.3)	**OC Percentage ≥ 125% and < 167%**		$0		$0	X	0.2100		$0
(43.4)	**OC Percentage ≥ 167% and < 250%**		$0		$0	X	0.1500		$0
(43.5)	**OC Percentage ≥ 250% and < 500%**		$0		$0	X	0.0900		$0
(43.6)	**OC Percentage ≥ 500%**		$0		$0	X	0.0300		$0
(43.5)	**Total Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests**	**Lines (43.2) + (43.3) + (43.4)**	#REF!						#REF!
(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
	Schedule BA Collateral Loans backed by Residual Tranches or Interests								
(45.2)	**OC Percentage < 125%**		$0		$0	X	0.4050		$0
(45.3)	**OC Percentage ≥ 125% and < 167%**		$0		$0	X	0.3150		$0
(45.4)	**OC Percentage ≥ 167% and < 250%**		$0		$0	X	0.2250		$0
(45.5)	**OC Percentage ≥ 250% and < 500%**		$0		$0	X	0.1350		$0
(45.6)	**OC Percentage ≥ 500%**		$0		$0	X	0.0450		$0
(45.4)	**Total Schedule BA Collateral Loans backed by Residual Tranches or Interests**	**AVR Equity Component Column 1 Line K5 + K6**	$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) + (43.2)**+ (44) + **(45.1) + (45.2)**	#REF!		$0				#REF!
(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)	#REF!						#REF!
	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	=	$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 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

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OTHER LONG-TERM ASSETS

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

† 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.

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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)**	**Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests**	$0	X	**0.21000**	=	$0	$0	$0
#01	**(13.2)**	**Collateral Loans backed by Residual Tranches or Interests**	$0	X	**0.09000**	=	$0	$0	$0
#01	**(13.3)**	**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
#01	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#01	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#01	(31)	Farm Mortgages - 90 Days Overdue	$0						
#01	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(33)	Residential Mortgages - 90 Days Overdue	$0						
#01	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#01	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(37)	Farm Mortgages in Foreclosure	$0						
#01	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(39)	Residential Mortgages in Foreclosure	$0						
#01	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(41)	Commercial Mortgages in Foreclosure	$0						
#01	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	= $0	$0	$0
#01	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	= $0	$0	$0
#01	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900	=	$0	$0	$0
#01	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750	=	$0	$0	$0
#01	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000	=	$0	$0	$0
#01	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#01	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#01	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#01	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#01	(51)	Schedule BA Mortgages 90 Days Overdue	$0						

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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	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#01	(53)	Schedule BA Mortgages in Process of Foreclosure	$0						
#01	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#01	(55)	Yield Guaranteed State Tax Credit Investments	$0	X	0.00140	=	$0	$0	$0
#01	(56)	Qualifying Federal Tax Credit Investments	$0	X	0.02600	=	$0	$0	$0
#01	(57)	Qualifying State Tax Credit Investments	$0	X	0.02600	=	$0	$0	$0
#01	(58)	Other Tax Credit Investments	$0	X	0.15000	=	$0	$0	$0
#01	(59)	NAIC 02 Working Capital Finance Notes	$0	X	0.01630	=	$0	$0	$0
#01	(60)	Other Schedule BA Assets	$0	X	0.15000	=	$0	$0	$0
#01									
#01	(61)	Total of Issuer = Sum of Lines (1) through (60)	$0				$0	$0	$0
#02		Issuer Name #02:							
#02	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261	=	$0	$0	$0
#02	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523	=	$0	$0	$0
#02	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168	=	$0	$0	$0
#02	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151	=	$0	$0	$0
#02	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537	=	$0	$0	$0
#02	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017	=	$0	$0	$0
#02	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386	=	$0	$0	$0
#02	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535	=	$0	$0	$0
#02	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428	=	$0	$0	$0
#02	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942	=	$0	$0	$0
#02	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202	=	$0	$0	$0
#02	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000	=	$0	$0	$0
#02	(5)	Bond Asset NAIC 6	$0	X	0.15000	=	$0	$0	$0
#02	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158	=	$0	$0	$0
#02	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271	=	$0	$0	$0
#02	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419	=	$0	$0	$0
#02	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523	=	$0	$0	$0
#02	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657	=	$0	$0	$0
#02	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816	=	$0	$0	$0
#02	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016	=	$0	$0	$0
#02	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260	=	$0	$0	$0
#02	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460	=	$0	$0	$0
#02	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700	=	$0	$0	$0
#02	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310	=	$0	$0	$0
#02	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000	=	$0	$0	$0
#02	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390	=	$0	$0	$0
#02	(13)	**All Other Collateral Loans**	$0	X	0.06800	=	$0	$0	$0
#02	(14)	Receivable for Securities	$0	X	0.01600	=	$0	$0	$0
#02	(15)	Write-ins for Invested Assets	$0	X	0.06800	=	$0	$0	$0
#02	(16)	Premium Notes	$0	X	0.06800	=	$0	$0	$0
#02	(17)	Real Estate - Foreclosed	$0						
#02	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#02	(19)	Real Estate - Investments	$0						
#02	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#02	(21)	Real Estate - Schedule BA	$0						
#02	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#02	(23)	Farm Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#02	(24)	Farm Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#02	(25)	Farm Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#02	(26)	Farm Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#02	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#02	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#02	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#02	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#02	(31)	Farm Mortgages - 90 Days Overdue	$0						
#02	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#02	(33)	Residential Mortgages - 90 Days Overdue	$0						
#02	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#02	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#02	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#02	(37)	Farm Mortgages in Foreclosure	$0						
#02	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#02	(39)	Residential Mortgages in Foreclosure	$0						
#02	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#02	(41)	Commercial Mortgages in Foreclosure	$0						
#02	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0

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ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor			(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#02	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	=	$0	$0	$0
#02	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900		=	$0	$0	$0
#02	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750		=	$0	$0	$0
#02	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000		=	$0	$0	$0
#02	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#02	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#02	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#02	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#02	(51)	Schedule BA Mortgages 90 Days Overdue	$0							
#02	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#02	(53)	Schedule BA Mortgages in Process of Foreclosure	$0							
#02	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#02	(55)	Yield Guaranteed State Tax Credit Investments	$0	X	0.00140		=	$0	$0	$0
#02	(56)	Qualifying Federal Tax Credit Investments	$0	X	0.02600		=	$0	$0	$0
#02	(57)	Qualifying State Tax Credit Investments	$0	X	0.02600		=	$0	$0	$0
#02	(58)	Other Tax Credit Investments	$0	X	0.15000		=	$0	$0	$0
#02	(59)	NAIC 02 Working Capital Finance Notes	$0	X	0.01630		=	$0	$0	$0
#02	(60)	Other Schedule BA Assets	$0	X	0.15000		=	$0	$0	$0
#02										
#02	(61)	Total of Issuer = Sum of Lines (1) through (60)	$0					$0	$0	$0

Issuer		Issuer Name #03:								
#03	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261		=	$0	$0	$0
#03	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523		=	$0	$0	$0
#03	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168		=	$0	$0	$0
#03	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151		=	$0	$0	$0
#03	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537		=	$0	$0	$0
#03	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017		=	$0	$0	$0
#03	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386		=	$0	$0	$0
#03	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535		=	$0	$0	$0
#03	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428		=	$0	$0	$0
#03	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942		=	$0	$0	$0
#03	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202		=	$0	$0	$0
#03	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000		=	$0	$0	$0
#03	(5)	Bond Asset NAIC 6	$0	X	0.15000		=	$0	$0	$0
#03	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158		=	$0	$0	$0
#03	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271		=	$0	$0	$0
#03	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419		=	$0	$0	$0
#03	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523		=	$0	$0	$0
#03	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657		=	$0	$0	$0
#03	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816		=	$0	$0	$0
#03	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016		=	$0	$0	$0
#03	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260		=	$0	$0	$0
#03	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460		=	$0	$0	$0
#03	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700		=	$0	$0	$0
#03	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310		=	$0	$0	$0
#03	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000		=	$0	$0	$0
#03	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390		=	$0	$0	$0
#03	(13)	**All Other Collateral Loans**	$0	X	0.06800		=	$0	$0	$0
#03	(14)	Receivable for Securities	$0	X	0.01600		=	$0	$0	$0
#03	(15)	Write-ins for Invested Assets	$0	X	0.06800		=	$0	$0	$0
#03	(16)	Premium Notes	$0	X	0.06800		=	$0	$0	$0
#03	(17)	Real Estate - Foreclosed	$0							
#03	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#03	(19)	Real Estate - Investments	$0							
#03	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#03	(21)	Real Estate - Schedule BA	$0							
#03	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#03	(23)	Farm Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#03	(24)	Farm Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#03	(25)	Farm Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#03	(26)	Farm Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#03	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#03	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#03	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#03	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#03	(31)	Farm Mortgages - 90 Days Overdue	$0							
#03	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor			(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#03	(33)	Residential Mortgages - 90 Days Overdue	$0							
#03	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(35)	Commercial Mortgages - 90 Days Overdue	$0							
#03	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(37)	Farm Mortgages in Foreclosure	$0							
#03	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(39)	Residential Mortgages in Foreclosure	$0							
#03	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(41)	Commercial Mortgages in Foreclosure	$0							
#03	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	=	$0	$0	$0
#03	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900		=	$0	$0	$0
#03	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750		=	$0	$0	$0
#03	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000		=	$0	$0	$0
#03	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#03	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#03	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#03	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#03	(51)	Schedule BA Mortgages 90 Days Overdue	$0							
#03	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(53)	Schedule BA Mortgages in Process of Foreclosure	$0							
#03	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#03	(55)	Yield Guaranteed State Tax Credit Investments	$0	X	0.00140		=	$0	$0	$0
#03	(56)	Qualifying Federal Tax Credit Investments	$0	X	0.02600		=	$0	$0	$0
#03	(57)	Qualifying State Tax Credit Investments	$0	X	0.02600		=	$0	$0	$0
#03	(58)	Other Tax Credit Investments	$0	X	0.15000		=	$0	$0	$0
#03	(59)	NAIC 02 Working Capital Finance Notes	$0	X	0.01630		=	$0	$0	$0
#03	(60)	Other Schedule BA Assets	$0	X	0.15000		=	$0	$0	$0
#03										
#03	(61)	Total of Issuer = Sum of Lines (1) through (60)	$0					$0	$0	$0
#04		Issuer Name #04:								
#04	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261		=	$0	$0	$0
#04	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523		=	$0	$0	$0
#04	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168		=	$0	$0	$0
#04	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151		=	$0	$0	$0
#04	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537		=	$0	$0	$0
#04	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017		=	$0	$0	$0
#04	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386		=	$0	$0	$0
#04	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535		=	$0	$0	$0
#04	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428		=	$0	$0	$0
#04	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942		=	$0	$0	$0
#04	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202		=	$0	$0	$0
#04	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000		=	$0	$0	$0
#04	(5)	Bond Asset NAIC 6	$0	X	0.15000		=	$0	$0	$0
#04	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158		=	$0	$0	$0
#04	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271		=	$0	$0	$0
#04	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419		=	$0	$0	$0
#04	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523		=	$0	$0	$0
#04	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657		=	$0	$0	$0
#04	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816		=	$0	$0	$0
#04	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016		=	$0	$0	$0
#04	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260		=	$0	$0	$0
#04	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460		=	$0	$0	$0
#04	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700		=	$0	$0	$0
#04	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310		=	$0	$0	$0
#04	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000		=	$0	$0	$0
#04	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390		=	$0	$0	$0
#04	(13)	**All Other Collateral Loans**	$0	X	0.06800		=	$0	$0	$0
#04	(14)	Receivable for Securities	$0	X	0.01600		=	$0	$0	$0
#04	(15)	Write-ins for Invested Assets	$0	X	0.06800		=	$0	$0	$0
#04	(16)	Premium Notes	$0	X	0.06800		=	$0	$0	$0
#04	(17)	Real Estate - Foreclosed	$0							
#04	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#04	(19)	Real Estate - Investments	$0							
#04	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#04	(21)	Real Estate - Schedule BA	$0							
#04	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor		(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#04	(23)	Farm Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#04	(24)	Farm Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#04	(25)	Farm Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#04	(26)	Farm Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#04	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#04	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#04	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#04	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#04	(31)	Farm Mortgages - 90 Days Overdue	$0						
#04	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(33)	Residential Mortgages - 90 Days Overdue	$0						
#04	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#04	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(37)	Farm Mortgages in Foreclosure	$0						
#04	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(39)	Residential Mortgages in Foreclosure	$0						
#04	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(41)	Commercial Mortgages in Foreclosure	$0						
#04	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡ =	$0	$0	$0
#04	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900	=	$0	$0	$0
#04	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750	=	$0	$0	$0
#04	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000	=	$0	$0	$0
#04	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#04	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#04	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#04	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#04	(51)	Schedule BA Mortgages 90 Days Overdue	$0						
#04	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(53)	Schedule BA Mortgages in Process of Foreclosure	$0						
#04	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#04	(55)	Yield Guaranteed State Tax Credit Investments	$0	X	0.00140	=	$0	$0	$0
#04	(56)	Qualifying Federal Tax Credit Investments	$0	X	0.02600	=	$0	$0	$0
#04	(57)	Qualifying State Tax Credit Investments	$0	X	0.02600	=	$0	$0	$0
#04	(58)	Other Tax Credit Investments	$0	X	0.15000	=	$0	$0	$0
#04	(59)	NAIC 02 Working Capital Finance Notes	$0	X	0.01630	=	$0	$0	$0
#04	(60)	Other Schedule BA Assets	$0	X	0.15000	=	$0	$0	$0
#04									
#04	(61)	Total of Issuer = Sum of Lines (1) through (60)	$0				$0	$0	$0

Issuer		Issuer Name #05:							
#05	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261	=	$0	$0	$0
#05	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523	=	$0	$0	$0
#05	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168	=	$0	$0	$0
#05	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151	=	$0	$0	$0
#05	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537	=	$0	$0	$0
#05	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017	=	$0	$0	$0
#05	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386	=	$0	$0	$0
#05	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535	=	$0	$0	$0
#05	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428	=	$0	$0	$0
#05	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942	=	$0	$0	$0
#05	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202	=	$0	$0	$0
#05	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000	=	$0	$0	$0
#05	(5)	Bond Asset NAIC 6	$0	X	0.15000	=	$0	$0	$0
#05	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158	=	$0	$0	$0
#05	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271	=	$0	$0	$0
#05	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419	=	$0	$0	$0
#05	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523	=	$0	$0	$0
#05	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657	=	$0	$0	$0
#05	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816	=	$0	$0	$0
#05	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016	=	$0	$0	$0
#05	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260	=	$0	$0	$0
#05	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460	=	$0	$0	$0
#05	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700	=	$0	$0	$0
#05	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310	=	$0	$0	$0
#05	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000	=	$0	$0	$0
#05	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor		(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#05	(13)	Collateral Loans	$0	X	0.06800	=	$0	$0	$0
#05	(14)	Receivable for Securities	$0	X	0.01600	=	$0	$0	$0
#05	(15)	Write-ins for Invested Assets	$0	X	0.06800	=	$0	$0	$0
#05	(16)	Premium Notes	$0	X	0.06800	=	$0	$0	$0
#05	(17)	Real Estate - Foreclosed	$0						
#05	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#05	(19)	Real Estate - Investments	$0						
#05	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#05	(21)	Real Estate - Schedule BA	$0						
#05	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#05	(23)	Farm Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#05	(24)	Farm Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#05	(25)	Farm Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#05	(26)	Farm Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#05	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#05	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#05	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#05	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#05	(31)	Farm Mortgages - 90 Days Overdue	$0						
#05	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(33)	Residential Mortgages - 90 Days Overdue	$0						
#05	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#05	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(37)	Farm Mortgages in Foreclosure	$0						
#05	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(39)	Residential Mortgages in Foreclosure	$0						
#05	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(41)	Commercial Mortgages in Foreclosure	$0						
#05	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡ =	$0	$0	$0
#05	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900	=	$0	$0	$0
#05	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750	=	$0	$0	$0
#05	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000	=	$0	$0	$0
#05	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#05	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#05	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#05	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#05	(51)	Schedule BA Mortgages 90 Days Overdue	$0						
#05	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(53)	Schedule BA Mortgages in Process of Foreclosure	$0						
#05	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#05	(55)	**Yield Guaranteed State Tax Credit Investments**	$0	X	0.00140	=	$0	$0	$0
#05	(56)	**Qualifying Federal Tax Credit Investments**	$0	X	0.02600	=	$0	$0	$0
#05	(57)	**Qualifying State Tax Credit Investments**	$0	X	**0.02600**	=	$0	$0	$0
#05	(58)	**Other Tax Credit Investments**	$0	X	**0.15000**	=	$0	$0	$0
#05	**(59)**	NAIC 02 Working Capital Finance Notes	$0	X	0.01630	=	$0	$0	$0
#05	**(60)**	Other Schedule BA Assets	$0	X	0.15000	=	$0	$0	$0
#05									
#05	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0				$0	$0	$0

#06		Issuer Name #06:							
#06	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261	=	$0	$0	$0
#06	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523	=	$0	$0	$0
#06	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168	=	$0	$0	$0
#06	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151	=	$0	$0	$0
#06	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537	=	$0	$0	$0
#06	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017	=	$0	$0	$0
#06	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386	=	$0	$0	$0
#06	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535	=	$0	$0	$0
#06	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428	=	$0	$0	$0
#06	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942	=	$0	$0	$0
#06	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202	=	$0	$0	$0
#06	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000	=	$0	$0	$0
#06	(5)	Bond Asset NAIC 6	$0	X	0.15000	=	$0	$0	$0
#06	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158	=	$0	$0	$0
#06	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271	=	$0	$0	$0
#06	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor		(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#06	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523	=	$0	$0	$0
#06	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657	=	$0	$0	$0
#06	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816	=	$0	$0	$0
#06	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016	=	$0	$0	$0
#06	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260	=	$0	$0	$0
#06	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460	=	$0	$0	$0
#06	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700	=	$0	$0	$0
#06	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310	=	$0	$0	$0
#06	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000	=	$0	$0	$0
#06	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390	=	$0	$0	$0
#06	(13)	Collateral Loans	$0	X	0.06800	=	$0	$0	$0
#06	(14)	Receivable for Securities	$0	X	0.01600	=	$0	$0	$0
#06	(15)	Write-ins for Invested Assets	$0	X	0.06800	=	$0	$0	$0
#06	(16)	Premium Notes	$0	X	0.06800	=	$0	$0	$0
#06	(17)	Real Estate - Foreclosed	$0						
#06	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#06	(19)	Real Estate - Investments	$0						
#06	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#06	(21)	Real Estate - Schedule BA	$0						
#06	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#06	(23)	Farm Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#06	(24)	Farm Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#06	(25)	Farm Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#06	(26)	Farm Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#06	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#06	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#06	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#06	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#06	(31)	Farm Mortgages - 90 Days Overdue	$0						
#06	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(33)	Residential Mortgages - 90 Days Overdue	$0						
#06	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#06	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(37)	Farm Mortgages in Foreclosure	$0						
#06	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(39)	Residential Mortgages in Foreclosure	$0						
#06	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(41)	Commercial Mortgages in Foreclosure	$0						
#06	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡ =	$0	$0	$0
#06	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900	=	$0	$0	$0
#06	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750	=	$0	$0	$0
#06	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000	=	$0	$0	$0
#06	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#06	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#06	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#06	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#06	(51)	Schedule BA Mortgages 90 Days Overdue	$0						
#06	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(53)	Schedule BA Mortgages in Process of Foreclosure	$0						
#06	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#06	(55)	**Yield Guaranteed State Tax Credit Investments**	$0	X	0.00140	=	$0	$0	$0
#06	(56)	**Qualifying Federal Tax Credit Investments**	$0	X	0.02600	=	$0	$0	$0
#06	(57)	**Qualifying State Tax Credit Investments**	$0	X	**0.02600**	=	$0	$0	$0
#06	(58)	**Other Tax Credit Investments**	$0	X	**0.15000**	=	$0	$0	$0
#06	**(59)**	NAIC 02 Working Capital Finance Notes	$0	X	0.01630	=	$0	$0	$0
#06	**(60)**	Other Schedule BA Assets	$0	X	0.15000	=	$0	$0	$0
#06									
#06	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0				$0	$0	$0

Issuer		Issuer Name #07:							
#07	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261	=	$0	$0	$0
#07	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523	=	$0	$0	$0
#07	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168	=	$0	$0	$0
#07	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151	=	$0	$0	$0
#07	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537	=	$0	$0	$0
#07	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017	=	$0	$0	$0

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Company Name | Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor		(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#07	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386	=	$0	$0	$0
#07	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535	=	$0	$0	$0
#07	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428	=	$0	$0	$0
#07	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942	=	$0	$0	$0
#07	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202	=	$0	$0	$0
#07	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000	=	$0	$0	$0
#07	(5)	Bond Asset NAIC 6	$0	X	0.15000	=	$0	$0	$0
#07	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158	=	$0	$0	$0
#07	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271	=	$0	$0	$0
#07	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419	=	$0	$0	$0
#07	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523	=	$0	$0	$0
#07	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657	=	$0	$0	$0
#07	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816	=	$0	$0	$0
#07	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016	=	$0	$0	$0
#07	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260	=	$0	$0	$0
#07	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460	=	$0	$0	$0
#07	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700	=	$0	$0	$0
#07	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310	=	$0	$0	$0
#07	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000	=	$0	$0	$0
#07	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390	=	$0	$0	$0
#07	(13)	Collateral Loans	$0	X	0.06800	=	$0	$0	$0
#07	(14)	Receivable for Securities	$0	X	0.01600	=	$0	$0	$0
#07	(15)	Write-ins for Invested Assets	$0	X	0.06800	=	$0	$0	$0
#07	(16)	Premium Notes	$0	X	0.06800	=	$0	$0	$0
#07	(17)	Real Estate - Foreclosed	$0						
#07	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#07	(19)	Real Estate - Investments	$0						
#07	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#07	(21)	Real Estate - Schedule BA	$0						
#07	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#07	(23)	Farm Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#07	(24)	Farm Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#07	(25)	Farm Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#07	(26)	Farm Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#07	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#07	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#07	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#07	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#07	(31)	Farm Mortgages - 90 Days Overdue	$0						
#07	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(33)	Residential Mortgages - 90 Days Overdue	$0						
#07	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(35)	Commercial Mortgages - 90 Days Overdue	$0						
#07	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(37)	Farm Mortgages in Foreclosure	$0						
#07	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(39)	Residential Mortgages in Foreclosure	$0						
#07	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(41)	Commercial Mortgages in Foreclosure	$0						
#07	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡ =	$0	$0	$0
#07	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900	=	$0	$0	$0
#07	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750	=	$0	$0	$0
#07	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000	=	$0	$0	$0
#07	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#07	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#07	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#07	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#07	(51)	Schedule BA Mortgages 90 Days Overdue	$0						
#07	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(53)	Schedule BA Mortgages in Process of Foreclosure	$0						
#07	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡ =	$0	$0	$0
#07	(55)	**Yield Guaranteed State Tax Credit Investments**	$0	X	0.00140	=	$0	$0	$0
#07	(56)	**Qualifying Federal Tax Credit Investments**	$0	X	0.02600	=	$0	$0	$0
#07	(57)	**Qualifying State Tax Credit Investments**	$0	X	**0.02600**	=	$0	$0	$0
#07	(58)	**Other Tax Credit Investments**	$0	X	**0.15000**	=	$0	$0	$0
#07	**(59)**	NAIC 02 Working Capital Finance Notes	$0	X	0.01630	=	$0	$0	$0
#07	**(60)**	Other Schedule BA Assets	$0	X	0.15000	=	$0	$0	$0
#07									
#07	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0				$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor			(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#08		Issuer Name #08:								
#08	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261		=	$0	$0	$0
#08	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523		=	$0	$0	$0
#08	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168		=	$0	$0	$0
#08	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151		=	$0	$0	$0
#08	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537		=	$0	$0	$0
#08	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017		=	$0	$0	$0
#08	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386		=	$0	$0	$0
#08	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535		=	$0	$0	$0
#08	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428		=	$0	$0	$0
#08	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942		=	$0	$0	$0
#08	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202		=	$0	$0	$0
#08	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000		=	$0	$0	$0
#08	(5)	Bond Asset NAIC 6	$0	X	0.15000		=	$0	$0	$0
#08	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158		=	$0	$0	$0
#08	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271		=	$0	$0	$0
#08	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419		=	$0	$0	$0
#08	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523		=	$0	$0	$0
#08	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657		=	$0	$0	$0
#08	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816		=	$0	$0	$0
#08	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016		=	$0	$0	$0
#08	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260		=	$0	$0	$0
#08	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460		=	$0	$0	$0
#08	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700		=	$0	$0	$0
#08	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310		=	$0	$0	$0
#08	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000		=	$0	$0	$0
#08	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390		=	$0	$0	$0
#08	(13)	Collateral Loans	$0	X	0.06800		=	$0	$0	$0
#08	(14)	Receivable for Securities	$0	X	0.01600		=	$0	$0	$0
#08	(15)	Write-ins for Invested Assets	$0	X	0.06800		=	$0	$0	$0
#08	(16)	Premium Notes	$0	X	0.06800		=	$0	$0	$0
#08	(17)	Real Estate - Foreclosed	$0							
#08	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#08	(19)	Real Estate - Investments	$0							
#08	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#08	(21)	Real Estate - Schedule BA	$0							
#08	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#08	(23)	Farm Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#08	(24)	Farm Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#08	(25)	Farm Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#08	(26)	Farm Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#08	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#08	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#08	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#08	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#08	(31)	Farm Mortgages - 90 Days Overdue	$0							
#08	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(33)	Residential Mortgages - 90 Days Overdue	$0							
#08	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(35)	Commercial Mortgages - 90 Days Overdue	$0							
#08	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(37)	Farm Mortgages in Foreclosure	$0							
#08	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(39)	Residential Mortgages in Foreclosure	$0							
#08	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(41)	Commercial Mortgages in Foreclosure	$0							
#08	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	=	$0	$0	$0
#08	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900		=	$0	$0	$0
#08	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750		=	$0	$0	$0
#08	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000		=	$0	$0	$0
#08	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#08	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#08	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#08	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#08	(51)	Schedule BA Mortgages 90 Days Overdue	$0							
#08	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor			(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#08	(53)	Schedule BA Mortgages in Process of Foreclosure	$0							
#08	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#08	(55)	**Yield Guaranteed State Tax Credit Investments**	$0	X	0.00140		=	$0	$0	$0
#08	(56)	**Qualifying Federal Tax Credit Investments**	$0	X	0.02600		=	$0	$0	$0
#08	(57)	**Qualifying State Tax Credit Investments**	$0	X	**0.02600**		=	$0	$0	$0
#08	(58)	**Other Tax Credit Investments**	$0	X	**0.15000**		=	$0	$0	$0
#08	**(59)**	NAIC 02 Working Capital Finance Notes	$0	X	0.01630		=	$0	$0	$0
#08	**(60)**	Other Schedule BA Assets	$0	X	0.15000		=	$0	$0	$0
#08										
#08	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0					$0	$0	$0
#09		Issuer Name #09:								
#09	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261		=	$0	$0	$0
#09	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523		=	$0	$0	$0
#09	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168		=	$0	$0	$0
#09	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151		=	$0	$0	$0
#09	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537		=	$0	$0	$0
#09	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017		=	$0	$0	$0
#09	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386		=	$0	$0	$0
#09	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535		=	$0	$0	$0
#09	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428		=	$0	$0	$0
#09	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942		=	$0	$0	$0
#09	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202		=	$0	$0	$0
#09	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000		=	$0	$0	$0
#09	(5)	Bond Asset NAIC 6	$0	X	0.15000		=	$0	$0	$0
#09	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158		=	$0	$0	$0
#09	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271		=	$0	$0	$0
#09	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419		=	$0	$0	$0
#09	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523		=	$0	$0	$0
#09	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657		=	$0	$0	$0
#09	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816		=	$0	$0	$0
#09	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016		=	$0	$0	$0
#09	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260		=	$0	$0	$0
#09	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460		=	$0	$0	$0
#09	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700		=	$0	$0	$0
#09	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310		=	$0	$0	$0
#09	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000		=	$0	$0	$0
#09	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390		=	$0	$0	$0
#09	(13)	Collateral Loans	$0	X	0.06800		=	$0	$0	$0
#09	(14)	Receivable for Securities	$0	X	0.01600		=	$0	$0	$0
#09	(15)	Write-ins for Invested Assets	$0	X	0.06800		=	$0	$0	$0
#09	(16)	Premium Notes	$0	X	0.06800		=	$0	$0	$0
#09	(17)	Real Estate - Foreclosed	$0							
#09	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#09	(19)	Real Estate - Investments	$0							
#09	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#09	(21)	Real Estate - Schedule BA	$0							
#09	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#09	(23)	Farm Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#09	(24)	Farm Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#09	(25)	Farm Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#09	(26)	Farm Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#09	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#09	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#09	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#09	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#09	(31)	Farm Mortgages - 90 Days Overdue	$0							
#09	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(33)	Residential Mortgages - 90 Days Overdue	$0							
#09	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(35)	Commercial Mortgages - 90 Days Overdue	$0							
#09	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(37)	Farm Mortgages in Foreclosure	$0							
#09	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(39)	Residential Mortgages in Foreclosure	$0							
#09	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(41)	Commercial Mortgages in Foreclosure	$0							
#09	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor			(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#09	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	=	$0	$0	$0
#09	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900		=	$0	$0	$0
#09	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750		=	$0	$0	$0
#09	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000		=	$0	$0	$0
#09	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#09	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#09	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#09	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#09	(51)	Schedule BA Mortgages 90 Days Overdue	$0							
#09	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(53)	Schedule BA Mortgages in Process of Foreclosure	$0							
#09	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#09	(55)	**Yield Guaranteed State Tax Credit Investments**	$0	X	0.00140		=	$0	$0	$0
#09	(56)	**Qualifying Federal Tax Credit Investments**	$0	X	0.02600		=	$0	$0	$0
#09	(57)	**Qualifying State Tax Credit Investments**	$0	X	**0.02600**		=	$0	$0	$0
#09	(58)	**Other Tax Credit Investments**	$0	X	**0.15000**		=	$0	$0	$0
#09	**(59)**	NAIC 02 Working Capital Finance Notes	$0	X	0.01630		=	$0	$0	$0
#09	**(60)**	Other Schedule BA Assets	$0	X	0.15000		=	$0	$0	$0
#09										
#09	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0					$0	$0	$0

#10		Issuer Name #10:								
#10	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261		=	$0	$0	$0
#10	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523		=	$0	$0	$0
#10	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168		=	$0	$0	$0
#10	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151		=	$0	$0	$0
#10	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537		=	$0	$0	$0
#10	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017		=	$0	$0	$0
#10	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386		=	$0	$0	$0
#10	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535		=	$0	$0	$0
#10	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428		=	$0	$0	$0
#10	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942		=	$0	$0	$0
#10	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202		=	$0	$0	$0
#10	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000		=	$0	$0	$0
#10	(5)	Bond Asset NAIC 6	$0	X	0.15000		=	$0	$0	$0
#10	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158		=	$0	$0	$0
#10	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271		=	$0	$0	$0
#10	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419		=	$0	$0	$0
#10	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523		=	$0	$0	$0
#10	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657		=	$0	$0	$0
#10	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816		=	$0	$0	$0
#10	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016		=	$0	$0	$0
#10	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260		=	$0	$0	$0
#10	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460		=	$0	$0	$0
#10	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700		=	$0	$0	$0
#10	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310		=	$0	$0	$0
#10	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000		=	$0	$0	$0
#10	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390		=	$0	$0	$0
#10	(13)	Collateral Loans	$0	X	0.06800		=	$0	$0	$0
#10	(14)	Receivable for Securities	$0	X	0.01600		=	$0	$0	$0
#10	(15)	Write-ins for Invested Assets	$0	X	0.06800		=	$0	$0	$0
#10	(16)	Premium Notes	$0	X	0.06800		=	$0	$0	$0
#10	(17)	Real Estate - Foreclosed	$0							
#10	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#10	(19)	Real Estate - Investments	$0							
#10	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#10	(21)	Real Estate - Schedule BA	$0							
#10	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡	=	$0	$0	$0
#10	(23)	Farm Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#10	(24)	Farm Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#10	(25)	Farm Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#10	(26)	Farm Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#10	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#10	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#10	(29)	Commercial Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#10	(30)	Commercial Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#10	(31)	Farm Mortgages - 90 Days Overdue	$0							
#10	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor			(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#10	(33)	Residential Mortgages - 90 Days Overdue	$0							
#10	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(35)	Commercial Mortgages - 90 Days Overdue	$0							
#10	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(37)	Farm Mortgages in Foreclosure	$0							
#10	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(39)	Residential Mortgages in Foreclosure	$0							
#10	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(41)	Commercial Mortgages in Foreclosure	$0							
#10	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(43)	Unaffiliated Mortgages with Covenants	$0	X	0.00000	‡	=	$0	$0	$0
#10	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0	X	0.00900		=	$0	$0	$0
#10	(45)	Unaffiliated Mortgages - Primarily Senior	$0	X	0.01750		=	$0	$0	$0
#10	(46)	Unaffiliated Mortgages - All Other	$0	X	0.03000		=	$0	$0	$0
#10	(47)	Affiliated Mortgages - Category CM2	$0	X	0.01750		=	$0	$0	$0
#10	(48)	Affiliated Mortgages - Category CM3	$0	X	0.03000		=	$0	$0	$0
#10	(49)	Affiliated Mortgages - Category CM4	$0	X	0.05000		=	$0	$0	$0
#10	(50)	Affiliated Mortgages - Category CM5	$0	X	0.07500		=	$0	$0	$0
#10	(51)	Schedule BA Mortgages 90 Days Overdue	$0							
#10	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(53)	Schedule BA Mortgages in Process of Foreclosure	$0							
#10	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0	X	0.00000	‡	=	$0	$0	$0
#10	(55)	**Yield Guaranteed State Tax Credit Investments**	$0	X	0.00140		=	$0	$0	$0
#10	(56)	**Qualifying Federal Tax Credit Investments**	$0	X	0.02600		=	$0	$0	$0
#10	(57)	**Qualifying State Tax Credit Investments**	$0	X	**0.02600**		=	$0	$0	$0
#10	(58)	**Other Tax Credit Investments**	$0	X	**0.15000**		=	$0	$0	$0
#10	**(59)**	NAIC 02 Working Capital Finance Notes	$0	X	0.01630		=	$0	$0	$0
#10	**(60)**	Other Schedule BA Assets	$0	X	0.15000		=	$0	$0	$0
#10										
#10	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0					$0	$0	$0

Issuer Name: Grand Total

GT	(1.1)	Bond NAIC Designation Category 2.A	$0					$0	$0	$0
GT	(1.2)	Bond NAIC Designation Category 2.B	$0					$0	$0	$0
GT	(1.3)	Bond NAIC Designation Category 2.C	$0					$0	$0	$0
GT	(2.1)	Bond NAIC Designation Category 3.A	$0					$0	$0	$0
GT	(2.2)	Bond NAIC Designation Category 3.B	$0					$0	$0	$0
GT	(2.3)	Bond NAIC Designation Category 3.C	$0					$0	$0	$0
GT	(3.1)	Bond NAIC Designation Category 4.A	$0					$0	$0	$0
GT	(3.2)	Bond NAIC Designation Category 4.B	$0					$0	$0	$0
GT	(3.3)	Bond NAIC Designation Category 4.C	$0					$0	$0	$0
GT	(4.1)	Bond NAIC Designation Category 5.A	$0					$0	$0	$0
GT	(4.2)	Bond NAIC Designation Category 5.B	$0					$0	$0	$0
GT	(4.3)	Bond NAIC Designation Category 5.C	$0					$0	$0	$0
GT	(5)	Bond Asset NAIC 6	$0					$0	$0	$0
GT	(6.1)	Bond NAIC Designation Category 1.A †	$0					$0	$0	$0
GT	(6.2)	Bond NAIC Designation Category 1.B †	$0					$0	$0	$0
GT	(6.3)	Bond NAIC Designation Category 1.C †	$0					$0	$0	$0
GT	(6.4)	Bond NAIC Designation Category 1.D †	$0					$0	$0	$0
GT	(6.5)	Bond NAIC Designation Category 1.E †	$0					$0	$0	$0
GT	(6.6)	Bond NAIC Designation Category 1.F †	$0					$0	$0	$0
GT	(6.7)	Bond NAIC Designation Category 1.G †	$0					$0	$0	$0
GT	(7)	Unaffiliated Preferred Stock NAIC 2	$0					$0	$0	$0
GT	(8)	Unaffiliated Preferred Stock NAIC 3	$0					$0	$0	$0
GT	(9)	Unaffiliated Preferred Stock NAIC 4	$0					$0	$0	$0
GT	(10)	Unaffiliated Preferred Stock NAIC 5	$0					$0	$0	$0
GT	(11)	Unaffiliated Preferred Stock NAIC 6	$0					$0	$0	$0
GT	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0					$0	$0	$0
GT	(13)	Collateral Loans	$0					$0	$0	$0
GT	(14)	Receivable for Securities	$0					$0	$0	$0
GT	(15)	Write-ins for Invested Assets	$0					$0	$0	$0
GT	(16)	Premium Notes	$0					$0	$0	$0
GT	(17)	Real Estate - Foreclosed	$0							
GT	(18)	Real Estate - Foreclosed Encumbrances	$0					$0	$0	$0
GT	(19)	Real Estate - Investments	$0							
GT	(20)	Real Estate - Investment Encumbrances	$0					$0	$0	$0
GT	(21)	Real Estate - Schedule BA	$0							
GT	(22)	Real Estate - Schedule BA Encumbrances	$0					$0	$0	$0

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Company Name — Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value	(3) Factor	(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
GT	(23)	Farm Mortgages - Category CM2	$0		$0	$0	$0
GT	(24)	Farm Mortgages - Category CM3	$0		$0	$0	$0
GT	(25)	Farm Mortgages - Category CM4	$0		$0	$0	$0
GT	(26)	Farm Mortgages - Category CM5	$0		$0	$0	$0
GT	(27)	Commercial Mortgages - Category CM2	$0		$0	$0	$0
GT	(28)	Commercial Mortgages - Category CM3	$0		$0	$0	$0
GT	(29)	Commercial Mortgages - Category CM4	$0		$0	$0	$0
GT	(30)	Commercial Mortgages - Category CM5	$0		$0	$0	$0
GT	(31)	Farm Mortgages - 90 Days Overdue	$0				
GT	(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	$0		$0	$0	$0
GT	(33)	Residential Mortgages - 90 Days Overdue	$0				
GT	(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	$0		$0	$0	$0
GT	(35)	Commercial Mortgages - 90 Days Overdue	$0				
GT	(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	$0		$0	$0	$0
GT	(37)	Farm Mortgages in Foreclosure	$0				
GT	(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	$0		$0	$0	$0
GT	(39)	Residential Mortgages in Foreclosure	$0				
GT	(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	$0		$0	$0	$0
GT	(41)	Commercial Mortgages in Foreclosure	$0				
GT	(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	$0		$0	$0	$0
GT	(43)	Unaffiliated Mortgages with Covenants	$0		$0	$0	$0
GT	(44)	Unaffiliated Mortgages - Defeased with Government Securities	$0		$0	$0	$0
GT	(45)	Unaffiliated Mortgages - Primarily Senior	$0		$0	$0	$0
GT	(46)	Unaffiliated Mortgages - All Other	$0		$0	$0	$0
GT	(47)	Affiliated Mortgages - Category CM2	$0		$0	$0	$0
GT	(48)	Affiliated Mortgages - Category CM3	$0		$0	$0	$0
GT	(49)	Affiliated Mortgages - Category CM4	$0		$0	$0	$0
GT	(50)	Affiliated Mortgages - Category CM5	$0		$0	$0	$0
GT	(51)	Schedule BA Mortgages 90 Days Overdue	$0				
GT	(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	$0		$0	$0	$0
GT	(53)	Schedule BA Mortgages in Process of Foreclosure	$0				
GT	(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	$0		$0	$0	$0
GT	(55)	**Yield Guaranteed State Tax Credit Investments**	**$0**		$0	$0	$0
GT	(56)	**Qualifying Federal Tax Credit Investments**	**$0**		$0	$0	$0
GT	(57)	**Qualifying State Tax Credit Investments**	**$0**		$0	$0	$0
GT	(58)	**Other Tax Credit Investments**	**$0**		$0	$0	$0
GT	**(59)**	NAIC 02 Working Capital Finance Notes	**$0**		$0	$0	$0
GT	**(60)**	Other Schedule BA Assets	**$0**		$0	$0	$0
GT							
GT	**(61)**	Total of Issuer = Sum of Lines (1) through **(60)**	$0		$0	$0	$0

† After the ten largest issuer exposures are chosen, any NAIC 1 bonds or preferred stocks from any of these issuers should be included.

‡ Refer to the instructions for the Asset Concentration Factor for details of this calculation.

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Company Name Cocode: 00000

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

		Source	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect	
	ASSET RISKS					
	Bonds					
(001)	Long-term Bonds – NAIC 1	LR002 Bonds Column (2) Line (2.8) + LR018 Off-Balance Sheet Collateral Column (3) Line (2.8)	$0	X 0.1680	= $0	
(002)	Long-term Bonds – NAIC 2	LR002 Bonds Column (2) Line (3.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (3.4)	$0	X 0.1680	= $0	
(003)	Long-term Bonds – NAIC 3	LR002 Bonds Column (2) Line (4.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (4.4)	$0	X 0.1680	= $0	
(004)	Long-term Bonds – NAIC 4	LR002 Bonds Column (2) Line (5.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (5.4)	$0	X 0.1680	= $0	
(005)	Long-term Bonds – NAIC 5	LR002 Bonds Column (2) Line (6.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (6.4)	$0	X 0.1680	= $0	
(006)	Long-term Bonds – NAIC 6	LR002 Bonds Column (2) Line (7) + LR018 Off-Balance Sheet Collateral Column (3) Line (7)	$0	X 0.2100	= $0	
(007)	Short-term Bonds – NAIC 1	LR002 Bonds Column (2) Line (10.8)	$0	X 0.1680	= $0	
(008)	Short-term Bonds – NAIC 2	LR002 Bonds Column (2) Line (11.4)	$0	X 0.1680	= $0	
(009)	Short-term Bonds – NAIC 3	LR002 Bonds Column (2) Line (12.4)	$0	X 0.1680	= $0	
(010)	Short-term Bonds – NAIC 4	LR002 Bonds Column (2) Line (13.4)	$0	X 0.1680	= $0	
(011)	Short-term Bonds – NAIC 5	LR002 Bonds Column (2) Line (14.4)	$0	X 0.1680	= $0	
(012)	Short-term Bonds – NAIC 6	LR002 Bonds Column (2) Line (15)	$0	X 0.2100	= $0	
(013)	Credit for Hedging - NAIC 1 Through 5 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0199999)	$0	X 0.1680	= $0	†
(014)	Credit for Hedging - NAIC 6 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0299999)	$0	X 0.2100	= $0	†
(015)	Bond Reduction - Reinsurance	LR002 Bonds Column (2) Line (19)	$0	X 0.2100	= $0	†
(016)	Bond Increase - Reinsurance	LR002 Bonds Column (2) Line (20)	$0	X 0.2100	= $0	
(017)	Non-Exempt NAIC 1 U.S. Government Agency	LR002 Bonds Column (2) Line (22)	$0	X 0.1680	= $0	
(018)	Bonds Size Factor	LR002 Bonds Column (2) Line (26) - LR002 Bonds Column (2) Line (21)	$0	X 0.1680	= $0	
	Mortgages					
	In Good Standing					
(019)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (1)	$0	X 0.1575	= $0	
(020)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (2)	$0	X 0.1575	= $0	
(021)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (3)	$0	X 0.1575	= $0	
(022)	Total Commercial Mortgages - All Other	LR004 Mortgages Column (6) Line (9)	$0	X 0.1575	= $0	
(023)	Total Farm Mortgages	LR004 Mortgages Column (6) Line (15)	$0	X 0.1575	= $0	
	90 Days Overdue					
(024)	Farm Mortgages	LR004 Mortgages Column (6) Line (16)	$0	X 0.1575	= $0	
(025)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (17)	$0	X 0.1575	= $0	
(026)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (18)	$0	X 0.1575	= $0	
(027)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (19)	$0	X 0.1575	= $0	
(028)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (20)	$0	X 0.1575	= $0	
	In Process of Foreclosure					
(029)	Farm Mortgages	LR004 Mortgages Column (6) Line (21)	$0	X 0.1575	= $0	
(030)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (22)	$0	X 0.1575	= $0	
(031)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (23)	$0	X 0.1575	= $0	
(032)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (24)	$0	X 0.1575	= $0	
(033)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (25)	$0	X 0.1575	= $0	
(034)	Due & Unpaid Taxes Mortgages	LR004 Mortgages Column (6) Line (26)	$0	X 0.1575	= $0	
(035)	Due & Unpaid Taxes - Foreclosures	LR004 Mortgages Column (6) Line (27)	$0	X 0.1575	= $0	
(036)	Mortgage Reduction - Reinsurance	LR004 Mortgages Column (6) Line (29)	$0	X 0.2100	= $0	†
(037)	Mortgage Increase - Reinsurance	LR004 Mortgages Column (6) Line (30)	$0	X 0.2100	= $0	
	Preferred Stock					
(038)	Unaffiliated Preferred Stock NAIC 1	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (1) + LR018 Off-Balance Sheet Collateral Column (3) Line (9)	$0	X 0.1575	= $0	
(039)	Unaffiliated Preferred Stock NAIC 2	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (2) + LR018 Off-Balance Sheet Collateral Column (3) Line (10)	$0	X 0.1575	= $0	
(040)	Unaffiliated Preferred Stock-NAIC 3	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (3) + LR018 Off-Balance Sheet Collateral Column (3) Line (11)	$0	X 0.1575	= $0	
(041)	Unaffiliated Preferred Stock NAIC 4	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (4) + LR018 Off-Balance Sheet Collateral Column (3) Line (12)	$0	X 0.1575	= $0	
(042)	Unaffiliated Preferred Stock NAIC 5	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (5) + LR018 Off-Balance Sheet Collateral Column (3) Line (13)	$0	X 0.1575	= $0	

LR030 MOD

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Company Name Cocode: 00000

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(043)	Unaffiliated Preferred Stock NAIC 6	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (6) + LR018 Off-Balance Sheet Collateral Column (3) Line (14)	$0	X	0.2100	=	$0	
(044)	Preferred Stock Reduction-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (8)	$0	X	0.2100	=	$0	†
(045)	Preferred Stock Increase-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9)	$0	X	0.2100	=	$0	
	Separate Accounts							
(046)	Guaranteed Index	LR006 Separate Accounts Column (3) Line (1)	$0	X	0.1575	=	$0	
(047)	Nonindex-Book Reserve	LR006 Separate Accounts Column (3) Line (2)	$0	X	0.1575	=	$0	
(048)	Separate Accounts Nonindex-Market Reserve	LR006 Separate Accounts Column (3) Line (3)	$0	X	0.1575	=	$0	
(049)	Separate Accounts Reduction-Reinsurance	LR006 Separate Accounts Column (3) Line (5)	$0	X	0.2100	=	$0	†
(050)	Separate Accounts Increase-Reinsurance	LR006 Separate Accounts Column (3) Line (6)	$0	X	0.2100	=	$0	
(051)	Synthetic GICs	LR006 Separate Accounts Column (3) Line (8)	$0	X	0.1575	=	$0	
(052)	Separate Account Surplus	LR006 Separate Accounts Column (3) Line (13)	$0	X	0.1575	=	$0	
	Real Estate							
(053)	Company Occupied Real Estate	LR007 Real Estate Column (3) Line (3)	$0	X	0.2100	=	$0	
(054)	Foreclosed Real Estate	LR007 Real Estate Column (3) Line (6)	$0	X	0.2100	=	$0	
(055)	Investment Real Estate	LR007 Real Estate Column (3) Line (9)	$0	X	0.2100	=	$0	
(056)	Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (11)	$0	X	0.2100	=	$0	†
(057)	Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (12)	$0	X	0.2100	=	$0	
	Schedule BA							
(058)	Sch BA Real Estate Excluding Tax Credit Investments	LR007 Real Estate Column (3) Line (16)	$0	X	0.2100	=	$0	
(059)	Yield Guaranteed State Tax Credit Investments	LR007 Real Estate Column (3) Line (17)	$0	X	0.0000	=	$0	
(060)	Qualifying and Other Tax Credit Investments	LR007 Real Estate Column (3) Line (18) + Line (19) + Line (20)	$0	X	0.0000	=	$0	
(061)	Sch BA Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (23)	$0	X	0.2100	=	$0	†
(062)	Sch BA Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (24)	$0	X	0.2100	=	$0	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)	$0	X	0.1575	=	$0	
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)	$0	X	0.1575	=	$0	
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)	$0	X	0.1575	=	$0	
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)	$0	X	0.1575	=	$0	
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)	$0	X	0.1575	=	$0	
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)	$0	X	0.2100	=	$0	
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)	$0	X	0.2100	=	$0	†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)	$0	X	0.2100	=	$0	
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12)	$0	X	0.1575	=	$0	
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)	$0	X	0.1575	=	$0	
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)	$0	X	0.1575	=	$0	
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)	$0	X	0.1575	=	$0	
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)	$0	X	0.1575	=	$0	
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)	$0	X	0.2100	=	$0	
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)	$0	X	0.2100	=	$0	†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)	$0	X	0.2100	=	$0	
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)	$0	X	0.1575	=	$0	
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)	$0	X	0.1575	=	$0	
(081)	BA Common Stock Affiliated - C-1o	LR008 Other Long-Term Assets Column (5) Line (50.3)	$0	X	0.2100	=	$0	
(082)	**All Other Schedule BA Collateral Loans** - C-1o	LR008 Other Long-Term Assets Column (5) Line (51)	$0	X	0.1575	=	$0	
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (53.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	$0	X	0.2100	=	$0	
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)	$0	X	0.2100	=	$0	†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (56)	$0	X	0.2100	=	$0	
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (12)	$0	X	0.1575	=	$0	
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (16)	$0	X	0.1575	=	$0	
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (20)	$0	X	0.1575	=	$0	
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)	$0	X	0.2100	=	$0	†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (23)	$0	X	0.2100	=	$0	
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page	$0	X	0.1575	=	$0	
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)	$0	X	0.1575	=	$0	
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)	$0	X	0.1575	=	$0	
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)	$0	X	0.1575	=	$0	
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)	$0	X	0.1575	=	$0	
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)	$0	X	0.1575	=	$0	
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)	$0	X	0.1575	=	$0	
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)	$0	X	0.1575	=	$0	
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)	$0	X	0.2100	=	$0	
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)	$0	X	0.2100	=	$0	†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)	$0	X	0.2100	=	$0	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	$0	X	0.1575	=	$0	
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	$0	X	0.2100	=	$0	
(104)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	$0	X	0.2100	=	$0	

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Company Name | Cocode: 00000

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	$0	X	0.2100	=	$0	
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	$0	X	0.2100	=	$0	
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	$0	X	0.2100	=	$0	
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	$0	X	0.2100	=	$0	
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	$0	X	0.2100	=	$0	
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)	$0				$0	
	C-0 Affiliated Common Stock							
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)	$0	X	0.1575	=	$0	
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)	$0	X	0.2100	=	$0	†
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)	$0	X	0.2100	=	$0	
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	$0	X	0.2100	=	$0	
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	$0	X	0.2100	=	$0	
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	$0	X	0.2100	=	$0	
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	$0	X	0.2100	=	$0	
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	$0	X	0.2100	=	$0	
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	$0	X	0.2100	=	$0	
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	$0	X	0.0000	=	$0	
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	$0	X	0.0000	=	$0	
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)	$0				$0	
	Common Stock							
(123)	Unaffiliated Common Stock	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)	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 Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) **Line (49) - Line (45.1) - Line (45.2)**	$0	X	0.2100	=	$0	
(128)	Total Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) Line **(45.1) + Line (45.2)**	$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	
	Insurance Risk							
(135)	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) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (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.

LR030 MOD

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Company Name

Cocode: 00000

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	$0
(2)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	$0
(3)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	$0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	$0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	$0
(6)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	$0
(7)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	$0
(8)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	$0
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	$0
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)	$0
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)	$0
(12)	Net (C-0) - Post-Tax	Line (10) - Line (11)	$0
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding		
(14)	Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) **Line (49) - Line (45.1) - Line (45.2)**	$0
(15)	Total Residual Tranches or Interests / **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) line **(45.1) + Line (45.2)**	$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
	Asset Risk - All Other (C-1o)		
(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 Collateral Column (3) Line (17) + Line (18)	$0

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Company Name
CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

Cocode: 00000

		Source	(1) RBC Requirement
(37)	Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (24)	$0
(38)	Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page	$0
(39)	Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	$0
(40)	Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	$0
(41)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	$0
(42)	Total (C-1o) - Pre-Tax	Sum of Lines (22) through (41)	$0
(43)	(C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (110)	$0
(44)	Net (C-1o) - Post-Tax	Line (42) - Line (43)	$0
	Insurance Risk (C-2)		
(45)	Individual and Industrial Life Insurance	LR025 Life Insurance Column (2) Line (5)	$0
(46)	Group and Credit Life Insurance and FEGI/SGLI	LR025 Life Insurance Column (2) Line (12)	$0
(46b)	Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	$0
(47)	Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	$0
(48)	Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	$0
(49)	Total (C-2) - Pre-Tax	L(47) + L(48) + Greatest of [Guardrail Factor * (L(45)+L(46)), Guardrail Factor * L(46b), Square Root of [$(L(45) + L(46))^2 + L(46b)^2 + 2 * (\text{Correlation Factor}) * (L(45) + L(46)) * L(46b)$]]	$0
(50)	(C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	$0
(51)	Net (C-2) - Post-Tax	Line (49) - Line (50)	$0
	Interest Rate Risk (C-3a)		
(52)	Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	$0
(53)	(C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	$0
(54)	Net (C-3a) - Post-Tax	Line (52) - Line (53)	$0
	Health Credit Risk (C-3b)		
(55)	Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	$0
(56)	(C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	$0
(57)	Net (C-3b) - Post-Tax	Line (55) - Line (56)	$0
	Market Risk (C-3c)		
(58)	Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	$0
(59)	(C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	$0
(60)	Net (C-3c) - Post-Tax	Line (58) - Line (59)	$0
	Business Risk (C-4a)		
(61)	Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	$0
(62)	Liability Component	LR029 Business Risk Column (2) Line (39)	$0
(63)	Subtotal Business Risk (C-4a) - Pre-Tax	Lines (61) + (62)	$0
(64)	(C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (145)	$0
(65)	Net (C-4a) - Post-Tax	Line (63) - Line (64)	$0
	Business Risk (C-4b)		
(66)	Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	$0
(67)	(C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (146)	$0
(68)	Net (C-4b) - Post-Tax	Line (66) - Line (67)	$0

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Company Name | Cocode: 00000

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Total Risk-Based Capital After Covariance Before Basic Operational Risk		
(69)	C-0 + C-4a + Square Root of [(C-1o + C-3a)² + (C-1cs + C-3c)² + (C-2)² + (C-3b)² + (C-4b)²]	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE L(12)+L(65) + Square Root of [(L(44) + L(54))² + (L(21) + L(60))² + L(51)² + L(57)² + L(68)²]	$0
(70)	Gross Basic Operational Risk	0.03 x L(69)	$0
(71)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(72)	Net Basic Operational Risk	Line (70) - (Line (65) + Line (71)) (Not less than zero)	$0
(73)	Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII Multiplied by 2	LR036 XXX/AXXX Reinsurance Primary Security Shortfall by Cession Column (7) Line (9999999) Multiplied by 2	$0
(74)	Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied	Line (69) + Line (72) + Line (73)	$0
	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)		
(75)	Total Risk-Based Capital After Covariance Times Fifty Percent	Line (74) x 0.50	$0
	Tax Sensitivity Test		
(76)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	L(10)+L(63) + Square Root of [(L(42) + L(52))² + (L(19) + L(58))² + L(49)² + L(55)² + L(66)²]	$0
(77)	Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (76) x 0.50	$0

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March 6, 2026

VIA ELECTRONIC SUBMISSION

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

Re: RBC Proposal 2025-16-L MOD – Collateral Loans

Dear Members of the Life Risk-Based Capital (E) Working Group ("**Working Group**"):

The American Investment Council ("**AIC**") appreciates the opportunity to comment on *RBC Proposal 2025-16-L MOD – Collateral Loans* ("**Proposal**"), which was discussed and exposed for public comment at the Working Group's February 10, 2026 meeting.[1] We support the NAIC's comprehensive, methodological, and holistic review of insurer investment regulation and endorse certain core components of that effort, including elements reflected in the NAIC *Investment Framework*[2] and the *Principles for RBC Requirements*[3] ("**RBC Principles**"), which together represent meaningful progress toward a more consistent and analytically sound risk-based capital ("**RBC**") regime, and provide an important foundation for the Working Group's consideration of collateral loans.

Consistent with these broader initiatives, we appreciate the Working Group's acknowledgement that simple "look-through" treatment for purposes of establishing new RBC factors for collateral loans backed by investments in joint ventures, partnerships, or limited liability companies, as well as those backed by residual tranches or interests, is inappropriate. As noted during the February 10 meeting, collateral loans are structurally distinct from the direct holdings of their underlying assets and incorporate certain protections (*e.g.*, borrower equity subordination and first-loss buffers) that materially alter exposure risk and warrant different regulatory treatment.

While we support the directional nature of the refinements that were incorporated into the latest version of the Proposal, we remain concerned that the proposed year-end

[1] The Proposal is *available at*: https://content.naic.org/sites/default/files/inline-files/Att%207%202025-16-L%20MOD%20Collateral%20Loans%20combined.pdf.
[2] The *Framework for Regulation of Insurer Investments – A Holistic Review* is *available at*: https://content.naic.org/sites/default/files/inline-files/Oct%202024%20Investment%20Framework.pdf.
[3] The RBC Principles, as adopted, are *available at*: https://content.naic.org/sites/default/files/inline-files/Dec%202025%20Adopted%20Principles.pdf.

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2026 implementation date is premature and that the RBC charges set out in the Proposal do not accurately reflect collateral loan risk. In particular, the new RBC factors should be calibrated to account for the structural features of collateral loans and should seek to be proportional to the insurer's actual exposure. Companies also should be afforded adequate time to assess and adjust their portfolios to reflect a revised regulatory framework. **Accordingly, we respectfully recommend that the Working Group extend the implementation date to no earlier than year-end 2027 to allow for appropriate analysis and orderly implementation.**

In support of this recommendation, AIC offers the following considerations:

- **The RBC Principles concept of "Materiality" should be balanced by the concepts of "Process" and "Accuracy."** The materials underpinning the Proposal focus on growth in collateral loan usage and the need for enhanced transparency and reporting alignment, rather than on an emergent, industry-wide solvency concern. Nor do they reflect a regulatory arbitrage issue, as the Working Group has appropriately recognized that collateral loans are not economically equivalent to direct holdings of their underlying assets. Even if certain capital discrepancies were viewed as "Material", the RBC Principles make clear that materiality should not operate in isolation, but must be balanced by "Process" and "Accuracy" considerations that call for deliberate, transparent, and empirically supported calibration rather than expedited or form-based adjustments.

- **Additional information is required to establish proper RBC charges.** Consistent with the RBC Principles, changes to RBC charges should contemplate the structural features and risk characteristics of collateral loans and should be based on a methodology that incorporates empirical data and otherwise accounts for the specific features and attributes of collateral loans (e.g., anchoring collateral loan factors to existing charges based on a existing data and credit enhancement metrics).

- **Orderly portfolio transition requires a reasonable implementation runway.** A material increase in RBC charges applied to existing collateral loans operates as retroactive rulemaking. Providing at least one full calendar year following adoption is prudent and, in this case, reasonable, and would permit insurers to assess impacts and adjust portfolios in an orderly and non-disruptive manner.

We are hopeful that the collateral loan project will serve as a model for future RBC-related enhancements, demonstrating the value of deliberate policymaking grounded in the RBC Principles. Incorporating the adjustments outlined above would support the development of a more analytically sound framework, result in more precise and risk-sensitive RBC factors, and promote a more stable and orderly pathway for insurers to make any necessary portfolio adjustments as a result of the Proposal. We appreciate the

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Working Group's engagement with interested parties and look forward to continuing to work collaboratively on this important initiative.

Sincerely,

/s/ Rebekah Goshorn Jurata
General Counsel
American Investment Council

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From: Tomasz Serbinowski
To: Okosun, Kazeem
Cc: Slutsker, Ben; Barlow, Philip; Garn, Jacob W.
Subject: Comments on proposal 2025-16-L MOD Collateral Loans
Date: Friday, March 6, 2026 5:59:58 PM

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Ben Slutsker, Chair
Philip Barlow, Vice Chair
Life Risk-Based Capital (E) Working Group

Re: Request for comments on proposal 2025-16-L MOD Collateral Loans

Dear Chairs, Slutsker and Barlow,

On behalf of the State of Utah, I'd like to offer the following comments on the look-through proposal for certain collateral loans reported on Schedule BA and backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' interests.

While we agree that the current framework does not appropriately recognize the risk associated with the collateral, we have concerns that the proposal is too punitive.

We believe that the RBC charge should reflect both the riskiness of the collateral and the amount of the collateral. All other things being equal, given the same LTV ratio, more risky collateral should result in a higher RBC charge. We support a higher, look-through charge for collateral loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' interests.

At the same time, given similar collateral, loans with a lower LTV ratio should receive a lower RBC charge.

Loans backed by collateral differ from structured securities. Unlike structured securities, where performance of the underlying directly affects cash flows from the security, loan repayments are not directly affected by changes in the value of the collateral.

We believe that a more principled approach would apply a sliding scale to the RBC charge. Loans with a high LTV ratio should receive a charge similar to the look-through charge applicable to the collateral, while loans with a low LTV ratio should receive a reduced charge.

Sincerely,

--

The Utah Insurance Department is committed to providing excellent service to all customers. We invite you to provide us feedback on your experience at https://utconcierge.qualtrics.com/jfe/form/SV_0oizU5rXeLE8dHU.

Tomasz Serbinowski, Actuary
Office of the Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300 | Taylorsville, UT 84129
P: 801-957-9324 | tserbinowski@utah.gov



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March 6, 2026

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

Via Email: kokosun@naic.org

Re: Comments on Proposal 2025-16-L – RBC Factors for Collateral Loans Based on Underlying Collateral Type

Dear Members of the Life Risk-Based Capital (E) Working Group,

The Alternative Credit Council,[1] the private credit affiliate of the Alternative Investment Management Association Ltd (AIMA), appreciates the opportunity to

[1] The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US$2 trillion of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board, which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure, and the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research to strengthen the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.



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provide comments on Proposal 2025-16-L MOD regarding modifications to the risk-based capital (RBC) treatment for collateral loans. Representing over 250 private credit managers globally who manage more than $2 trillion in assets, the ACC supports initiatives that promote a robust, risk-sensitive regulatory framework for insurers while fostering innovation and efficiency in credit markets.

We commend the Working Group for moving forward with the recommendations in our January 27 letter, particularly those related to collateral loans backed by mortgages. In that letter, we recommend that the RBC treatment take into account the mortgage loan's risk characteristics. We also appreciate the revised proposals' intent to refine the RBC charges for collateral loans by taking into account the loan-to-value (LTV) of the underlying collateral. That said, we believe the modified proposal could benefit from a data-driven analysis to determine the appropriate charge range based on the LTV percentage. A data-driven analysis is essential to fully realize the goal of risk-sensitive calibration as identified in the new RBC principles.

We believe the revised proposal represents a positive step toward better calibrating capital requirements to reflect the actual economic risks involved, rather than relying on overly broad categorizations. The proposal's recognition of collateral type differences aligns with sound prudential principles and could help ensure that capital charges are more proportionate to the diverse risk profiles of these assets. Additionally, the incorporation of a generic haircut (e.g., the proposed 20% adjustment) and the continuation of certain treatments, such as those for mortgage-backed collateral loans under the previously adopted Proposal 2024-15-L, demonstrate a thoughtful attempt to balance regulatory updates with practical considerations.

Furthermore, we appreciate the modifications to the proposal to set AVR Basic Contribution, Reserve Objective and Maximum Reserve to zero until otherwise advised by the American Academy of Actuaries.

The ACC stands ready to collaborate with the Working Group, NAIC staff, and other stakeholders to provide data, expertise, or additional analysis on collateral loans. We believe these enhancements will strengthen the RBC framework's effectiveness while supporting insurers' ability to deploy capital efficiently in private credit markets.

Thank you for considering our comments. We look forward to continued engagement on this important topic.

Please contact me at Jkrol@aima.org or Joe Engelhard, Head of Private Credit & Asset Management Policy, Americas, at jengelhard@aima.org if you have any questions or would like to discuss these topics in more detail.

Sincerely,





Jiří Król
Global Head of Alternative Credit Council

Joe Engelhard
Head of Private Credit & Asset Management Policy, Americas

Draft: 3/27/26

Property and Casualty Risk-Based Capital (E) Working Group
and the Catastrophe Risk (E) Subgroup
San Diego, California
March 23, 2026

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 23, 2026, in joint session with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Rolf Kaumann (CO); Jane Nelson (FL); Sandra Darby (ME); Will Davis (SC); and Amy Garcia (TX). The following Subgroup members participated: Wanchin Chou, Chair (CT); Jane Nelson, Vice Chair (FL); Rolf Kaumann (CO); Travis Grassel and Mike Yanacheak (IA); Sandra Darby (ME); Tom Botsko (OH); Andy Schallhorn (OK); Will Davis (SC); and Amy Garcia (TX). Also participating were: Gilbert Mendoza (MD); Angela Hatchell (NC); Michael Muldoon (NE); Christian Citarella (NH); Steve Drutz (WA); and Mark McNabb (WI).

1. Adopted the Working Group and Subgroup's Jan. 28, 2026, and Nov. 12, 2025, Minutes

Botsko said the Working Group and Subgroup conducted an e-vote that concluded Jan. 28, 2026, to adopt proposal 2025-08-CR (2025 U.S. and Non-U.S. Catastrophe Risk Event Lists), which the Working Group and Subgroup had exposed for a seven-day public comment period that ended Jan. 15.

Chou made a motion, seconded by Davis, to adopt the Working Group and Subgroup's Jan. 28, 2026, (Attachment Four-A) and Nov. 12, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Three*). The motion passed unanimously.

2. Adopted Proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s)

Chou explained that the proposed change separates hurricane and earthquake losses, aligning their reporting with that of wildfire and severe convective storm perils. This alignment allows the Subgroup and Working Group to more effectively evaluate each risk based on its distinct characteristics and impacts. The proposal was exposed for a 60-day public comment period ending Jan. 11, during which no comments were received.

Chou made a motion, seconded by Darby, to adopt proposal 2025-19-CR (Attachment Seven). The motion passed unanimously.

3. Adopted Proposal 2025-20-CR (Wildfire Rcat Implementation)

Chou provided background on the Wildfire Impact Analysis II project, noting that the Subgroup received a referral from the Climate and Resiliency (EX) Task Force on March 15, 2021, recommending consideration of an expansion of the current catastrophe framework to include other perils, such as wildfire, flood, and/or severe convective storms, that may face greater tail risk under projected climate-related trends. The Wildfire Ad Hoc Group was formed at that time to begin a three-phase review process (i.e., high-level, confidential, and impact analysis) under Actuarial Standard of Practice (ASOP) No. 38, *Catastrophe Modeling (for All Practice Areas)*. After carefully studying various catastrophe models, the Subgroup and Working Group adopted the wildfire peril for informational purposes only in the risk-based capital (RBC) report.

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Chou stated that in 2024, the Wildfire Review Ad Hoc Group was reorganized and resumed its Phase II review on March 18, 2025, with CoreLogic added as a new vendor. The Ad Hoc Group reconvened Sept. 25, 2025, to address feedback on the Impact Analysis II presentations and to review the methodology used to evaluate vendor models. Chou explained that the model evaluation process began in early June/July using the same exposure inputs across the four vendors. He said that, compared to the initial 2022 impact analysis, the current evaluation shows model outputs have become more consistent over time, increasing the Subgroup's confidence in the models' reliability and applicability for risk management purposes. He also noted that NAIC staff compared RBC action levels under the current RBC formula with those under a formula incorporating the wildfire peril; the analysis indicated that only two companies moved from no action level to the trend test in 2024, with no impact observed in 2025. Chou added that the proposal seeks to incorporate the wildfire peril into the Rcat component, reflecting the improved reliability and applicability of catastrophe models. The proposal was exposed for a 60-day public comment period ending Jan. 11, during which no comments were received.

Chou made a motion, seconded by Schallhorn, to adopt proposal 2025-20-CR (*NAIC Proceedings – Spring 2026, Financial Condition (E) Committee*). The motion passed unanimously.

4. Exposed Proposal 2026-08-CR (PR027INT Item D Modification)

Chou stated that NAIC staff received an inquiry seeking clarification on how to evaluate whether a carrier qualifies for an exemption related to the severe convective storm peril, given the lack of clarity surrounding what constitutes "catastrophe-prone areas in the U.S." for this peril. Chou noted that after consulting with multiple catastrophe modelers, no U.S. catastrophe-prone areas for severe convective storms are currently implemented in their software. He explained that the proposal seeks to eliminate questions D13 and D14 from PR027INT, as there are no clearly defined areas considered prone to convective storms. Retaining these questions, therefore, may result in ambiguity and inconsistency in data collection and reporting.

The Working Group and Subgroup agreed to expose proposal 2025-08-CR (Attachment Four-B) for a 30-day public comment period ending April 23.

5. Heard Updates from the Severe Convective Storms Impact Analysis

Chou stated that, following the adoption of the wildfire peril into the Rcat component, the next step is to conduct an in-depth impact analysis for the severe convective storm peril. He explained that the Severe Convective Storms Ad Hoc Group will perform an analysis similar to the wildfire impact analysis, using the same six-phase approach applied to other commercial modelers. The review is expected to begin in early April, with model results shared with states that have executed nondisclosure agreements (NDAs). Chou said he anticipated that the review would be completed by November, with updates provided at the Fall National Meeting.

6. Discussed Climate Impact Disclosures

Chou indicated that, based on preliminary findings, most insurance carriers used a simpler frequency-based method in their filings rather than more complex climate models. Tim Farrell (NAIC) agreed, stating that this approach appears to reflect limited experience, vendor resource constraints, and the fact that the requirements were introduced mid-year, leaving little time for insurers to implement robust solutions for the year-end 2024 filing. He added that the variability in responses likely reflects differing company perspectives, evolving exposures due to climate factors, and the challenges associated with the first year of data collection, which could have led to data quality concerns or misunderstandings of the instructions. Looking ahead, Farrell said the Center for

Insurance Policy and Research plans to conduct further analysis using the year-end 2025 filings. He said he anticipated improved data and potentially more carriers attempting a robust climate-modeling approach, given additional preparation time and industry support webinars to clarify the requirements. Chou noted that the instructions include a three-year sunset clause to help ensure that only beneficial data collection efforts continue, with the goal of enabling the Subgroup to make a decision based on the quality and usefulness of the information gathered.

7. Discussed Flood Peril

Chou emphasized the need to continue monitoring availability and affordability issues, which remain significant concerns for the flood peril. He encouraged members to share ideas and express interest, noting the complexity of the topic. Botsko added that ongoing monitoring of flood risk is important, particularly in relation to the National Flood Insurance Program (NFIP), administered by the Federal Emergency Management Agency (FEMA), and the continued role of government-funded programs. He suggested that, as conditions evolve, the Working Group and Subgroup should re-evaluate their approach based on industry reactions to any changes in government support.

8. Received an Update from the Health Risk-Based Capital (E) Working Group Regarding Proposal 2025-15-CA (A&H Underwriting Risk Structure Change)

Drutz stated that proposal 2025-15-CA MOD (Attachment Four-C) was exposed during the Health Risk-Based Capital (E) Working Group meeting on Feb. 13, with no comments received. He noted that the Working Group will consider referring the proposal to the Capital Adequacy (E) Task Force for re-exposure at the Spring National Meeting. He explained that the proposal expands the reporting lines on PR020 and, as reflected in the health RBC materials, separates the investment income adjustment factor into two lines—one for the initial underwriting factor and one for the excess underwriting factor—to better implement the stand-alone investment income adjustment developed by the American Academy of Actuaries (Academy).

9. Discussed the P/C RBC Premium and Loss Concentration Factors

Botsko stated that the Academy presented its evaluation of premium concentration factors (PCFs) and loss concentration factors (LCFs) within the property/casualty (P/C) RBC formula, emphasizing diversification credit for insurers with multiple lines of business. He noted that NAIC staff recently conducted an analysis comparing RBC action levels under the current RBC formula with those under a formula incorporating the Academy-recommended factors of 45% for premium concentration and 65% for loss concentration. The analysis indicated that the proposed changes had an insignificant impact. Botsko asked whether the Working Group members agreed with using the Academy-recommended factors. Hearing no opposition, he stated that NAIC staff would develop a proposal for discussion at an upcoming meeting.

10. Heard an Update from the Academy on its RBC Ratio and Impairment Risk Research Project

Steve Jackson (Academy) presented key findings from a research project (Attachment Eleven) analyzing the relationship between RBC ratios and the probability of impairment across companies. He reported that: 1) the association between RBC ratios and impairment probability was statistically significant, though not robust; 2) results were influenced by a subset of smaller companies with highly volatile ratios; 3) at an RBC ratio of 300%, the estimated probability of impairment exceeded 20% in years one and two; 4) at an RBC ratio of 700%, the estimated probability fell below 5% across all time horizons; 5) above approximately 1300%–1400%, the estimated

probability of impairment approached zero; and 6) at lower ratios, longer time horizons sometimes produced higher estimated probabilities than the near-term years. Jackson added that additional analyses and expanded modeling are planned to validate and build on these findings. He also encouraged Working Group and Subgroup members, as well as interested regulators, to participate in the ongoing project and provide input.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/ Member Meetings/E Cmte/CADTF/2026-Spring/PCRBCWG/Joint PCRBC Cat Risk Minutes.docx

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Draft: 2/4/26

Property and Casualty Risk-Based Capital (E) Working Group
and Catastrophe Risk (E) Subgroup
E-Vote
January 28, 2026

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force conducted an e-vote with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group that concluded Jan. 28, 2026. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Eric Unger (CO); Travis Grassel (IA); Sandra Darby (ME); Ni Qin (NY); and Will Davis (SC). The following Subgroup members participated: Wanchin Chou, Chair (CT); Charles Hale (AL); Eric Unger (CO); Sandra Darby (ME); Alexander Vajda (NY); Tom Botsko (OH); and Andy Schallhorn (OK).

1. Adopted the Updated 2025 U.S. and Non-U.S. Catastrophe Risk Event Lists

The Working Group and Subgroup conducted an e-vote to consider adoption of proposal 2025-08-CR (2025 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Grassel made a motion, seconded by Darby, to adopt the 2025 U.S. and non-U.S. catastrophe risk event lists (Attachment One-A). The motion passed unanimously.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/ Member Meetings/E Cmte/CADTF/2026-Spring/PCRBCWG/Joint PCRBC Cat Risk Email Vote 012826

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Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force
☒ Catastrophe Risk (E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup
☐ Health RBC (E) Working Group
☐ P/C RBC (E) Working Group
☐ Economic Scenarios (E/A) Subgroup
☐ Life RBC (E) Working Group
☐ Longevity Risk (A/E) Subgroup
☐ RBC Investment Risk & Evaluation (E) Working Group

DATE: 2/23/26	
CONTACT PERSON:	Eva Yeung
TELEPHONE:	816-783-8407
EMAIL ADDRESS:	eyeung@naic.org
ON BEHALF OF:	Catastrophe Risk (E) Subgroup
NAME:	Wanchin Chou
TITLE:	Chair
AFFILIATION:	Connecticut Department of Insurance
ADDRESS:	153 Market St., Hartford CT 06103

FOR NAIC USE ONLY

Agenda Item #2026-08-CR
Year 2026

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF)
☐ WORKING GROUP (WG)
☐ SUBGROUP (SG)

EXPOSED:
☐ TASK FORCE (TF)
☒ WORKING GROUP (WG) 2026/03/23
☒ SUBGROUP (SG) 2026/03/23

REJECTED:
☐ TF ☐ WG ☐ SG

OTHER:
☐ DEFERRED TO
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY)

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

☐ Health RBC Blanks
☐ Health RBC Instructions
☐ Health RBC Formula
☒ Property/Casualty RBC Blanks
☒ Property/Casualty RBC Instructions
☐ Property/Casualty RBC Formula
☐ Life and Fraternal RBC Blanks
☐ Life and Fraternal RBC Instructions
☐ Life and Fraternal RBC Formula
☐ OTHER

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The purpose of this proposal is to eliminate questions D13 and D14 from PR027INT. This action is recommended because there are currently no clearly defined areas that are considered prone to convective storms. As a result, retaining these questions may lead to ambiguity and inconsistency in data collection and reporting.

Additional Staff Comments:

** **This section must be completed on all forms.** **Revised 2-2023**

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CALCULATION OF CATASTROPHE RISK CHARGE RCAT
PR027A, PR027B, PR027BI, PR027BII, PR027BIII, PR027BIV PR027C, PR027CI, PR027CII, PR027CIII, PR027CIV, PR027D, PR027, PR027INT, AND PR027INTA

Detail Eliminated To Conserve Space

The Interrogatory on page (PR027INT) supports an exemption from filing the catastrophe risk charge.

Any company qualifying for exemption from the earthquake risk charge must identify the particular criteria from among (1a), (1b), (2) and (3) that provides its qualification for exemption, and may leave the other three items from this group of four possible qualifications for exemption blank; except identification of criteria (3) as the basis for the exemption requires a further answer to (3a) and (3b).). If an insurer does not write or assume earthquake risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 3, with no need to fill in (3a) and (3b). If the company qualifies for exemption from the earthquake risk charge, page PR027A and line (1) on PR027 may be left blank.

Any company qualifying for exemption from the hurricane risk charge must identify the particular criteria from among (4a), (4b), (5) and (6) that provides its qualification for exemption, and may leave the other three items from this second group of four possible qualifications for exemption blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 6.If the company qualifies for exemption from the hurricane risk charge, page PR027B and line (2) on PR027 may be left blank.

Any company qualifying for exemption from the wildfire risk charge must identify the particular criteria from among (7a), (7b), (8), (9), and (10) that provides its qualification for exemption and may leave the other four items from this third group of five possible qualifications for exemption blank. If an insurer does not write or assume wildfire risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 9. If the company qualifies for exemption from the wildfire risk charge, page PR027C and line (3) on PR027 may be left blank.

Any company qualifying for exemption from the convective storms risk charge must identify the particular criteria from among (11a), (11b), and (12)~~, (13) and (14)~~ that provides its qualification for exemption and may leave the other ~~four~~ two items from this fourth group of ~~five~~ three possible qualifications for exemption blank. ~~If an insurer does not write or assume convective storms risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 13. If the company qualifies for exemption from the convective storms risk charge, page PR027D and line (4) on PR027 may be left blank.~~

Detail Eliminated To Conserve Space

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INTERROGATORY TO SUPPORT EXEMPTION FROM COMPLETING PR027 (To be completed by companies reporting no RBC charge in either Lines 1 through 4) PR027INT

	Place an "X" in the appropriate cell for the criteria under which the company is claiming an exemption
A Earthquake Exemption (To be completed by companies reporting no RBC charge in PR027 Line 1) -	
(1) The company has not entered into a reinsurance agreement covering earthquake exposure with a non-affiliate or a non-US affiliate and, either	
(1a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for earthquake risks; Or	
(1b) the company cedes 100% of its earthquake exposures to its US affiliate(s), leaving no net exposure for earthquake risks	
(2) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%	
(3) The company has written Insured Value - Property that includes earthquake coverage in the Earthquake-Prone areas representing less than 10% of its surplus as regards policyholders	

For any company qualifying for the exemption under 3 provide details about how the "geographic areas in the New Madrid Seismic Zone" were determined.
(3a) What resource was used to define the New Madrid Seismic Zone?

(3b) Was exposure determined based on zip codes or counties in the zone, was it based on all of the earthquake exposure in the identified states or was another methodology used? Describe any other methodology used.

Note: "Earthquake-Prone areas" include any of the following states or commonwealths: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.

B Hurricane Exemption (To be completed by companies reporting no RBC charge in PR027 Line 2) -	
(4) The company has not entered into a reinsurance agreement covering hurricane exposure with a non-affiliate or a non-US affiliate and, either	
(4a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for hurricane risks; Or	
(4b) the company cedes 100% of its hurricane exposures to its US affiliate(s), leaving no net exposure for hurricane risks	
(5) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%	
(6) The company has written Insured Value - Property that includes hurricane coverage in the Hurricane-Prone areas representing less than 10% of its surplus as regards policyholders	

Note: "Hurricane-Prone areas" include Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean, and/or Gulf of Mexico including Puerto Rico.

C Wildfire Exemption (To be completed by companies reporting no RBC charge in PR027 Line 3) -	
(7) The company has not entered into a reinsurance agreement covering wildfire exposure with a non-affiliate or a non-US affiliate and, either	
(7a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for wildfire risks; Or	
(7b) the company cedes 100% of its wildfire exposures to its US affiliate(s), leaving no net exposure for wildfire risks	
(8) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%	
(9) The company has written Insured Value - Property that includes wildfire coverage in the wildfire-Prone areas representing less than 10% of its surplus as regards policyholders	
(10) The sum of the direct and assumed premium written in wildfire-prone areas across the following Annual Statement lines is less than $50 million: Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril; and the company does not currently utilize NAIC approved third party commercial vendor wildfire catastrophe models.	

Note: "Wildfire-Prone areas" include any of the following states: California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

D Convective Storms Exemption (To be completed by companies reporting no RBC charge in PR027 Line 4) -	
(11) The company has not entered into a reinsurance agreement covering Convective Storms exposure with a non-affiliate or a non-US affiliate and, either	
(11a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for Convective Storms risks; Or	
(11b) the company cedes 100% of its convective storms exposures to its US affiliate(s), leaving no net exposure for Convective Storms risks	
(12) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%	
~~(13) The company has written Insured Value - Property that includes Convective Storms coverage in the Convective Storms-Prone areas representing less than 10% of its surplus as regards policyholders~~	
~~(14) The sum of the direct and assumed premium written in Convective Storms-prone areas across the following Annual Statement lines is less than $50 million: Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril; and the company does not currently utilize NAIC approved third party commercial vendor convective storm catastrophe models.~~	

Denotes items that must be manually entered on the filing software.
* Items C and D are for informational purposes only.

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Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☒ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

	DATE: 11/4/2025	**FOR NAIC USE ONLY**
CONTACT PERSON:	**Derek Noe**	Agenda Item # 2025-15-CA-MOD Year 2026
TELEPHONE:	**816-783-8973**	**DISPOSITION**
EMAIL ADDRESS:	**dnoe@naic.org**	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
ON BEHALF OF:	**Health Risk-Based Capital (E) Working Group**	
NAME:	**Steve Drutz**	
TITLE:	**Chief Financial Analyst/Chair**	**EXPOSED:** ☐ TASK FORCE (TF) _____ ☒ WORKING GROUP (WG) 2/13/2026 ☐ SUBGROUP (SG) _____
AFFILIATION:	**WA Office of Insurance Commissioner**	
ADDRESS:	**5000 Capital Blvd SE** **Tumwater, WA 98501**	**REJECTED:** ☐ TF ☐ WG ☐ SG _____ **OTHER:** ☐ DEFERRED TO _____ ☒ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) _____

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

☒ Health RBC Blanks ☒ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☒ Health RBC Instructions ☒ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☒ Health RBC Formula ☒ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Changes to the structure of pages XR013, XR014, PR019, PR020, PR022, PR025, LR019, and LR020 based on the recommendations from the Academy's H-2 Underwriting Risk Report.

The Academy presented their *H2-Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report* to the Health Risk-Based Capital Working Group at their April 30, 2025 meeting. The report presented a revised structure to more closely align the underwriting risk pages with the lines of business as presented in the Analysis of Operations of the Health Annual Statement. The report also advised to change the implementation in the Life and Property and Casualty RBC to mirror the line of business changes in Health.

This proposal also implements a new alternative risk charge based on the recommendation from the Academy that the multiple of maximum individual risk be eliminated.

Additional Staff Comments:

LR029 Line (42) and PR022 Line (5) now include Title XVIII Medicare and Title XIX Medicaid as part of total health premium.

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Income adjustment factor instructions and values will be updated during the annual Investment Income Adjustment review.

03/11/26 Revisions

Split line 12 into lines 12.1 and 12.2 for more accurate implementation of the standalone investment income factor and updated formulas for line 13.

02/10/26 Revisions

Changes are highlighted in yellow.

Changed numeric references in the health instructions and blanks to match the renumbered lines.

Updated line reference for PR019 to match renumbered lines.

Added description to the PR020 and LR020 line 12 instructions.

Changed verbiage in the instructions for the Alternate Risk Charge

Did not remove lines 1.1, 1.2, and 1.3 from PR020 and LR020 as those lines are used for calculations on other pages. LR019 individual and Group comprehensive were already separated.

**** This section must be completed on all forms.** **Revised 2-2023**

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

If the reporting company writes 5% or more of its premiums in A&H lines in 20243, 20254 or 20265, this section of the formula must be completed. To determine if that applies, take the sum of Lines 13, 14 and 15 of the Underwriting and Investment Exhibit Part 1B Column 6 and divide by Line 35 Column 6, and round to three decimals for each individual year. If the result is at least 0.050 in any year, this exhibit and the appropriate Schedule P adjustment must be completed.

If the company writes less than 5% of its premiums in A&H lines in 20243, 20254 and 20265, disregard this section.

PR019 - Health Premiums

Basis of Factors

Risk-based capital factors for health insurance are applied to medical, disability income, long-term care insurance and other types of health insurance premiums and claim reserves with an offset for premium stabilization reserves. For health coverage that does not fit into one of the defined categories for risk-based capital, the "Other Health" category is to be used.

Medical Insurance Premium
The business is subdivided by product into categories for individual coverages and for group and credit coverages depending on the risk related to volatility of claims. The factors were developed from a model that determines the minimum amount of surplus needed to protect the company against a worst-case scenario for each type of coverage. The results of the model were then translated into either a uniform percentage or a two-tier formula to be applied to premium. The two-tier formula reflects the decreased risk of a larger in-force block. The formula includes several changes starting in 1999 for some types of health insurance. These changes add several additional worksheets and are designed to keep the RBC amounts for health coverage consistent regardless of the RBC formula used. If the company has Comprehensive Medical business, Medicare Supplement, Dental & Vision business, or Stand-Alone Medicare Part D coverage through a PDP arrangement, it will be directed to these additional worksheets. The instructions for including paid health claims in the various categories of the Managed Care Discount Factor Calculation can be found in the instructions to PR021 Underwriting Risk – Managed Care Credit. Appendix 1 - Commonly Used Health Insurance Terms haves been added to these instructions. Appendix 2 of these instructions lists commonly used terms of Stand-Alone Medicare Part D coverage. If the company has any of the three mentioned types of medical insurance, it will also be required to complete additional parts of the formula for Health Credit Risk (PR013) and Health Administrative Expenses portion in PR022.

Disability Income Premium
Prior to 2001, the individual disability income factors were based on models of the disability risk completed by several companies with significant experience in this line. The group long-term disability income risk was modeled based on methodology similar to that used by one of the largest writers of this business. The pricing risk was addressed principally as the delayed reaction to increases in incidence of new claims and to the lengthening of claims from slower recoveries than assumed.

Starting in 2001, new categories and new factors are applicable to all types of disability income premiums. These factors are based on new data and apply a model similar to that used for other health premium risk to that data.

All premium should be reported on a net of reinsurance basis.

Specific Instructions for Application of the Formula

The total of all earned premium categories PR019 Health Premiums, Line (3626), Column (1) should equal the total in ~~Schedule H~~ Underwriting and Investment Exhibit, Part 1, Line 13.1 through 15.92, Column ~~41~~ of the Annual Statement. Earned premium for each of these coverages should be from underlying company records. Earned premium may be reported in ~~Schedule H~~Underwriting and Investment Exhibit for Administrative Services Contract (ASC) and/or the Federal Employees Health Benefit Program (FEHBP) which are included in order that Line (3626) will equal the total in ~~Schedule H~~Underwriting and Investment Exhibit. As such, there is no RBC factor applied to any premium reported on lines (2214), (3223)

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or (3424). For some of the coverages, two tier formulas apply. The calculations for these coverages shown below will not appear on the RBC filing software but will automatically be calculated by the software.

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

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

Line (3)
Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.1).

Line (4~~2~~)
Health premiums for Medicare supplement written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (5~~2~~) Line (1.1).

Line (5~~3~~)
Health premiums for ~~dental or~~ vision only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (6~~3~~) Line (1.1).

Line (6)
Health premiums for dental only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (7) Line (1.1).

Line (7~~3~~.1)
Health premium for Stand-Alone Medicare Part D coverage written on individual contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor payment adjustments. See Appendix 2 for definition of these terms. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (2~~1~~). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (8~~4~~) Line (1.1).

Line (7~~3~~.2)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on individual contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible. This does not include the low-income subsidy (cost sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Stand-Alone Medicare Part D Coverage on PR019.

Line (7~~3~~.3)
Medicaid pass-through payments reported as premium ~~and excluded from Line (1) should be reported in Line (3.3)~~.

Line (8~~4~~) and Line (19~~1~~)
There is a factor for certain types of limited benefit coverage (Hospital Indemnity, which includes a per diem for intensive care facility stays, and Specified Disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

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Line (95) and Line (2012)
There is a factor for accidental death and dismemberment (AD&D) insurance (where a single lump sum is paid) which depends on several items:

1. The maximum amount of retained risk for any single claim;
2. $300,000 if three times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and the maximum retained risk on any single claim. The actual RBC amount will be calculated automatically as the sum of (a) the lesser of items 1 and 2; plus (b) items 3 plus 4.

Line (106) and Line (2113)
A 5% factor for Other Accident coverage provides for any accident based contingency other than those contained in Lines (95) or (2012). For example, this line should contain all the premium for policies that provide coverage for accident only disability or accident only hospital indemnity. The premium for policies that contain AD&D in addition to other accident only benefits should be shown on this line.

Line (117)
Health premiums for comprehensive (medical and hospital), which includes expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (21) Line (1.2).

Line (12)
Health premiums for Title XVIII Medicare written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (3) Line (1.2).

Line (13)
Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.2).

Line (148)
Health premiums for ~~dental or~~ vision only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (63) Line (1.2).

Line (15)
Health premiums for dental only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (7) Line (1.2).

Line (169)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (325)). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to the premium in excess of $25,000,000. Stop-loss premiums should be reported on a net basis.

Line (170)
Health premiums for Medicare supplement written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (52) Line (1.2).

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Line (180.1)
Health premium for Stand-Alone Medicare Part D coverage written on group contracts only if the plan sponsor has risk corridor protection for the contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor protection payments. See Appendix 2 for definition of these terms. Stand-Alone Medicare Part D coverage written on group contracts without risk corridor protection is reported in Line (325) Other Health. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (169). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (84) Line (1.2).

Line (180.2)
Health Incurred Claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on group contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible where the plan sponsor has risk corridor protection for the group contract's standard benefit design coverage. This does not include the low-income subsidy (cost-sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Part D Coverage on PR019.

Line (180.3)
Medicaid pass-through payments reported as premium ~~and excluded from Line (7) should be reported in Line (10.3)~~.

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Lines (2315) through (3424)

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

The following table describes the calculation process used to assign RBC charges to disability income business. The reference to line numbers (e.g., Line 2315) represent the actual line numbers used in the formula page, but the subdivisions of those lines [e.g., a), b), etc.] do not exist in the formula page. The total RBC Requirement shown in the last (Total) subdivision of each line will be included in Column (2) for that line in the formula page.

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (2315)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in U&I Part 1, Column 4 Line 15.3 ~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (2315)	Company Records		X 0.350 =	
b)	Over $50 Million Earned Premium of Line (2315)	Company Records		X 0.150 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (2315) + b) of Line (2315), Column (2)			
Line (2416)	Other Disability Income – Individual Morbidity	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (2416) [up to $50 million less premium in a) of Line (2315)]	Company Records		X 0.250 =	
b)	Earned Premium in Line (2416) not included in a) of Line (2416)	Company Records		X 0.070 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (2416) + b) of Line (2416), Column (2)			
Line (2517)	Disability Income - Credit Monthly Balance	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (2517)	Company Records		X 0.200 =	
b)	Over $50 Million Earned Premium of Line (2517)	Company Records		X 0.030 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (2517) + b) of Line (2517), Column (2)			
Line (2618)	Disability Income – Group Long Term	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (2618) [up to $50 million less premium in a) of Line (2517)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (2618) not included in a) of Line (2618)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Long Term	a) of Line (2618) + b) of Line (2618), Column (2)			

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		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (27~~19~~)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part. This amount to be reported on Health Premiums, Line (27~~19~~)			
a)	Additional Reserves for Credit Disability Plans	PR019 Health Premiums Column (1) Line (37~~27~~)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	PR019 Health Premiums Column (1) Line (38~~28~~)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (27~~19~~) - a) of Line (27~~19~~) + b) of Line (27~~19~~)			
d)	Earned Premium in c) [up to $50 million less premium in a) of Line (25~~17~~) + a) of Line (26~~18~~)]	Company Records		X 0.100 =	
e)	Earned Premium in c) of Line (27~~19~~) not included in d) of Line (27~~19~~)	Company Records		X 0.030 =	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (27~~19~~) + e) of Line (27~~19~~), Column (2)			
Line (28~~0~~)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (28~~0~~) [up to $50 million less premium in a) of Line (25~~17~~) + a) of Line (26~~18~~) + d) of Line (27~~19~~)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (28~~0~~) not included in a) of Line (28~~0~~)	Company Records		X 0.030 =	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (28~~0~~) + b) of Line (28~~0~~), Column (2)			
Line (29~~1~~)	Disability Income – Group Short Term	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (29~~1~~) [up to $50 million less premium in a) of Line (25~~17~~) + a) of Line (26~~18~~) + d) of Line (27~~19~~) + a) of Line (28~~0~~)]	Company Records		X 0.050 =	
b)	Earned Premium in Line (29~~1~~) not included in a) of Line (29~~1~~)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Short Term	a) of Line (29~~1~~) + b) of Line (29~~1~~), Column (2)			
Line (31~~22~~)	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (U&I Part 1, Column 4 Line 15.7~~Schedule H, Part 1, Column 23, Line 2~~, in part)		X 0.100 =	

Line (~~2~~35)

Most Health Premium will have been included in one of the prior lines. In the event that some coverage does not fit into any of these categories, "Other Health" category is applied with a 12% factor, which is from 1998 formula for Other Limited Benefits Anticipating Rate Increases. Stop-loss premiums are addressed separately in Line (16~~9~~).

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Stop-Loss Electronic-Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop-loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop-loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop-Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end **2018**, will reflect the incurred data for calendar year **2017** run-out through December 31, **2018**.

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop-Loss (including aggregating specific) = This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop-Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = Specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = Specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = Specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on stop-loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for **2019** should provide experience information for calendar year **2018** with run-out through December 31, **2019**. If the contract year does not follow a calendar year (e.g., 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Contract 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.
Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability. .

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

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Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2a – Calendar Year Specific Stop-Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop-Loss Contract by Group Size

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop-loss data and Table 2b should reflect the aggregate stop-loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (e.g. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop-loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =
(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50)
= $150,000

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Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop-loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude
1	$ 200,000	115%	$ 500,000	90	Include
2	$ 100,000	120%	$ 300,000	60	Include
3	$ 50,000	140%	$ 200,000	40	Exclude
4	$ 120,000	N/A	$ 400,000	50	Exclude

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000)
= 116.7%

Footnote – The number of covered lives for stop-loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop-loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

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

(Underwriting Risk – Experience Fluctuation Factor in the LRBC Formula)

The underwriting risk generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this worksheet comes from PR021 Underwriting Risk - Managed Care Credit.

The columns are as follows:

Column (1) – Comprehensive (Hospital & Medical) Individual Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

Column (2) – Comprehensive (Hospital & Medical) Group Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

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Column (3) – Title XVIII Medicare Policies issued as Medicare Advantage Plans providing Medicare benefits to Medicare eligible beneficiaries created by title XVIII of the Social Security Act of 1965. This includes Medicare Managed Care Plans (i.e., HMO and PPO) and Medicare Private Fee-for-Service Plans. This also includes all Medicare Part D Prescription Drug Coverage through a Medicare Advantage product and whether sold directly to an individual or through a group.

Column (4) – Title XIX Medicaid Policies issued in association with the Federal/State entitlement program created by Title XIX of the Social Security Act of 1965 that pays for medical assistance for certain individuals and families with low incomes and resources.

Column (5) – Medicare Supplement. Policies that qualify as Medicare Supplement policy forms as defined in the NAIC Medicare Supplement Insurance Minimum Standards Model Act. This includes standardized plans, pre-standardized plans and Medicare select. Does not include Medicare (Title XVIII) or Medicaid (Title XIX) risk contracts.

Column (6) – Vision Only Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. Does not include self-insured business, federal employees health benefit plans (FEHBP), or Medicare and Medicaid programs.

Column (7) – Dental Only Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Column (8) – Stand-Alone Medicare Part D Coverage. This includes both individual coverage and group coverage of Medicare Part D coverage where the plan sponsor has risk corridor protection. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. Medicare drug benefits included in major medical plans or benefits that do not meet the above criteria are not to be included in this line. Supplemental benefits within Medicare Part D (benefits in excess of the standard benefit design) are addressed separately on page PR019. Employer-based Part D coverage that is in an uninsured plan as defined in *SSAP No. 47—Uninsured Plans* is not to be included here

Description from *Life Risk-Based Capital Report Including Overview & Instructions*:

Underwriting risk is present when the next dollar of unexpected claims payments comes directly out of the company's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, an insurer may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by the insurer. If the individual incurs $101 in claims costs, the company's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the insurer is not at risk for excessive claims payments, such as when an insurer agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claims costs, so the risk of excessive claims experience is borne by the self-insured employer, not the insurer. The underwriting risk section of the RBC formula, therefore, requires some adjustments to remove non-risk business (both premiums and claims) before the RBC requirement is calculated.

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10.1) through (10.4) of PR021 will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

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A. Underwriting risk revenue times the underwriting risk claims ratio times a set of factors.

or

B. An alternate risk charge that addresses the risk of catastrophic claims on any single individual. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~The alternate risk charge is calculated for each type of health coverage, but only the largest value is compared to the value from A. above for that type. The alternate risk charge is equal to a multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at two times the maximum or $1,500,000 for Comprehensive Medical; two times the maximum or $50,000 for each of Medicare Supplement business and dental coverage and six times the maximum or $1,500,000 for Stand-Alone Medicare Part D coverage.~~

Line (1) through Line (19~~8~~)

There are ~~four~~ eight lines of business used in the property/casualty RBC formula for calculating the RBC requirement in this worksheet. Other health coverages will continue to use the factors on PR019 Health Premiums. The ~~four~~ eight lines of business are Column (1) Comprehensive Medical ~~and Hospital~~Individual; Column (2) Comprehensive Medical Group; Column (3) Title XVIII Medicare; Column (4) Title XIX Medicaid; Column (5~~2~~) Medicare Supplement; Column (6~~3~~) ~~Dental &~~ Vision; Column (7) Dental; and Column (8~~4~~) Stand-Alone Medicare Part D coverage. Each of the ~~four~~ eight lines of business has its own column in the Underwriting Risk – Premium Risk table. The categories listed in the columns of this worksheet include premiums plus all risk revenue that is received from another health entity in exchange for medical services provided to such Health entity's members. ~~The descriptions of the items are as follows:~~

~~Comprehensive Medical & Hospital~~
~~Includes policies providing for medical coverages including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This includes Medicare Advantage, with or without prescription drug benefits. This category DOES NOT include administrative services contracts (ASC) or administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in PR022 Underwriting Risk – Other, Business Risk section of the formula. Neither does it include Federal Employees Health Benefit Program (FEHBP) business, which is reported on Line (3) of PR022 Underwriting Risk – Other. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000.~~

~~Medical Only (non-hospital professional services)~~
~~Include in Comprehensive Medical.~~

~~Medicare Supplement~~
~~This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement. Medicare risk business is reported under comprehensive medical and hospital.~~

~~Dental & Vision~~
~~These are premiums for policies providing for dental or vision only coverage issued as stand-alone dental or vision or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.~~

~~Stand-Alone Medicare Part D Coverage~~
~~Includes policies and contracts providing the standard coverage for individuals enrolled in Stand-Alone Medicare Part D and the insurance is a federally approved PDP with risk corridor protection. It does not include risk revenue for Supplemental benefits within Stand-Alone Medicare Part D coverage that is a portion of the PDP's approved package. It does not include employer coverage unless the coverage meets the above criteria. Where there is a federal subsidy to the employer in lieu of risk corridor protection, the premiums are to be reported as "Other Health."~~

~~Other Health Coverages~~

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~~Include in the appropriate line on PR019 Health Premiums.~~

The following paragraphs explain the meaning of each line of the worksheet table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium
This is the amount of money charged by the insurer for the specified benefit plan. It is the earned premium, net of reinsurance. It does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-risk business; or premium for the Federal Employees Health Benefit Programs (FEHBP), which has a risk factor relating to incurred claims reported separately under PR022 Underwriting Risk – Other, Line (3).

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

For Stand-Alone Medicare Part D Coverage, this will include only certain amounts paid by the individual, an employer or CMS. See Appendix 2 for details of what is and is not premium income.

The Line 1.3 sources for each column are given in the table below:

PR020 Column	**Annual Statement Source**
Comprehensive Medical Individual	U&I Part 1, Column 4 Line 13.1
Comprehensive Medical Group	U&I Part 1, Column 4 Line 13.2
Title XVIII Medicare	U&I Part 1, Column 4 Line 15.6
Title XIX Medicaid	U&I Part 1, Column 4 Line 15.5
Medicare Supplement	U&I Part 1, Column 4 Line 15.4
Vision	U&I Part 1, Column 4 Line 15.1
Dental	U&I Part 1, Column 4 Line 15.2
Stand-Alone Medicare Part D Coverage	Company Records, Earned Premium Net of Reinsurance

~~Line (2) Title XVIII Medicare~~
~~This is the earned amount of money charged by the insurer (net of reinsurance) for Medicare risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans.~~

~~Line (3) Title XIX Medicaid~~
~~This is the earned amount of money charged by the insurer for Medicaid risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicaid subscribers. Revenue from Stand-Alone Medicare Part D coverage under the low-income subsidy (cost sharing portion) and low-income subsidy (premium portion) are not included in this line.~~

Line (24) Other Health Risk Revenue
Earned amounts charged by the reporting company as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders or members of another insurer or health insurance company (Health). Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health insurance company to the company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the company from a health entity. This revenue is reported in the business risk section of the formula as health ASO/ASC and limited risk revenue.

Line (3) Medicaid Pass-Through Payments Reported as Premiums.
Amount is equal to the total amount reported in PR019 Lines 7.3 and Line 18.3

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Line (45) Underwriting Risk Revenue
~~The sum of~~ Lines ~~(~~1.3~~)~~ ~~+~~ Lines (2) – Line (3)~~through (4)~~.

Line (56) Net Incurred Claims
Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims include capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. This line does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

PR020 Column	**Annual Statement Source**
Comprehensive Medical Individual	U&I Part 2, Column 7 Line 13.1
Comprehensive Medical Group	U&I Part 2, Column 7 Line 13.2
Title XVIII Medicare	U&I Part 2, Column 7 Line 15.6
Title XIX Medicaid	U&I Part 2, Column 7 Line 15.5
Medicare Supplement	U&I Part 2, Column 7 Line 15.4
Vision	U&I Part 2, Column 7 Line 15.1
Dental	U&I Part 2, Column 7 Line 15.2
Stand-Alone Medicare Part D Coverage	Company Records

~~Column (1) claims come from Annual Statement, Schedule H, Part 5 Column 1+2+7+8 Line D1 less the amounts reported as incurred claims for Administrative Services Contracts (ASC) in Line (8) of PR013 and Federal Employee Health Benefit Plan (FEHBP) in Line (3) of PR022. Column (2) claims come from Schedule H, Part 5, Column 3, Line D1. Column (3) dental and vision claims come from Schedule H, Part 5, Columns 4+5, Line D11.)~~

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

Line (6) Medicaid Pass-Through Payments Reported as Claims.
Medicaid pass-through payments that were included as claims reported in Line (5)

Line (7) Fee-for-Service Offset
Report fee-for-service revenue that is directly related to medical expense payments. The fee-for-service line does not include revenue where there is no associated claim payment (e.g., fees or charges to nonmember/insured of the company where the provider of the service receives no additional compensation from the company) and when such revenue was excluded from the pricing of medical benefits.

Line (8) Underwriting Risk Incurred Claims
Line (56) ~~– Line (6) –minus~~ Line (7).

Line (9) Underwriting Risk Claims Ratio
Line (8) / Line (45). If either Line (45) or Line (8) is zero or negative, Line (9) is zero.

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Line (10) Underwriting Risk Factor for Initial Amounts of Premium. Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7),

Line (11) Underwriting Risk Factor for Excess of Initial Amount. Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7),

Line (12) Investment Income Adjustment Factor
The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

~~Line (10) Underwriting Risk Factor~~
~~A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue.~~

	~~$0 - $3 Million~~	~~$3 - $25 Million~~	~~Over $25 Million~~
~~Comprehensive Medical~~	~~0.14270.1440~~	~~0.14270.1440~~	~~0.08320.0844~~
~~Medicare Supplement~~	~~0.09730.0987~~	~~0.05960.0609~~	~~0.05960.0609~~
~~Dental & Vision~~	~~0.11430.1153~~	~~0.07060.0716~~	~~0.07060.0716~~
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~

Line (13) Composite Underwriting Risk Factor
A weighted average factor based on the amount reported in Line (4), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor

Line (14~~1~~) Base Underwriting Risk RBC
Line (4~~5~~) x Line (9) x Line (13~~0.3~~).

Line (15~~2~~) Managed Care Discount
For Comprehensive Medical & Hospital Individual, Comprehensive Medical & Hospital Group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), Vision, and Dental, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claims payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (12) of PR021 Underwriting Risk - Managed Care Credit. An average factor based on the combined results of these ~~three~~ categories ~~is used for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (12) of PR021 Underwriting Risk - Managed Care Credit.

Line (16~~3~~) Base RBC After Managed Care Discount
Line (14~~1~~) x Line (15~~2~~).

~~Line (14) RBC Adjustment for Individual~~
~~The average Experience Fluctuation Risk charge is increased by 20% for the portion relating to Individual Medical Expense premiums in Column (1). Other types of health coverage do not differentiate between Individual and Group. The additional time necessary to develop sufficient data to make a premium filing with states and then to implement the premium increase was modeled to calculate this factor.~~

~~Line (15) Maximum Per-Individual Risk After Reinsurance~~

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~~This is the maximum loss after reinsurance for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:~~

- ~~Where coverage under non-proportional reinsurance or stop-loss protection with the highest attachment point is capped at less than $750,000 per insured for Comprehensive Medical and $25,000 for the other three lines, the maximum retained loss will be equal to such attachment point plus the difference between the coverage maximum per claim and $750,000 or $25,000, whichever is applicable.~~

- ~~Where the non-proportional reinsurance or stop-loss protection is subject to participation by the company, the maximum retained risk as calculated above will be increased by the company's participation in claims in excess of the attachment point, but not to exceed $750,000 for Comprehensive Medical and $25,000 for the other three coverages.~~

~~If there is no specific stop-loss or reinsurance in place, enter the largest amount payable (within a calendar year) or $9,999,999 if there is no limit.~~

~~Examples of the calculation are presented below:~~

~~EXAMPLE 1 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention) $100,000~~
~~Reinsurance Coverage 90% of $500,000 in excess of $100,000~~
~~Maximum Reinsured Coverage $600,000 ($100,000 + $500,000)~~

~~Maximum Retained Risk = $100,000 deductible~~
~~+$150,000 ($750,000 - $600,000)~~
~~+$50,000 (10% of $500,000 coverage layer)~~
~~=$300,000~~

~~EXAMPLE 2 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention) $75,000~~
~~Reinsurance Coverage 90% of $1,000,000 in excess of $75,000~~
~~Maximum Reinsured Coverage $1,075,000 ($75,000 + $1,000,000)~~

~~Maximum Retained Risk = $75,000 deductible~~
~~+$0 ($750,000 - $1,075,000)~~
~~+$67,500 (10% of $675,000 coverage layer)~~
~~=$142,500~~

Line (17~~6~~) Alternate Risk Charge

$500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), and (7); and $150,000 for Column (8).~~Twice the amount in Line (15), subject to a maximum of $1,500,000 for comprehensive medical and $50,000 for Medicare Supplement and Dental. Six times the amount in Line (15), subject to maximum of $150,000 for Stand-Alone Medicare Part D Coverage.~~

Line (18~~7~~) Net Alternate Risk Charge

~~The largest value from Line (16) is retained for that column in line (17) and all others are ignored.~~ The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage

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type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

Line (198) Net Underwriting Risk RBC
The maximum of Line (164) and Line (187).

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HEALTH PREMIUMS PR019

			Annual Statement Source	(1) Statement Value	Factor		(2) RBC Requirement
	Medical Insurance Premium - Individual						
(1)	Comprehensive (Medical and Hospital)		Earned Premium (U&I Part 1, Column 4 Line 13.1)	0	†		XXX
(2)	Title XVIII Medicare		Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0	†		XXX
(3)	Title XIX Medicaid		Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0	†		XXX
(4)	Medicare Supplement		Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0	†		XXX
(5)	Vision Only		Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0	†		XXX
(6)	Dental Only		Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0	†		XXX
(7.1)	Stand-Alone Medicare Part D Coverage		Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	†		XXX
(7.2)	Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)		Company Records	0	0.500		0
(7.3)	Medicaid Pass-Through Payments Reported as Premium		Company Records	0	0.020		0
(8)	Hospital Indemnity and Specified Disease		Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.035	*	0
(9)	AD&D (Maximum Retained Risk Per Life	0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	‡		0
(10)	Other Accident		Earned Premium (U&I Part 1, Column 4 Line 15 in part)	0	0.050		0
	Medical Insurance Premium - Group and Credit						
(11)	Comprehensive (Medical and Hospital)		Earned Premium (U&I Part 1, Column 4 Line 13.2)	0	†		XXX
(12)	Title XVIII Medicare		Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0	†		XXX
(13)	Title XIX Medicaid		Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0	†		XXX
(14)	Vision Only		Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0	†		XXX
(15)	Dental Only		Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0	†		XXX
(16)	Stop Loss and Minimum Premium		Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	¥		0
(17)	Medicare Supplement		Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0	†		XXX
(18.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)		Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	†		XXX
(18.2)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)		Company Records	0	0.500		0
(18.3)	Medicaid Pass-Through Payments Reported as Premium		Company Records	0	0.020		0
(19)	Hospital Indemnity and Specified Disease		Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.035	*	0
(20)	AD&D (Maximum Retained Risk Per Life	0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	‡		0
(21)	Other Accident		Earned Premium (U&I Part 1, Column 4 Line 15 in Part)	0	0.050		0
(22)	Federal Employee Health Benefit Plan		Earned Premium (U&I Part 1, Column 4 Line 15.8)	0	0.000		0
	Disability Income Premium						
(23)	Noncancellable Disability Income - Individual Morbidity		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		0
(24)	Other Disability Income - Individual Morbidity		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		0
(25)	Disability Income - Credit Monthly Balance Plans		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		
(26)	Disability Income - Group Long-Term		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		0
(27)	Disability Income - Credit Single Premium with Additional Reserve		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		0
(28)	Disability Income - Credit Single Premium without Additional Reserve		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		0
(29)	Disability Income - Group Short-Term		Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡		0
(30)	Total Disability Income		Earned Premium (U&I Part 1, Column 4 Line 15.3)	0			
	Long-Term Care						
(31)	Noncancellable Long-Term Care Premium - Rate Risk**		Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0	0.100		0
(32)	Other Long-Term Care Premium ‡ ‡		Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0	0.000		0 ‡ ‡
(33)	Total Long-Term Care		Earned Premium (U&I Part 1, Column 4 Line 15.7)	0			
	Health Premium with Limited Underwriting Risk						
(34)	ASC Business with Premium Revenue		Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.000		0
	Other Health						
(35)	Other Health		Earned Premium (U&I Part 1, Column 4 Line 14 and 15.9 in part)	0	0.120		0
(36)	Total Earned Premiums		Sum of Lines (1) through (22), Line (30), and Lines (33) through (35) minus Lines (7.3) and (18.3)	0			0
	C(1), L(36) should equal U&I Part 1 Column 4 Lines 13.1 through 15.9						
(37)	Additional Reserves for Credit Disability Plans		Company records	0	§		
(38)	Additional Reserves for Credit Disability Plans, prior year		Company records	0	§		

† The premium amounts in these lines are transferred to PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement, Dental & Vision and Stand-Alone Medicare Part D Coverage Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete PR021 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete PR013 Health Credit Risk in the formula.
If there are amounts in any of lines (1) through (6), (11) through (15), and (17) on page PR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of PR023.

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

‡ ‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on Page PR023. The premium is shown to allow totals to check to U&I Part 1.

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

** The factor applies to all Noncancellable premium.

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

¥ A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (16) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical Individual	(2) Comprehensive Medical Group	(3) Title XVIII-Medicare	(4) Title XIX-Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) TOTAL
(1.1)	Individual Premium	0	0	0	0	0	0	0	0	0
(1.2)	Group Premium	0	0	0	0	0	0	0	0	0
(1.3)	Total Premium	0	0	0	0	0	0	0	0	0
(2)	Other Health Risk Revenue†	0	0	0	0	XXX	0	0	0	0
(3)	Medicaid Pass-Through Payments Reported as Premium	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(4)	Underwriting Risk Revenue = Lines (1.3) + (2) - (3)	0	0	0	0	0	0	0	0	0
(5)	Net Incurred Claims	0	0	0	0	0	0	0	0	0
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(7)	Fee-for-Service Offset†	0	0	0	0	XXX	0	0	0	0
(8)	Underwriting Risk Incurred Claims = Lines (5) – (6) – (7)	0	0	0	0	0	0	0	0	0
(9)	Underwriting Risk Claim Ratio (8)/(4)	0	0	0	0	0	0	0	0	XXX
(10)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(13)	Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	XXX
(14)	Base Underwriting Risk RBC = Line (4) x Line (9) x Line (13)	0	0	0	0	0	0	0	0	XXX
(15)	Managed Care Discount Factor = PR021 Line (12)	0	0	0	0	0	0	0	0	XXX
(16)	Base RBC After Managed Care Discount = Line (14) x Line (15)	0	0	0	0	0	0	0	0	0
(17)	Alternate Risk Charge	500,000	500,000	500,000	500,000	50,000	50,000	50,000	150,000	XXX
(18)	Net Alternate Risk Charge	B0	B0	B0	B0	B1	B2	B2	B3	0
(19)	Net Underwriting Risk RBC (Maximum of Line (16) or Line (18))	0	0	0	0	0	0	0	0	0

† Source is company records unless already included in premiums.

Initial Premium Amount‡	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

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

~~* The Line (17) Alternate Risk Charge is calculated as follows:~~

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

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PR020 Formulas

Cell Label	Formula
A1	={{Min[Line (4) x Line (10), 25,000,000 x Line (10)] x Line (12.1)}+ {Max[0, (Line (4) - 25,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A2	={{Min[Line (4) x Line (10), 3,000,000 x Line (10)] x Line (12.1)} + {Max[0, (Line (4) - 3,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(18) - C(7) L(18)], 0]

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UNDERWRITING RISK - OTHER AND TOTAL NET HEALTH PREMIUM RBC PR022

			(1) Amount	Factor	(2) RBC Requirement
	Rate Guarantees & Federal Employees Health Benefits	Data Source			
(1)	Business with Rate Guarantees Between 15-36 Months	Company Records	0	0.024	0
(2)	Business with Rate Guarantees Over 36 Months	Company Records	0	0.064	0
(3)	Federal Employees Health Benefit Program (FEHBP) Claims Incurred	Company Records	0	0.020	0
(4)	Total, Rate Guarantees & Federal Employees Health Benefits	L(1) + L(2) + L(3)	0		0
	Administrative Expenses for Certain A&H Coverages				
(5)	Total Accident and Health Premiums	PR019 Health Premiums Column (1) Line (**36**)	0		
(6)	Accident and Health Premiums from Underwriting Risk	PR020 Underwriting Risk Column (**9**) Line (**1.3**)	0		
(7)	Accident and Health Premiums Factor	L(6)/L(5)	0.000		
(8)	Administrative Expenses for Health Insurance	Company Records	0		
(9)	Less Administrative Expenses for Administrative Service Contracts (ASC) included in Line (8)	Company Records	0		
(10)	Less Administrative Expenses for Administrative Services Only (ASO) Business included in Line (8)	Company Records	0		
(11)	Less Administrative Expenses for Commissions and Premium Taxes	Company Records	0		
(12)	Net Administrative Expenses	L(8) - L(9) - L(10) - L(11)	0		
(13)	Composite Health Administrative Expense Risk Factor	(7% of L(6) up to $25 million + 4% of excess)/L(6)	0.000		
(14)	Administrative Expense Component for Health	L(12) x L(7) x L(13)			0
	Health ASO/ASC				
(15)	Administrative Expenses for ASC Business	Company Records*	0	0.020	0
(16)	Administrative Expenses for ASO Business	Company Records*	0	0.020	0
(17)	Total Health ASO/ASC	L(15) + L(16)	0		0
(18)	Total Underwriting Risk - Other	L(4) + L(14) + L(17)			0
	Total Net Health Premium RBC				
(19)	Total Health Premium RBC	L(18) + PR019 C(2) L(**36**) + PR020 C(**9**) L(**19**)			
(20)	Premium Concentration Factor	PR018 C(20) L(14)			1.000
(21)	Total Net Health Premium RBC	L(19) x L(20)			0

* Line (15) should be greater than or equal to Line (9). Line (16) should be greater than or equal to Line (10).

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PREMIUM STABILIZATION RESERVES PR025

		Data Source	(1) Statement Value	Factor	(2) RBC Requirement
	Group & Credit Health Premium Stabilization Reserves Reported				
(1)	Stabilization Reserves and Experience Rating Refunds	Company Records	0	0.500	0
(2)	Provision for Experience Rating Refunds	Company Records	0	0.500	0
(3)	Reserve for Group Rate Credits	Company Records	0	0.500	0
(4)	Reserve for Credit Rate Credits	Company Records	0	0.500	0
(5)	Premium Stabilization Reserves	Company Records	0	0.500	0
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)	0		0
	Group & Credit Health Risk-Based Capital				
(7)	Maximum Risk-Based Capital	PR024 Health Claim Reserves Column (2) Line (2) + PR019 Health Premiums Column (2) Lines **(16), (19), (20), (21), (25), (26), (27), (28) and (29)** + [PR020 Underwriting Risk- Premiums Risk **Column (9) Line (19) - Column (8) Line (19)** x **Column (9) Line (1.2) / Column (9) Line (1.3)**]	0		
(8)	Final Premium Stabilization Reserve Credit	Column (2) Line (6), but not more than Column (1) Line (7)	0	-1.000	0

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Risk-Based Capital Investment Risk and Evaluation (E) Working Group
San Diego, California
March 23, 2026

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 23, 2026. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy, Vice Chair, and Ted Chang (CA); Wanchin Chou (CT); Carolyn Morgan (FL); Carrie Mears and Kevin Clark (IA); Matt Cheung (IL); Roy Eft (IN); Fred Andersen and Ben Slutsker (MN); Danielle Smith (MO); Tadd Wegner (NE); Jennifer Li (NH); Bob Kasinow and William B. Carmello (NY); Dale Bruggeman and Tom Botsko (OH); Jamie Walker and Rachel Hemphill (TX); Doug Stolte and Dan Bumpus (VA); Steve Drutz and Katy Bardsley (WA); and Amy Malm (WI). Also participating was: Diana Sherman (PA).

1. Adopted its March 2 Minutes

Barlow said the Working Group met March 2 and took the following action: 1) adopted its Dec. 15, 2025, minutes; 2) received comments on the American Academy of Actuaries' (Academy's) Dec. 15 presentation; 3) heard an update from the Academy on the collateralized loan obligation (CLO) risk-based capital (RBC) project; and 4) exposed the Academy's March 2 CLO RBC project presentation for a 45-day public comment period ending April 16.

Barlow also reported that the Working Group met March 19 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. During this meeting, the Working Group: 1) discussed comments and/or questions in response to the Academy's March 2 CLO RBC project presentation; and 2) discussed the RBC impact analysis. No action was taken at the meeting.

Botsko made a motion, seconded by Eft, to adopt the Working Group's March 2 minutes (Attachment Five-A). The motion passed unanimously.

2. Received Updates from the Invested Assets (E) Task Force and the Statutory Accounting Principles (E) Working Group

Mears provided an update on behalf of the Invested Assets (E) Task Force. She highlighted several planned agenda items for the Task Force's meeting, including: 1) receiving reports from the Investment Designation Analysis (E) Working Group, Credit Rating Provider (E) Working Group, and Investment Analysis (E) Working Group; and 2) hearing an educational presentation regarding insurance companies' investments in residential mortgage loans.

Clark provided an update on behalf of the Statutory Accounting Principles (E) Working Group. He reported that there are several investment-related adoptions and exposures at the Working Group. First, the Working Group adopted revisions to *Statement of Statutory Accounting Principles (SSAP) No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to allow the admission of long-term repurchase agreements. In addition, the Working Group is deliberating the restricted asset code disclosures on the investment schedule and seeking feedback on the usefulness of the codes. The Working Group also exposed a proposed new SSAP and an issue paper to incorporate guidance for qualifying asset-liability management derivative programs, permitting the derivatives to be recognized at amortized cost, with gains and losses recognized as deferred liabilities/assets and amortized over time. The Working Group directed NAIC staff to work with industry on revisions to *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* to clarify the accounting and reporting guidance for

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joint ventures, partnerships, and LLCs, and to clarify the disclosure revisions proposed for commitments and contingencies. These projects have potential ramifications for RBC. Finally, Clark said NAIC staff will review 2025 annual filings and perform post-implementation reviews of: 1) a new principle-based bond definition classification; and 2) optionality in accounting for residual tranches/interests.

3. Heard an Update from the Academy on the CLO RBC Project

Stephen Smith (Academy) presented a CLO C-1 factors modeling update (Attachment Five-B). Smith said his presentation is intended to respond to questions raised during his March 2 presentation. In response to the request to better understand the regression model, Smith presented the "Regression Results – Interpretation" page, which illustrated specifically how the modeled C-1 factor for the Baa3 CLO tranche is derived. Smith said the modeled C-1 factor is composed of different components: the Baa3 coefficient is directly driven by rating, while the reinvestment coefficient is the same across all the ratings. The reinvestment interaction increases as the rating becomes less favorable because the reinvestment horizon matters more for lower-rated CLO tranches than for the higher-rated CLO tranches. The low-quality/low-thickness premium is a key component of the modeled C-1 factor and is only applicable to Baa3 CLO tranches or below. Mears asked and Smith clarified that the low-quality/low-thickness premium is constant across rating buckets, as it is developed using all Baa3 and below tranches as one cohort.

Smith then explained why the Academy chose 4% as the cutoff between "low thickness" and "high thickness" tranches. Smith said 4% was chosen because it is reasonable for a Baa3 CLO tranche. He stated that 4% may not be the most reasonable cutoff for other CLO tranches, such as Ba3 (refer to the "Kernel Density Estimation – Ba2/Ba3" page), but since a large majority of insurance holdings of lower-rated CLO tranches clustered at Baa3 (about five-sixths of the total), the Academy chose 4%.

Smith then presented the sensitivities if other tranche thickness cutoffs were used. He said that using 4.25% as the cutoff reduces thick Baa3 tranche charges by 39 basis points but increases the thin Baa3 tranche charges by 153 basis points. Smith emphasized that the purpose of presenting the sensitivity is not to suggest changing the 4% thickness cutoff, but to illustrate that the Academy has exercised discretion. Hemphill sought clarification on whether the Academy would weigh in on a 4% versus 4.25% cutoff. Smith responded that both cutoffs are reasonable.

Cheung stated that he understood that the current dataset informs the cutoff. He wondered how likely it was that changes in the CLO structure over time would require revisiting the cutoff. Smith quoted a recently published sell-side research report, stating that while most CLOs now have a thin Baa3 tranche, the industry will likely move away from this structure if the NAIC adopts the tranche thickness proposal. Without the adoption, however, Smith said he believed the industry would capitalize on the more favorable capital charge and therefore benefit from the thin tranche structure. Clark said he felt the need for greater surveillance by the Credit Rating Provider (E) Working Group, knowing that the structuring of thin CLO tranche stemmed from divergent rating methodologies among rating agencies.

Smith presented another modeling decision illustrated in the "Interaction Terms for Reinvestment Horizon" page. He said that in order to define the reinvestment interaction term, the Academy grouped credit ratings into six rating buckets. Due to sample-size issues (i.e., insufficient sample sizes for certain ratings), grouping is necessary to aid statistical credibility. Smith said A3 is very small, accounting for only about 0.15% of the dataset. The Academy bucketed A3 with Baa1 and Baa2, resulting in a 1.45% modeled C-1 charge. Had A3 been bucketed with Aa3, A1, and A2, the resulting factor would be much lower (0.16%). Hemphill asked whether averaging the two

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would be a reasonable approach. Smith said it would and that he does not believe there is an argument against using the average.

Finally, Smith walked through the "Value-at-Risk, by Rating and Percentile" pages to demonstrate that while bond C-1 factors are largely based on percentiles, conditional tail expectation (CTE) is a more appropriate risk measure for CLOs, as the risk charges derived from the CTE approach are driven by the extrapolated values deeper in the tail. Hemphill asked why the charts shown on these pages are not monotonic when reading from left to right across rows. Smith explained by walking through the process of deriving these "percentiles." Smith said the starting point was not modeling the individual CLOs but rather modeling the entire universe of collaterals (bank loans), ranking the order of 10,000 credit-loss scenarios for this collateral pool, and deriving percentiles. With these percentiles, the Academy was able to sum across all of the CLOs to produce the data shown on the page. This process explained why the percentiles shown are not monotonic across the rows. Smith explained that this methodology resolved the computing constraints and offered a better alignment to C-1 bond modeling, which was also performed at the portfolio level as opposed to the asset level. Chang observed that the results for A3 tranches showed relatively low risk. Smith attributed the "anomaly" to a small sample size and the coincidence that the deals within the A3 bucket have a very short reinvestment horizon.

Reedy asked what additional considerations should be made to develop factors for middle-market (MM) CLOs. Smith said the biggest challenge is that collaterals of MM CLOs are unrated. That said, the MM CLOs themselves are often rated by rating agencies, and as such, the Academy can seek credit assessments of underlying collaterals from rating agencies, if so directed by the Working Group. Eft showed interest in exploring this topic. Barlow said he is open to put out a request. However, Smith was unsure about availability as he had not asked for those in the past. He also asked the Working Group to evaluate whether it is comfortable relying on credit assessments. In addition, Smith clarified that the Academy did not observe the typical tranche thickness of MM CLOs and therefore cannot conclude whether 4% tranche thickness is a meaningful risk cutoff for MM CLOs. Barlow said that he thought MM CLOs are relatively immaterial. Smith said that about 20% of CLOs issued are MM CLOs. This percentage is likely also true for insurance companies' holdings.

Barlow noted that, due to a lack of data, the Academy did not model C-1 for NAIC 6 CLOs. He suggested using the average of the factor of NAIC 5.C. and a factor of 100%. He asked stakeholders to consider commenting on this suggestion.

4. Received Comments on Proposal 2025-22-IRE CLO RBC Structure

Marc Altschull (American Council of Life Insurers—ACLI) spoke to the ACLI's comment letter (Attachment Five-C) regarding proposal 2025-22-IRE. Altschull stated that the ACLI supports providing flexibility in the blank structure to allow differentiation in the application of factors among bonds, broadly syndicated loan (BSL) CLOs, and MM CLOs. Altschull sought input from the Academy on the relevance of the modeled factors to be applied to MM CLOs. Smith reiterated the challenge and said he believed it would be a judgment call for regulators. In addition, the ACLI suggests including rows to differentiate BSL and MM CLOs by tranche thickness.

Clark said rigorous analysis performed by the Academy has shown that rating is an important comparable attribute for BSL CLOs. He sought to understand the need to separate BSL CLOs from MM CLOs when effecting RBC methodology, given that: 1) BSL and MM CLOs are very similar asset classes; and 2) rating agencies should have captured nuances within MM CLOs, such as the credit quality of the underlying loans and the differences in structures. Smith concurred, with the caveat on tranche thickness, that the work performed by the Academy validates that rating agencies' ratings are useful for determining tail risk. Mears agreed and believed that the

Academy's conclusion on the use of rating as a comparable attribute can be analogized to MM CLOs. She acknowledged that the Academy may need more time to conclude on the tranche thickness cut-off for MM CLOs, but that should not preclude the Working Group from opting for the rating-only option (Option 1) for 2026.

5. Exposed Modified Proposal 2025-22-IRE MOD (CLO RBC Structure)

Barlow said NAIC staff developed proposal 2025-22-IRE MOD, which incorporates tranche thickness as a comparable attribute. To achieve operational efficiency, the proposal used one line to capture all thin-tranche CLOs rated Baa3 or lower. If the Working Group is not in favor of adding tranche thickness, staff can adjust the factor while still allowing information gathering. The modified proposal does not include the structure to differentiate between BSL and MM CLOs. Barlow said that based on discussions, he did not believe that complexity should be introduced and cautioned about the downstream ramifications to the structure if further granularity is incorporated.

Hearing no objection from Working Group members and other stakeholders, the proposal was exposed for a 25-day public comment period ending April 17 (Attachment Five-D).

6. Discussed Other Matters

Barlow said that the Academy is working on portfolio adjustment factors and residual tranche RBC methodologies. He said the Working Group plans to meet in April to hear a presentation of the findings.

Having no further business, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group adjourned.

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Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Virtual Meeting
March 2, 2026

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy (E) Task Force met March 2, 2026. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy, Vice Chair (CA); Wanchin Chou (CT); Carolyn Morgan (FL); Carrie Mears and Kevin Clark (IA); Matt Cheung (IL); Fred Andersen (MN); William Leung and Danielle Smith (MO); Tadd Wegner (NE); Jennifer Li (NH); Bob Kasinow and William B. Carmello (NY); Judith L. French, Dale Bruggeman, and Tom Botsko (OH); Jamie Walker and Rachel Hemphill (TX); Doug Stolte and Dan Bumpus (VA); Steve Drutz and Katy Bardsley (WA); and Amy Malm (WI).

1. Adopted its Dec. 15, 2025, Minutes

The Working Group met Dec. 15, 2025, and took the following action: 1) adopted its Nov. 4 minutes; 2) heard an update from the American Academy of Actuaries (Academy) on the collateralized loan obligation (CLO) risk-based capital (RBC) project; and 3) exposed proposal 2024-22-IRE (CLO RBC Structure) for a 45-day public comment period ending Jan 29, 2026.

Reedy made a motion, seconded by Malm, to adopt the Working Group's Dec. 15 minutes (Attachment Five-A1). The motion passed unanimously.

2. Received Comments (Attachment Five-A2) on the Academy's Dec. 15, 2025, Presentation

Marc Altschull (American Council of Life Insurers—ACLI) spoke on the ACLI's comment letter and reiterated the ACLI's support of the Academy's ongoing effort to modernize and rationalize the capital framework applied to structured securities, including CLOs. He said the ACLI understands the interim nature of the results presented and requests that the Academy provide robust documentation once the results are finalized, such that the model can be assessed and validated. He said the ACLI expects similar documentation should the NAIC opt for financial modeling of CLOs by the Structured Securities Group (SSG).

Daren Moreira (American Investment Council—AIC) spoke on the AIC's comment letter and reiterated that: 1) the AIC supports the development of new C-1 factors without requiring individual modeling of CLOs; and 2) the AIC recommends that the Academy take time to refine model assumptions around CLO recovery rate, prepayments, and collateral reinvestment discounts. Barlow asked if the AIC has done an analysis to quantify the impact of the suggested refinement. Moreira said the AIC deferred to the Academy to perform drill down and analysis.

Joe Engelhard (Alternative Credit Council—ACC) presented a joint comment letter from ACC, AIC and Loan Syndications and Trading Association. He said the ACC commends the Academy's work and believes it provides a much clearer picture of the economic risks and benefits of CLOs. That said, the ACC identified areas for further calibration, namely prepayment reinvestments and probability-of-default assumptions.

3. Heard an Update from the Academy on the CLO RBC Project

Stephen Smith (Academy) presented a CLO C-1 factors modeling update (Attachment Five-A3). Smith said that since the Academy's Dec 15, 2025, presentation, it has broadened the scope of work by modeling all U.S. broadly syndicated loan (BSL) CLOs issued. At a very high level, the Academy has found that ratings include substantial information on tail risk so that ratings can serve as a comparable attribute when appropriate adjustments are

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made for horizon and tranche thickness. Smith then walked through the "Appendix 3 – Alternative Models Considered" page, illustrating the various regressions performed by the Academy in search of comparable attribute(s) with satisfactory predictive power for C-1 risk. Based on the results of regressions performed, ratings are valuable comparable attributes, outperforming various variables tested. He said the only way to improve the predictive power is to layer in detachment point, at the expense of making the model much more complex.

Smith then explained key definitions for terms such as "raw C-1 factors" versus "modeled C-1 factors" and "tranche thickness," etc. Smith stated that the attachment point is the level of collateral losses at which a particular tranche begins to experience principal losses. The detachment point is the level of collateral losses at which the principal of a particular tranche is completely wiped out. As an example, for a typical BBB- tranche, it could be 12% and 18%, respectively. Tranche thickness is defined as the difference between the two.

Barlow asked whether the tranche thickness is easily identifiable. Smith said that while tranche thickness is not disclosed in statutory filings, it is fairly straightforward to identify. Smith said the Academy observed that CLOs rated BBB- or lower have a meaningful difference in risk between those with thicker and thinner tranches, even within the same rating bucket. A 4% tranche thickness is used to draw the line between thicker and thinner tranches. Modeled C-1 factors summarized in the "Option 2 – Rating & Tranche Thickness (After-Tax Factors)" page have two sets of factors for BBB- and below tranches as a result of the observation. Modeled C-1 factors, summarized in the "Option 1 – Rating Only (After-Tax Factors)" page, do not delineate tranche thickness, as thin tranche CLOs are removed from the dataset. Smith used the scatter plots in the presentation to explain how the Academy arrived at a 4% tranche thickness as the watershed.

Smith also noted that, for the BBB- tranche alone, rating agencies like Fitch Ratings (Fitch) and S&P Global rated more thin-tranche CLOs than Moody's Ratings (Moody's) and KBRA. The C-1 factors modeled for Fitch and S&P Global-rated CLOs tend to be meaningfully higher than those rated by Moody's and KBRA. Smith attributed this observation to differences in the rating methodologies used. Both Fitch and S&P Global are rating to the first dollar of loss, and henceforth, only the attachment point matters. On the other hand, both Moody's and KBRA incorporate loss given default to their ratings, and henceforth, detachment point also matters, and thin tranche CLOs likely will not get a BBB- rating under their methodology.

Smith then explained that the reinvestment horizon is another attribute that needs to be adjusted to produce C-1 factors. Like bond C-1 factors, CLO C-1 factors are calibrated to be horizon neutral, and the reinvestment horizon is used as a proxy for the horizon for CLOs. Smith highlighted the value of reinvestment horizon adjustment as he discussed the "Reinvestment Horizon" pages in the presentation, highlighting the fact that after the adjustment was made, C-1 factors increased as ratings became less favorable, which is more intuitive.

Smith said isotonic regression was applied to CLO tranches rated A3 or higher. This methodology allows the Academy to assign greater weight to buckets with greater credibility due to larger sample sizes, and helps smooth C-1 factors. Smith also pointed out that the bar chart in the "Isotonic Regression – Applied to A3/ above CLO C-1 Factors" page provides a visual for the cliff risk inherent in CLOs.

Barlow sought clarification as to whether only BSL CLOs are modeled. Smith confirmed that they are, but clarified that the modeled C-1 factors for BSL CLOs are likely a better estimate of middle-market (MM) CLOs than if bond C-1 factors are used. He further clarified that the factors proposed in the second option should not be used for MM CLOs, as more information is needed to define the tranche thickness threshold, and 4% may not be the right answer.

Andersen observed that the recommended C-1 charges for CLOs with NAIC 2.C versus NAIC 3.B demonstrated significant cliff risk. He said he would like to understand the details/characteristics of those two types of CLOs to

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help explain how the differences in charges are justified. Smith responded that the modeling was performed with the conditional tail expectation (CTE) 90 metric on a weighted average of 17 tail scenarios. The cliff risk manifested itself in the modeled factors as expected. Andersen also commented that it would be helpful to discuss the accuracy of CLO ratings. He foresaw insurers' motivation to improve/engineer the ratings.

Andersen said he wondered if there is potential for unmodeled risk, especially among the tranches with higher credit ratings. Smith responded that he cannot rule out the possibility of having unmodeled risk, but emphasized that the Academy strives for consistency between modeling for bond C-1 versus CLO C-1.

Andersen also wondered whether the second option would incentivize gamesmanship, such as engineering CLO tranches to a 4.01% tranche thickness to obtain more favorable RBC treatment. Smith acknowledged the possibility and noted that structuring already exists, though it is not prevalent. He explained that, without using the second option, theoretically, the simple average of a BBB- CLO tranche is about 5%, which, in his view, is too high for the majority of BBB- CLOs owned by insurers. Smith also pointed out that tranche thickness is somewhat dynamic and changes as the CLO pays down. He thought structuring a tranche at 4.01% would not give enough cushion to prevent the CLO tranche thickness from eventually shrinking and falling into the thin tranche bucket. Mears also expressed concern about the dynamic tranche thickness that may produce counterintuitive RBC results. Smith understood the concern but pointed out that there are also rating upgrade associated with paydown that may mitigate the risk.

Stolte expressed concerns with private equity-owned insurers and their investment in MM CLOs. Smith responded that MM CLOs are rated, but the underlying loans/collaterals are not typically rated. Since the Academy's current methodology relies on collateral ratings as the basis of generating default vectors, further study is needed to understand the credit modeling of loans/collaterals backing the MM CLOs. Smith said that this can be done through partnering with credit agencies and would require additional time and corroboration.

Mears asked if the SSG can review and monitor CLOs on an ongoing basis to make sure the assumptions the Academy used remain fit for the purpose in the future. Hankook Lee (NAIC) responded that the SSG has modeling capabilities to monitor CLOs in the future and has been tracking them since 2018.

Bumpus sought clarification as to whether only four rating agencies (Fitch Ratings, KBRA, Moody's, and S&P Global) rate CLOs. Smith clarified that DBRS also rates CLOs. DBRS is not listed in the presentation, as the CLO tranches rated by DBRS are not BBB-.

Bumpus asked whether the ratings are public. Smith confirmed that both the CLO tranche ratings and the collateral ratings are public.

Richard Cantor (Moody's) said he thought there are privately rated CLO tranches and suggested a way to identify them by running the unrated CLO tranches against the nationally recognized statistical rating organization (NRSRO) designation database. Cantor also said he expects that the distinction of thickness matters not just for BBB- or below, but that it has an even more profound impact as one goes up the rating scale. Smith responded that the scatter plot on the "Tranche Thickness 4% Cut-Off Baa1/Baa2" page supported Cantor's expectation.

Dan Castaline (Apollo) agreed with the Academy's observations about tranche thickness. He said that based on what he observed in the current market practice, thin BBB- tranches are effectively senior parts of the traditional BB tranches. S&P Global rating methodology allows those to be rated as BBB- but, in substance, applying BB tranche factors to them is justifiable. Castaline said he also believed that using the original tranche thickness is better than the current thickness because CLOs amortize sequentially, and the tranche thickness increases in non-

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senior tranches that are yet to take their turn in amortization. Smith clarified that the Academy model uses current thickness, and additional analysis is needed to prove whether original thickness may work better.

Barlow led the discussion on the Working Group's next steps. He noted that neither the Working Group nor any interested parties raised objections to the Academy presentation being exposed for a 45-day public comment period ending April 16. He requested interim comments during the Spring National Meeting, specifically regarding the structural proposal, as the NAIC plans to re-expose it during the meeting or shortly thereafter.

In light of the lack of readily available tranche thickness data in the annual statement, Barlow expressed his preference to move forward with a rating-only proposal (i.e., Option 1) for 2026 and revisit tranche thickness as a comparable attribute the following year. Stolte expressed reservations about not addressing tranche thickness. Carmello suggested getting tranche thickness into the RBC structure without deploying the bifurcated factors for the first year, so as to facilitate data collection. Clark said he believed information such as holdings of thin tranches by insurers, materiality assessment, etc., should help the Working Group members. Smith pointed to the "Distribution by Tranche Thickness" page of the presentation, highlighting that only Baa3 and Ba3 are meaningful for consideration, given how CLOs are structured and the life insurers' ownership. He said the page provides data for materiality assessment, as it shows allocation between high and low thickness within each rating category, by count and by dollar balance.

4. Discussed Other Matters

Barlow said that for the sake of time, the Working Group plans to receive comments from the ACLI regarding proposal 2025-22-IRE (CLO RBC Structure) at the Spring National Meeting.

Barlow said the Working Group sponsored the blanks proposal 2025-27BWG to effectuate changes to the asset valuation reserve (AVR) schedule to facilitate RBC blanks proposal 2025-22-IRE. The Blanks (E) Working Group plans to meet March 5 to receive comments and discuss modifications to proposal 2025-27BWG.

Having no further business, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group adjourned.

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Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Virtual Meeting
December 15, 2025

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy (E) Task Force met Dec. 15, 2025. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy, Vice Chair (CA); Wanchin Chou (CT); Carolyn Morgan (FL); Carrie Mears and Kevin Clark (IA); Matt Cheung (IL); Roy Eft (IN); Fred Andersen (MN); William Leung and Danielle Smith (MO); Tadd Wegner (NE); Jennifer Li (NH); Bob Kasinow and William B. Carmello (NY); Dale Bruggeman and Tom Botsko (OH); Jamie Walker and Rachel Hemphill (TX); Doug Stolte (VA); Steve Drutz and Katy Bardsley (WA); and Amy Malm (WI).

1. Adopted its Nov. 4 Minutes

The Working Group met Nov. 4 and took the following action: 1) adopted its Sept. 8 minutes; 2) discussed comment letters received on proposal 2025-12-IRE (Securities Valuation Office [SVO] Fund Alignment Project); 3) adopted its 2026 working agenda.

Eft made a motion, seconded by Botsko, to adopt the Working Group's Nov. 4 minutes (*See NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Four*). The motion passed unanimously.

2. Heard an Update from the Academy on the CLO RBC Project

Stephen Smith (American Academy of Actuaries—Academy) presented a collateralized loan obligation (CLO) C-1 factors modeling update (Attachment Five-A1a). Smith emphasized that this update is grounded in preliminary analysis performed with six CLO deals and, therefore, is just an interim update. A more comprehensive analysis will be performed of the entire CLO universe, and the results will be reported in early 2026. The Academy is working toward the goal of implementing changes to the CLO risk-based capital (RBC) methodology effective 2026. Therefore, any proposed factors need to be exposed by April 30, 2026. Smith said the key focus of this presentation is to provide updates on sensitivity testing on various modeling choices, as per the Working Group's request during its Sept. 8 meeting. At a high level, the Academy performed a total of nine sensitivity tests, and each has shown a significant impact. Smith concluded that this illustrated an important point: decisions on assumptions and/or methodology greatly impact the end results. The Academy provided recommendations to these decisions as summarized in the "Summary of Sensitivity Testing" page. The Academy's recommendations are influenced by whether there are any significant differences between CLOs and senior unsecured bonds, as well as consideration of time/resource constraints.

Smith then discussed the details of each sensitivity test. Tests 1, 2, and 3 tested different degrees of correlation of defaults among collaterals, with a baseline of 10% correlation, and employed the Gaussian copula model (aligned with the C-1 bond model). The Academy tested the following scenarios: Test 1 (5% correlation, Gaussian copula); Test 2 (20% correlation, Gaussian copula); and Test 3 (10% correlation, Clayton copula). Test 1 may be justifiable by academic literature that states below-investment-grade investments (such as CLO collaterals) have higher idiosyncratic risks than investment-grade investments (such as bonds). Test 2 was inspired by other academic literature that suggested a possible correlation ranging from 2% to 50%. Test 3 employed a more conservative copula model, which leads to fatter tails. Ultimately, the Academy recommended retaining the baseline, as deviation from the C-1 bond model assumption is not justifiable. Test 4 has to do with the correlation between default rates and severity, and the C-1 bond model assumed none. Smith said there is literature that supported the existence of such correlations, but the Academy recommended retaining the baseline for CLOs to

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be consistent with the C-1 bond model. A future correlation study can be conducted, and the change, if recommended, should be made to both the bond and CLO C-1 models.

Reedy sought clarification regarding whether: 1) the impacts presented are standalone test results for tests 1 through 4; and 2) there is an analysis of compounding effects. Smith confirmed that the results are from a standalone test; the Academy is not presenting compound impact, as its recommendation to retain the baseline is not based on quantification of impact.

Test 5 tested the impact of lowering recoveries. The baseline assumption used by the Academy was sourced from S&P Global Ratings' (S&P Global's) average loss given default (LGD) data, which provides deciles and allows worst-case scenarios. That being said, the Academy was aware of other data sets (e.g., Moody's) that suggested lower recoveries for senior secured loans. The difference between S&P Global's and Moody's data likely stemmed from different methodologies to get to the concept of loss. The Academy believes that Moody's methodology is more appropriate, as it uses a trading price closer to the day of default, which reflects the reality of active trading by CLO managers. As shown on the "Sensitivity – Recovery Average" page, the use of lower recovery data as per Moody's resulted in higher RBC charges. However, Smith cautioned that his sensitivity test has extrapolated Moody's data, as Moody's does not publish decile information. While the Academy would love to work with Moody's to obtain decile information, the process would take months and jeopardize 2026 implementation.

Smith then discussed Tests 6 and 7, which tested the impact of altering prepayment and repurchase price assumptions. The Academy used the baseline assumptions that underlying collaterals in CLOs never prepay and the repurchase price is always at par (i.e., no discount). Smith acknowledged that these assumptions are conservative in light of historical data (e.g., in reality, prepayment exists, even in the worst market environment; discounts are common and can get even steeper in times of market stress). As such, the Academy set up Test 6 to assume stress case prepayment rates and repurchase price (conditional tail expectation [CTE] 10, average of the lowest 10%). Test 7 is just for academic comparison, as it assumes the lowest, deepest-tail data points (VaR 0.5). As seen in the results captured on the "Sensitivity – Collateral Repurchase Price and Prepayment" page, the RBC charge results are very low, even for the below-investment-grade tranche. Another problem is that, as shown on the "Sensitivity #6 – Widely Varying Results Across Deals and Sensitivity #7 – Widely Varying Results Across Deals" page, there was a huge variation from one deal to the next across the six CLO deals, depending on whether the CLO had recently reset and entered a new investment period. Smith said the assumption of ultra-low repurchase price for the entire period of projection (as in Tests 6 and 7) is unrealistic. To conclude, the Academy would need time to come up with reasonable assumptions for the prepayment rate and repurchase price/discount, likely a middle road between the conservative assumptions used in the baseline and the aggressive assumptions used in Tests 6 and 7.

Finally, Smith said he used Tests 8 and 9 to estimate the compound impact of changes made to multiple assumptions. As summarized on the "Sensitivity – Recovery, Prepayment, and Repurchase Price" page, the compound impact suggested an increase in RBC charges for Baa3 and Ba3 tranches. Smith said one should ignore results for the Baa2 tranche, as only one out of the six CLO deals has a Baa2 tranche. The increase in RBC suggested that the impact of lower recovery assumptions outweighed the impact of recalibrated prepayment and repurchase price assumptions.

Smith sought guidance from the Working Group to determine the trade-off between precision and expediency, as each decision made to deviate from the baseline would require time for recalibration. Barlow did not support a delay in light of the Academy's observation that further calibration produced offsetting impacts and would likely put the Working Group in the same position as when baseline assumptions were used.

Cheung expressed his struggle with the correlation assumptions. He observed that the Academy tested correlation among CLO collaterals, but currently, there is no correlation from a broader C-1 perspective within the RBC framework. Smith responded that the C-1 bond model has a correlation assumption, but it was not widely discussed at the time the model was vetted. Smith acknowledged that there is no explicit correlation assumption for asset classes like equity and real estate, but CLOs are more akin to corporate bonds, which have a correlation assumption built into the bond C-1 model. Smith said that the Academy re-ran the corporate bond model under each of the sensitivity tests and noted that the correlation assumptions matter more for CLOs than for corporate bonds.

Smith then reported that the NAIC Structured Securities Group (SSG) is currently running the full universe of CLO cash flows against the baseline assumptions, with results expected within the week. The Academy plans to convert the results to C-1 factors. Smith referred to the "Scope of Full Universe of CLO Deals" page and clarified that the Academy is modeling over the combined collateral pool of that full CLO universe to give the biggest possible sample size. However, to develop RBC factors, the Academy is only running cash flows on CLOs owned by insurance companies in the U.S., not the full universe of CLOs. Smith concluded his presentation by referring to the Appendix. He specifically highlighted the "Relationship of Last 12-Month Default Rate and Loan Price" page, wherein the charts give good visual representations of the relationship between loan prices and default rates.

Frank Tallerico (Structured Finance Association—SFA) asked whether the collateral cash flows are sourced from CDONet. Smith confirmed that they are.

Nakul Nayyar (Guardian Life) asked whether the Academy is going to model for residual tranches in the future. He observed that the assumptions used by the Academy will likely have a dramatic effect on residual tranche charges. Smith confirmed that the Academy is working on residual tranches and plans to have an update in early 2026. He also agreed that the residual tranche charges will be very sensitive to the assumptions, and so will the lower-rated tranches, such as the Ba3 tranche in the presentation. Smith added that there is a nuance for residual tranches, being the accounting election: allowable earned yield method versus practical expedient method. The Academy expected the election to have a meaningful impact on the residual tranches' RBC and expects to present an update based on both election scenarios.

Barlow said he would like to solicit feedback on the Academy's presentation. Smith said he is especially interested in hearing suggestions for calibrating the discount/purchase price assumption. Tallerico welcomed the idea and stated that SFA members are especially interested in the discount/ purchase price assumption topic. Barlow stated that any comments gathered will be received during the Working Group's next open meeting and should not hinder the Academy's progress on comprehensive analysis or any other planned work.

Hearing no objection, Barlow exposed the Academy's presentation for a 45-day public comment period ending Jan. 29, 2026.

3. Exposed Proposal 2025-22-IRE (CLO RBC Structure)

Barlow said that in order to effectuate changes to CLO RBC with effect from 2026, a formal proposal 2025-22-IRE was drafted for the life RBC formula. This is a structural change only, and no factor changes are proposed. In addition, if the Academy ultimately proposes a different methodology for assessing CLO risk change, the proposal will need to be modified. Finally, the residual tranche RBC methodology is currently subject to review by the Academy and, therefore, is not scoped into this proposal. Smith said he expects that the Academy will have a recommendation for the residual tranche in early 2026, so the Working Group should have enough time to refine the proposal for any potential structural changes resulting from the Academy's recommendation.

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Maggie Chang (NAIC) reminded the Working Group that the draft asset valuation reserve (AVR) proposal is under the purview of the Blanks (E) Working Group. The proposal is needed to facilitate the breakout of CLOs in RBC blanks. If there is support from the Working Group, the AVR proposal will be referred to the Blanks (E) Working Group for concurrent exposure. Stolte expressed his state's support for the 2026 implementation of both debt and residual tranches of CLOs.

Hearing no objection, Barlow exposed proposal 2025-22-IRE (Attachment Five-A1b) for a 45-day public comment period ending Jan. 29, 2026

4. Discussed Other Matters

Barlow announced that after further corroboration with the American Council of Life Insurers (ACLI), it was agreed that now is not the right time to move forward with the adoption of proposal 2025-12-IRE (SVO Bond Fund Alignment Project) for the life RBC formula. Barlow said that the Property and Casualty Risk-Based Capital (E) Working Group and Health Risk-Based Capital (E) Working Group are going through their due processes, respectively. As such, the Working Group will not make any updates to its working agenda or recommendations regarding the Valuation of Securities Task Force/Statutory Accounting Principles (E) Working Group referral until all the RBC working groups have a chance to discuss the issue.

Having no further business, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/CADTF/2026-1-Spring/IRE/RBCIREWG 12-15-25 Minutes TPR'd.docx

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C-1 Subcommittee Update on CLO C-1 Factors Modeling

December 15, 2025

Stephen Smith, MAAA, FSA, CFA
Chairperson, Academy C-1 Subcommittee

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Introduction

- The C-1 Subcommittee & the NAIC's Structured Securities Group (SSG) have collaborated to build a working model for CLO C-1.
- CUSIP-level *hypothetical* C-1 factors are shown, but these are only generated as an intermediate step—the ultimate goal is to produce factors based on comparable attributes, not to model each individual CLO on an ongoing basis.
- These early results are broadly consistent with work done by SSG in the CLO Ad Hoc group, showing low risk for senior tranches but potential cliff risk for junior tranches.
- Key modeling decisions are still under review, and we are showing six deals—results are likely to evolve as the model is refined and applied to the broader universe of CLOs owned by life insurers.

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Methodology Summary

- Objective: Define several risk buckets for CLOs according to comparable attributes and then assign a C-1 factor to each bucket.
- CLO collateral credit modeling is largely consistent with C-1 corporate bond modeling.
- Projection of CLO cash flows is largely consistent with SSG modeling in the CLO Ad Hoc group, with the primary exception being the CLO collateral credit modeling.
- Conversion of CLO cash flows into C-1 factors is consistent with C-1 corporate bond methodology where possible, with additional modeling to address the fact that missed payments on CLOs do not necessarily trigger defaults.

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Anticipated Project Timeline

WE ARE HERE

- Sept. 8, 2025—initial presentation of model
- Dec. 15, 2025—status update to regulators
- Early 2026—presentation of residual tranche results, portfolio adjustment factor, model refinements, identification of potential comparable attributes, and resulting factors
- Q1 2026—incorporation of modifications requested by regulators, if any
- Q2 2026—If significant changes are not requested by regulators, expectation is for final factors to be available for exposure by April 30, 2026

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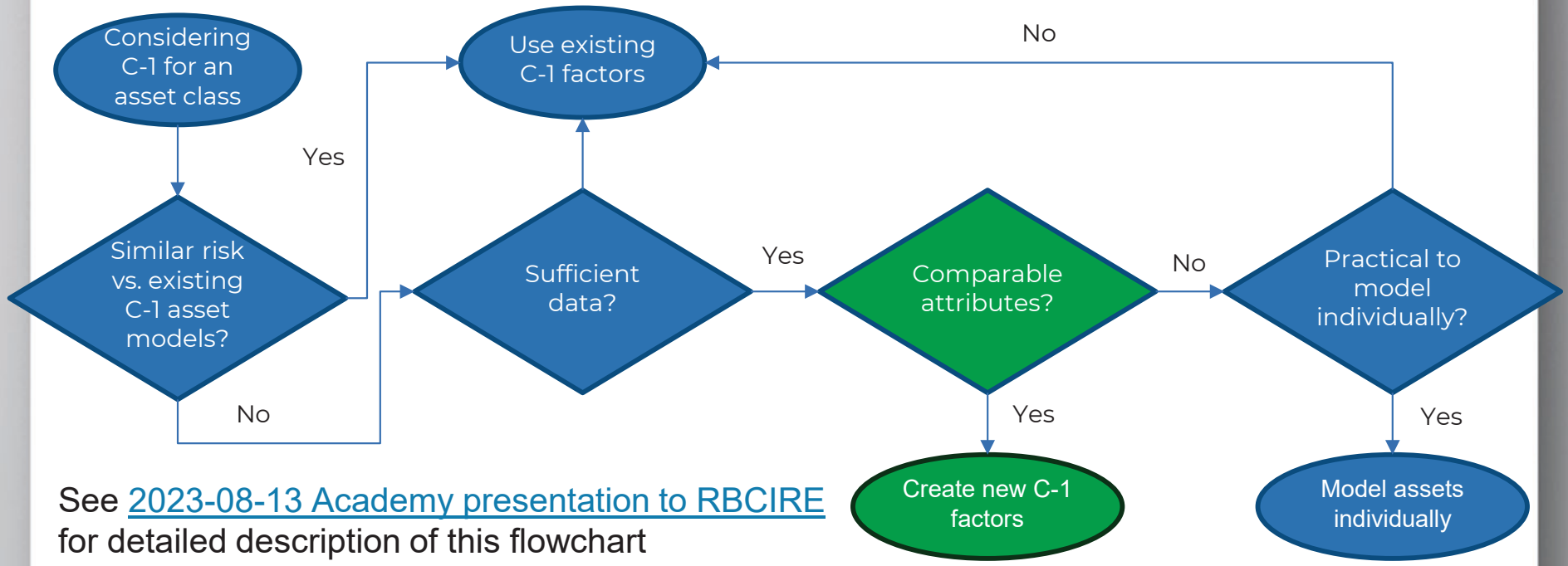
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Acknowledgments

- ACLI—use of C-1 corporate bond model developed by Moody's for ACLI
- Moody's—access to CLO deal data, collateral data, historical default rate data, and CDOnet
- S&P—historical recovery data and frequent discussions with structured finance analytical professionals
- Bridgeway Analytics—frequent discussions on credit modeling, structured finance, and help in understanding the ACLI & Moody's corporate bond model
- SSG—modeling advice and running CDOnet
- NAIC accounting staff—guidance on CLO statutory accounting

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C-1 Modeling Framework Flowchart



See 2023-08-13 Academy presentation to RBCIRE for detailed description of this flowchart

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C1-SC Update on CLO C-1 Factors Modeling
December 15, 2025

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Project Status Update as of Dec. 15, 2025

The Academy has accomplished 2 milestones:

1. Finalize key assumptions in the CLO modeling framework based on the model decisions selected for reconsideration and discussed in the Sept. 8, 2025, meeting.
2. Identify the full universe of CLO deals to be modeled.

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Summary of Sensitivity Testing

Results for Baa and below are highly reactive to all sensitivities considered

The Academy recommends retaining baseline assumptions relating to correlations within the collateral pool (between loans and between default and severity) to be consistent with C-1 bond factors, as the differences between CLO collateral and senior unsecured bonds are not great enough to justify a different modeling approach.

The Academy may recommend changes to recovery assumptions and prepay speeds/purchase prices if more time were available to better specify these assumptions. But these sensitivities run in opposite directions, so leaving both at their baseline may be expedient for completing the project in time for 2026 implementation.

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1. Key Modeling Assumptions Reconsidered

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Selected Model Decisions to be Reconsidered

Model Assumption/Parameter	Potential Change	Modeling Decision or Sensitivity
% Variance Explained by Systematic Error	May reduce from 10% to reflect below-IG nature of collateral (e.g., 5%)	Sensitivity tests #1, #2, and #3
Collateral Reinvestment Price & Prepay	Allow for prepayment and reinvestment at less than par	Sensitivity tests #6 and #7
Projection Horizon	Adjust results for tranches that pay off in less than 10 years (senior tranches)	To be determined
Statistical Safety Level	Showing results for CTE-90, but the level is for regulators to decide	Currently using CTE-90
Relationship between default rates and severities	Change correlation between defaults and severities from zero to positive	Sensitivity test #4
Reinvestments—General Approach	See appendix	Implemented methodology in appendix
Reinvestments—Aligning with Reinvestment Period	Stop reinvesting recovered principal after 2-3 years when generating default vector	Implemented 2.5y reinvestment horizon
Rank Order of Collateral Scenarios	Identify patterns of default timing that result in greater CLO losses	No change
Risk Premium	Derive risk premia from CLO loss distribution instead of from bond factors	To be determined

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Decision to Retain Baseline Assumptions/Approach

Model Assumption/Parameter	Sensitivity #	Reason to Retain Baseline
% Variance explained by systemic risk	1, 2, 3	Consistency with C-1 bond factors
Relationship between default rates and severities	4	Consistency with C-1 bond factors
Recoveries	5	Baseline is derived using actual data, whereas alternative approach is sensitive to statistical fitting methodology
Collateral Reinvestment Price & Prepay	6, 7	Alternative approach used was unrealistically credit-supportive by allowing deep discount purchases during the entire investment period and produced widely variable results across deals
Recoveries and reinvestment/prepay	8, 9 (combining 5 with each of 6 and 7)	Sensitivities from 5 and 6 move in opposite directions, although not entirely offsetting

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Sensitivity—Systemic Risk

		1	2
After-Tax C-1 / Tranche Rtg	Baseline Dec '25	5% Corr	20% Corr
Aaa	0.00%	0.00%	0.00%
Aa2	0.00%	0.00%	0.05%
A2	0.04%	0.01%	1.24%
Baa2	0.89%	0.04%	8.17%
Baa3	2.34%	0.80%	12.58%
Ba3	30.72%	20.18%	52.93%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

Systemic risk is modeled with pairwise correlation between loans.

Baseline correlation is 10%.

Li and Chen (2018) reference 2%, 35% and 51% in 1-yr, 5-yr and 10-yr correlations for B-rated issuers.

Qi et al (2019) reference 2%, 10% and 9% in 1-yr, 5-yr and 10-yr correlations for B-rated issuers.

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Sensitivity—Copula

		3
After-Tax C-1 / Tranche Rtg	Baseline Dec '25	Clayton Copula
Aaa	0.00%	0.00%
Aa2	0.00%	0.00%
A2	0.04%	0.08%
Baa2	0.89%	2.21%
Baa3	2.34%	7.57%
Ba3	30.72%	34.04%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

Baseline assumption = Gaussian Copula

Clayton Copula may capture asymmetric distribution of the default correlations and has fatter tails.

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Sensitivity—Correlation in Severities

		4
After-Tax C-1 / Tranche Rtg	Baseline Dec '25	Corr Severities
Aaa	0.00%	0.00%
Aa2	0.00%	0.00%
A2	0.04%	0.29%
Baa2	0.89%	3.73%
Baa3	2.34%	8.51%
Ba3	30.72%	42.38%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

Baseline assumption is no correlation.

Sensitivity test correlated recovery rates, using Gaussian Copula with 10% correlation.

Note: If recoveries are correlated with rate of default (e.g., high default environments have lower recoveries), then recoveries will be correlated with one another.

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Sensitivity—Recovery Average

		5
After-Tax C-1 / Tranche Rtg	**Baseline Dec '25**	**Lower Recovery**
Aaa	0.00%	0.00%
Aa2	0.00%	0.00%
A2	0.04%	1.77%
Baa2	0.89%	21.73%
Baa3	2.34%	19.62%
Ba3	30.72%	59.09%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

Baseline assumption S&P average loss given default (LGD): 27% for senior secured, 60% for senior unsecured.

A higher LGD is tested: 36% for senior secured, 54% for senior unsecured (despite being lower for senior unsecured, this is higher overall because most loans in CLOs are senior secured).

However, in both cases simple averages are not the input to the model. Decile data published by S&P was used so that the tail could be captured. The averages for the sensitivity are fitted to the shape of the S&P deciles by least-squares optimization.

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Sensitivity—Collateral Repurchase Price and Prepayment

		6	7
After-Tax C-1 / Tranche Rtg	Baseline Dec '25	Prepay & Discount A	Prepay & Discount B
Aaa	0.00%	0.00%	0.00%
Aa2	0.00%	0.00%	0.00%
A2	0.04%	0.07%	0.07%
Baa2	0.89%	0.00%	0.00%
Baa3	2.34%	0.55%	0.37%
Ba3	30.72%	10.15%	6.67%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

Baseline scenario models no prepayments and no repurchase discounts. Sensitivities model historically low prepayment speeds and purchase prices, consistent with stressed credit environments.

Sensitivity A = prepay and purchase price equal to CTE(10) of historical data: 11.8% prepayment rate, 82.5 price.

Sensitivity B = prepay and repurchase price equal to VaR(0.5) of historical data: 8.7% prepayment rate, 72.0 price.

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Sensitivity—Recovery, Prepayment and Repurchase Price

		8	9
After-Tax C-1 / Tranche Rtg	Baseline Dec '25	5 & 6	5 & 7
Aaa	0.00%	0.00%	0.00%
Aa2	0.00%	0.00%	0.00%
A2	0.04%	0.20%	0.11%
Baa2	0.89%	0.00%	0.00%
Baa3	2.34%	5.51%	3.43%
Ba3	30.72%	31.12%	23.27%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

Combination of lower recovery averages along with prepayment and repurchase discounts.

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Sensitivity #6—Widely Varying Results Across Deals

	Prepay & Discount A						
After-Tax C-1 / Tranche Rtg	Average	Carlyle 2021-1	Strata II	Ares 52	Magne-tite 27	OHA 3	Ancho-rage 17
Aaa	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Aa2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A2	0.07%	0.00%	0.00%	0.00%	0.00%	0.41%	0.00%
Baa2	0.00%	0.00%	n/a	n/a	n/a	n/a	n/a
Baa3	0.55%	0.00%	1.89%	0.83%	0.00%	0.60%	0.00%
Ba3	10.15%	0.00%	15.43%	31.11%	5.45%	1.22%	7.66%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included. Baa2 tranche is from only one deal and is therefore potentially especially unrepresentative due to its small sample size.

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Sensitivity #7—Widely Varying Results Across Deals

	Prepay & Discount B						
After-Tax C-1 / Tranche Rtg	Average	Carlyle 2021-1	Strata II	Ares 52	Magne-tite 27	OHA 3	Ancho-rage 17
Aaa	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Aa2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A2	0.07%	0.00%	0.00%	0.00%	0.00%	0.41%	0.00%
Baa2	0.00%	0.00%	n/a	n/a	n/a	n/a	n/a
Baa3	0.37%	0.00%	0.81%	0.79%	0.00%	0.60%	0.00%
Ba3	6.67%	0.00%	10.00%	28.68%	0.01%	1.22%	0.13%

*Results are preliminary and subject to change. This is only 6 deals—results may change when all CLOs held by life insurers are included.

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2. Full Universe of CLO Deals

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Scope of Full Universe of CLO Deals

Deal or Subset	As of 9/30/24				As of 12/31/24			
	Balance ($mn)	CLO Deals (#)	Loans (#)	Unique Issuers (#)	Balance ($mn)	CLO Deals (#)	Loan Count	Unique Issuers
867331201	496.9	1	474	381	491.6	1	1,088	382
867578342	598.6	1	499	435	596.3	1	1,259	436
867567170	436.8	1	307	268	428.1	1	751	272
830960738	684.3	1	365	329	660.9	1	417	330
830871594	424.7	1	348	295	387.4	1	354	299
867931338	389.6	1	171	153	371.3	1	309	153
Sample Deals	**2,910.2**	**6**	**2,193**	**927**	**2,935.5**	**6**	**4,178**	**936**
Full Universe					**1,046,300.2**	**2,674**	**1,175,515**	**2,544**

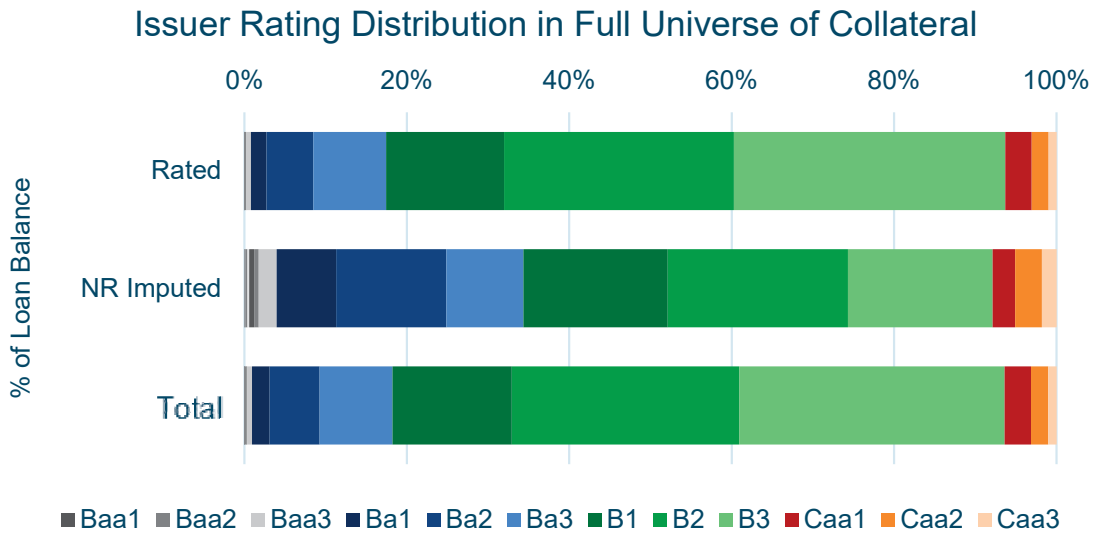
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Issuer Rating Distribution in Collateral Loans

- Issuer rating is used for default modeling, which is the worse between S&P and Moody's.
- When issuers were not rated (5% of loan balance), issuer rating is approximated using average security rating, rounded down to the nearest notch.



*Issuer rating shown. When comparing issuer and loan rating, S&P ratings are the same for 98% of the balance. Moody's ratings are the same for 57% and within 1 notch for 94% of the loan balance.

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Questions

Contact:
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Appendix A—
CLO C-1 Factors Modeling Framework

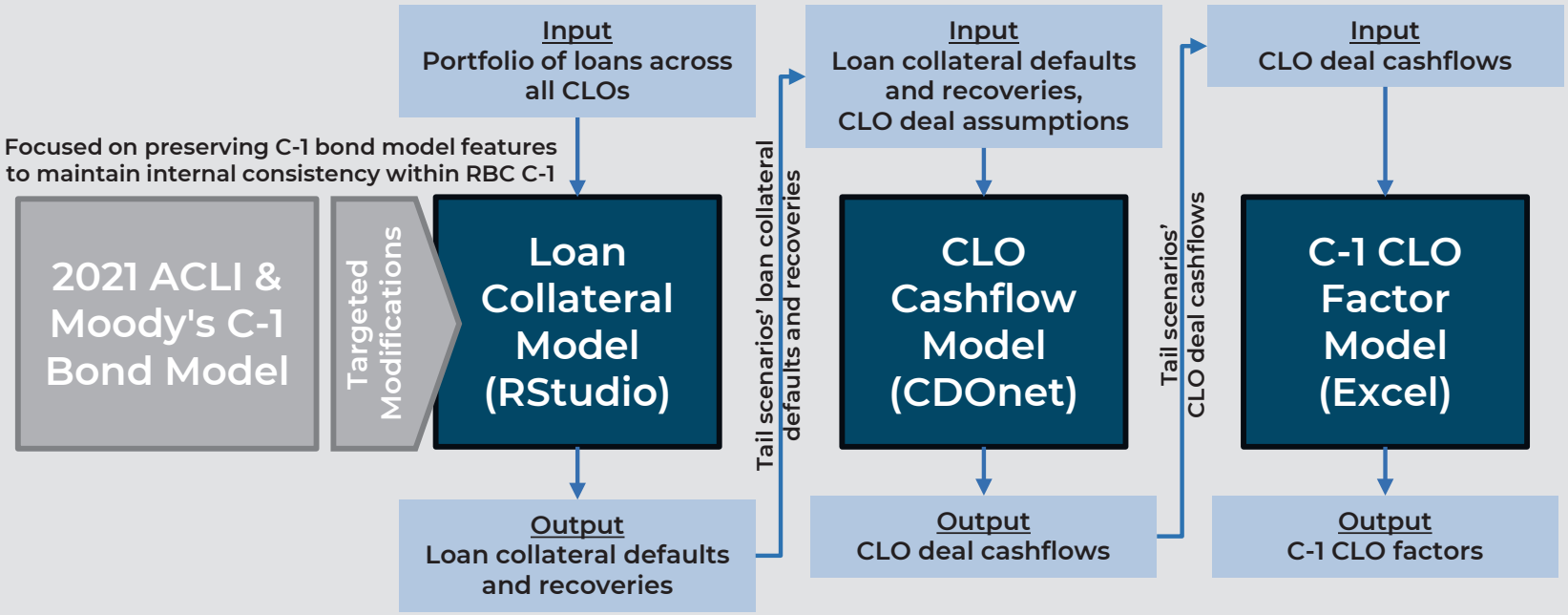
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Overview of C-1 CLO Factors Approach

Create new C-1 factors



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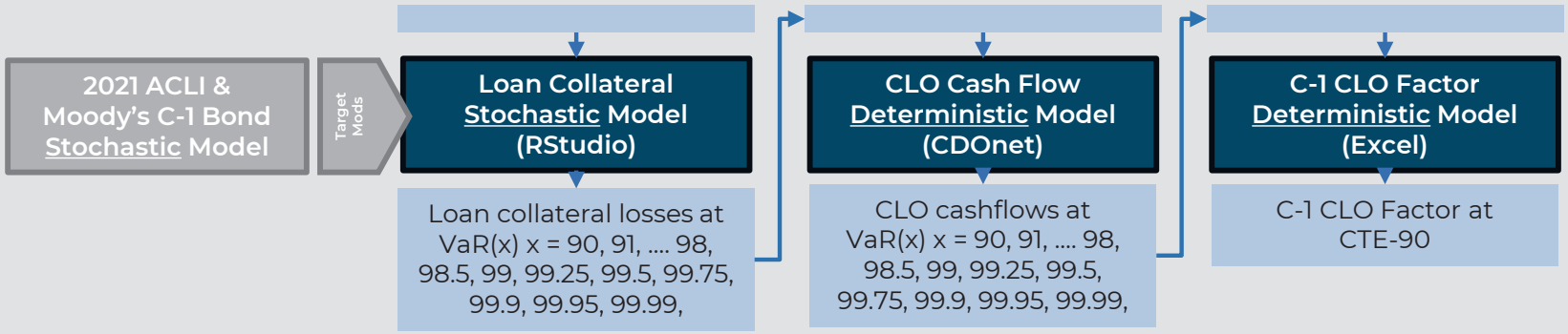
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CTE-90 Tail Metric for C-1 CLO Factors

Create new C-1 factors



The CLO cash flow and the C-1 CLO Factor Models use deterministic inputs; CTE is estimated from VaR metrics selected using a scenario compression method to manage computational time

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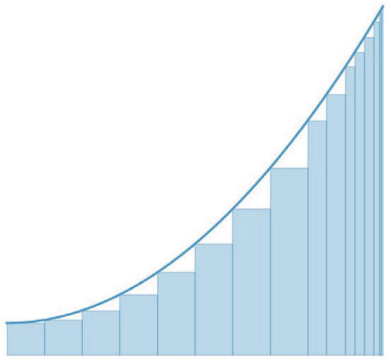
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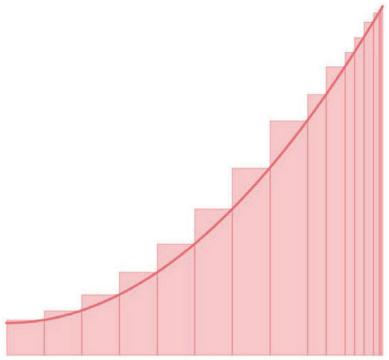
Scenario Compression for CTE-90 Estimation

- Breaks percentiles into 16 buckets
- Percentiles get closer together at the right tail as the RBC charges increase more steeply

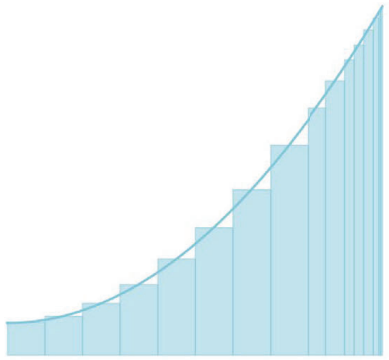
Left Riemann Sum



Right Riemann Sum



Midpoint Riemann Sum



Approach used

	Weights		
Percentile	Left	Right	Midpoint
99.99	0.5%		0.3%
99.95	0.5%	0.5%	0.5%
99.90	1.5%	0.5%	1.0%
99.75	2.5%	1.5%	2.0%
99.50	2.5%	2.5%	2.5%
99.25	2.5%	2.5%	2.5%
99.00	5.0%	5.0%	3.8%
98.50	5.0%	5.0%	5.0%
98.00	10.0%	10.0%	7.5%
97.00	10.0%	10.0%	10.0%
96.00	10.0%	10.0%	10.0%
95.00	10.0%	10.0%	10.0%
94.00	10.0%	10.0%	10.0%
93.00	10.0%	10.0%	10.0%
92.00	10.0%	10.0%	10.0%
91.00	10.0%	10.0%	10.0%
90.00		10.0%	5.0%

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C1-SC Update on CLO C-1 Factors Modeling
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Loan Collateral Model (RStudio)

Targeted Modifications—Loan Collateral Model Parameters

Model Parameter	ACLI & Moody's C-1 Bond Model	Loan Collateral Model
Simulations	10,000	Kept the same
Projection Years	10 years	Kept the same
Time Step	Annual	Monthly
Target Risk Metric	VaR(96), selected based on the greatest PV of losses in excess of accumulated risk premium	VaR(x) where x = 90, 91, ... 98, 98.5, 99, 99.25, 99.5, 99.75, 99.9, 99.95, 99.99, selected based on the PV of losses*
Discounting	Discount Rate = 3.47% (pre-tax) 2.74% (post-tax)	Kept the same pre-tax*
Output	C1 bond factors = PV of losses in excess of risk premium / Amount exposed	Undiscounted defaults and recoveries by deal and by credit rating

*Discounting only used to identify the scenario at the Target Risk Metric.

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Loan Collateral Model (RStudio)

Targeted Modifications—Loan Collateral Model Assumptions

Model Assumption	ACLI & Moody's C1 Bond Model	Loan Collateral Model
Default Rates	Empirical distribution by issuer rating based on Moody's data	Kept the same
Recovery Rates	Empirical distribution by economic state based on Moody's data for senior unsecured bonds	Empirical distribution by payment priority (sr. unsecured, sr. secured, 2nd lien) based on S&P data
Economic State Transition Matrix	Based on original Academy's work	Not used
% Variance Explained by Systematic Error	10%	Kept the same, results in implicit diversification benefit
Tax Adjustment	Tax Rate = 21% Recovery Rate = 80%	Not used*
Reinvestment	Surplus used to purchase identical bond after default	Modeled to align with reinvestments in CLO cash flow Model (CDOnet)

*Tax Adjustment used in a downstream step of the overall CLO model process

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Loan Collateral Model (RStudio)

Reinvestments in Loan Collateral Model

Reinvestment modeling
is a key methodological choice that impacts credit losses

- Credit losses may occur from existing loans or from future reinvestments.
- The tail scenarios are selected in the loan collateral model (RStudio), before modeling the CLO cash flows.
- To maximize alignment between collateral modeling and CLO cash flow modeling, loan collateral losses are modeled consistent with CDOnet assumptions:
    a) Only maturities and recoveries from default are reinvested (i.e., no prepayments)
    b) Reinvestment distributions are
        30% B1 | 30% B2 | 40% B3
        92.5% Sr. Secured | 7.5% Sr. Unsecured

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Loan Collateral Model (RStudio)

Reinvestment Methodologies Considered

	Reinvestment Amount at t	Loss from Reinvestment	Modeled Loan Universe	Pros	Cons
1	Deterministic	Deterministic empirical distribution	[933 x 3] existing loans at t=0	• Simple	• Understates tail risk, loss curve is an average scenario, not Xth percentile • The systematic error is not captured in the reinvestments
2	Based on stochastic scenario	Deterministic average of stochastic simulations, staggered to start at time t	[933 x 3] existing loans at t=0	• Simple	• Overestimates tail risk by compounding of Xth percentile on top of Xth percentile • Misalignment of systematic error, which should follow time from projection t • Exacerbates misalignment in VaR(X) for deal A vs. VaR(X) for deal B
3	Based on stochastic scenario	Stochastic simulation	[933 x 3] existing loans at t=0 + [933 x 3 x 120] hypothetical loans for t=0 through 120	• Most mathematically accurate	• Most computationally expensive • Creates an open-ended universe of loans and issuers, which may introduce unwarranted diversification benefits

Approach used for Sept. 8, 2025 results

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Loan Collateral Model (RStudio)

Reinvestment Methodologies Considered

Approach used for Dec. 15, 2025 results

	Reinvestment Amount at t	Loss from Reinvestment	Modeled Loan Universe	Pros	Cons
4	Based on stochastic scenario	Deterministic, average of stochastic simulations, aligned by projection year, based on original credit rating at t=0	[933 x 3] existing loans at t=0	• Computationally feasible • Alignment of systematic error • Closed-ended universe of loans and issuers	• Does not account for credit migration that happens between t=0 and reinvestment time t • Reinvestments limited to existing pool of loans and issuers that have not defaulted at time t
5	Based on stochastic scenario	Deterministic, average of stochastic simulations, aligned by projection year, based on simulated credit rating at t=t	[933 x 3] existing loans at t=0, each with a simulated credit rating at each time step t	• Same as approach 4 • Addresses credit migration limitation in approach 4	• Introduces model risk by modeling credit migration from complexity and reliance of credit migration data • Same as above, reinvestments limited to existing pool of loans and issuers that have not defaulted at time t

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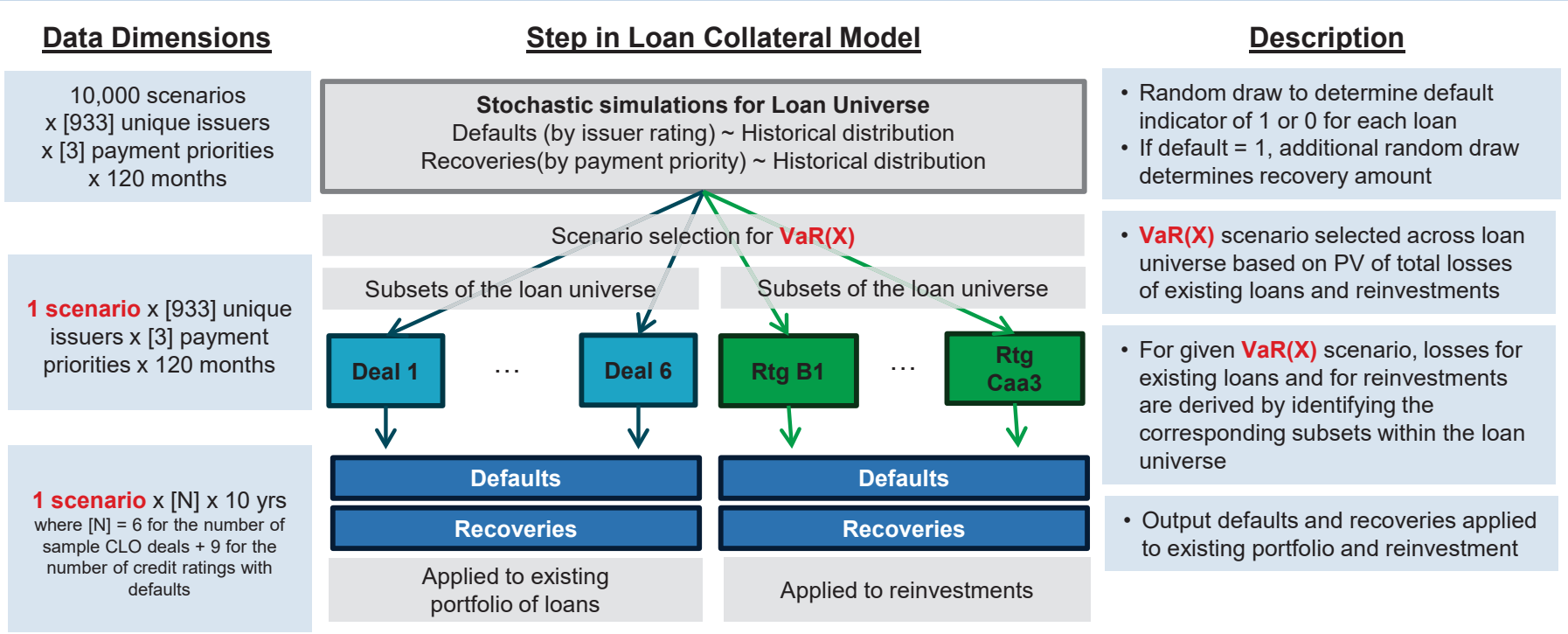
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Loan Collateral Model (RStudio)

Step-by-Step Description of Loan Collateral Model



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CLO Cashflow Model (CDOnet)

CLO Cashflow Model Assumptions & Parameters

Model Assumption/Parameter	SSG Approach in CLO Ad Hoc Group	Academy Approach
Collateral Prepayment	No prepay, consistent with rating agencies	Kept the same
Collateral Reinvestment Price	At par, consistent with rating agencies	Kept the same
Reinvestment Timing & Quality	Reinvestments are made into existing collateral pool specific to each deal	Reinvestments made into newly issued loans, quality not deal-specific
Recovery Lag	6 months	Immediate recovery, consistent with S&P recovery data
Default Vectors	10 default & recovery scenarios, weighted to minimize difference between CLO C-1 and collateral C-1 across deals	17 tail scenarios drawn from loan collateral model (10,000 total scenarios) to inform an estimation of CTE-90; CLO/collateral C-1 equivalence not enforced
All Other CDOnet Parameters	Various less impactful modeling choices that need to be made	Kept the same

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C-1 CLO Factor Model (Excel)

Converting CLO Cash Flows Into C-1 Factors

Objectives	Approach	
	Consistency with C-1 Bond Factors	Prioritizing Estimation of Portfolio Tail Events
• Consistency with C-1 bond factors approach except for risk measure (CTE-90 vs. VaR-96) • Prioritize estimating risk consistent with a portfolio tail event instead of estimating each security's specific tail risk	• 10-year projection • Risk premium by CLO tranche rating equal to C-1 bond factor risk premium • Statutory losses (simplified SSAP 43 impairment modeling used for CLOs) • Greatest present value of accumulated deficiency (GPVAD) • Difference: tax loss occurs at the earlier of a full impairment or a tranche defaulting at maturity (in bond model, tax loss always occurs at time of default)	• Rank order of scenarios determined based on PV of losses on the combined collateral pool instead of being reordered for each CLO or each CLO tranche • Leads to greater dispersion of modeled C-1 factors across CLOs, but averages across deals will represent risk of a diversified CLO portfolio • Updates to Portfolio Adjustment factor for CLOs will be considered in next steps

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C-1 CLO Factor Model (Excel)

Simplified SSAP 43 Impairment Modeling—Details

- Per previously identified principles, capital is downstream from accounting.
- C-1 corporate bond model assumes statutory losses occur only upon default.
- For most CLOs, default only occurs at maturity when the final payment cannot be made.
- However, in many cases it is clear years before that a default will occur—in this case, a statutory loss may result from an impairment prior to default.
- This model's simplistic approach is to check for an impairment any time an interest payment is missed (in other words, any time the CLO PIKs).
- At that time, the model assumes the insurer has full knowledge of future cash flows and performs a perfectly accurate impairment analysis (in the tail scenarios that drive C-1 results, this effectively pulls statutory losses forward in time in the model).
- If a security's book yield is significantly higher than the C-1 discount rate and the C-1 risk premium is low, this approach could underestimate C-1. If book yield is low relative to risk premium, this approach could overestimate C-1.
- This is all a practical expedient—the Academy has been unable to identify a more realistic way of conducting an "inner loop" impairment analysis, and we estimate the effect of this simplification to be minor.

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Appendix B—
Loan Collateral Model

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C1-SC Update on CLO C-1 Factors Modeling
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Moody's C-1 Bond Model Summary

Inputs	Calculations	
	Stochastic Simulations	C-1 Bond Factors
• Default rates by rating and tenor, from Moody's historical study 1983-2020 • Recovery rates by economic state, from Moody's historical study 1987-2020 • Economic states transition matrices with starting state of contraction	For simulation *i*, year *t*: • 1 of 4 discrete economic states sampled from Markov-Chains • Default indicator sampled from a distribution by issuer rating and tenor, with a Gaussian Copula function where 90% of the variance is idiosyncratic and 10% is systematic • Loss rate = 1 – recovery rate, sampled from a discrete distribution by economic state	• C-1 bond factor = VaR(96) PV of simulated C-1 losses • PV of simulated C-1 losses = NPV of simulated C-1 losses over 10 yrs discounted at a flat 2.74% post-tax rate • Simulated C-1 loss for year *t* = simulated post-tax loss – risk premium where risk premium = expected loss + 0.5*std dev by issuer rating, representing losses covered in reserves Losses expressed as a % of t=0 book value

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Moody's C-1 Bond Model Validation

	C-1 Bond Model Rerun												Original C-1
	Seed 1	**Seed 2**	**Seed 3**	**Seed 4**	**Seed 5**	**Seed 6**	**Seed 7**	**Seed 8**	**Seed 9**	**Seed 10**	**Avg**	**Std Dev**	**Model Output**
Aaa	**0.158%**	0.163%	0.149%	0.148%	0.152%	0.170%	0.159%	0.158%	0.158%	0.152%	0.157%	0.007%	**0.158%**
Aa1	**0.271%**	0.274%	0.271%	0.256%	0.271%	0.280%	0.261%	0.272%	0.269%	0.266%	0.269%	0.007%	**0.271%**
Aa2	**0.419%**	0.439%	0.435%	0.431%	0.440%	0.440%	0.425%	0.434%	0.429%	0.430%	0.432%	0.007%	**0.419%**
Aa3	**0.545%**	0.539%	0.520%	0.521%	0.530%	0.537%	0.531%	0.537%	0.516%	0.540%	0.532%	0.010%	**0.523%**
A1	**0.683%**	0.670%	0.659%	0.669%	0.675%	0.643%	0.649%	0.677%	0.651%	0.649%	0.663%	0.014%	**0.657%**
A2	**0.800%**	0.824%	0.815%	0.833%	0.806%	0.815%	0.816%	0.823%	0.807%	0.818%	0.816%	0.010%	**0.816%**
A3	**1.023%**	1.007%	0.999%	0.997%	1.004%	1.005%	1.026%	1.012%	0.993%	0.997%	1.006%	0.011%	**1.016%**
Baa1	**1.226%**	1.242%	1.241%	1.237%	1.222%	1.217%	1.235%	1.220%	1.213%	1.201%	1.225%	0.014%	**1.261%**
Baa2	**1.553%**	1.527%	1.512%	1.556%	1.558%	1.529%	1.544%	1.540%	1.549%	1.580%	1.545%	0.019%	**1.523%**
Baa3	**2.186%**	2.183%	2.172%	2.174%	2.173%	2.136%	2.168%	2.112%	2.182%	2.209%	2.170%	0.027%	**2.168%**
Ba1	**3.168%**	3.181%	3.187%	3.154%	3.143%	3.136%	3.206%	3.143%	3.177%	3.179%	3.167%	0.023%	**3.151%**
Ba2	**4.619%**	4.651%	4.614%	4.630%	4.562%	4.741%	4.613%	4.571%	4.640%	4.652%	4.629%	0.050%	**4.537%**
Ba3	**5.680%**	5.874%	5.864%	5.862%	5.853%	5.871%	5.799%	5.868%	5.853%	5.882%	5.841%	0.061%	**6.017%**
B1	**7.268%**	7.352%	7.453%	7.389%	7.337%	7.400%	7.409%	7.373%	7.380%	7.275%	7.364%	0.058%	**7.386%**
B2	**9.290%**	9.497%	9.688%	9.361%	9.198%	9.543%	9.512%	9.221%	9.365%	9.274%	9.395%	0.159%	**9.535%**
B3	**12.307%**	12.509%	12.290%	12.612%	12.471%	12.423%	12.358%	12.372%	12.315%	12.606%	12.426%	0.120%	**12.428%**
Caa1	**16.360%**	16.804%	16.562%	16.771%	17.181%	16.815%	16.855%	16.785%	16.647%	16.707%	16.749%	0.212%	**16.933%**
Caa2	**23.458%**	23.451%	23.822%	23.355%	23.535%	23.333%	23.648%	23.524%	23.838%	23.404%	23.537%	0.180%	**23.798%**
Caa3	**32.762%**	32.490%	32.605%	33.417%	33.069%	33.056%	32.883%	33.030%	33.289%	32.927%	32.953%	0.286%	**32.975%**

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Moody's C-1 Bond Model Validation

	C-1 Bond Model Rerun – Original C-1 Model Output											Original C-1
	Seed 1	**Seed 2**	**Seed 3**	**Seed 4**	**Seed 5**	**Seed 6**	**Seed 7**	**Seed 8**	**Seed 9**	**Seed 10**	**Avg**	**Model Output**
Aaa	**0.000%**	0.005%	-0.009%	-0.010%	-0.006%	0.012%	0.001%	0.000%	0.000%	-0.006%	-0.001%	**0.158%**
Aa1	**0.000%**	0.003%	0.000%	-0.015%	0.000%	0.009%	-0.010%	0.001%	-0.002%	-0.005%	-0.002%	**0.271%**
Aa2	**0.000%**	0.020%	0.016%	0.012%	0.021%	0.021%	0.006%	0.015%	0.010%	0.011%	0.013%	**0.419%**
Aa3	**0.022%**	0.016%	-0.003%	-0.002%	0.007%	0.014%	0.008%	0.014%	-0.007%	0.017%	0.009%	**0.523%**
A1	**0.026%**	0.013%	0.002%	0.012%	0.018%	-0.014%	-0.008%	0.020%	-0.006%	-0.008%	0.006%	**0.657%**
A2	**-0.016%**	0.008%	-0.001%	0.017%	-0.010%	-0.001%	0.000%	0.007%	-0.009%	0.002%	0.000%	**0.816%**
A3	**0.007%**	-0.009%	-0.017%	-0.019%	-0.012%	-0.011%	0.010%	-0.004%	-0.023%	-0.019%	-0.010%	**1.016%**
Baa1	**-0.035%**	-0.019%	-0.020%	-0.024%	-0.039%	-0.044%	-0.026%	-0.041%	-0.048%	-0.060%	-0.036%	**1.261%**
Baa2	**0.030%**	0.004%	-0.011%	0.033%	0.035%	0.006%	0.021%	0.017%	0.026%	0.057%	0.022%	**1.523%**
Baa3	**0.018%**	0.015%	0.004%	0.006%	0.005%	-0.032%	0.000%	-0.056%	0.014%	0.041%	0.002%	**2.168%**
Ba1	**0.017%**	0.030%	0.036%	0.003%	-0.008%	-0.015%	0.055%	-0.008%	0.026%	0.028%	0.016%	**3.151%**
Ba2	**0.082%**	0.114%	0.077%	0.093%	0.025%	0.204%	0.076%	0.034%	0.103%	0.115%	0.092%	**4.537%**
Ba3	**-0.337%**	-0.143%	-0.153%	-0.155%	-0.164%	-0.146%	-0.218%	-0.149%	-0.164%	-0.135%	-0.176%	**6.017%**
B1	**-0.118%**	-0.034%	0.067%	0.003%	-0.049%	0.014%	0.023%	-0.013%	-0.006%	-0.111%	-0.022%	**7.386%**
B2	**-0.245%**	-0.038%	0.153%	-0.174%	-0.337%	0.008%	-0.023%	-0.314%	-0.170%	-0.261%	-0.140%	**9.535%**
B3	**-0.121%**	0.081%	-0.138%	0.184%	0.043%	-0.005%	-0.070%	-0.056%	-0.113%	0.178%	-0.002%	**12.428%**
Caa1	**-0.582%**	-0.138%	-0.380%	-0.171%	0.239%	-0.127%	-0.087%	-0.157%	-0.295%	-0.235%	-0.193%	**16.933%**
Caa2	**-0.340%**	-0.347%	0.024%	-0.443%	-0.263%	-0.465%	-0.150%	-0.274%	0.040%	-0.394%	-0.261%	**23.798%**
Caa3	**-0.213%**	-0.485%	-0.370%	0.442%	0.094%	0.081%	-0.092%	0.055%	0.314%	-0.048%	-0.022%	**32.975%**

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C1-SC Update on CLO C-1 Factors Modeling
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Appendix C—
Cash Flow Model

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Further Details on CLO Cashflow Modeling in CDOnet

Except where otherwise noted in this presentation, CDOnet parameters and assumptions are set according to the methodology described on the SSG CLO webpage:

https://content.naic.org/industry/structured-securities/collateralized-loan-obligations

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Appendix D—
Correlation of Defaults and Recoveries

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Sensitivities Considered

Potential Sensitivity	Rationale	Source
Use the Clayton Copula instead of Gaussian Copula to capture asymmetric distribution of the default correlations. Parametrize and compare the cumulative distributions (dots of r_i's) generated by Gaussian vs. Clayton Copulas.	In the left tail, correlations are higher ($0<r_i<1$, random numbers generated are more clustered near 0), representing highly stressed credit markets. Limitation: assume no autocorrelation between ρ(t-1) and ρ(t)	European Security and Markets Authority. (2019). Leveraged loans, CLOs – trends and risks. Das and Geng. (2004). Correlated Default Processes: A Criterion-Based Copula Approach.

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Sensitivities considered

Potential Sensitivity	Rationale	Source
Sensitivity test of pair-wise correlations **ρ** = 0.05, 0.2, and 0.4 under the Gaussian Copula. It is more important to test this assumption for loans than bonds due to potentially more systemic risk among leveraged loans (higher leverage, lower credit rating, more intermediaries, opacity) vs. bonds.	ρ = 0.02, 0.35 and 0.51 referenced by Li & Chen as the 1-year, 5-year and 10-year correlations respectively, for approximately B-rated issuers (Altman's Z-scores of 1.2 to 2.8), from 1992 – 2013 based on S&P's Compustat database. ρ = 0.02, 0.10 and 0.09 referenced by Qi et al. as the 1-year, 5-year, and 10-year correlations respectively, for B-rated bonds over a longer time horizon 1970 – 2014 based on Moody's Corporate Default Risk Service database (DRS). Limitation: Does not capture tail dependence or asymmetric distribution of correlations.	Li and Chen. (2018). The domino effect of credit defaults: test of asymmetric default correlations using realised default data. Applied Economics. Qi et al. (2019). Default correlation: rating, industry ripple effect, and business cycle. Applied Economics. Financial Stability Board. (2019). Vulnerabilities associated with leveraged loans and collateralized loan obligations.

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Sensitivities considered

Potential Sensitivity	Rationale	Source
Test lower recoveries (i.e., higher LGD) averages	S&P LGD distributions are more dated and materially lower than historical averages from JPM and Moody's. Limitations: variation of LGD across sectors/industries, year of default or issuance, correlation with defaults are not accounted for.	Jantzen et al. (2025). J.P. Morgan Default Monitor September 2025.
Discrete economic state model Two states: low defaults, severities, and correlations vs. high defaults, severities, and correlations. Dependence between defaults and recoveries is built-in by their dependence on the economic state.	Would need to have two sets of assumptions of defaults by rating and severities. Normal state: correlation between defaults, between defaults and recoveries of 0.1, 0.3 respectively Stressed state: 0.4, 0.5 respectively.	Bruche and Gonzalez-Aguado. (2008). Recovery Rates, Default Probabilities and the Credit Cycle. CEMFI, Madrid. Moody's Analytics. (2021). Assessment of the Proposed Revisions to the RBC C1 Bond Factors.

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Sensitivities Considered

Potential Sensitivity	Rationale	Source
Continuous economic state model: Recoveries are also dependent on a common systematic factor $\mathbf{Zi}_{t}$ (economic state) from the reduced form default model: i) Linear $R_{i\,t} = uR + \beta_R * \mathbf{Z}_{i,t} + \sigma_R * \eta_{i,t}$ $\eta_{i,t}$ is standard normal idiosyncratic shocks ii) Beta (α_i,β_i) recovery model, conditional on $Z_{i,t}$, where α_i, β_i can be calculated from u_R and σ_R	From Moody's Structured Finance 2024 paper, across seniorities (s): For first lien, $u_R = 0.6$, $\sigma_R = 0.25$ Senior secured, $u_R = 0.45$, $\sigma_R = 0.30$ Senior unsecured, $u_R = 0.35$, $\sigma_R = 0.30$ Subordinate, $u_R = 0.25$, $\sigma_R = 0.25$	Altman. (2024). Forecasting Credit Cycles: The Case of the Leveraged Finance Market in 2024 and Outlook. The Journal of Risk and Financial Management. Moody's Analytics. (2025). Moody's Ratings Structured Finance team. (2024). Ratings Methodology: Corporate Synthetic CDOs.

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Hypothetical Impact of Sensitivities on Bond Factors

	Guassian				Clayton			
Systemic Risk	5	10	20	40	5	10	20	40
Aaa	0.15%	0.16%	0.16%	0.18%	0.18%	0.16%	-0.03%	-0.05%
Aa1	0.26%	0.27%	0.31%	0.37%	0.33%	0.38%	0.14%	-0.08%
Aa2	0.41%	0.45%	0.54%	0.81%	0.60%	0.85%	0.96%	-0.14%
Aa3	0.48%	0.53%	0.69%	0.98%	0.80%	1.18%	1.40%	0.00%
A1	0.59%	0.66%	0.90%	1.52%	0.95%	1.51%	2.23%	1.01%
A2	0.68%	0.82%	1.15%	2.16%	1.26%	2.05%	3.29%	3.29%
A3	0.80%	0.99%	1.50%	2.64%	1.53%	2.53%	4.13%	6.46%
Baa1	0.96%	1.23%	1.86%	3.35%	1.89%	3.13%	5.48%	9.20%
Baa2	1.19%	1.53%	2.40%	4.32%	2.39%	4.03%	7.05%	13.48%
Baa3	1.60%	2.14%	3.47%	6.11%	3.18%	5.25%	9.71%	17.02%
Ba1	2.24%	3.10%	4.96%	9.32%	4.42%	7.31%	13.31%	22.86%
Ba2	3.33%	4.64%	7.39%	13.09%	6.17%	9.97%	16.72%	27.95%
Ba3	4.10%	5.77%	8.81%	15.59%	7.37%	11.41%	18.36%	31.28%
B1	5.32%	7.44%	11.23%	18.99%	8.83%	13.72%	21.43%	34.96%
B2	6.94%	9.48%	14.19%	23.55%	10.67%	16.04%	25.21%	39.12%
B3	9.05%	12.53%	17.50%	28.04%	13.60%	19.58%	28.69%	44.52%
Caa1	13.04%	17.23%	23.50%	34.82%	17.34%	23.93%	35.04%	50.14%
Caa2	18.95%	23.80%	30.62%	43.70%	22.92%	30.33%	42.23%	57.75%
Caa3	27.46%	32.86%	42.33%	55.81%	30.34%	37.81%	49.02%	66.69%

Bond factors assuming a Gaussian Copula and 10% systemic risk are shown in the highlighted column (note that these corresponding results differ slightly from published factors due to changes in the random seed).

The impact of changing the systemic risk and copula model are shown here—higher systemic risk and Clayton Copula would lead to hypothetically higher C-1 factors for bonds.

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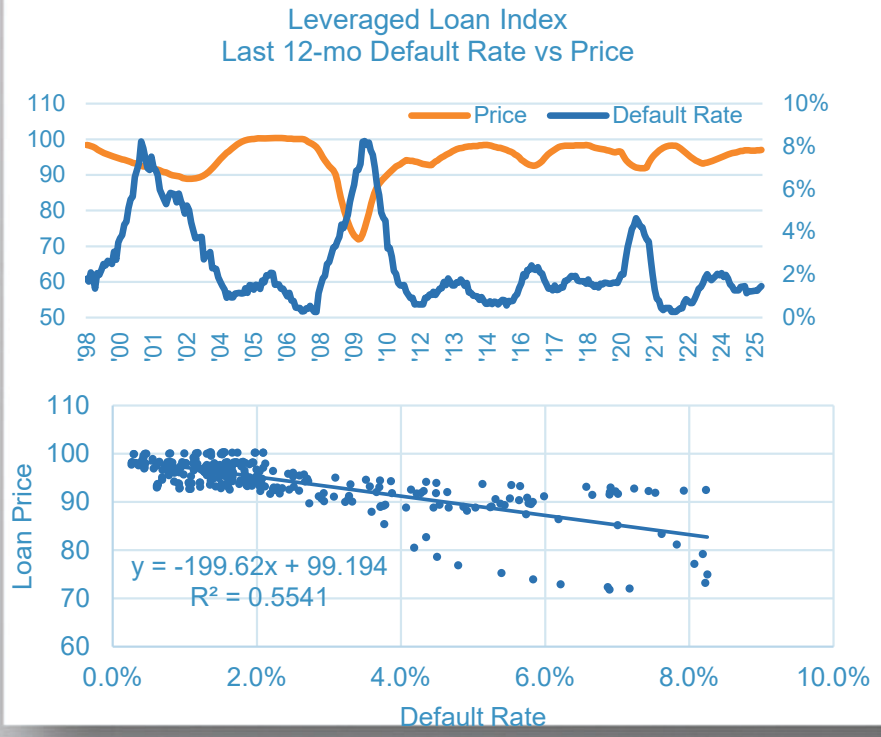
Appendix E—
Loan Defaults and Prepayments

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C1-SC Update on CLO C-1 Factors Modeling
December 15, 2025

American Academy of Actuaries

Relationship of Last 12-Month Default Rate and Loan Price 51



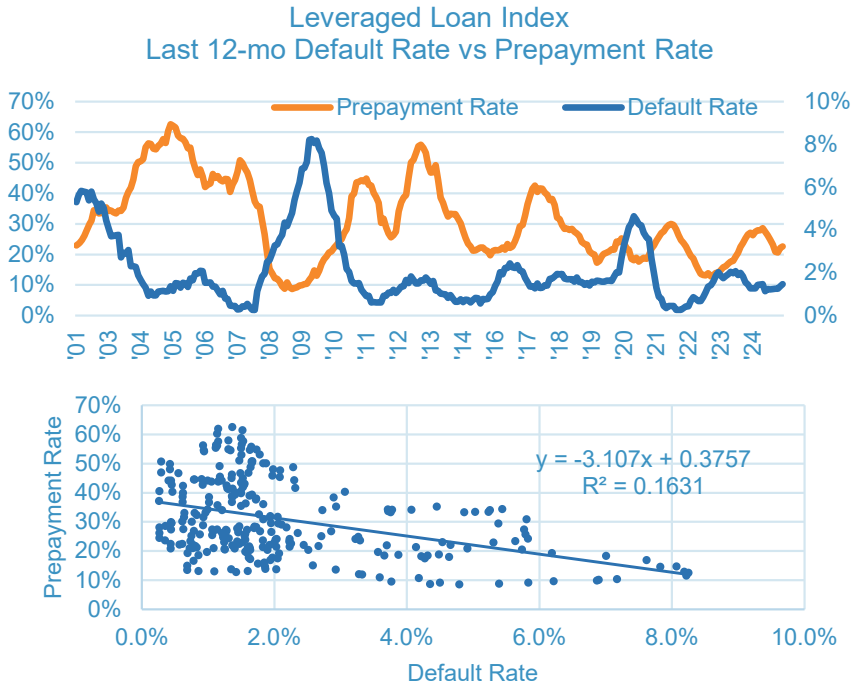
- Data from Pitchbook/LCD dating back to 11/30/1997
- Data strongly supports some level of discount relative to par on reinvestment, with moderate support for specific relationship
- Relationship shown here is across all loan ratings
  - ✓ Relationship could differ by rating with tradeoffs for collateral modeling practicality and further reduction in R^2 at rating specific levels

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C1-SC Update on CLO C-1 Factors Modeling
December 15, 2025

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Relationship of Last 12-Month Default Rate and Loan Price 52



- Data from Pitchbook/LCD dating back to 1/1/2000
- Data strongly supports some level of prepayment in all markets with weaker support for specific relationship
- Relationship shown here is across all loan ratings
  - ✓ Relationship could differ by rating with tradeoffs for collateral modeling practicality and further reduction in R^2 at rating specific levels

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C1-SC Update on CLO C-1 Factors Modeling
December 15, 2025

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Implementation Questions

What granularity of assumption to use?

- ✓ Loan rating specific default/prepayment and default/loan price relationships driving different prepayment and loan prices by rating for each of the 17 scenarios?
- ✓ Single prepayment and loan price assumption used across all 17 scenarios using average rating of collateral pool?
- ✓ Somewhere in between?

How to calculate "average" relationship

- ✓ "Average" prepayment or loan price should the relative probability weighted average of only the scenario weights that have positive tranche losses
- ✓ Implies different weighting for different tranches (if AAA tranche only had loss in most severe scenario it should be 100% weighted to that scenario and if residual tranche had losses in all scenarios should be relative probability weighted average across all 17)

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Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force
☐ Catastrophe Risk (E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup
☐ Health RBC (E) Working Group
☐ P/C RBC (E) Working Group
☐ Economic Scenarios (E/A) Subgroup
☐ Life RBC (E) Working Group
☐ Longevity Risk (A/E) Subgroup
☒ RBC Investment Risk & Evaluation (E) Working Group

DATE:	**11/11/2025**
CONTACT PERSON:	**Maggie Chang**
TELEPHONE:	**816-783-8976**
EMAIL ADDRESS:	**mchang@naic.org**
ON BEHALF OF:	**Risk-Based Capital Investment Risk and Evaluation (E) Working Group**
NAME:	**Philip Barlow, Chair**
TITLE:	**Associate Commissioner of Insurance**
AFFILIATION:	**District of Columbia**
ADDRESS:	**1050 First Street, NE Suite 801**
	Washington, DC 20002

FOR NAIC USE ONLY

Agenda Item # 2025-22-IRE
Year 2026 or later

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____

EXPOSED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

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

☐ Health RBC Blanks
☐ Health RBC Instructions
☐ Health RBC Formula
☐ Property/Casualty RBC Blanks
☐ Property/Casualty RBC Instructions
☐ Property/Casualty RBC Formula
☒ Life and Fraternal RBC Blanks
☒ Life and Fraternal RBC Instructions
☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal incorporates a more granular reporting of Long-Term Bonds into two buckets: i) collateralized loan obligations (CLOs) and ii) all other Long-Term Bonds on the LR002 Bonds page. The expanded presentation of bonds is a result of the work of Risk-Based Capital Investment Risk and Evaluation (E) Working Group under Working Agenda item: Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets).

Please note that this proposal does not contemplate any changes to factors. Any changes of factors, if deemed necessary, will be dealt with by a separate proposal. Likewise, residual tranche structural changes, if any, are to be contemplated in separate proposal form.

The accompanying changes proposed to the instructions and blanks of the AVR – Default Component & Equity and Other Invested Asset Component tables are under purview of NAIC Blanks (E) Working Group. As such, the proposed changes to "Annual Statement Source" in LR002 are contingent on the adoption of such Blanks proposal.

Additional Staff Comments:

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****** **This section must be completed on all forms.** **Revised 2-2023**

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BONDS

LR002

Basis of Factors

The bond factors are based on cash flow modeling using historically adjusted default rates for each bond category. For each of 2,000 trials, annual economic conditions were generated for the 10-year modeling period. Each bond of a 400-bond portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by designation category and that year's economic environment. When a default takes place, the actual loss considers the expected principal loss by category, the time until the sale actually occurs and the assumed tax consequences.

Actual surplus needs are reduced by incorporating anticipated annual contributions to the asset valuation reserve (AVR) as offsetting cash flow. Required surplus for a given trial is calculated as the amount of initial surplus funds needed so that the accumulation with interest of this initial amount and subsequent cash flows will not become negative at any point throughout the modeling period. The factors chosen for the proposed formula produce a level of surplus at least as much as needed in 92% of the trials by category and a 96% level for the entire bond portfolio.

The factor for NAIC 6 bonds recognizes that the book/adjusted carrying value of these bonds reflects a loss of value upon default by being marked to market.

Specific Instructions for Application of the Formula

Lines (1) through (7)
The book/adjusted carrying value of all bonds, excluding collateralized loan obligations ~~and related fixed income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For long-term bonds, these classifications are found on Lines A1 through A7 of the Asset Valuation Reserve Default Component~~, Page 30~~ of the annual statement.

The book/adjusted carrying value of all collateralized loan obligations should be reported in Column 2. The collateralized loan obligations are split into six different risk classifications. These classifications are found on Lines A9.1 through A14 of the Asset Valuation Reserve Default Component~~, Page 30~~ of the annual statement.

Line (8)
The total should equal long-term bonds ~~and other fixed income instruments~~ reported on Page 2, Column 3, Line 1 plus Schedule DL Part 1, Column 6, Line 2009999999 of the annual statement.

Lines (9) through (15)
The book/adjusted carrying value of all short-term and cash equivalent bonds ~~and related fixed income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For short-term bonds, these classifications are found on Lines ~~18~~ C1 through ~~24~~ C7 of the Asset Valuation Reserve Default Component, ~~Page 30~~ of the annual statement. For cash equivalent bonds, these classifications are found in Footnotes to Schedule E, Part 2.

Line (16)
The total should equal short-term bonds reported on Schedule DA, Part 1, Column 6 Line 0509999999 plus Schedule DL Part 1, Column 6, Line 9509999999 plus Schedule E, Part 2, Column 7, Line 0509999999.

Line (22)
Class 1 bonds (highest quality) issued by a U.S. government agency that are not backed by the full faith and credit of the U.S. government should be reported on this line. The loan-backed securities of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) would be examples of the securities reported on this line. Line (22) should not be larger than the sum of Lines (2) and (10). Exempt obligations should not be included on this line.

Line (24)
Bonds should be aggregated by issuer (the first six digits of the CUSIP number can be used). Exempt U.S. government bonds and bonds reported on Line (22) are not counted in determining the size factor. The RBC for those bonds will

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not be included in the base to which the size factor is applied. If this field is left blank, the maximum size factor adjustment of 2.40 will be used.

Line (25)
The size factor reflects the higher risk of a bond portfolio that contains relatively fewer bonds. The overall factor decreases as the portfolio size increases. The size factor is based on the weighted number of issuers. (The calculation shown below will not appear on the RBC filing software but will be calculated automatically.)

Line (25)	Source	(a) Number of Issuers (for bonds, excluding CLOs)				(b) Weighted Issuers (for bonds, excluding CLOs)
First 50	Company Records		X	2.40	=	
Next 50	Company Records		X	1.53	=	
Next 100	Company Records		X	0.85	=	
Next 300	Company Records		X	0.85	=	
Over 500	Company Records		X	0.82	=	
(i) Total Numbers of Issuers from Line (23) Column (1)						
(ii) Total Weighted Issuers (for bonds, excluding CLOs)						

	Source	(a) Number of Issuers (for CLOs)				(b) Weighted Issuers (for CLOs)
First XX*	Company Records		X	TBD	=	
Next XX*	Company Records		X	TBD	=	
Next XXX*	Company Records		X	TBD	=	
Next XXX*	Company Records		X	TBD	=	
Over XXX*	Company Records		X	TBD	=	
(iii) Total Number of Issuers from Line (23) Column (2)						
(iv) Total Weighted Issuers (for CLOs)						
Size Factor = Total Weighted Issuers (ii)+(iv) Divided by Total Number of Issuers (i) + (iii)						

* Total number of breakpoints, as well as weights assigned to each, are subject to American Academy of Actuaries' recommendation and Working Group's review.

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BONDS

Company Name Cocode: 00000

BONDS

	SVO Bond Designation Category	Annual Statement Source	(1) Non-CLOs Book / Adjusted Carrying Value		Factor	(2) CLOs Book / Adjusted Carrying Value		Factor		(3) RBC Requirement
	Long Term Bonds									
(1)	Exempt Obligations	C(1) AVR Default Component Column 1 Line A1	$0	X	0.00000	XXX		XXX	=	$0
		C(1) AVR Default Component Column 1 Line A2.1								
(2.1)	NAIC Designation Category 1.A	C(2) AVR Default Component Column 1 Line A9.1	$0	X	0.00158	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A2.2								
(2.2)	NAIC Designation Category 1.B	C(2) AVR Default Component Column 1 Line A9.2	$0	X	0.00271	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A2.3								
(2.3)	NAIC Designation Category 1.C	C(2) AVR Default Component Column 1 Line A9.3	$0	X	0.00419	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A2.4								
(2.4)	NAIC Designation Category 1.D	C(2) AVR Default Component Column 1 Line A9.4	$0	X	0.00523	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A2.5								
(2.5)	NAIC Designation Category 1.E	C(2) AVR Default Component Column 1 Line A9.5	$0	X	0.00657	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A2.6								
(2.6)	NAIC Designation Category 1.F	C(2) AVR Default Component Column 1 Line A9.6	$0	X	0.00816	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A2.7								
(2.7)	NAIC Designation Category 1.G	C(2) AVR Default Component Column 1 Line A9.7	$0	X	0.01016	$0	X	TBD	=	$0
(2.8)	Subtotal NAIC 1	Sum of Lines (2.1) through (2.7)	$0			$0				$0
		C(1) AVR Default Component Column 1 Line A3.1								
(3.1)	NAIC Designation Category 2.A	C(2) AVR Default Component Column 1 Line A10.1	$0	X	0.01261	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A3.2								
(3.2)	NAIC Designation Category 2.B	C(2) AVR Default Component Column 1 Line A10.2	$0	X	0.01523	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A3.3								
(3.3)	NAIC Designation Category 2.C	C(2) AVR Default Component Column 1 Line A10.3	$0	X	0.02168	$0	X	TBD	=	$0
(3.4)	Subtotal NAIC 2	Sum of Lines (3.1) through (3.3)	$0			$0				$0
		C(1) AVR Default Component Column 1 Line A4.1								
(4.1)	NAIC Designation Category 3.A	C(2) AVR Default Component Column 1 Line A11.1	$0	X	0.03151	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A4.2								
(4.2)	NAIC Designation Category 3.B	C(2) AVR Default Component Column 1 Line A11.2	$0	X	0.04537	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A4.3								
(4.3)	NAIC Designation Category 3.C	C(2) AVR Default Component Column 1 Line A11.3	$0	X	0.06017	$0	X	TBD	=	$0
(4.4)	Subtotal NAIC 3	Sum of Lines (4.1) through (4.3)	$0			$0				$0
		C(1) AVR Default Component Column 1 Line A5.1								
(5.1)	NAIC Designation Category 4.A	C(2) AVR Default Component Column 1 Line A12.1	$0	X	0.07386	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A5.2								
(5.2)	NAIC Designation Category 4.B	C(2) AVR Default Component Column 1 Line A12.2	$0	X	0.09535	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A5.3								
(5.3)	NAIC Designation Category 4.C	C(2) AVR Default Component Column 1 Line A12.3	$0	X	0.12428	$0	X	TBD	=	$0
(5.4)	Subtotal NAIC 4	Sum of Lines (5.1) through (5.3)	$0			$0				$0
		C(1) AVR Default Component Column 1 Line A6.1								
(6.1)	NAIC Designation Category 5.A	C(2) AVR Default Component Column 1 Line A13.1	$0	X	0.16942	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A6.2								
(6.2)	NAIC Designation Category 5.B	C(2) AVR Default Component Column 1 Line A13.2	$0	X	0.23798	$0	X	TBD	=	$0
		C(1) AVR Default Component Column 1 Line A6.3								
(6.3)	NAIC Designation Category 5.C	C(2) AVR Default Component Column 1 Line A13.3	$0	X	0.30000	$0	X	TBD	=	$0
(6.4)	Subtotal NAIC 5	Sum of Lines (6.1) through (6.3)	$0			$0				$0
		C(1) AVR Default Component Column 1 Line A7								
(7)	NAIC 6	C(2) AVR Default Component Column 1 Line A14	$0	X	0.30000	$0	X	TBD	=	$0
(8)	Total Long-Term Bonds	Sum of Lines (1) + (2.8) + (3.4) + (4.4) + (5.4) + (6.4) + (7)	$0			$0				$0
	(Column (1) + Column (2) should equal Page 2 Column 3 Line 1 + Schedule DL Part 1 Column 6 Line 2009999999)									
	Short Term and Cash Equivalent Bonds									
(9)	Exempt Obligations	AVR Default Component Column 1 Line C1 + Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.000	XXX		XXX	=	$0
(10.1)	NAIC Designation Category 1.A	AVR Default Component Column 1 Line C2.1 + Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.00158	XXX		XXX	=	$0

=ROUND(MAX(0,D10)*F10 + MAX(0,G10)*I10,0)

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		AVR Default Component Column 1 Line C2.2 +							
(10.2)	NAIC Designation Category 1.B	Schedule E, Part 2, Footnote L000001A, Amount 2	$0	X	0.00271	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C2.3 +							
(10.3)	NAIC Designation Category 1.C	Schedule E, Part 2, Footnote L000001A, Amount 3	$0	X	0.00419	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C2.4 +							
(10.4)	NAIC Designation Category 1.D	Schedule E, Part 2, Footnote L000001A, Amount 4	$0	X	0.00523	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C2.5 +							
(10.5)	NAIC Designation Category 1.E	Schedule E, Part 2, Footnote L000001A, Amount 5	$0	X	0.00657	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C2.6 +							
(10.6)	NAIC Designation Category 1.F	Schedule E, Part 2, Footnote L000001A, Amount 6	$0	X	0.00816	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C2.7 +							
(10.7)	NAIC Designation Category 1.G	Schedule E, Part 2, Footnote L000001A, Amount 7	$0	X	0.01016	XXX	XXX	=	$0
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)	$0						$0
		AVR Default Component Column 1 Line C3.1 +							
(11.1)	NAIC Designation Category 2.A	Schedule E, Part 2, Footnote L000001B, Amount 1	$0	X	0.01261	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C3.2 +							
(11.2)	NAIC Designation Category 2.B	Schedule E, Part 2, Footnote L000001B, Amount 2	$0	X	0.01523	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C3.3 +							
(11.3)	NAIC Designation Category 2.C	Schedule E, Part 2, Footnote L000001B, Amount 3	$0	X	0.02168	XXX	XXX	=	$0
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)	$0						$0
		AVR Default Component Column 1 Line C4.1 +							
(12.1)	NAIC Designation Category 3.A	Schedule E, Part 2, Footnote L000001C, Amount 1	$0	X	0.03151	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C4.2 +							
(12.2)	NAIC Designation Category 3.B	Schedule E, Part 2, Footnote L000001C, Amount 2	$0	X	0.04537	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C4.3 +							
(12.3)	NAIC Designation Category 3.C	Schedule E, Part 2, Footnote L000001C, Amount 3	$0	X	0.06017	XXX	XXX	=	$0
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3)	$0						$0
		AVR Default Component Column 1 Line C5.1 +							
(13.1)	NAIC Designation Category 4.A	Schedule E, Part 2, Footnote L000001D, Amount 1	$0	X	0.07386	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C5.2 +							
(13.2)	NAIC Designation Category 4.B	Schedule E, Part 2, Footnote L000001D, Amount 2	$0	X	0.09535	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C5.3 +							
(13.3)	NAIC Designation Category 4.C	Schedule E, Part 2, Footnote L000001D, Amount 3	$0	X	0.12428	XXX	XXX	=	$0
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3)	$0						$0
		AVR Default Component Column 1 Line C6.1 +							
(14.1)	NAIC Designation Category 5.A	Schedule E, Part 2, Footnote L000001E, Amount 1	$0	X	0.16942	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C6.2 +							
(14.2)	NAIC Designation Category 5.B	Schedule E, Part 2, Footnote L000001E, Amount 2	$0	X	0.23798	XXX	XXX	=	$0
		AVR Default Component Column 1 Line C6.3 +							
(14.3)	NAIC Designation Category 5.C	Schedule E, Part 2, Footnote L000001E, Amount 3	$0	X	0.30000	XXX	XXX	=	$0
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)	$0						$0
		AVR Default Component Column 1 Line C7							
(15)	NAIC 6	Schedule E, Part 2, Footnote L000001F, Amount 1	$0	X	0.300	XXX	XXX	=	$0
(16)	Total Short-Term and Cash Equivalent Bonds	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)	$0						$0
	(Column (1) should equal Schedule DA Part 1 Column 6 Line 0509999999 + Schedule DL Part 1 Column 6 Line 9509999999 + Schedule E Part 2 Column 7 Line 0509999999)								
(17)	Total Long-Term and Short-Term Bonds (pre-MODCO/Funds Withheld)	Line (8) + (16)	$0			$0			$0
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column (13) Line (0399999)							$0
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	LR045 Modco or Funds Withheld Reinsurance Ceded - Bonds C-1o Column (4) Line (9999999)							$0
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (9999999)							$0
(21)	Total Long-Term and Short-Term Bonds (including MODCO/FundsWithheld and Credit for Hedging adjustments.)	Lines (17) - (18) - (19) + (20)	$0			$0			$0
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2, Schedule DA Part 1 and Schedule E Part 2, in part†	$0	X	0.00158			=	$0
(23)	Bonds Subject to Size Factor	Line (21) - Line (1) - Line (9) - Line (22)	$0			$0			$0
(24)	Number of Issuers	Company Records	$0			$0			
(25)	Size Factor for Bonds								2.4 **Formula subjects to change once breakpoints & weights are finalized**
(26)	Bonds Subject to Size Factor after the Size	Line (23) x Line (25)							$0

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	Factor is Applied		
(27)	Total Bonds	Line (22) + Line (26)	$0

† Only investments in-U.S. Government agency bonds previously reported in Lines (2.8) and (10.8), net of those included on Line (19), plus the portion of Line (20) attributable to ceding companies' Lines (2.8) and (10.8) should be included on Line (22). No other bonds should be included on this line. Exempt U.S. Government bonds shown on Lines (1) and (9) should not be included on Line (22). Refer to the bond section of the risk-based capital instructions for more clarification.

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

Company Name Cocode: 00000

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
	ASSET RISKS							
	Bonds							
(001)	Long-term Bonds – NAIC 1	LR002 Bonds Column (3) Line (2.8) + LR018 Off-Balance Sheet Collateral Column (3) Line (2.8)	$0	X	0.1680	=	$0	
(002)	Long-term Bonds – NAIC 2	LR002 Bonds Column (3) Line (3.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (3.4)	$0	X	0.1680	=	$0	
(003)	Long-term Bonds – NAIC 3	LR002 Bonds Column (3) Line (4.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (4.4)	$0	X	0.1680	=	$0	
(004)	Long-term Bonds – NAIC 4	LR002 Bonds Column (3) Line (5.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (5.4)	$0	X	0.1680	=	$0	
(005)	Long-term Bonds – NAIC 5	LR002 Bonds Column (3) Line (6.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (6.4)	$0	X	0.1680	=	$0	
(006)	Long-term Bonds – NAIC 6	LR002 Bonds Column (3) Line (7) + LR018 Off-Balance Sheet Collateral Column (3) Line (7)	$0	X	0.2100	=	$0	
(007)	Short-term Bonds – NAIC 1	LR002 Bonds Column (3) Line (10.8)	$0	X	0.1680	=	$0	
(008)	Short-term Bonds – NAIC 2	LR002 Bonds Column (3) Line (11.4)	$0	X	0.1680	=	$0	
(009)	Short-term Bonds – NAIC 3	LR002 Bonds Column (3) Line (12.4)	$0	X	0.1680	=	$0	
(010)	Short-term Bonds – NAIC 4	LR002 Bonds Column (3) Line (13.4)	$0	X	0.1680	=	$0	
(011)	Short-term Bonds – NAIC 5	LR002 Bonds Column (3) Line (14.4)	$0	X	0.1680	=	$0	
(012)	Short-term Bonds – NAIC 6	LR002 Bonds Column (3) Line (15)	$0	X	0.2100	=	$0	
(013)	Credit for Hedging - NAIC 1 Through 5 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0199999)	$0	X	0.1680	=	$0	†
(014)	Credit for Hedging - NAIC 6 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0299999)	$0	X	0.2100	=	$0	†
(015)	Bond Reduction - Reinsurance	LR002 Bonds Column (3) Line (19)	$0	X	0.2100	=	$0	†
(016)	Bond Increase - Reinsurance	LR002 Bonds Column (3) Line (20)	$0	X	0.2100	=	$0	
(017)	Non-Exempt NAIC 1 U.S. Government Agency	LR002 Bonds Column (3) Line (22)	$0	X	0.1680	=	$0	
(018)	Bonds Size Factor	LR002 Bonds Column (3) Line (26) - LR002 Bonds Column (3) Line (21)	$0	X	0.1680	=	$0	



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Company Name | Cocode: 00000

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	$0
(2)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	$0
(3)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	$0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	$0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	$0
(6)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	$0
(7)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	$0
(8)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	$0
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	$0
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)	$0
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)	$0
(12)	Net (C-0) - Post-Tax	Line (10) - Line (11)	$0
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding		
(14)	Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (49) - (45)	$0
(15)	Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (45)	$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
	Asset Risk - All Other (C-1o)		
(22)	Bonds after Size Factor	LR002 Bonds Column (3) 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 Collateral Column (3) Line (17) + Line (18)	$0

Detail Eliminated to Conserve Space

LR031

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January 29, 2026

Mr. Philip Barlow, Chair
Risk-Based Capital Investment Risk and Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: American Academy of Actuaries' Presentation Titled C-1 Subcommittee Update on CLO C-1 Factors Modeling

Submitted Electronically

Dear Chair Barlow:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the exposed American Academy of Actuaries' C-1 Subcommittee's (the "Academy") recent update on its ongoing work to modernize and rationalize the capital framework applied to structured securities, including calibration of CLO C-1 factors, which we strongly support. We thank the Academy and NAIC staff for their continued engagement and wish to offer constructive input while reserving judgment on the interim conclusions until the Academy completes its analysis and provides more detail on its modeling results and proposed factors.

ACLI strongly supports aligning CLO C-1 factors with the NAIC's RBC principles adopted at the 2025 NAIC Fall National Meeting by the NAIC RBC Model Governance (EX) Task Force, including the principles of equal capital for equal risk (Principle 4), accuracy (Principle 6), and transparency (Principle 9). We value the Academy's sustained work to develop a coherent, internally consistent approach anchored to the C-1 bond framework and their effort to evaluate comparable attributes that may be appropriate for assigning CLO factors. Our goal is to help ensure the calibration ultimately achieves consistency across economically comparable risks and produces a durable long-term solution. As always, our priority is getting this right in a timely manner to secure the long-term integrity of our structured securities modeling framework.

We recognize that the exposed Academy presentation reflects an update on in-progress work and the sensitivity testing presented is based on a limited sample of six CLOs. These early results are informative, given that the potential impact on RBC outcomes can be material for certain tranches of CLOs, but they are not yet sufficient to assess fully the suitability of any specific calibration. Additional work remains to ensure the approach appropriately reflects the full universe of broadly syndicated loan CLOs, which we understand the Academy is working on now, and their unique characteristics relative to corporate bonds. ACLI suggests concentrating additional effort on the assumption levers identified by the Academy that may have a significant impact on factor determination but may not be fully accounted for in the model.

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

The sensitivity test results in the exposed Academy presentation suggested that there may be a large range of outcomes depending on the assumptions. Given the importance of assumptions in producing the model results, ACLI requests the Academy provide robust documentation such that the model can be assessed and validated. Such documentation will help ACLI identify key assumptions for further discussion and offer additional analysis to move this effort forward expeditiously towards methodologically sound and well-supported results.

Thank you for considering these comments. We look forward to reviewing the Academy's complete model results, proposed comparable attribute(s), recommended CLO C-1 factors, and relevant documentation, and we will plan to provide additional comments then. We appreciate the collaborative process and look forward to working with the Academy and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group to ensure a well-supported, accurate, and enduring CLO C-1 framework.

Sincerely,



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January 29, 2026

VIA ELECTRONIC SUBMISSION

National Association of Insurance Commissioners ("NAIC")
Risk-Based Capital Investment Risk and
Evaluation (E) Working Group
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: American Academy of Actuaries' Presentation titled *C-1 Subcommittee Update on CLO C-1 Factors Modeling*

Dear Members of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group ("**Working Group**"):

The American Investment Council ("**AIC**") appreciates the opportunity to comment on the American Academy of Actuaries' ("**Academy**") Presentation titled *C-1 Subcommittee Update on CLO C-1 Factors Modeling* ("**Presentation**") that was presented to the Working Group at its December 15, 2025 meeting and exposed for public comment.[1]

We commend the Working Group and the Academy for the deliberate, transparent, and methodical approach in developing a long-term risk-based capital ("**RBC**") framework for collateralized loan obligations ("**CLO**"). We particularly support the establishment of a clear procedural framework – including the development of the *C-1 Modeling Framework Flowchart*[2] – and broader reforms implemented by the NAIC, such as the formation of the Risk-Based Capital Model Governance (EX) Task Force ("**Task Force**") and the adoption of the *Principles for RBC Requirements* document ("**RBC Principles**").[3] These steps represent meaningful progress toward a consistent, analytically sound RBC framework and we are hopeful that this process will serve as a model as the Working Group considers other RBC-related enhancements in the future.

I. Individual CLO Modeling Is Neither Necessary nor Appropriate

AIC has long raised concerns about the appropriateness of financially modeling CLO investments on an individual basis. As the Academy advances its CLO modeling initiative, AIC reiterates its position that: (a) there is a sufficient level of CLO market data, and (b) there are sufficiently comparable attributes among CLO structures to support the

[1] The Presentation is *available at*: https://content.naic.org/sites/default/files/inline-files/Attn2%20Life-Presentation-CLOUpdate%20PDF_1.pdf.
[2] See slide 7 of the Presentation.
[3] The RBC Principles, as adopted, are available at: https://content.naic.org/sites/default/files/national_meeting/05_Minutes-RBCMGTF.pdf.

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development of new C-1 factors without requiring individual modeling of CLOs.[4] The Academy's ongoing work and public presentations suggest that it may reach the same conclusions. **Consistent with the C-1 Modeling Framework Flowchart, these considerations demonstrate that individual CLO modeling is neither warranted nor appropriate**. Moreover, by increasing the RBC factor for residual interests from 30% to 45%, state insurance regulators have already implemented an interim solution that can remain until the updated CLO RBC framework is in place.[5]

II. The Academy Needs Adequate Time to Produce an Accurately Calibrated CLO Model

The Academy has indicated that it *may* recommend changes to certain of the baseline assumptions – namely (a) CLO recovery rates, and (b) prepayments and collateral reinvestment discounts – that are in the current version of the modeling framework "if more time were available to better specify these assumptions."[6] The current baseline approach for recoveries relies on historical data from S&P[7] and the current model does not appropriately account for prepayments or repurchase discounts.[8]

In both cases, the Academy's sensitivity testing confirms that refining these assumptions would materially improve the model's accuracy. However, because the sensitivity testing indicates that the baseline approach for recoveries is likely to artificially *reduce* the ultimate RBC charge relative to actual risk and the baseline approach for prepayments and repurchase discounts is likely to artificially *increase* the ultimate RBC charge relative to actual risk (i.e., the factors "run in opposite directions"), it has been suggested the model retain the baseline approaches on the basis that they roughly offset. The "offset" proposal appears to be proffered in recognition of time constraints rather than a lack of empirical support or a limitation on the Academy's modeling capabilities. **Such an approach risks embedding distortions into the final model despite clear evidence that refinements are both feasible and justified.** This creates quantitative distortions and a troublesome precedent for the planned review of other structured security asset classes.

[4] See e.g., Section IV of this Letter and the FTI white paper referenced therein.
[5] The NAIC is also considering enhanced reporting requirements for CLOs which, if adopted, would provide an additional level of comfort to regulators to permit the Academy to conduct the work necessary to develop a proper model. *See e.g.,* Agenda Item 2025-22, which would require insurers to classify long term bonds as either "CLO" or "all other long term bonds", available at: https://content.naic.org/sites/default/files/call_materials/RBC%20IRE%2012-15-25%20Agenda%20%26%20Materials.pdf.
[6] See slide 9 of the Presentation.
[7] See slide 16 of the Presentation.
[8] See slide 17 of the Presentation.

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III. AIC's Long-Standing Position on Recovery, Prepayment, and Reinvestment Assumptions

AIC and its members have consistently emphasized the importance of properly accounting for recoveries, prepayments and reinvestments throughout the Working Group's public comment process and the development of a CLO model by NAIC staff. As noted in our July 15, 2022 and February 17, 2023 submissions to the Valuation of Securities (E) Task Force ("**VOSTF**")[9], failure to include these key variables materially misstates CLO performance, particularly given the role of active management and historical evidence across market cycles. For example, our February 2023 letter noted that a "no pre-pay and no discount" assumption:

> "would grossly distort outputs as it does not reflect the reality of how CLOs actually function. To the contrary, prepayments and reinvestments are among the key reasons that CLO equity demonstrates higher returns after experiencing a financial crisis than after a bull market, and have occurred in every economic environment since the inception of the leveraged loan index. We believe a prepayments assumption should be included in line with historical experience."[10]

This remains equally true today.[11]

The recently adopted RBC Principles reinforce the need for greater precision. The "Accuracy" principle requires RBC requirements to be "sufficiently precise to assess solvency risk, while avoiding unnecessary complexity," and the principle of "Equal Capital for Equal Risk" ("**ECER**") requires RBC factors to "reflect measurable risks and the mitigating effects of risk management." **The RBC Principles directly support refining the model to better account for recoveries, prepayments, and reinvestments, rather than relying on incomplete data and generalized assumptions. Further, the Working Group engaged the Academy to increase precision, not only in CLO modeling, but for structured security RBC charges more broadly.**

---

[9] AIC Letter to VOSTF dated July 15, 2022, titled *Comments regarding the IAO Issue Paper on the Risk Assessment of Structured Securities – CLOs*, available at: https://www.investmentcouncil.org/wp-content/uploads/2022/12/AIC-NAIC-CLO-Issue-Paper-Comment-Letter-Dated-July-15-2022.pdf; AIC Letter to VOSTF dated February 17, 2023, titled *Comments regarding the Proposed Methodology for Modeling CLOs*, available at: https://www.investmentcouncil.org/wp-content/uploads/2023/02/AIC-CLO-Methodology-Comment-Letter-to-VOSTF-2.17.2023-1.pdf.

[10] See pg. 7 of the February 17, 2023 Letter.

[11] AIC's subsequent letters to the NAIC provide additional supporting detail on the need to properly account for these features. See e.g., AIC Letter to VOSTF dated July 12, 2023 titled *CLO Modeling Ad Hoc Technical Group Assessment of Pre-Payment and Discount Assumptions in Potential CLO Financial Model*, available at: https://www.investmentcouncil.org/wp-content/uploads/2023/07/AIC-CLO-Ad-Hoc-Group-Letter-Regarding-Pre-Pay-and-Purchase-Discount-Assumptions-1.pdf and AIC Letter to the Financial Condition (E) Committee dated October 9, 2023, titled *Framework for Regulation of Insurer Investments – A Holistic Review*, available at: https://www.investmentcouncil.org/wp-content/uploads/2023/10/AIC-Comment-Letter-to-E-Committee-re-Holistic-Framework.pdf.

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IV. FTI Analysis Supports Further Refinement of CLO Modeling Assumptions

A 2023 white paper commissioned by the AIC and written by FTI Consulting ("**FTI**") provides an independent, empirically grounded critique of earlier NAIC modeling efforts and supports a more granular approach to recoveries, prepayments, and reinvestments. Among other refinements, FTI recommends:

- Using median recovery rates from S&P, Moody's, and Fitch;
- Calibrating prepayment rates based on observed leverage loan data; and
- Using market observed purchase price discount data for reinvestments.

We encourage the Working Group and the Academy to consider and incorporate these recommendations as they evaluate further refinements to the model. The full FTI white paper is attached to this letter for reference.

V. Conclusion and Recommendation

While we recognize the desire to finalize a CLO model for year-end implementation – and we understand and respect the NAIC procedures and deadlines around structural changes – the timeline should not come at the expense of analytical soundness or the RBC Principles, particularly those related to "Accuracy" and "Equal Capital for Equal Risk." **We therefore respectfully request that the Working Group, in coordination with its parent committees, defer voting on CLO-related structural changes to the extent possible under their respective deadlines to provide the Academy additional time to hone the model's recovery, prepayment, and reinvestment assumptions and recommend more precise CLO RBC factors.** The FTI white paper may help to streamline the Academy's review and assist the Academy and the Working Group in meeting their deadlines. Should the Working Group determine that additional time is not possible, we respectfully request that the proposed "offset" approach be adopted strictly on an interim basis, with a clear commitment to replace it once the Academy finalizes a more precise model. We look forward to continuing to collaborate with you on this important issue.

Sincerely,

/s/ Rebekah Goshorn Jurata
General Counsel
American Investment Council

Encl.

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February 2024

AIC | FTI Consulting White Paper

REVIEW OF NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' PROPOSED METHODOLOGY FOR MODELING COLLATERALIZED LOAN OBLIGATIONS AND STRESS TEST SCENARIOS

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Disclaimer

The American Investment Council ("AIC") has engaged FTI Consulting ("FTI") to prepare an objective, unbiased study on the collateralized loan obligation ("CLO") modeling methodology and stress test scenarios presented by the National Association of Insurance Commissioners ("NAIC"). This study serves an educational purpose, providing background, context, and analytical results related to CLO modeling. This study is not intended to provide, and shall not be relied upon for, accounting, legal, or investment recommendations. Any accounting, legal, or investment recommendations described in this presentation are a general statement and shall only be used as a guide.

FTI has not subjected the information contained herein to an audit in accordance with generally accepted auditing or attestation standards or the Statement on Standards for Prospective Financial Information issued by the AICPA. Further, the work involved did not include a detailed review of data used by rating agencies or industry participants, and cannot be expected to identify errors or irregularities that may exist. Accordingly, FTI cannot express an opinion or any other form of assurance on, and assume no responsibility for, the accuracy or correctness of the historical information or the completeness of the published data, information, and assessments upon which this study references.

This study is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The comments in this summary are based on FTI's preliminary analysis of publicly available information. FTI disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. FTI reserves all rights to the content of this study. No part of this study may be reproduced, stored, or transmitted by any means without the express written consent of FTI.

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I. Executive Summary

1.1. On behalf of AIC, FTI conducted an objective study analyzing the CLO modeling proposed by NAIC to evaluate the risk of CLOs for determining risk-based capital charges. Based on our analysis, professional training, market experience, and review of available materials, we have reached the following conclusions:

- The Proposed Methodology fails to account for important CLO features, such as the active and dynamic role of managers shaping the risk profile of CLO assets. CLOs have historically strong performance even during severe market stress and substantially lower default rates than comparably rated debt instruments. The consistent outperformance of CLOs reflects the benefits of dynamic credit enhancement mechanisms and active management. Given the demonstrated effectiveness of these features in limiting the risks of rated CLO notes, any CLO modeling effort will need to capture them to approximate the risk profile of CLO notes reasonably. All three big rating agencies – S&P, Moody's, and Fitch – incorporate these key features in their assessment of CLO risk. In contrast, the Proposed Methodology omits qualitative assessments of important CLO features, oversimplifies prepayment and purchase price assumptions, and leaves out some critical quantitative factors that can significantly alter the risk profile of the CLO notes. In particular, the Proposed Methodology does not model the impact of default correlation nor the interaction between default and recovery during business cycles, when both these factors can drastically change the risk of CLO notes. Although the Proposed Methodology acknowledges that certain factors are intentionally omitted to simplify the modeling, oversimplification can result in unreasonable and unrealistic modeling outcomes that could impose unjustified costs and distort risk assessment.

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- The proposed three stress test scenarios (A, B, C) correspond to (A) historical average default and recovery rates, (B) intermediate stress with step-down recovery, and (C) a stress scenario with heightened default rate and step-down recovery. By design, there is generally no loss to any CLO notes (excluding the equity tranche) in Scenario A, partial or complete loss to the most junior tranche in Scenario B, and complete loss to the most junior tranche and additional losses to the tranche above it in Scenario C. However, a stress scenario that simply stacks worst-case assumptions across all factors would result in over-conservative capital charges. For stress tests to be meaningful, one must consider the interactions among the modeling assumptions such that the combinations of assumptions are plausible. Scenario C assumes simultaneous and persistent distressed defaults and losses, which contradict the empirical loan performance during economic cycles that always involve patterns of peaks and throughs. Moreover, in the stress tests, NAIC SSG utilized default and recovery rates based on below-investment-grade credit issued globally, which can differ significantly from default and recovery rates of CLOs' underlying assets (i.e., U.S. leveraged loans) – primarily a result of different regulatory regime and the highly diversified nature of the U.S. economy. In 2022, for example, the global issuer default rates were negatively affected by the defaults of Russian companies due to sanctions related to the Ukraine war. This event, however, did not adversely impact the leveraged loans issued by U.S. companies.
- The proposed stress scenarios are static. The lack of information on the likelihood of the proposed scenarios means that one cannot estimate an expected level of risk based on these scenarios. To assess the risk associated with CLOs and other structured products, the industry and rating agencies have long ago moved away from static stress scenarios and adopted other models such as the Binomial Expansion Technique ("BET") and Monte Carlo simulation involving copula models and stochastic recovery rate variables. These are well suited to account for default correlation and to present an analysis of the expected loss under different default, recovery, and correlation assumptions. In our view, any proposed CLO modeling and stress scenarios will need to, at the minimum, account for default correlation to properly assess CLO credit risk. Considering the high sensitivity of the analysis outcome to modeling assumptions, the Proposed Methodology lacks sufficient technical sophistication to account for factors that can materially alter the credit profile of CLO notes for a reasonable assessment of CLO risks.

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II. Introduction

II.A. Assignment

2.1. In a May 2022 memorandum, NAIC outlined a potential regulatory issue associated with risk-based capital ("RBC") charges on CLOs.[1] In the same memorandum, NAIC states that its Structured Securities Group ("SSG") can model CLO investments and evaluate all tranche level losses under stress scenarios to assign NAIC Designations for the RBC.[2] From November 2022 through July 2023, the NAIC Valuation of Securities Task Force ("VOSTF") published several memorandums and updates that describe its Proposed Methodology, as well as assumptions of its three stress test scenarios.[3] On October 5, 2023, NAIC published a CLO Modeling Scenario Proposal that includes seven additional stress test scenarios beyond what was originally disclosed (the "October 5 Presentation).[4] The detailed stress test scenarios assumptions and model results were published in November and December 2023.[5]

2.2. SSG consulted with interested parties (the "Ad Hoc Working Group") in preparing the Proposed Methodology. According to NAIC, the Proposed Methodology will assess the credit risk of CLOs for setting the related capital charges, which are meant to ensure insurance companies fulfill their financial obligations to policyholders without distorting or disrupting the broader capital markets.[6] NAIC also selected six CLO "test deals" and provided their calculated collateral and tranche cash flows under the proposed stress scenarios.[7]

[1] NAIC Risk Assessment of Structured Securities – CLOs, May 25, 2022.

[2] Currently, NAIC permits insurers to utilize credit ratings of nationally recognized statistical rating organizations ("NRSROs") to determine CLOs tranches' proper NAIC designation category and the associated RBC factor.

[3] Including: (i) NAIC CLO Stress Tests Methodology dated November 2022, (ii) NAIC SSG Proposed Methodology for Modelling CLOs dated December 12, 2022, (iii) NAIC SSG CLO Ad Hoc Group Beta Test Scenarios ABC, (iv) CLO Exposure Methodology dated May 17, 2022, (v) CLO Exposure Methodology Update dated May 31, 2023, (v) CLO Methodology Update dated July 14, 2023, which explains NAIC's decision not to implement voluntary prepayment and discount purchase assumptions, (vi) CLO Methodology as of 7.19-vs-5.31 changes, and (vii) CLO Exposure Methodology Draft Updated dated July 19, 2023.

[4] NAIC, CLO Modeling Proposal Presentation, October 5, 2023.

[5] See "Economy Files (CDOnet) Scenarios (11-07-23)," "CLO Default Recovery Scenarios 2023 1109," "CLO Preliminary Results by Scenario Updated 2023 1110.xlsb," and "CLO CashFlow updated 12-08-23." We note that the stress scenario results in the December 2023 file differ from the results presented in the November 2023 files. NAIC does not explain the reasons for the changes in the results.

[6] NAIC, Risk-Based Capital, June 1, 2023, available at https://content.naic.org/cipr-topics/risk-based-capital. See also, NAIC 2023 Summer National Meeting, Valuation of Securities (E) Task Force, August 14, 2023, Attachment Six-A, available at https://content.naic.org/sites/default/files/national_meeting/VOSTF%20Summer%208.14.2023%20Materials_1.pdf.

[7] The six CLO test deals are available on NAIC's webpage: https://content.naic.org/industry/structured-securities/collateralized-loan-obligations.

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2.3. FTI was engaged by AIC to review and comment on NAIC's proposed methodology for modeling CLOs and NAIC's stress test scenario assumptions. Our evaluation focuses on whether the CLO modeling in the Proposed Methodology properly accounts for all material factors that affect the creditworthiness of a CLO. In particular, FTI has analyzed how the Proposed Methodology models CLO features that affect the credit risk CLOs, including features commonly analyzed by credit rating agencies, industry groups, market participants, and academic researchers. FTI also has analyzed the sensitivity of the test CLO deal performance under NAIC's proposed stress scenarios.

2.4. We understand that NAIC may supplement and update its proposed methodology, and, as such, some of the modeling issues may be addressed later.[8] This White Paper reflects our analysis based on the most updated NAIC methodology available as of the end of September 2023. We note that although this White Paper does not provide detailed analyses of the additional stress test scenarios contained in the October 5 Presentation, our views expressed in this White Paper are responsive to the discussions contained in the October 5 Presentation.

2.5. The remainder of this white paper is organized as below. **Section II.B** provides an overview of CLOs, including their underlying assets, structure features, historical performance, and the role of rating agencies. **Section III** summarizes the Proposed Methodology's CLO modeling, compares it with rating agencies' modeling, and evaluates the modeling assumptions on the underlying loan portfolio and cash flow assumptions. **Section IV** presents our findings related to the proposed stress test scenarios and the results of the sensitivity analysis using the six test CLO deals identified by NAIC. **Section V** concludes.

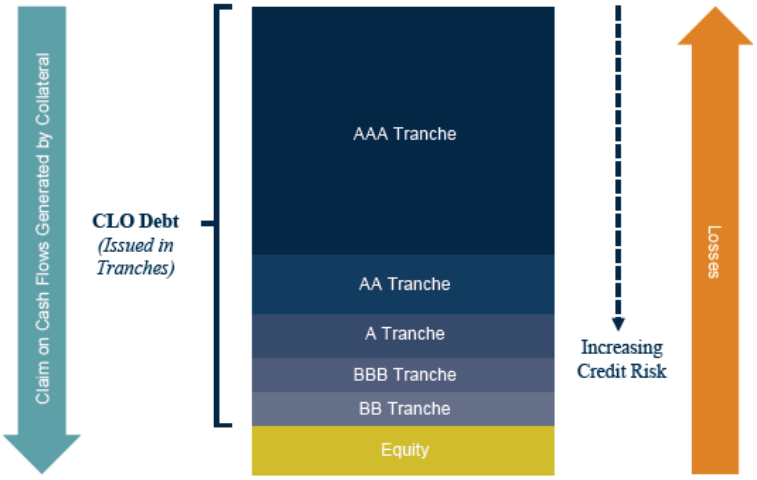
[8] See, e.g., NAIC CLO Exposure Methodology Draft, updated July 19, 2023, available at https://content.naic.org/sites/default/files/industry-ssg-clo-CLO-Exposure-Methodology-Draft-Updated-7.19.23.pdf.

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II.B. CLO Overview

2.6. CLOs are actively managed securitization collateralized by a pool of loans made to corporate borrowers. To finance the purchase of the collateral loan pool, CLOs issue tranches of floating- or fixed-rate notes with varying risk-return characteristics. Cash from the underlying assets is distributed to the multiple tranches based on a hierarchical "waterfall," such that the most senior tranches are paid first, and any losses to the underlying collateral impair the most junior tranche first (namely, the equity tranche). In other words, payments received from collateral assets are paid to CLOs' tranches from the top down, and losses are absorbed from the bottom up. Generally speaking, the CLO structure is divided into four categories of tranches – equity, mezzanine, junior, and senior – in increasing seniority. The equity tranche (or tranches) absorbs initial losses until it is depleted, and additional loss is absorbed by the mezzanine tranche before the more senior tranches are affected. Under certain circumstances, cash flows from more junior tranches may be diverted to more senior tranches.[9] As a result, the most senior tranche of a CLO can gain an 'AAA' credit rating, indicating the highest level of creditworthiness. The equity tranche does not have credit ratings and receives cash flows only after all debt tranches. Allocating cashflows into hierarchical tranches provides economic value to CLO investors by differentiating the risks and returns of each note. **Figure 1** below shows the direction of cash flow and loss waterfalls over a typical CLO structure.[10]

Figure 1. Typical CLO Tranche Structure with Cash Flows and Losses Waterfalls



[9] The most junior tranche before the equity tranche is sometimes referred to as the junior tranche.

[10] Source: Oaktree Capital Management, "CLO Myth-Busting: The Top Three Misconceptions," 2023, available at https://www.oaktreecapital.com/insights/insight-commentary/education/clo-myth-busting-the-top-three-misconceptions.

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II.B.1. Underlying Assets – Leveraged Loans

2.7. The underlying collaterals to CLOs are leveraged loans, particularly in this document, types of loans that are broadly syndicated loans made to non-investment grade U.S. companies.[11] Leveraged loans are senior secured loans that sit at the top of the corporate capital structure, meaning that they will be the first to receive payment before any other creditors and shareholders in the event of bankruptcy. These loans are typically secured by all of the company's collateral. A fully-ramped CLO typically comprises loans from 150 to 1000 loan issuers to achieve loan portfolio diversification.[12]

2.8. Companies typically issue leveraged loans to finance their operations, such as facilitating M&A activities (e.g., leveraged buyouts) or project finance, refinancing existing debt, or obtaining additional funding. More than half of corporate issuers in the U.S. are non-investment grade, including some of the well-known companies such as Delta Airline, Athena Health, and Hilton Hotels.[13, 14] Leveraged loans that collateralize CLOs are also known as "institutional term loans" because they are typically sold to institutional investors such as CLOs, mutual funds, and insurance companies. As of April 2022, 64% of the non-investment grade loans have been securitized as part of a CLO.[15] **Figure 2** below illustrates the position of leveraged loans (i.e., institutional term loans) in the corporate capital structure.

[11] According to NAIC, Commercial real estate ("CRE") CLOs, re-securitization, asset-backed securities ("ABS"), collateralized debt obligations ("CDOs") and trust preferred securities ("TruPS") CDOs are out of scope. Middle-market CLOs are excluded in this analysis. See, e.g., CLO Exposure Methodology Draft Updated July 19, 2023, available at https://content.naic.org/sites/default/files/industry-ssg-clo-CLO-Exposure-Methodology-Draft-Updated-7.19.23.pdf.

[12] Credit Investments Group, Introduction to Collateralized Loan Obligations, Credit Suisse, 2022, p. 6, available at https://am.credit-suisse.com/content/dam/csam/docs/us/cig/cig-white-paper-collateralized-loan-obligations.pdf. See also indentures of the six test CLO deals.

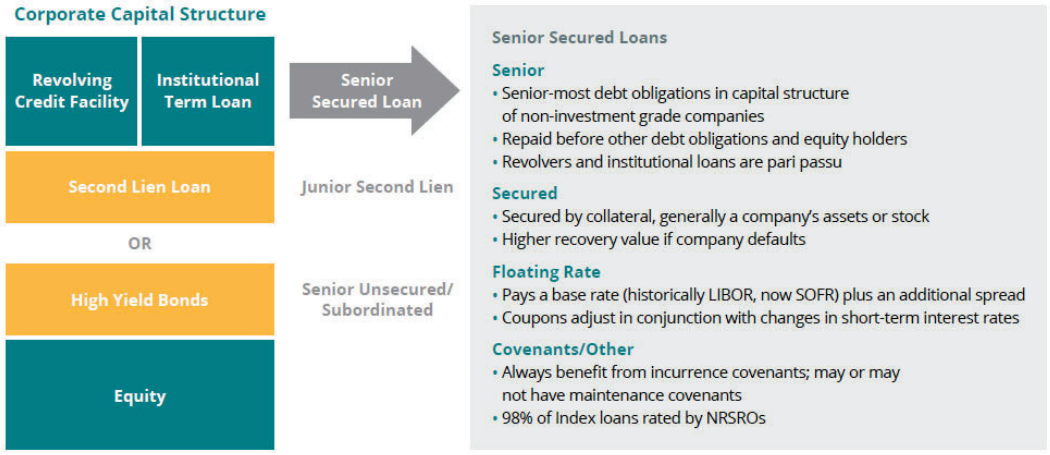
[13] As of January 2019, approximately 57% of rated U.S. corporate issuers are non-investment grade by issuer count, and approximately 28% of U.S. corporate debt is speculative grade by debt amount. S&P, U.S. Corporate Debt Market: The State Of Play In 2019, May 17, 2019, available at https://www.spglobal.com/en/research-insights/articles/u-s-corporate-debt-market-the-state-of-play-in-2019#:~:text=Investment%2Dgrade%20companies%20account%20for,to%20meet%20their%20financial%20obligations. (NOTE FIND MORE RECENT UPDATE)

[14] The U.S. CLO Market, Loan Syndications and Trading Association, April 2022, available at https://www.lsta.org/content/the-u-s-clo-market-white-paper/.

[15] *Id*.

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Figure 2. Illustration of Corporate Capital Structure



Source: Credit Suisse

2.9. The creation of a CLO starts with the CLO manager, who works with the "arranger" (typically an investment bank) to help structure and capitalize the CLO vehicle. Each CLO has a defined lifecycle during which collateral is purchased, managed, and redeemed. The CLO manager actively manages the portfolio of underlying loans throughout the life cycle of the CLO.[16] Specifically,

- During the *warehousing and ramp-up* period, the CLO manager purchases the collateral loans for the original CLO and ensures the collateral loan pool complies with pre-determined criteria such as average credit quality, issuer diversity, and maturity.
- In the following 1-5 years of *reinvestment* period, the CLO manager actively manages the underlying loan portfolio by buying and selling loans and reinvesting the proceeds from prepayment toward new loans. At the same time, the CLO manager performs various tests to continuously monitor that cash flows from the underlying loan portfolio can cover the principal and interest payments of the CLO tranches and ensure that new loans comply with the deal documentation specifying multiple requirements affecting the risk profile of the CLO's asset portfolio.[17] CLO managers can also extend the reinvestment period – the life of the CLO deal can be extended multiple times before the CLO vehicle ultimately winds down.
- In the last *amortization* stage, the CLO manager pays interest accruals and outstanding balances of the CLO notes based on the waterfall priorities with cash flow from the underlying loan collateral. Because the underlying loans tend to be prepaid before the legal maturity date, this period typically ends before the legal maturity date of the CLO notes.

[16] *Id.*

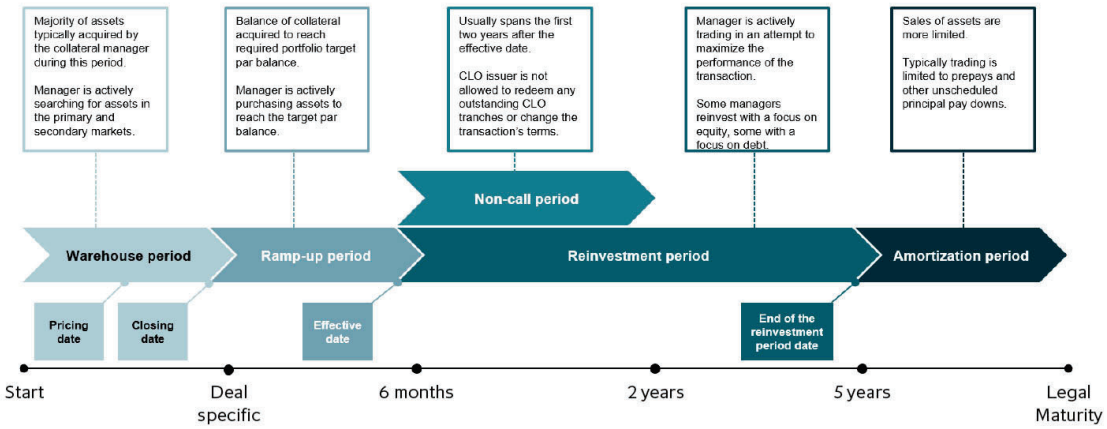
[17] The first 0.5 to 2 years of the reinvestment period is also referred to as the "non-call period." After the non-call period, the equity tranche holder or issuer can call or refinance the CLO deal (i.e., pay debt holders in full and reissue debt at a lower spread).

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2.10. In return for their services, CLO managers are paid (i) management fees and (ii) an incentive fee based on the returns of the equity tranche. **Figure 3** below shows the life cycle of a typical CLO deal, which has a 5-year reinvestment period (with the first few years as a non-call period) followed by a 3-year amortization period. The legal maturity of a CLO is usually approximately 12-13 years after closing.[18]

2.11. It is worth noting that each CLO includes several quantitative criteria or tests that measure the quality of the collateral. The CLO manager's trading and reinvestment activities are restricted if these tests fail. Some of the collateral quality tests relate to the minimum or maximum (i.e., floor or ceiling) of certain metrics, such as minimum diversity score,[19] minimum weighted average coupon, and maximum weighted average life. Others include measures that are tracked numerically, such as diversification rules (industry level and issuer level), leverage, and number of loans with liquid quotes. These tests and measurements track different aspects of the collateral quality and set boundaries on CLO managers' reinvestment activities.

Figure 3. Illustration of the Life Cycle of a CLO



Source: S&P Global Ratings

II.B.2. Structure Features

2.12. CLO tranches are designed to have different risk-return profiles to suit diverse investor needs. The differentiated risk-return profiles are achieved through "credit enhancement," including subordination, overcollateralization, excess interest, portfolio diversification, and performance-based cash flow diversions.

[18] Credit Investments Group, Introduction to Collateralized Loan Obligations, Credit Suisse, December 31, 2021, at p. 8.

[19] Diversity score is a metric that measures the diversity of the underlying loan portfolio, see discussions in **Section III.D.2** below.

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2.13. Subordination means that each tranche of the CLO provides protection from losses to the tranches senior to it and receives protection for losses from the tranches junior to it. Each quarter, the cash received from the underlying loan pool flows downward through the tranches, with each tranche receiving cash only after the tranches senior to it have received their full payments for the month, including interest due plus any return of principal. When underlying loans default, losses are absorbed first by the subordinate tranches before flowing through to the senior tranches. The amount of subordination for each tranche is pre-determined by the CLO's contractual document, known as the indenture, which lays out the cash flow allocation, or "waterfall," across tranches. A typical 'AAA' rated CLO tranche has par subordination of 35-40% to protect against losses.[20] This means that the 'AAA' rated CLO tranche would not incur loss until the loan portfolio loses at least 35% of its value. At a conservative loss-given-default rate of 50%, this means 70% of loans cumulatively must default for the 'AAA' rated tranche to absorb any principal loss.

2.14. CLOs benefit from the diversification of the underlying loan portfolio, with the loan portfolio typically diversified across 150-450 distinct borrowers in 20-30 industries and with limits on how much assets can be invested in the loans of any single issuer.[21] Diversification reduces the risk of loans defaulting at the same time, making CLOs more resilient to market shocks. Portfolio diversification requirements and limits on certain types of risky collateral are specified in CLO indentures and provide additional credit enhancement to CLOs.

2.15. CLOs are often "overcollateralized," meaning that the underlying loans' total principal value exceeds the CLO tranches' total principal value. CLOs are also protected by "excess interest" or "excess spread," i.e., the total interest payment of the underlying loan pool exceeds that of total interest paid to CLO tranches above equity. Overcollateralization ("OC") and excess interest serve to protect the principal and interest payments on the CLO tranches against potential underlying loan defaults such that even if the underlying loans default, CLO tranches can still make their contractual payments with the additional loan collateral and interest payments. These protection mechanisms make owning the CLO underlying loan portfolio different from owning the entire CLO structure.

2.16. CLO indentures further specify the thresholds of performance test results (also known as trigger tests) under which cash flows from the underlying loan principal and interest payments are further diverted to protect the senior tranches. For example, interest payments due to subordinate tranches may be "diverted" towards principal recovery for the senior tranches (i.e., to make up for any principal losses) if the underlying loans' performance deteriorates beyond specified levels.[22] **Figure 4** shows an illustrative cash flow waterfall and diversion based on the results of performance tests.

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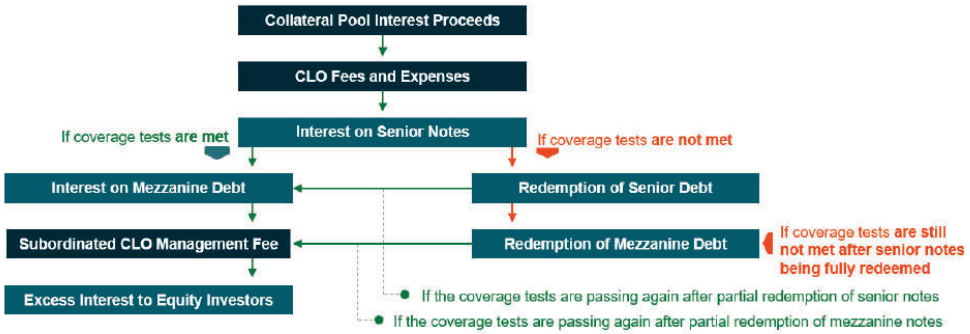
[20] S&P, "Get to Know CLOs," July 15, 2020, available at https://www.spglobal.com/ratings/en/about/blog/get-to-know-clos. See also, Credit Suisse, Introduction to Collateralized Loan Obligations, 2022, available at https://am.credit-suisse.com/content/dam/csam/docs/us/cig/cig-white-paper-collateralized-loan-obligations.pdf.

[21] PineBridge Investments, Seeing Beyond the Complexity: An Introduction to Collateralized Loan Obligations, January 2022, p. 7.

[22] Other examples of performance tests include over-collateralization (O/C) and interest coverage (I/C) tests for different CLO

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Figure 4. Illustrative CLO Cashflow Waterfall



Source: Morgan Stanley, ICG

2.17. Additionally, CLO managers can replace the loans that have deteriorated in credit before a default. Rules such as "bucket of loans priced below 70" and "bucket of loans CCC-rated" would in fact require managers to act before even a significant accumulation of credit risk in the underlying portfolio.

tranches. The trigger levels that determine whether the test passes or fails are specified in the indenture of each CLO deal. For example, for the Carlyle deal, the SuperSenior O/C ratio trigger is 121.58% and the SuperSenior I/C ratio trigger is 120.00%.

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2.18. The credit enhancement mechanisms discussed above are contractually specified for each CLO deal. These unique specificities determine the credit risk of a CLO tranche. To illustrate the effect of credit enhancements, **Figure 5** below shows the results of a CLO case study by Ares.[23] In this example, the 'AAA' rated tranche has an asset coverage of 155%, which means that every dollar of debt through that tranche is backed by $1.55 of collateral. The 'BB' rated tranche has an asset coverage of 109%, meaning that every dollar of debt through that tranche is backed by $1.09 of collateral. Ares also shows that the 'AAA' rated tranche has a constant annual default rate ("CADR," or the "break-even default rate") of 30.1% – in other words, the underlying portfolio can withstand a constant 30.1% default rate over the life of the CLO before the tranche would be at risk of losing $1 of principal. The 'BB' rated tranche has a CADR of 7.5%, meaning that it takes a constant 7.5% default rate over the life of the CLO for this tranche to be at risk of losing principal. For context, according to S&P and Moody's, the long-run average default rate for speculative-grade credit is less than 3% per annum. As **Figure 6** below shows, even during the 2007-2009 Great Financial Crisis, the default rate of leveraged loans is approximately 10%, which is a fraction of what the 'AAA' rated tranche is designed to withstand.[24] Over the most recent 10-year period, the average default rate of leveraged loans is less than 2%,[25] which is substantially lower than the 7.5% break-even default rate for the most junior 'BB' rated tranche. Under the assumption of a constant 60% recovery rate, the CADR reported in **Figure 5** would translate into cumulative loss rates as high as 10.5%, 15.2%, and 20.4% for 'BB', 'BBB', and 'A' rated tranches, respectively, before they experience any principal or interest shortfall. Excess spread (i.e., the difference between the interests received from the loans versus those paid out to the tranches) provides an extra buffer against credit losses. By comparison, the 1993-2019 cumulative loss and impairment rates for all rated CLO notes are 4.9%, 5.8%, 2.9%, and 0.1% for 'B', 'BB', 'BBB', and 'A' rated tranches.[26] Through multiple market cycles, CLO losses have reached the 'A'-level impairment only for a few select instances, involving CLOs with highly non-diversified collateral.

[23] Ares Management Corporation, Understanding Investments in Collateralized Loan Obligations ("CLOs"), at p. 7, available at https://www.aresmgmt.com/sites/default/files/2020-02/Understanding-Investments-in-Collateralized-Loan-ObligationsvF.pdf

[24] The 10% figure is calculated based on the total dollar amount outstanding. Based on the number of issuers, the default rate figure is 8%. See Slok, Torsten, "A Default Cycle Has Started," Apollo Academy, July 25, 2023, available at https://apolloacademy.com/a-default-cycle-has-started-2/

[25] Morningstar Perspective, "Three Chapter 11 Filings Push Leveraged Loan Default Rate to Two-Year High," May 16, 2023, available at https://indexes.morningstar.com/insights/perspective/bltd2a954fcda26cea8/three-chapter-11-filings-push-leveraged-loan-default-rate-to-two-year-high

[26] CLO impairment and loss given default (LGD) rates by original rating and based on 10-year cumulative data over 1993-2019, as of January 22, 2021. See PineBridge Investments, "Seeing Beyond the Complexity: An Introduction to Collateralized Loan Lobligations," January 2022, available at https://www.pinebridge.com/en/insights/clo-beyond-the-complexity.

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Figure 5. Ares Case Study on Default Reduction of Credit Enhancements on CLO Notes

Credit enhancements substantially reduce the chances of default for CLO Debt Securities

Case Study: 2018 Vintage CLO

With 9%, 14%, and 22% credit enhancement respectively, the double-B, triple-B, and single-A CLO Debt Securities can withstand constant annual default rates of over 7%, 11%, and 17% within the underlying CLO Loan Portfolio without suffering a principal loss on the investment.

Tranche	Asset Coverage[1]	Default Resiliency[2]
AAA	155%	30.1 CADR
AA	130%	21.9 CADR
A	**122%**	**17.3** CADR
BBB	**114%**	**11.6** CADR
BB	**109%**	**7.5** CADR

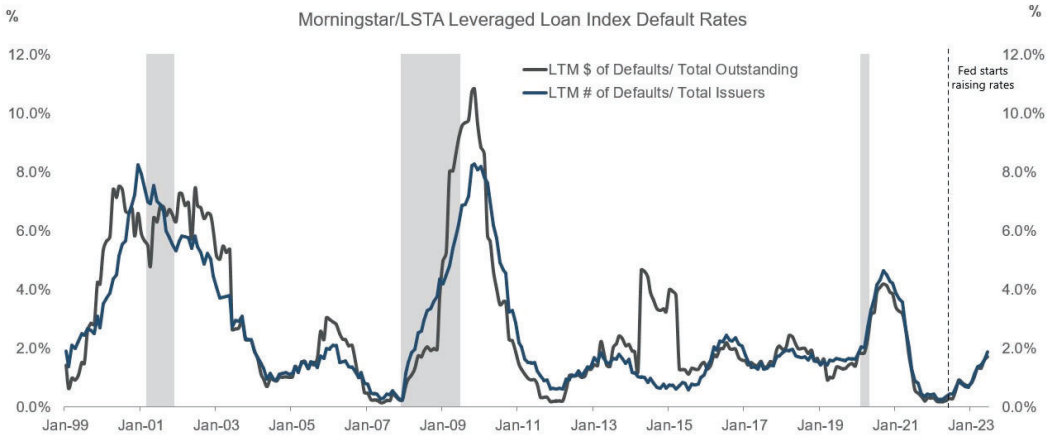
As with any investment there is risk, including the loss of principal. For illustrative purposes only. Asset coverage and default resiliency characteristics will vary across all CLO securities.

1. Asset Coverage: measures the excess collateral in the fund to cover the given tranche. If a tranche has an asset coverage ratio of 115%, then for every dollar of debt through that tranche, there is $1.15 of collateral.
2. Default Resiliency: measures the constant annual default rate within the underlying portfolio that a given CLO tranche can withstand before losing $1 of principal. Also known as the "break-even default rate." If a tranche has a 19% break-even default rate, the underlying portfolio can experience 19% annual defaults for the life of the CLO before the tranche would be at risk of losing $1 of principal. By comparison, according to Moody's and S&P, the long-run average default rate for speculative-grade credit is less than 3% per annum.

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Figure 6. Morningstar/LSTA Leveraged Loan Index Default Rates

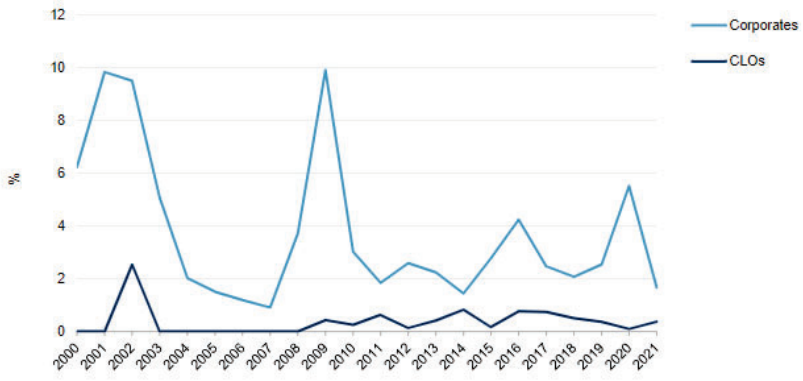


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II.B.3. Historical Performance

2.19. Historically, CLOs have performed well, with substantially lower default rates than comparably rated debt. **Figure 7** below shows that the annual default rate for speculative-grade CLO tranches is substantially lower than that of speculative-grade corporate entities.[27] Between 2000 and 2021, the highest default rate for speculative-grade CLOs was 2.5%, while the highest default rate for speculative-grade corporate entities was approximately 10%. Since 2003, the annual default rate for speculative-grade CLOs has held below 1% each year (including the 2007-2009 Great Financial Crisis), well below the default rate of speculative-grade corporate debt. **Figure 7** also shows that CLO defaults tend to lag corporate credit defaults. In 2021, the speculative-grade CLO default rate rose to 0.38%, from 0.10% in 2020, after the speculative-grade corporate default rate jumped to 5.5% in 2020. The lag is consistent with CLO's structural features – CLOs can defer interest payments on junior tranches and temporarily absorb market shocks.

Figure 7. Annual Global Speculative-Grade Default Rates, Corporate vs. CLOs



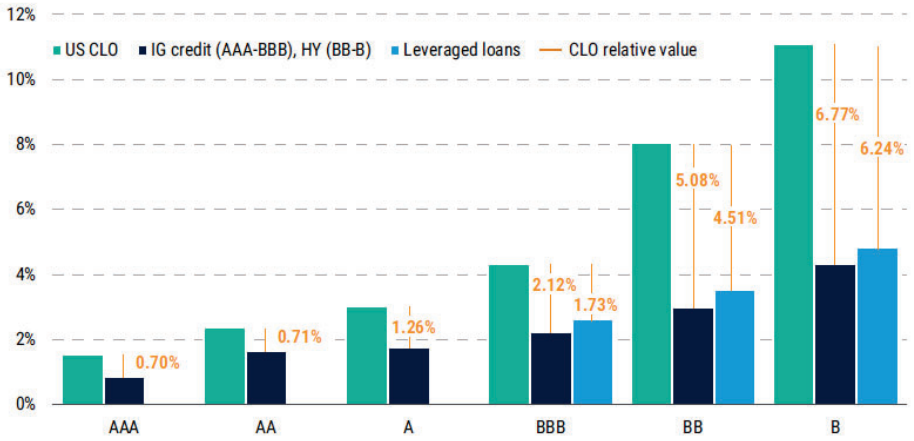
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.
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2.20. Compared with comparably rated corporate bonds and leveraged loans, CLOs have wider spreads, which reflect CLOs' greater complexity, lower liquidity, and regulatory requirements. As **Figure 8** below shows, the spread for BBB-rated CLO was 2.12 percentage points higher than corporate bonds and 1.73 percentage points higher than leveraged loans as of 2021. The spread of B-rated CLO was even wider – 6.77 percentage points higher than corporate bonds and 6.24 percentage points higher than leveraged loans.

[27] S&P, Default, Transition, and Recovery: 2021 Annual Global Leveraged Loan CLO Default And Rating Transition Study, October 31, 2022, at Chart 9, available at https://www.spglobal.com/ratings/en/research/articles/221031-default-transition-and-recovery-2021-annual-global-leveraged-loan-clo-default-and-rating-transition-study-12535652.

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Figure 8. CLO Spreads versus Comparably Rated Leveraged Loans and Corporate Bonds



Source: JP Morgan, Bloomberg, and S&P/LCD, as of 31 August 2021. US CLO debt represented by the JP Morgan CLOIE Index; IG credit: Bloomberg US Credit Index; High yield bonds: Bloomberg US Corporate High Yield Bond Index; Leveraged loans: S&P/LSTA Leveraged Loan Index.

2.21. Even when compared with other similarly rated structured finance products, CLOs have historically performed well. **Table 1** below shows Moody's estimated multi-year cumulative default/impairment rates for different structured products by cohort rating.[28] Compared with other structured products, impairment rates for CLOs have been substantially lower across all rating cohorts.

Table 1. Moody's Cumulative Default/Impairment Rates by Cohort Rating, 1993-2021

	US ABS ex HEL	US RMBS	US CMBS	Global CDO	Global CLO	US ABS ex HEL	US RMBS	US CMBS	Global CDO	Global CLO
	1-Year Horizon					5-Year Horizon				
Aaa	0.03%	0.63%	0.02%	3.56%	0.00%	0.38%	12.13%	0.84%	20.89%	0.00%
Aa	0.21%	4.80%	0.08%	5.68%	0.00%	1.80%	27.03%	4.03%	27.64%	0.00%
A	0.18%	5.56%	0.28%	8.57%	0.01%	3.09%	33.04%	8.28%	30.35%	0.03%
Baa	0.52%	9.46%	0.87%	11.04%	0.06%	5.87%	42.47%	15.51%	37.30%	0.95%
Ba	2.43%	12.29%	3.72%	11.84%	0.19%	12.37%	32.53%	28.41%	29.02%	2.54%
B	6.05%	14.48%	7.85%	15.46%	0.54%	22.04%	31.38%	40.75%	29.47%	6.18%
Caa	16.25%	19.39%	24.34%	18.71%	2.93%	47.18%	48.53%	56.58%	33.19%	8.21%

[28] Moody's, Impairment and loss rates of global CLOs: 1993-2021, June 30, 2022 and 2022.06.30 – Moody's - Impairment and Loss of Structured Finance spreadsheet. The cumulative impairment rates shown in **Table 1** are adjusted by rating withdrawals. According to Moody's, withdrawal-adjusted default rates estimate the share of rated issuers expected to default assuming the presence of default risk over the entire measurement horizon (see Moody's, Measuring Structured Finance Original Rating Impairment Rates: Supplementing Withdrawal-Adjusted Metrics, May 8, 2018, available at https://www.moodys.com/research/doc--PBS_1113739.)

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2.22. CLOs that originated after the Great Financial Crisis are commonly referred to as CLO 2.0s, in contrast to the CLOs that originated previously (i.e., CLO 1.0). CLO 2.0s are required to have increased credit support, stricter limits on the portfolio composition, and further diversified asset portfolios (with tests and limitations to prevent high concentration to certain sectors). For example, the 'AAA' tranche typically comprised 75% of CLO 1.0s, but only 60-65% of CLO 2.0s.[29] As **Table 2** below shows, the default rates for CLO tranches are substantially lower than those of corporate debt with the same credit rating. CLO 1.0 has experienced a low, but non-zero, default rate for CLO notes rated A or below.[30] Although the tally is not yet completed, CLO 2.0's have so far experienced a cumulative default rate of 0% across all ratings. The stellar performance of CLO 2.0 coincides with the low corporate loan default rate, which declined persistently from the peak of 7.5% in 2010 to below 2% since the end of 2016. The low corporate loan default rate likely contributed to the low CLO default rate in addition to the structural enhancements in CLO 2.0.[31]

Table 2. Default Rates for CLO Tranches and Corporate Bonds

Panel A: CLO 1.0 Era (1997-2009)

	CLO Tranches		Corporate Bonds	
Rating	Default Rate (%)	Num. Issues	Default Rate (%)	Num. Issues
AAA	0	1,250	0.28	352
AA	0	531	0.29	1,377
A	0.30	661	2.75	3,568
BBB	1.62	680	3.48	4,892
BB/B	3.33	481	9.31	7,391

Panel B: CLO 2.0 Era (2010-2019)

	CLO Tranches		Corporate Bonds	
Rating	Default Rate (%)	Num. Issues	Default Rate (%)	Num. Issues
AAA	0	4,779	0	150
AA	0	3,671	0	775
A	0	3,122	0.41	3,906
BBB	0	2,769	0.76	5,675
BB/B	0	3,134	6.16	5,471

[29] ICG Capital Market Strategy, An Introduction to Collateralized Loan Obligations (CLOs), June 2020, at p. 5.

[30] See Table 7 of Cordell, Larry, Michael R. Roberts, and Michael Schwert, "CLO Performance," Federal Reserve Bank of Philadelphia working paper 20-48, November 2021. Also published in the Journal of Finance, Volume 78, Issue 3, June 2023, pp. 1235-1278. Default Rate is the percentage of issues with an initial rating in a given category that defaulted. Num. Issues is the number of individual bonds (i.e., CUSIPs) issued in a given category during the sub-period.

[31] Delinquency rate on all loans, all commercial banks, Federal Reserve Bank of St. Louis, available at https://fred.stlouisfed.org/series/DRALACBN

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2.23. Some market participants referred to CLOs issued after 2015 as CLO 3.0s, which became even more conservative to comply with regulatory changes imposed by the Volcker Rule that limited CLOs' investments in high-yield bonds. Although the Volcker Rule was amended in 2020 to allow investments in high-yield bonds, CLO 3.0s continue capping the exposure to high-yield bonds in their structure.[32] Despite of their relatively short history that coincides with a generally tempered economic cycle, the credit improvement in CLO 3.0s is evidenced by their superior performance compared with the performance of CLOs with less diverse pools and thinner credit cushions.[33]

II.B.4. The Role of Rating Agencies

2.24. Credit rating agencies (or rating agencies) are for-profit, registered legal entities that assess borrowers' ability to meet principal and interest payments on their debts, as well as the likelihood of default.[34] Rating agencies may rate the creditworthiness of debt issuers and debt instruments, and their assessments are summarized in credit ratings.[35] Rating agencies were considered indispensable by structurers, issuers, investors, traders, and regulators—including the Securities Exchange Commission and the International Organization of Securities Commissions ("IOSCO").[36]

2.25. Typically, the arrangers of the CLOs retain one or more rating agencies to provide preliminary ratings to the CLO notes at the pricing stage. Rating agencies model CLO cash flows based on the legal deal structure and analyze the underlying loan collaterals and deal-specific credit enhancements. They then assign credit ratings to CLO tranches based on the expected probability of default and recovery rates.

[32] PineBridge Investments, "Seeing Beyond the Complexity: An Introduction to Collateralized Loan Obligations," January 2022, available at https://www.pinebridge.com/_assets/pdfs/insights/2022/pinebridge-investments_clo-primer.pdf

[33] S&P Research, "CLO Spotlight: The Dirty (Almost) Dozen: What Separates Defaulting U.S. CLO 2.0 Tranches From The Rest," July 7, 2022.

[34] A nationally recognized statistical rating organization ("NRSRO") is a credit rating agency that is registered with and approved by the SEC. The NRSROs are required to file an annual certification with the SEC.

[35] Rating agencies registered with the Securities and Exchange Commission ("SEC") are referred to as nationally recognized statistical rating organizations ("NRSROs") and are overseen by the SEC.

[36] SEC, "Updated Investor Bulletin: The ABCs of Credit Ratings," October 12, 2017, available at https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-8. See also, IOSCO, "Code of Conduct Fundamentals for Credit Rating Agencies," March 2015, available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD482.pdf.

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2.26. After CLO issuance, rating agencies maintain credit risk assessment models that they update periodically with new surveillance data and continue monitoring the credit quality of the CLO notes throughout the life of CLOs. The assumptions fed into these models are based on surveillance of the underlying loans' actual performance, which the trustee of the deal provides. Rating agencies periodically evaluate the CLO performance and update their assessments. The models used by the rating agencies are also frequently updated to reflect newer academic and risk practitioner insights. Rating agencies update credit ratings periodically and publish their assessment for the overall market. Along with market prices, these rating assessments are monitored by CLO investors to update their views of their investment performance.

2.27. While rating agencies' informational and risk assessment advantages provide them a substantial commercial benefit for their long-term viability, rating agencies must maintain a reputation for scrupulous business practices and independent, credible ratings. Because of this, rating agencies' credit assessment does not diverge significantly from market prices or assessments of other market participants for long periods[37] – it would otherwise create a persistent arbitrage opportunity that damages rating agencies' business model over the long term.

[37] Besides the credit risk factor, market prices involve risk factors such as liquidity risk, market risk, interest rate risk, volatility risk, funding risk, and counterparty risk.

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III. CLO Modeling Methodology

3.1. The purpose of the Proposed Methodology and stress test scenarios is to evaluate the creditworthiness of CLO notes held by insurance companies for determining capital charges. The modeling for CLO tranche credit risk comprises two parts: (i) a portfolio model that assesses the overall credit risk of the underlying loan pool using the data on the individual loans in the portfolio and (ii) a cash flow model that assesses the default probabilities and expected losses to CLO tranches resulting from the performance of the underlying loans. The Proposed Methodology relies on Moody's Analytics CDOnet ("CDOnet") software platform to obtain data on the underlying loan portfolio and to model the CLO waterfalls.[38]

3.2. Despite the multiple updates, NAIC's published CLO modeling methodology leaves out many critical assumptions as median- and long-term issues.[39] For the assumptions that are included, the Proposed Methodology also does not provide sufficient details on the treatment of different data issues.[40] In contrast to the limited documentation of the Proposed Methodology,[41] rating agencies publish detailed and lengthy descriptions of their CLO modeling and rating methodologies. For example, Moody's Investors Service ("Moody's") provides a 75-page rating methodology document to explain its approach to rating CLOs.[42] Fitch Ratings ("Fitch") publishes a 54-page rating criteria for CLOs and an accompanying portfolio credit model as a tool to assess rating factors of CLOs, both of which are periodically updated.[43] Standard & Poor's Global Ratings ("S&P") similarly made available a lengthy guidance on its methodology and assumptions for CLO ratings.[44] All three rating agencies provide additional documents totaling hundreds of pages that detail the assumptions and rationales behind their modeling. These documents are publicly available through many channels. The rating agencies' voluminous methodology description reflects the complexity of CLO modeling and the necessary details for understanding and implementing modeling assumptions.

[38] CDOnet was first developed in 2006 and is still maintaining some of the antiquated functions and documentation. As a result, analysis on CDOnet tends to be time-consuming and inflexible. It also requires the user to constantly close out and reopen application windows to ensure the models can run accurately.

[39] For example, in the CLO Exposure Methodology Draft Updated dated July 19, 2023 (available at https://content.naic.org/sites/default/files/industry-ssg-clo-CLO-Exposure-Methodology-Draft-Updated-7.19.23.pdf), NAIC SSG categorizes reinvestment assumptions and Caa default vectors as "medium term issue" that it will provide clarification. It also categorizes initial conditions, use of issuer ratings, and recovery categories as "long term issues."

[40] For example, the Proposed Methodology does not explain how it treats underlying loans with no credit ratings from the big three rating agencies.

[41] NAIC's Proposed Methodology is contained in a 3-page document with a separate 8-page modeling discussion. See NAIC, CLO Exposure Methodology, dated July 19, 2023, and NAIC SSG CLO Stress Test Methodology, dated November 2022.

[42] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021.

[43] CLOs and Corporate CDOs Rating Criteria, Fitch Rating, March 30, 2023. Fitch's portfolio credit model is available at https://www.fitchratings.com/fitch-portfolio-credit-model.

[44] S&P, Global Methodology and Assumptions for CLOs and Corporate CDOs, October 14, 2022, available at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/11005168.

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3.3. **Table 3** below provides a high-level overview that summarizes the CLO features contained in the Proposed Methodology versus the CLO rating methodologies used by rating agencies. As this table shows, the Proposed Methodology includes limited quantitative factors that affect CLO risk, and does not consider qualitative factors. Given its limited scope of analysis, the Proposed Methodology lacks the depth and thoroughness of the risk assessment by the credit rating agencies. In this section, we review CLO modeling and discuss the significant limitations of the Proposed Methodology based on the most updated information available as of the end of September 2023.[45]

[45] We note that the October 5 Presentation does not provide additional details to the CLO modeling assumptions except high-level comparisons to the rating agencies' methodologies.

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Table 3. Comparison of CLO Features in the Proposed Methodology versus Rating Agencies' Methodologies[46]

CLO Features Analyzed	Proposed Methodology	Moody´s	S&P	Fitch
Qualitative Factors, including:				
- CLO manager	No	Yes	Yes	Yes
- CLO legal structure	No	Yes	Yes	Yes
- Document review	No	Yes	Yes	Yes
- Operational risk review	No	Yes	Yes	Yes
- Macroeconomic / sector outlook	No	Yes	Yes	Yes
- Counterparty risk analysis	No	Yes	Yes	Yes
- Model risk	No	Yes	Yes	Yes
Quantitative Factors				
Underlying Loan Portfolio:				
- Default rate	Yes	Yes	Yes	Yes
- Recovery rate	Yes	Yes	Yes	Yes
- Amortization	Yes	Yes	Yes	Yes
- Default correlation[47]	No	Yes	Yes	Yes
- Concentration tests	No	Yes	Yes	Yes
- Prepayment	Yes (0%)	Yes	Yes	Yes
- Purchase discount	Yes (0%)	Yes	Yes	Yes
- Loan Seasoning	No	Yes	Yes	Yes
- Default timing	Yes	Yes	Yes	Yes
- Default volatility	No	Yes	Yes	Yes
- Recovery timing	Yes	Yes	Yes	Yes
- Stressed model inputs	No	Yes	Yes	Yes
- Foreign exchange and sovereign risk	No	Yes	Yes	Yes
Cash Flow Assumptions:				
- Waterfall structure	Yes	Yes	Yes	Yes
- Interest rate volatility	No	Yes	Yes	Yes
- Reinvestment assumptions	No	Yes	Yes	Yes
- Trading limitation	No	Yes	Yes	Yes

[46] **Table 3** does not present a comprehensive list of factors that could affect CLO risk. Other factors can include the liquidity of the underlying loans, as well as the correlation between the default rate and recovery rate. Notably, even rating agencies' models do not incorporate all risk factors in their evaluation of CLOs. For example, Moody's states that their modeling does not account for the liquidity risk. We note that the identification of the factors analyzed by rating agencies is based on their published rating methodologies, documents referenced in their rating methodologies, and their publications on CLO performance and analysis.

[47] A more detailed discussion of the default correlation assumption in the Proposed Methodology is contained in **Section III.D.2** below.

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III.A. Rating Agencies Follow Different Methodologies in Evaluating the Credit Risk of CLOs

3.4. In the U.S., three leading rating agencies – S&P, Moody's, and Fitch – account for approximately 95% of all bond ratings.[48] Each agency has its proprietary rating methodology and may offer different ratings for the same issuer or security.

3.5. Specifically, Moody's assesses the credit risk of a CLO tranche based on its **expected loss** estimated using a default distribution of the underlying loan portfolio and a cash flow model to derive the cash flows received by the CLO tranche in a default scenario.[49] To determine the credit rating of a CLO tranche, Moody's compares the tranche's expected loss to its predetermined benchmarks.[50]

3.6. In contrast to Moody's approach, S&P and Fitch evaluate the credit risk of CLO tranches based on value-at-risk ("VaR") measures, which quantify the extent of possible losses of a CLO tranche to adverse market movements. Specifically, S&P compares two key metrics to determine the credit risk of a CLO tranche. The first metric is referred to as the Scenario Default Risk ("SDR"), which is equivalent to the value-at-risk of the underlying portfolio's default distribution. The second metric is referred to as the Breakeven Default Rate ("BDR"), which represents the share of the collateral pool that must default before the tranche holder is unlikely to be made whole. Credit ratings are determined by comparing a CLO's rating contingent SDRs and tranche-specific BDRs. To receive a particular rating, the collateral pool's expected default rate in an extreme circumstance (i.e., SDR) must not exceed what the tranche can withstand (i.e., BDR). For example, S&P considers that 'AAA' rated tranches should be able to withstand extreme macroeconomic stress without defaulting, such as during the Great Depression, while 'BBB' rated tranches can withstand moderate stress that is informed by the observed maximum corporate default rates since 1981.[51] **Figure 9** below illustrates S&P's methodology for CLO and Corporate CDO ratings.[52]

[48] S&P, Moody's, and Fitch are commonly called the "big three." Other well-known rating agencies include DBRS, Egan-Jones, Kroll, and A.M. Best.

[49] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, p. 1.

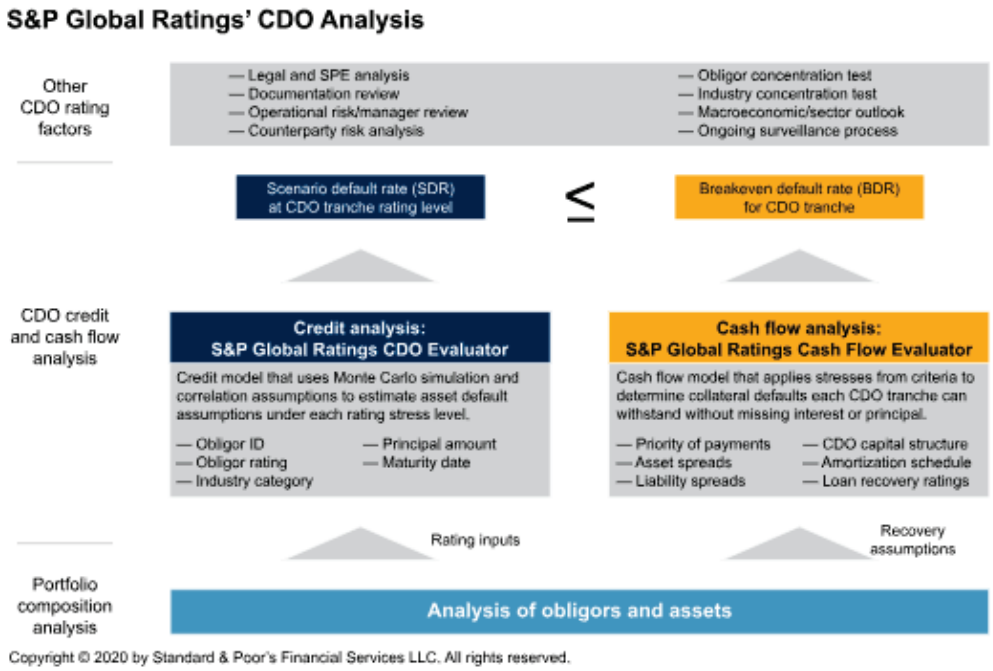
[50] *Id*. at p. 2.

[51] S&P, Global Methodology And Assumptions For CLOs And Corporate CDOs, June 21, 2019, available at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/11020014.

[52] *Ibid*.

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Figure 9. S&P CLO and Corporate CDO Rating Methodology



3.7. Although Fitch also utilizes value-at-risk measures in its CLO rating methodology, it analyzes the probability of exceeding a certain level of portfolio losses instead of breakeven default rates like S&P. In particular, Fitch uses CLO target default rates to determine the risk tolerance for each rating level. For example, to get an 'AAA' rating, the target default rate over one year is 0.01%, corresponding to a 99.99% confidence level. The target CLO default rate over one year for a 'BB' rating is 1.05%, corresponding to a confidence level of 98.95%.[53]

[53] Fitch Ratings, CLOs and Corporate CDOs Rating Criteria, March 30, 2023,

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3.8. The Proposed Methodology differs from the approaches of the big three rating agencies and relies on CDOnet for data input and cashflow modeling. Because of its reliance on CDOnet, the Proposed Methodology implicitly defaults to Moody's framework, assumptions (where applicable), and input data.[54] The Proposed Methodology does not explain why the regulatory capital charges should be primarily determined based on Moody's CLO modeling when other reputable and well-regarded rating agencies, such as S&P and Fitch, evaluate the credit risk of CLO notes based on different methodologies and assumptions. The methodological differences have potential implications on the credit risk assessment and, thereby, the associated capital charges. Studies have shown that CLO ratings can vary due to slight differences in parameter inputs or modeling.[55] Given the far-reaching implications, a systematic review of CLO model risks and their potential impact would be necessary to justify the selection of one rating agency's model over the models by other reputable rating agencies.

3.9. One important feature that is considered by the rating agencies but not by the Proposed Methodology is the impact of interest rates on CLO performance. The level and volatility of the interest rates impact cashflows. Even when both the debt and liabilities of a CLO are based on floating-rate indices, the levels and volatility of interest rates have a secondary impact on correlations, as well as default and recovery rates. Rating agencies consider interest rate volatility and account for different interest rate scenarios. Such an analysis is missing from the Proposed Methodology.

III.B. Evaluation of CLOs Requires Qualitative Assessments of Various CLO Risks and Not Only Algorithmic Modeling

3.10. The Proposed Methodology relies only on a prescribed set of algorithmic modeling, ignoring the issues of data and limitations of model simplifications. It also lacks important qualitative considerations that all three big three rating agencies incorporate in confirming the CLO credit ratings based on quantitative measurements (see **Table 3**). Specifically, rating agencies analyze qualitative factors of CLO deals to account for various known risk factors that cannot be possibly incorporated into quantitative models but are nevertheless essential determinants of CLO performance. To identify features or incentives that could result in significant differences in CLO performance from their quantitative modeling, rating agencies review all deal-related documents to evaluate factors that could affect CLO performance but are not captured in the quantitative modeling. These factors include risks associated with underwriter self-dealing, conflicting incentives between potential classes of buyers, the clarity and reach of local bankruptcy law, and CLO managers' ability to acquire certain types of assets or rules for trading.

[54] While the CDOnet software allows custom input data, many of its modeling assumptions follow Moody's methodology and with Moody's data as the default option.

[55] See, e.g., ESMA Report on Trends, Risks and Vulnerabilities, Model risk in CLOs, No. 2, 2020 and Leveraged loans, CLOs – trends and risks, No. 2, 2019.

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3.11. For example. Moody's states in its CLO rating methodology that: "[I]n addition to these quantitative assessments, our rating committees also consider other various qualitative and quantitative factors."[56] To take into account the "unique characteristics of each transaction," Moody's "review[s] numerous documents including, as applicable, the indenture, collateral management agreement, trust deed, swap agreements, and other agreements, as well as a number of legal opinions that law firms provide to the issuer and the arranger."[57] Moody's further states that:[58]

> *In our review of the CLO's documents and opinions, we seek to identify any features, ambiguities, or incentives that could result in the CLO performing in a manner that is not consistent with our rating analysis. Our rating analysis depends on the adequate understanding of the actual functioning of a CLO, as the legal documentation describes. If the documentation is vague or allows wide latitude for amendments that could change key attributes of the transaction, we may adopt a more conservative reading of the document to ensure that alternative interpretations do not render our analysis inadequate.*

3.12. S&P incorporates qualitative factors in assessing the credit risk of CLO tranches, including event risk and model risk that may be present in the transaction, any additional risks or risk mitigants specific to the transaction, a forward-looking view of the credit quality of the portfolio, and factors such as the collateral manager's ability to make trades that may lower these metrics. According to S&P, qualitative factors could result in adjustments to its quantitative modeling assumptions. Moreover, using qualitative tests in conjunction with modeling provides "a more robust analysis than using only simulation models."[59]

3.13. Similarly, Fitch states, "While the cash flow model analysis is an important consideration in determining the final rating, ratings are ultimately assigned by a Fitch rating committee that also considers other quantitative and qualitative factors."[60] In particular, Fitch lists 11 example conditions under which its rating committees may decide on a rating different from the model-implied rating, the highest rating at which the note passes all stress scenarios in the modeling.[61] In particular,[62]

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[56] Moody's, Moody's Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, p. 1.

[57] *Id*. at p. 2.

[58] *Id*. at p. 30.

[59] S&P, Global Methodology And Assumptions For CLOs And Corporate CDOs, July 21, 2023, available at: https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/11020014.

[60] Fitch Ratings, CLOs and Corporate CDOs Rating Criteria, March 30, 2023, at p. 17.

[61] *Id*. at pp. 3-4, 17. Examples where the committee can assign ratings that are different from model-implied ratings include: "The committee believes there is a significant likelihood that a rating action may be reversed in the near term due to potentially volatile performance."

[62] *Id*. at p. 24.

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> *Fitch's criteria are designed to be used with experienced analytical judgment exercised through a committee process. […] A rating committee may adjust the application of these criteria to reflect the risks of a specific transaction or entity […] where the risk, feature, or other factor relevant to the assignment of a rating and the methodology applied to it are both included within the scope of the criteria but where the analysis described in the criteria requires modification to address factors specific to the particular transaction or entity.*

3.14. It is worth noting that rating agencies' qualitative considerations also include loan covenants, which have been an important part of loan underwriting criteria. During periods of economic booms, underwriters may have relaxed their loan underwriting criteria, expanding "cov-lite" loans. The spread of cov-lite loans has often been cited as a factor in increasing the risk of bank loans and, consequently, CLOs. However, rating agencies evaluate the cov-lite loans as part of their rating analysis. Therefore, one cannot simply assume that increasing cov-lite loans means rating agencies' credit risk assessment is no longer reliable.

3.15. Because of the importance of these qualitative assessments, all three rating agencies assign their final CLO ratings through rating committees, which evaluate qualitative factors to confirm ratings derived from quantitative model tests. In other words, unlike the Proposed Methodology, none of the big three rating agencies assign CLO ratings by quantitative modeling alone, even though their modeling methodologies are substantially more complex and comprehensive compared with the Proposed Methodology.

III.C. Evaluation of CLOs Should Account for Active Management by CLO Managers

3.16. Unlike other securitized products, CLOs' collateralized loan pools are dynamic. CLO managers actively manage the portfolio of underlying loans throughout the life cycle of CLOs – including sourcing the underlying loans in the warehouse and ramp-up period, reinvesting during the 4-5 years reinvestment period and limiting the number of distressed loans in the collateral through trades and substitutions. This important role of managers enhances the operational risk as well affecting CLO liabilities across all levels. Rating agencies, therefore, consider the operational and risk management capabilities of the CLO managers in confirming the ratings based on quantitative analysis.

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3.17. Through active management, CLO managers may add significant value to CLOs. For example, CLO managers may avoid problematic industries or issuers when sourcing loans and reinvesting. Consistent with prudent active management, Griffin and Nickerson's (2023) study finds that "CLO managers repositioned their collateral pools to dampen the negative credit shock" when analyzing the performance of CLOs during the COVID-19 pandemic in 2020.[63]

3.18. CLO managers' ability to trade underlying loans in an active secondary market also enables them to take advantage of loan price volatility to make trading gains. To differentiate themselves, CLO managers must exercise prudent credit risk evaluation and trading decisions. The importance of CLO managers' ability to trade is demonstrated in the factors used to evaluate CLO managers. For example, the market has progressively adopted various quantitative criteria to evaluate CLO managers, including "weighted-average portfolio price," "below 70 price bucket," and "CCC bucket."[64]

3.19. In addition to the tests and other quantitative criteria designed to track the credit quality of a CLO, CLO managers also actively manage the risk by following their own set of rules, such as:

- Diversification rules at the industry level
- Diversification rules at the issuer level
- Rules on loan covenants and step-in rights
- Rules on leverage (LTM Debt/EBITDA)
- Rules on the magnitude of the EBITDA of issuers
- Rules on the percentage of loans that are illiquid[65]

3.20. Depending on CLO managers' style and investment philosophy, the amount of trading by individual CLO managers can differ substantially. To illustrate, **Figure 10** shows a broad spectrum of portfolio turnover rates (i.e., the rate at which the manager purchases and sells the underlying loans) across different CLO managers.[66] For example, CBAM and King Street have an average of approximately 36% turnover rates for 2022, while NY Life has a turnover rate of close to 0%. The drastic difference in portfolio turnover rates by CLO managers means that two otherwise identical CLOs may still perform differently because of the difference in CLO managers.

[63] Griffin and Nickerson, "Are CLO Collateral and Tranche Ratings Disconnected?" The Review of Financial Studies 36 (2023), 2319-2360.

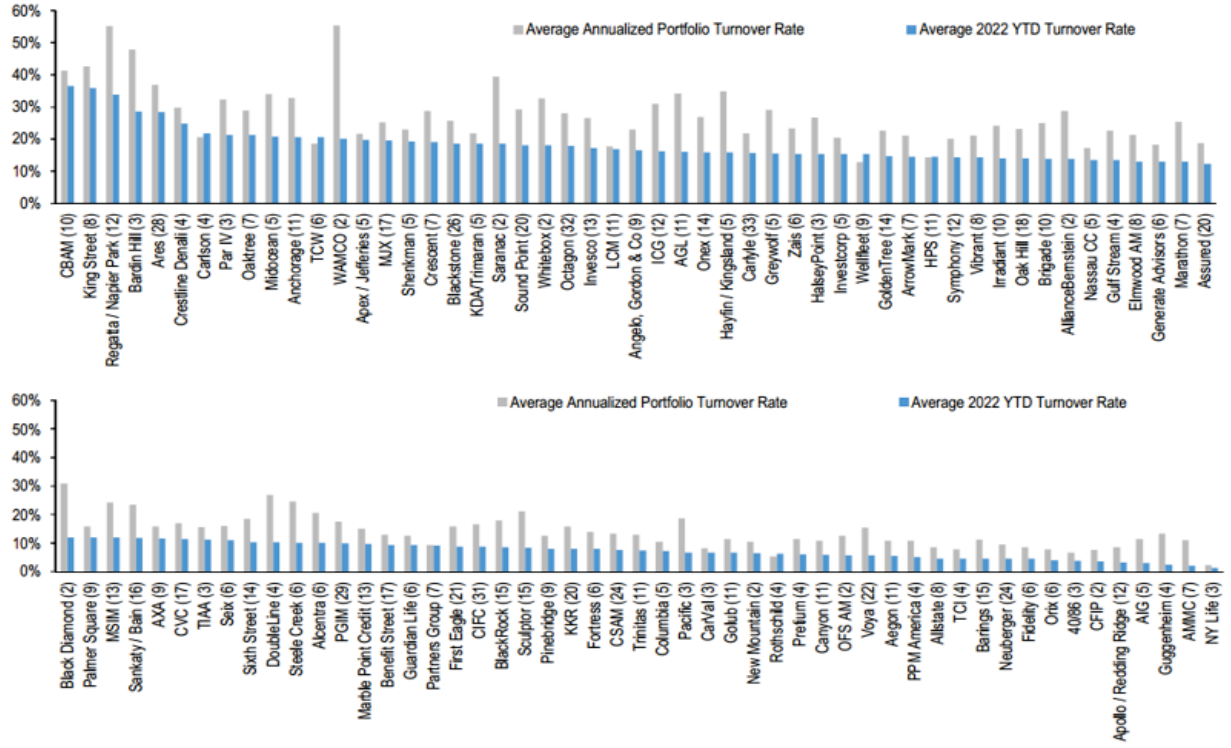
[64] Other quantitative factors include weighted-average spread, weighted-average rating factor, Moody's diversity score, median leverage, over-collateralization cushion, lowest 2nd liens, median equity NAV, median BB MVOC, average bid depth, price-adjusted par build, and notional par build. See Wells Fargo Securities | The US CLO Manager Style Guide: March 2023. Note that "below 70 price" is sometimes substituted by "below 80 price" criteria.

[65] This metric can be measured by the number of dealers quoting a loan.

[66] J.P. Morgan Global Credit Research, Plugging Loan Liquidity, Sep 20, 2022

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Figure 10. Average US CLO Manager 2022YTD Sales Turnover Rate vs. Average Annualized Sales Turnover Rate since Dear First Pay Date



Source: J.P. Morgan, INTEX. Based on 1,030 US 2.0 CLO portfolios (excluding MM, Static, and Enhanced CLOs) with a first pay date prior to January 1st, 2022 and in reinvestment period as of September 28th, 2022, and a deal factor >=95%. Excludes managers with only 1 CLO in the sample. Based on trades available as of September 26th, 2022 (reporting date may vary).

3.21. The amount of discretion afforded to CLO managers' active management is further demonstrated in **Table 4** below, which shows the 25th percentile, median, and 75th percentile of CLO performance measures by CLO managers.[67] For example, for the weighted average rating factor ("WARF"),[68] the CLO manager ranked at the 25th percentile has a WARF of 2895 for its managed CLOs, while the CLO manager ranked at the 75th percentile has a WARF of 2768. The percent of second liens in the underlying portfolios is 1.2% for the 25th percentile ranked CLO manager, and 0.4% for the 75th percentile ranked CLO manager. The ranges of these performance measures show that CLO managers have substantial discretion on the underlying loan composition, which in turn affects the risk associated with CLO notes. In other words, even for CLOs with the same performance parameters outlined in the indentures, their risk profile can differ substantially depending on the discretion of their CLO managers.

[67] Data from Intex as of March 30, 2023.

[68] WARF is an aggregate measure of the credit ratings of the underlying loan portfolio. A higher credit rating maps to a lower rating factor, and a lower credit rating maps to a higher rating factor.

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Table 4. The 25th Pct, Median, and 75th Pct of CLO Manager Performance Measures

Manager	Weighted Avg. Spread ("WAS")	Weighted Avg. Rating Factor ("WARF")	Moody's Diversity Score	CLO Structure Leverage	Minimum OC	% Moody's Caa Holdings	% S&P's CCC Ratings	% of 2nd Liens
Manager 25th Pct.	352	2895	77	10.3	413	4.7	5.6	1.2
Manager Median	357	2825	82	10.6	468	3.9	4.6	1.0
Manager 75th Pct.	365	2768	86	11.0	513	3.4	3.8	0.4

3.22. Because the capacity and effectiveness of CLO managers can influence the performance of CLOs, rating agencies evaluate CLO managers when assessing CLO notes' credit profiles to confirm credit ratings implied by quantitative factors. For example, Moody's states in its CLO rating methodology that:[69]

> *Given the manager's important role and potential impact on CLO performance, we assess in our rating analysis the manager's ability to manage the CLO. […] We base our assessment on a number of factors […]. These factors include the performance of the manager's existing transactions and information we gather from our operations review of the manager. This assessment is part of our qualitative analysis and sometimes leads us to adjust our quantitative analysis to appropriately capture our expectations for the manager's performance.*

3.23. Similarly, Fitch states that in analyzing the credit risk of CLO tranches, it assesses the CLO manager's operational capability, reviewing, among other areas, the manager's organization, portfolio management, and loan investment process, procedures, and controls. The importance of CLO managers is further evidenced by Fitch's publishing of the CLO Asset Manager Handbook each year beginning in 2012. Fitch's annual handbook provides key manager facts and attributes of more than one hundred CLO managers to "provide investors a consistent framework for evaluating and comparing operational capabilities and resources across the active CLO manager universe."[70]

[69] Moody's, Moody's Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, pp. 30-31. Moody's further states that: "Our operations review of the manager includes a discussion about a range of topics, including the amount of corporate assets under management, its overall credit strategy, its credit decision process, and its performance relative to objective benchmarks, as well as unusual transaction features and the performance of the manager's existing CLO transactions. In addition, we discuss the manager's history, organization, staffing, policies and internal controls, systems, software, and business continuity plans. We also seek information related to any audits or regulatory investigations of the manager, such as whether any irregularities were discovered."

[70] See, e.g., CLO Asset Manager Handbook 12th Edition, Fitch Ratings, April 2023, available at https://www.fitchratings.com/research/structured-finance/clo-asset-manager-handbook-april-2023-26-04-2023.

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3.24. Despite the importance of CLO managers and how this market functions, NAIC's proposed methodology does not account for the active management of CLOs and effectively assumes that CLO managers play no role.[71] NAIC states that one of its reasons for not taking manager choice into consideration when assessing the risk of CLOs is that "manager trading choices may be a zero-sum game for the CLO market as a whole." However, insurers will be charged based on the CLO notes they own as opposed to some sort of market average. Therefore, even if the performance of CLO managers ends up having, on average, a zero impact on the performance of CLOs across the market, it does not mean that the performance of specific CLOs held by a particular insurer is not influenced by CLO managers.

III.D. Proposed Modeling of Underlying Loan Portfolio

III.D.1. Default and Recovery Rate of Underlying Loans Based on Ratings Assigned by Rating Agencies

3.25. To model the default and recovery rates of CLOs' underlying loans, the Proposed Methodology adopts the issuer ratings of the loans from rating agencies,[72] specifically the ratings from Moody's. The use of issuer rating is listed as one of the longer-term issues: "Most of the deals we have modeled have Moody's Issuer rating populated and, as a result, we did not have to make any changes. We have learned through this process that this is not the case for other platforms […] We will work on an arrangement where the mapping of the loan ratings is consistent and transparent."[73] The Proposed Methodology does not specify the modeling assumption for loans that are not rated.[74]

[71] NAIC states that: "We did not model manager choices due to the difficulty of the task. We may revisit this assumption in the future." See Appendix of NAIC SSG CLO Stress Testing Methodology, dated November 2022.

[72] NAIC, CLO Exposure Methodology, dated July 19, 2023, p. 2. If issuer rating is not available from rating agencies, the Proposed Methodology uses an issue rating from rating agencies with adjustment by loan type, or NAIC Designation Category. The Proposed Methodology further assumes that a loan is "partially default until its maturity" based on the rating of the loan, and the principal is recovered six months after default.

[73] NAIC, CLO Exposure Methodology, dated July 19, 2023, p. 1.

[74] Additional issues include the rating distinctions between issuer, issue, and corporate financial rating ("CFR"), as well as the treatments of the "PR" or "WR" ratings.

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3.26. As an initial matter, the reliance on rating agencies' issuer ratings is inconsistent with NAIC's proposal to replace rating agencies' CLO tranches' ratings. Credit ratings of the underlying loan collateral are one of the most important inputs to the CLO modeling, as they determine the default and recovery rate of the underlying loans and, thereby, the total amount of cash flows received by the CLO structures. The Proposed Methodology suggests that although rating agencies' issuer ratings are trustworthy, their ratings of CLO tranches are not. The Proposed Methodology does not take issues with rating agencies' CLO rating methodology, but simply asserts that rating agencies' CLO tranches' ratings are unreliable because, based on those ratings, the risk-based capital is lower than that of 'B' rated corporate loans. This analogy oversimplifies the CLO structures and tranches and fails to account for CLOs' credit enhancements (as discussed in **Section II.B** above), which contributed to CLOs' persistently low default rate even during the Great Financial Crisis.

3.27. Some market analysts argue that CLOs benefit from what they term "regulatory risk arbitrage" because CLO structuring transforms a pool of lower-rated loans into a set of various rated and unrated notes, including 'AAA' rated notes. The so-called "regulatory risk arbitrage" is a misnomer. The criteria used to rate CLO liabilities is no different than the criteria used to rate underlying loans; they both depend on expected default or loss rates. CLO structuring does not change the risk of the underlying loans but actively pushes the risk down the structure, distributing it first to the equity tranche and later to the tranches at the bottom of the structure. This hierarchical loss allocation is done not by just CLOs, but also all other structured products, including ABS, CMBS, and CDOs. In addition to the reverse sequential allocation of losses, CLOs incorporate mechanisms like excess spread and internal rules that, upon being triggered, divert cash flows toward higher-rated tranches to maintain buffers. Additionally, CLOs risk is dynamically managed by to keep the risk profile of the collateral limited through active trading and reinvestment. All these mechanisms contribute to the performance difference between structured products and direct loan ownership.

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3.28. The major rating agencies have different methodologies to map their criteria into ratings and may assign different ratings for the same issuers or debt issues. To illustrate this phenomenon, **Table 5** below compares the long-term issuer ratings by S&P and Moody's in 2018.[75] The figures in the main diagonal correspond to the number of companies evaluated to have the same credit ratings by S&P and Moody's. The green figures show the number of issuers that received higher S&P ratings relative to Moody's ratings, while the red figures show the opposite. **Table 5** shows that only 406 (or 52.2%) of the 788 companies analyzed received the exact credit ratings from both S&P and Moody's. Furthermore, Moody's tends to provide lower ratings than S&P. For example, of the 118 companies that received a 'BBB+' rating from S&P, 42 were rated one notch lower, two were rated two notches lower, and one was rated as 'Ba' by Moody's. Only 14 of these 118 companies received one notch higher rating from Moody's. Of the 788 companies analyzed, 245 received Moody's ratings lower than S&P's ratings, while 127 received S&P ratings lower than Moody's.[76]

3.29. Despite the known discrepancies between the ratings from different rating agencies, the Proposed Methodology has not explained why Moody's loan issuer ratings should be prioritized over those of other rating agencies (e.g., S&P and Fitch). It also has not explained the treatment when the issuer ratings for underlying loans differ across different rating agencies.

[75] Caridad, L., Núñez-Tabales, J., Seda, P., & Arencibia, O., Do Moody's and S&P Firm's Ratings Differ? Economics and Sociology, 2020, 13(4), 173-186. doi:10.14254/2071-789X.2020/13-4/11.

[76] It is noteworthy that given rating agencies' different rating methodologies, it is natural to observe rating agencies issuing different ratings for the same entity or issues. However, it is standard market practice to treat the alphanumeric rating levels across different rating agencies to be equivalent and substitutable.

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Table 5. Comparison of Long-Term Issuer Ratings by S&P and Moody's

The figures in the main diagonal (bold font) correspond to the number of companies evaluated to have the same level of credit risk by S&P and Moody's. The figures in green show the number of issuers that received higher S&P ratings relative to Moody's ratings, while the figures in red show the number of issuers that received higher Moody's ratings relative to S&P's ratings.

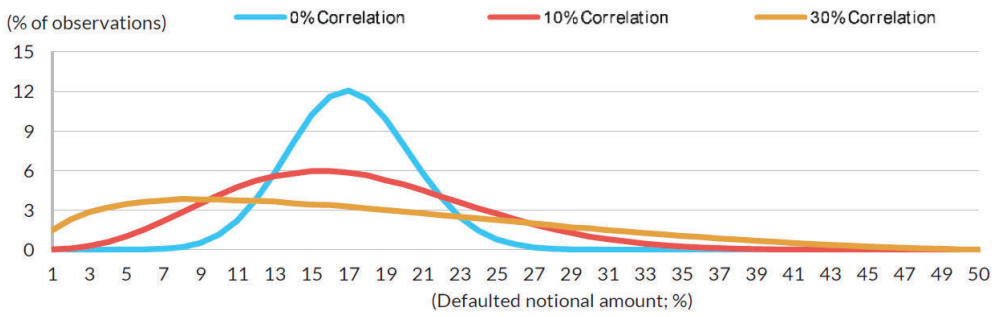
		Moody's																				
2018		Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	Total
S&P	AAA	**3**																				3
	AA+		**1**	1																		2
	AA			**3**	2	2																7
	AA-			1	**6**	8	2	1														18
	A+				2	**20**	9	3	1													35
	A					3	**30**	10	3													46
	A-					2	9	**34**	27	6												78
	BBB+							14	**59**	42	2	1										118
	BBB							1	22	**86**	32	3										144
	BBB-								1	18	**51**	11	2									83
	BB+										5	**26**	23	1								55
	BB										1	9	**23**	18	5							56
	BB-											1	10	**18**	12	2						43
	B+												5	5	**11**	4	1					26
	B													2	5	**15**	8					30
	B-															3	**11**	2				16
	CCC+															1	2	**5**				8
	CCC																	2	1		1	4
	CCC-																		2	0		2
	D																	1			3	4
Total		3	1	5	10	35	50	63	113	152	91	51	63	44	33	25	22	10	3	0	4	778

III.D.2. Correlation

3.30. One of the crucial assumptions in modeling the underlying loan portfolio is the correlation of the loan defaults, i.e., how likely defaults co-occur among the loans in the CLO's underlying portfolio. A higher default correlation likely raises the total loss in the portfolio, which in turn impacts the cash flows to various CLO tranches. **Figure 11** below shows the correlation effect on the underlying loan portfolio default distribution presented in Fitch's CLO rating methodology. As this figure shows, increasing default correlation flattens the default distribution curve, so the likelihood of the extreme loss "right tail" increases substantially.

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Figure 11. Impact of Correlation Assumption on Default Distribution



Source: Fitch Ratings

3.31. The Proposed Methodology, however, does not explicitly model portfolio correlation and simply states that the more advanced correlation modeling is "beyond the scope of this project and may overfit the data available to us."[77] This comment about loan default correlation being "beyond the scope" is perplexing, as how likely defaults co-occurring among the loans is commonly recognized as one of the most important factors that resulted in the defaults of the 'AAA' rated mortgage-backed structured products during the Great Financial Crisis. Default correlation is also the focus of other regulators in analyzing the risk of CLOs.[78] The Proposed Methodology, therefore, has thus far failed to clarify the reason for not including default correlation modeling or its statement that modeling default correlation could have "overfit the data.".[79]

[77] In the NAIC SSG CLO Stress Testing Methodology document dated November 2022, NAIC states: "We did not explicitly model portfolio correlations. Each CLO has a unique portfolio which can be diversified across a number of underlying industries. We believe that more advanced correlation modeling is beyond the scope of this project and may overfit the data available to us."

[78] See, e.g., ESMA Report on Trends, Risks and Vulnerabilities, Model Risk in CLOs, No. 2, 2020.

[79] We note that the October 5 Presentation suggests that it may take into account loan default correlation in its scenario analysis, stating that "For a pool of corporate credits, the distribution has a mean based on the historical default mean and a distribution shaped by correlation." (See p. 2.) However, the Presentation provides no explanation of how it proposes to model default correlation. Moreover, the October 5 Presentation also states that the proposed methodology calculates the "sum of RBC [risk-based capital] on collateral plus threshold term." A simple sum of the collateral pool risk-based capital effectively assumes that loans are defaulted simultaneously (effectively 100% correlation of defaults) and thereby does not account for the credit risk reduction in the loan pool through diversification. The October 5 Presentation's discussion on the proposed methodology of the loan default correlation is therefore ambiguous at best or inconsistent with the preceding statements. (See p. 7.)

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3.32. Given the importance of default correlation in assessing the risk of CLO notes, all the big three rating agencies devote a long description of the default correlation assumption in their rating methodologies. Specifically, Moody's models the default correlation based on the Binomial Expansion Technique ("BET").[80] Fundamentally, BET models the underlying loan portfolio using a hypothetical portfolio of uncorrelated loans with the identical and independent stochastic distribution of default rates as the actual portfolio. Moreover, loans in the hypothetical portfolio are assumed to have equal weight, such that the number of loans in the hypothetical portfolio implicitly captures the default correlation of the actual loan portfolio. The number of loans in the hypothetical portfolio is called the "diversity score." The higher the diversity score, the lower the default correlation, meaning there is a lower likelihood of extreme losses (i.e., a narrower right tail of the default distribution). In general, the diversity score is higher when the number of assets in the portfolio is higher, the assets in the portfolio are more widely distributed across industries, or the par amounts of the assets in the portfolio are more evenly distributed. In short, Moody's uses the diversity score to build a hypothetical portfolio of uncorrelated and homogeneous loans that will mimic the default behavior of the original loan portfolio.[81] The calculation of the diversity score imposes implicit assumptions on the default correlations of the underlying loan portfolio, such as the correlation of default rates for loans in different industries.

3.33. In contrast, S&P and Fitch assume that defaults of the underlying loans follow the "Gaussian copula."[82] Generally speaking, a copula is a statistical method that separates the marginal distributions of a set of jointly distributed random variables from the dependency structure of a given multivariate distribution. The Gaussian copula is the copula of multivariate normal distributions. Using the Monte Carlo simulation technique, the Gaussian copula model estimates the distributions of defaults and losses for the underlying loan portfolio. Specifically, the Gaussian copula model simulates the performance of the underlying loan portfolio using information about the portfolio composition, individual loans' default and recovery rates, and correlation among loan defaults. The distribution of possible portfolio performance is created by repeating this simulation a substantially large number of times with varying model inputs.

[80] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, p. 7.

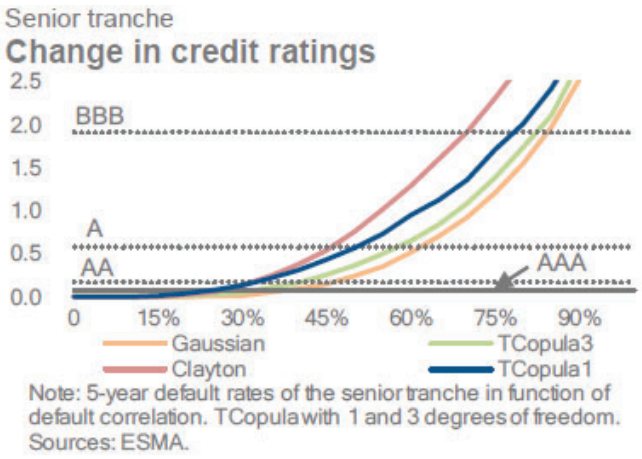
[81] According to Moody's, The portfolio's diversity score is calculated based on the number of assets and the par value of each asset in the underlying portfolio, and intends to present the number of independent, identical assets in the original underlying loan portfolio. *Ibid*.

[82] Fitch Ratings, CLOs and Corporate CDOs Rating Criteria, March 30, 2023, p. 2. S&P, User Guide for the CLO Community, p. 14, available at https://www.spglobal.com/ratings/es/products/easset_upload_file37542_2781690_e.pdf.

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3.34. The Gaussian copula model provides the advantage of analytical tractability. However, it assumes a constant loan default correlation across all market conditions, so the likelihood of loans defaulting together remains unchanged in distressed markets as in normal times. Other copula models, such as the Student copula (or T copula) and Clayton copula, integrate more complex structures that account for the possibility of large simultaneous loan defaults during periods of market stress. For example, a 2020 European Securities and Markets Authority ("ESMA") report analyzes the impact of different copula models on the default rates of a hypothetical senior CLO tranche and finds that for a given level of correlation, the Gaussian copula generates the lowest default rates and thereby the highest credit rating.[83] As **Figure 12** shows, for a correlation of 60%, the Gaussian copula results in a tranche default rate of less than 0.5%, the Student T copula results in a default rate of 0.5-1%, and the Clayton copula results in a default rate between 1-1.5%. Conversely, to obtain an 'A' rating with a Gaussian copula model, the default correlation can be as high as 60%. For the Student and Clayton copula models, however, the default correlation has to be lower than 45-50% for the tranche to have a sufficiently low default rate that qualifies for an 'A' rating.

Figure 12. Impact of Default Correlation Modeling on the 5-Year Default Rates of CLO Tranches



3.35. Although default correlation is a critical determinant in CLO credit risk, the Proposed Methodology does not clarify how it plans to model default correlation, if at all, nor does it specify inputs to use under different stress scenarios. The lack of information on correlation modeling renders the Proposed Methodology critically incomplete and significantly undermines market participants' ability to assess the reasonableness of its proposed CLO modeling.

[83] ESMA is European Union's financial markets regulator and supervisor (https://www.esma.europa.eu/about-esma). See ESMA Report on Trends, Risks and Vulnerabilities, Leveraged Loans, CLOs – Trends and Risks, No. 2, 2019.

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III.E. Proposed Cash Flow Assumptions

3.36. The output of the underlying loan portfolio model (based on inputs of individual loans, including default rates, expected recoveries, and default correlation) informs how the portfolio as a whole might perform. A cash flow model then takes the distribution of possible portfolio outcomes to evaluate the cash flow received by each CLO tranche. In modeling the cash flows to the CLO deals, the Proposed Methodology makes the following crucial assumptions: (i) no prepayment of underlying loans and (ii) reinvestment collateral is purchased at par (i.e., no purchase price discount).[84] It reiterates the no prepayment and no purchase price discount assumptions on the July 14, 2023 update, stating, "NAIC staff has decided not to implement voluntary prepayment and discount purchase assumptions in our modeling framework." According to NAIC, it reaches this decision because "any benefit" of implementing different assumptions is "outweighed by the added uncertainty and cash flow volatility which would be required."[85]

3.37. As detailed in this subsection, the no prepayment and no purchase price discount assumptions above contradict empirical evidence and industry practice. Moreover, contrary to NAIC's claims, rating agencies explicitly consider prepayment and purchase price discounts in their CLO modeling. These assumptions in the Proposed Methodology can significantly alter the risk profile of CLO tranches, resulting in a distorted assessment of the credit risk and the corresponding capital charges.

[84] See NAIC CLO Exposure Methodology, dated July 19, 2023. The Proposed Methodology also includes the following cash flow assumptions: (i) interest rates and proceeds, (ii) non-defaulting portions of each loan mature based on the legal maturity, (iii) reinvestment timing and rating, and (iv) event timing. Additionally, because the Proposed Methodology relies on Moody's Analytics CDOnet software platform, NAIC effectively adopts Moody's cash flow model of each CLO deal.

[85] NAIC, CLO Methodology Update, July 14, 2023. Additional modeling assumptions of the Proposed Methodology include: (i) (no post-reinvestment period reinvestment, (ii) reinvestment occurs before payment date, (iii) reinvestment has a rating equal to the transaction's weighted average rating factor (WARF), (iv) reinvestment tracked per reinvestment bucket, and (v) collateral defaults on its interest payment date (prior to paying interest or principal). Rating agencies' methodologies can also differ from the Proposed Methodology in these assumptions. For example, Moody's states: "Defaults can occur at any point during a CLO payment period. Depending on the type of default (bankruptcy filing vs. payment default), interest might or might not be paid prior to the default. For modeling purposes, we assume that defaults that occur during a CLO's payment period take place midway through the period. Thus, the CLO will have collected half the interest payable on defaulted securities." (See Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, at p. 11)

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III.E.1. Zero Prepayment of Underlying Loans

3.38. The Proposed Methodology's zero prepayments assumption contradicts real-world evidence. Leveraged loans prepay for many reasons, including refinancings, acquisitions, carve-out or asset sales, or reorganizations. The proposed zero prepayment rate essentially assumes that all borrowers are cash-strapped, so there is zero refinancing under any market conditions. The proposed zero prepayment rate also contradicts the mandatory prepayment provision standard for leveraged loans. As S&P explains: "Leveraged loans usually require a borrower to prepay with proceeds of excess cash flow, asset sales, debt issuance, or equity issuance." Mandatory prepayments are only waived "if the issuer meets a present financial hurdle."[86]

3.39. As **Figure 13** below shows, from December 2001 to 2022, prepayment rates of leveraged loans range between approximately 10% to over 60%.[87] Even at the lowest point during the Great Financial Crisis of 2007-2009, the 12-month average leveraged loan prepayment rate was close to 10%. During the COVID-19 pandemic, the prepayment rate was approximately 20%. During the past two decades since 2001, there was no 0% prepayment rate for leveraged loans. In contrast, the prepayment rate exceeded 50% in 2004 and 2005. The substantial prepayment is consistent with the observation that CLOs are typically issued with a legal maturity of 12-13 years, but with a substantially shorter weighted average life of 6-10 years.[88]

Figure 13. US Leveraged Loan Trailing 12-Month Prepayment Rate



[86] Leveraged Commentary & Data (LCD): Leveraged Loan Primer ("LCD Loan Primer"), S&P Global Market Intelligence, p. 11. Available at: https://www.lcdcomps.com/d/pdf/LCD%20Loan%20Primer.pdf

[87] Attachment C-5, February 21, 2023, VOSTF Materials, p. 10. Source: S&P LCD Leveraged Loan Prepayment Rates based on monthly data from 2001-October 2022.

[88] PineBridge Investments, Seeing Beyond the Complexity: An Introduction to Collateralized Loan Obligations, January 2022, p. 13.

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3.40. Prepayments do not directly lead to credit losses, but they impact CLO tranches in various ways, most importantly changing their life/duration. The effect of prepayments on the credit risk of tranches can be positive or negative, depending on a set of interacting factors such as the amount of premium and discount priced loans in the portfolio, the correlation between enhanced credit risk and ability to prepay of loan borrowers, cushions and trigger levels of the CLO. For these reasons, CLO investors and rating agencies evaluate the performance of CLO notes under a variety of prepayment assumptions and scenarios chosen to be consistent with the CLO collateral and prevailing rates and financing environments, rather than a single, pre-determined prepayment rate assumption.

3.41. NAIC states that its review of rating agencies' methodologies relating to the amortization and purchase price discount assumptions shows only a few references to such discussions.[89] According to NAIC, to the extent such assumptions apply, rating agencies also "err on the conservative side of assumption setting – with fixed amortization schedules and no discount purchase par building."[90] While rating agencies usually do not model prepayments during the reinvestment period and have an amortization curve that starts after the end of the reinvestment period, their methodology documents nevertheless discuss how prepayments are taken into account in their assessment.

3.42. For example, S&P and Moody's follow a fixed amortization schedule over the loan portfolio's weighted average life ("WAL"), which reflects loan prepayment and default.[91] S&P describes its "amortization curves" as based on historical amortization profile:[92]

> *Based on our observations of the historical amortization profile, we have therefore derived standardized amortization curves that we use in our cash flow analysis for portfolios with a weighted-average maturity ranging from four to seven years.*

[89] NAIC, CLO Methodology Update, dated July 14, 2023, p. 4. NAIC summarizes its review of five rating agencies, including S&P, Moody's, Fitch, DBRS, and KBRA.

[90] NAIC, CLO Methodology Update, dated July 14, 2023, p. 2. NAIC further states that "This comports to the recollection of NAIC staff who worked on CLOs in their former jobs at CRPs (Moody's and S&P)." To support its assumption of no prepayment, NAIC quotes the following text from Moody's methodology: "We typically do not model amortization during the reinvestment period on the assumption that the manager will reinvest all amortization proceeds it receives during the reinvestment period in assets that mature after the reinvestment period." (See Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, p. 10.) However, although this statement discusses Moody's typical assumption during the reinvestment period – because any prepayment would have been reinvested – it cannot be generalized as an unconditional assumption of no prepayment during the entire life of CLOs.

[91] See, e.g., S&P, Global Methodology and Assumptions for CLOs and Corporate CDOs, October 14, 2022. At 12: "We would then use this portfolio's weighted-average maturity, adjusted as per the paragraph above as appropriate, for those aspects of the criteria that refer to the portfolio's weighted-average maturity, for example, to determine the default patterns and the pool's modeled amortization profile." At 27: "Based on our observations of the historical amortization profile, we have therefore derived standardized amortization curves that we use in our cash flow analysis for portfolios with a weighted-average maturity ranging from four to seven years. We will typically apply these curves such that the weighted-average maturity using this amortization profile will be as close as possible to the portfolio's weighted-average maturity that was determined to assess credit risk using the CDO Evaluator." Available at: https://www.spglobal.com/ratings/en/research/articles/190621-guidance-criteria-structured-finance-cdos-global-methodology-and-assumptions-for-clos-and-corporate-cdos-11005168.

[92] S&P, Global Methodology And Assumptions For CLOs And Corporate CDOs, July 21, 2023, at 27, available at: https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/11020014.

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3.43. Although Moody's states that in calculating the WAL, "the lives of the individual assets are based on scheduled principal payments, without any assumptions regarding prepayments," it clarifies that there are exceptions to this assumption:[93]

> *If a CLO relies on the exercise date of a put option associated with a given asset to determine the asset's contribution to the CLO's WAL calculation or its compliance with the CLO's limits on long-dated assets, we would consider in our analysis the risks associated with the reliance on such date, rather than on the asset's scheduled maturity date.*

3.44. Moody's further clarifies that for long-dated assets, expected prepayments are taken into account:[94]

> *For example, **we may consider the expected prepayment rates of such long-dated assets** and the manager's track record and strategy concerning such assets. We may also consider the flexibility that the CLO structure affords the manager to participate in loan amendments that extend maturities.*

3.45. Additionally, Fitch's CLO rating methodology explains that it considers prepayments in its cash flow modeling:[95]

> *When conducting cash flow analysis, Fitch's cash flow model first **projects the portfolio scheduled amortisation proceeds and any prepayments for each reporting period** of the transaction life assuming no defaults and no voluntary terminations, when applicable. In each rating stress scenario, these scheduled amortisation proceeds and prepayments are then reduced by a scale factor equivalent to the overall percentage of loans that are not assumed to default or to be voluntarily terminated, when applicable.*

3.46. Fitch further states that it expects near-term prepayments can counter credit deterioration and should be taken into account in assessing the credit risk of CLOs:[96]

> *The committee expects near-term **asset pre-payments** to counter credit deterioration, maintaining the rating above the MIR. The committee would base the rating decision on sensitivity analysis that incorporates, for example, **historically observed pre-payment spikes**.*

[93] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, pp. 3-4 and FN 8.

[94] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, p. 34.

[95] Fitch Ratings, CLOs and Corporate CDOs Rating Criteria, p. 18. Emphasis added.

[96] Fitch Ratings, CLOs and Corporate CDOs Rating Criteria, March 30, 2023, at p. 4. Emphasis added.

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3.47. In addition to considerations regarding prepayments, rating agencies also evaluate the possibility of a CLO reset, which is a reissue of CLO debt with a longer reinvestment period and new debt structures. Reset increases the risk to CLO investors as it could lead to a reduction in returns and even in credit ratings of CLO notes depending on the economics of the prepaid loans. The evaluation of reset risk is not part of the proposed algorithmic CLO modeling analysis.

III.E.2. Zero Purchase Price Discount

3.48. The proposed zero purchase discount assumption contradicts real-world practice or empirical observation. As we explained above, the active management of CLOs is a critical feature that reduces credit risk and improves performance. A primary focus of CLO managers is to acquire loans with good credit risk at a discount using the cash received from loan repayments, a strategy commonly referred to as "par build." Par build aims to improve the over-collateralization ("O/C") ratios, thereby enhancing the credit support for tranches. One effective method for building par is to acquire loans with suitable credit quality at discounted prices, using the cash received from loan repayments. As King Street states: "[C]onsistent par build has allowed us to offset potential future credit losses and defaults, and provides increased flexibility and structural cushion to navigate through credit cycles" and "strong par build is also key in enhancing CLO debt credit enhancement levels to provide downside protection to CLO debt investors."[97] Ares Capital Management, who managed one of the test CLO deals identified by NAIC, similarly states:[98]

> *Investors and CLO trading desks spend a lot of time and effort focused on relative subordination levels among CLO tranches. Trading spreads tend to reflect these judgments. Accordingly, a trend toward par erosion or par creation can have a material impact on tranche liquidity and relative value.*

3.49. The Proposed Methodology's zero purchase discount assumption means that CLO managers always purchase underlying loans at a 100% purchase price, which directly contradicts market practice and underestimates the significant impact of reinvestments on the portfolio by acquiring discounted loans.

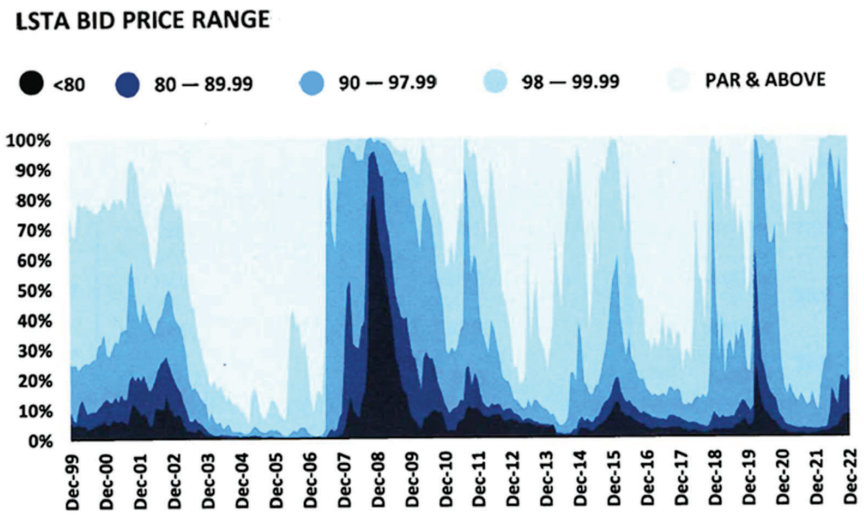
[97] King Street, CLO Presentation, May 2023.

[98] Ashton, Keith, Ares Capital Management, "Investing in CLOs", 2020 Spring/Summer. Available at https://www.aresmgmt.com/sites/default/files/2020-06/Ares_Investing%20in%20CLOs%20White%20Paper_2020_0.pdf

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3.50. **Figure 14** below shows the bid price range of the 100 constituent loans underlying the S&P/LSTA Leveraged Loan index — an index commonly used by market participants to track the performance of leveraged loans — from 1999 to 2022.[99] The darkest blue region denotes the percentage bid prices below $80, and the lightest blue area denotes the percentage bid prices at par. As this figure shows, over the 23 years from December 1999 to December 2022, there is no instance when bid prices are only at par. There is always a percentage of bid prices below par, including those substantially below par. **Figure 14** also shows that during periods of market stress, such as during the Great Financial Crisis in 2008-2009 and the COVID-19 pandemic of 2020, more loans were purchased at less than 80% of par. This suggests that the purchase price discount assumption can become more critical when evaluating CLO performance in a highly stressed market.

Figure 14. Bid Price of Constituent Loans Underlying LSTA US Leveraged Loan 100 Index



3.51. In its July 14, 2023 updated discount purchase methodology analysis, NAIC claims that: "In addition, our review of credit rating providers (CRP) methodologies has shown that they do not assume any par-building discount purchases."[100] It also states that purchase price discounts are "not found" in S&P's and Moody's rating methodologies and, based on that, suggests the assumption of zero purchase price discount is reasonable.

[99] CLO Management, Bain Capital Credit, Q4 2022, p. 46.

[100] NAIC, CLO Methodology Update, dated July 14, 2023, p. 34.

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3.52. Purchase discount is considered a form of credit enhancement and has implications for credit risk. CLO indentures often have specific rules for treating discounted purchases in over-collateralization ("OC") tests. S&P and Moody's explain that CLOs permit managers to purchase loans at a discounted price (i.e., below par) and describe their specific treatment for the loans purchased at a "deep discount." For example, S&P states that "most [CLO] transactions permit some portion of the collateral pool to be purchased at significant discounts from par," and S&P may adjust its modeling to reflect the potential risk associated with these deeply discounted assets (e.g., below 80% of par).[101] In discussing par maintenance, S&P also discusses that the par amount could be improved:[102]

> *After the reinvestment period, if the collateral manager chooses to reinvest rather than pay down the notes, we generally expect proceeds from credit-improved sales and unscheduled amortizations to be reinvested such that the* ***new asset par amount after reinvestment is maintained or improved****.*

3.53. Regarding purchase price discount, Moody's states, "If a CLO's indenture does not adequately address the risks associated with deep discount obligation substitution, we may model the CLO as if the OC tests were not present."[103] Furthermore, when discussing its weighted average spread ("WAS") treatment for underlying loans with deep discounts, Moody's states:[104]

> *Some CLOs permit adjustments to the calculation of WAS when testing for compliance with the WAS covenant.* ***Such adjustments may occur based on the purchase of a given asset at a price below par.*** *CLOs that permit the manager to determine the contribution of an asset's spread to the WAS calculation by dividing the nominal spread by the purchase price can substantially overstate the portfolio's WAS. However, such CLOs typically incorporate several features to mitigate the risk of such treatment, including carrying the asset at its purchase price in the OC tests.* ***If the manager has the ability to apply such treatment to assets that are deep discount obligations*** *or if the typical restrictions noted above are absent, we may adjust our modeling analysis to use a portfolio WAS assumption that is lower than the WAS covenant.*

[101] S&P, Global Methodology And Assumptions For CLOs And Corporate CDOs, July 21, 2023, at 123, available at: https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/11020014.

[102] S&P, Global Methodology And Assumptions For CLOs And Corporate CDOs, July 21, 2023, at 73, available at: https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/11020014.

[103] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, p. 18.

[104] Moody's, Global Approach to Rating Collateralized Loan Obligations, December 21, 2021, pp. 17, 23. Emphasis added.

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IV. Stress Test Scenarios

IV.A. The Proposed Stress Test Methodology Lacks Critical Information

4.1. To evaluate the credit risk of the CLO notes, three stress test scenarios (A, B, and C) are proposed with varied default rate and recovery rate assumptions for the underlying collateral loans and their corresponding issuer rating from rating agencies.[105] In particular, Scenario A assumes that the default rate of the underlying loans follows the average historical default rate for the given issuer rating, and the recovery rate follows the historical recovery rate by loan type (senior secured loan, second lien loan, senior unsecured bond, and others). Scenario B makes the same historical default rate assumption but "steps down" the corresponding loan priority in mapping the recovery rate. Scenario C increases the default rate by one standard deviation of the historical default rate and applies the same "stepdown" loan priority in the recovery rate.[106] **Table 6** summarizes these three scenarios.

Table 6. NAIC Stress Test Scenarios

NAIC Stress Test Scenarios	Default Rate Assumption	Recovery Rate Assumption
A	Historical from Moody's (1970-2009)	Historical Priority Position
B	Historical from Moody's (1970-2009)	Stepdown Priority Positioin
C	Historical plus one standard deviation	Stepdown Priority Positioin

4.2. Importantly, the proposed stress test scenarios lack the critical assumption about the likelihood that these scenarios would occur. Because of this, the only output NAIC provides from its stress tests is the estimated cash flows for the six test CLO deals' underlying collateral and tranches under the three stress test scenarios.[107] While the information about the cash flows of a CLO tranche can inform a CLO trader of the trading decisions, it does not inform the expected loss for the CLO tranches. Put differently, even if the cash flow to a tranche is low under certain stress assumptions, if the likelihood of the particular scenario is extremely low, the contemplated market scenario would have little impact on assessing the CLO tranche's riskiness as a whole.

[105] In the August 2023 NAIC meeting, NAIC refers the stress test scenarios as "dummy scenarios" and states, "Please note that staff are not suggesting that these scenarios will be used in the future. They are out there for everyone to implement to tie-out the transactions." See NAIC 2023 Summer National Meeting, Valuation of Securities (E) Task Force, August 14, 2023, at pp. 7-8, available at https://content.naic.org/sites/default/files/national_meeting/VOSTF%20Summer%208.14.2023%20Materials_1.pdf

[106] NAIC SSG CLO Stress Tests Methodology dated November 2022.

[107] NAIC presents the cash flows for the six test CLO deals' underlying collateral and tranches as the results of its stress tests. See "7-31-23-All-6-CLO-deals-cf-updates.xlsx".

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4.3. Another important consideration of a stress test is the interactions among the various factors such that the combinations of assumptions are plausible for stress tests to be meaningful. During market-wide stress, the stress will manifest first in loan prices declining and then in the slowdown of prepayments. Potential defaults and associated recoveries would only come into play much later. As a result, even during extreme market stress, the increase in default rates lags behind the decline in prepayments by a few quarters. In other words, historical data informs that a rock-bottom prepayment rate and a sky-high default rate did not co-occur. The proposed stress Scenario C, however, assumes simultaneous and persistent worst-case defaults and losses, which contradict the effects of the economic cycles.[108]

IV.B. Default Rate Assumptions for Underlying Loans

4.4. The stress test scenarios A and B use historical default rates based on the issuer ratings of the underlying loans. However, instead of using historical default rates published by rating agencies, the proposed scenarios calculate the average cumulative default rates by rating across 40 annual cohorts between 1970 and 2009.[109] To get the cumulative default rate by alphanumeric rating, the default rate for each rating level is then "scaled" by the historical ratio between the alphanumeric rating (e.g., B3) over that of the rating level (e.g., B).[110] This proposed default rate calculation obtains a longer series of default rates with alphanumeric ratings (starting in 1970 instead of 1983)[111] and enables the calculation of default rate standard deviations.

[108] NAIC stated that it would provide more detailed information in the "Scenario" portion of the process "following the setting of the methodology." This sequential piecemeal approach, however, risks setting modeling assumptions that are unrealistic and unreasonable compared with real-world experiences. In **Section IV.E** below, we discuss the updated stress test scenarios described in NAIC's October 5, 2023 presentation and in the materials published in November and December 2023.

[109] According to NAIC, it does not include cohorts after 2019 because they do not contain at least 10 years of data.

[110] The ratios are calculated as the cumulative default rate of an alphanumeric rating (e.g., B3) over that of the rating (e.g., B). The scaling, however, could result in a non-monotonic cumulative default rate for Ca-C rating, and NAIC manually adjusted such ratings to avoid data anomaly.

[111] In the 2019 Moody's annual default rate study, Moody's reports the cumulative default rate by alphanumeric rating from 1983-2018. See Moody's Annual Default Study: Defaults will Rise Modestly in 2019 amid Higher Volatility, February 1, 2019, Exhibit 44 and accompanying "Data_Report-Corporates-Global-Annual-15Feb2019.xls".

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4.5. However, the proposed calculation results in cumulative default rates substantially higher than those reported by Moody's, particularly for the lower-rated issuers. **Table 7** below compares the cumulative default rates derived based on the Proposed Methodology against those reported by Moody's.[112] As this table shows, cumulative default rates derived based on the Proposed Methodology are consistently higher than those reported by Moody's (regardless of analysis horizons). This phenomenon is particularly pronounced for lower-rated issuers. For example, for 'B' rated issuers, the cumulative default rate is approximately 19% over five years and 32% over ten years. In contrast, the cumulated default rate derived by the Proposed Methodology is approximately 24% over five years (or 5 percentage points higher than what Moody's reports) and 38% over ten years (or 6 percentage points higher than what Moody's reports), respectively. **Figure 15** illustrates this finding. Notably, NAIC's substantially higher default rates for the Caa-C issuers result in data anomalies such that NAIC has to manually adjust its scaled default rates for 'C' rated issuers to ensure that the corresponding cumulative default rates increase monotonically over time (such that it does not result in unrealistic negative marginal default rates).

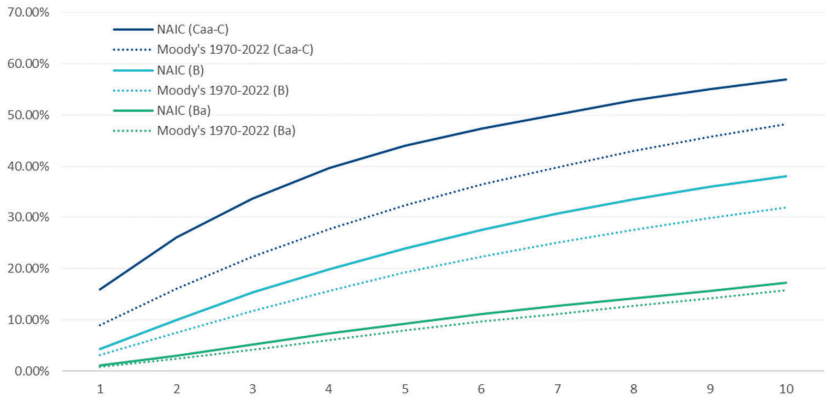
Table 7. Cumulative Default Rates by Rating: NAIC's Methodology vs. Reported by Moody's

Rating \ Tenor	1	2	3	4	5	6	7	8	9	10
NAIC (Baa)	0.23%	0.55%	0.94%	1.40%	1.84%	2.26%	2.65%	3.09%	3.57%	4.07%
Moody's 1920-2022 (Baa)	0.24%	0.67%	1.17%	1.72%	2.29%	2.85%	3.39%	3.98%	4.61%	5.21%
Moody's 1970-2022 (Baa)	0.17%	0.42%	0.74%	1.11%	1.47%	1.86%	2.23%	2.66%	3.14%	3.64%
Moody's 1983-2022 (Baa)	0.17%	0.43%	0.74%	1.10%	1.45%	1.82%	2.17%	2.57%	2.99%	3.43%
NAIC (Ba)	1.16%	3.10%	5.16%	7.33%	9.33%	11.18%	12.75%	14.24%	15.74%	17.24%
Moody's 1920-2022 (Ba)	1.18%	2.81%	4.60%	6.46%	8.31%	10.08%	11.72%	13.28%	14.81%	16.43%
Moody's 1970-2022 (Ba)	0.91%	2.46%	4.24%	6.11%	7.94%	9.65%	11.21%	12.71%	14.22%	15.82%
Moody's 1983-2022 (Ba)	0.90%	2.50%	4.37%	6.32%	8.13%	9.82%	11.38%	12.83%	14.24%	15.71%
NAIC (B)	4.37%	9.96%	15.36%	19.96%	24.01%	27.54%	30.76%	33.51%	35.98%	38.09%
Moody's 1920-2022 (B)	3.26%	7.48%	11.77%	15.73%	19.26%	22.37%	25.17%	27.64%	29.91%	31.92%
Moody's 1970-2022 (B)	3.26%	7.48%	11.77%	15.73%	19.26%	22.37%	25.17%	27.64%	29.91%	31.92%
Moody's 1983-2022 (B)	3.21%	7.70%	12.36%	16.63%	20.52%	24.02%	27.15%	29.92%	32.44%	34.64%
NAIC (Caa-C)	15.96%	26.20%	33.76%	39.64%	44.00%	47.34%	50.16%	52.84%	55.11%	56.86%
Moody's 1920-2022 (Caa-C)	9.08%	16.19%	22.11%	27.16%	31.52%	35.24%	38.38%	41.17%	43.78%	46.02%
Moody's 1970-2022 (Caa-C)	9.02%	16.17%	22.33%	27.68%	32.38%	36.38%	39.80%	42.93%	45.80%	48.18%
Moody's 1983-2022 (Caa-C)	8.96%	16.09%	22.25%	27.62%	32.32%	36.31%	39.71%	42.83%	45.72%	48.18%

[112] Moody's only reports the default rates for corporate issuers by alphanumeric ratings using analysis period starting 1983.

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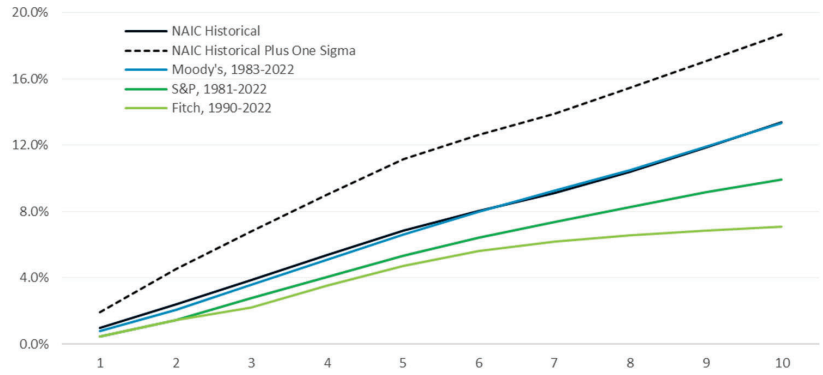
Figure 15. Comparison of NAIC's and Moody's Historical Corporate Debt Default Rates by Rating



4.6. The proposed default rates are also substantially different from those published by S&P and Fitch. **Figures 16A-C** compare the cumulative default rates used in the proposed stress scenarios and those published by Moody's, S&P, and Fitch. As these figures show, for 'Ba2' and 'B2' rated issuers, cumulative default rates published by S&P and Fitch are substantially lower than the proposed default rates. For 'Caa-C' rated issuers, the proposed default rates increase much faster than those of S&P and Fitch, such that despite the lower initial proposed default rate, its cumulative default rate for 'Caa-C' rated issuers is higher than those of S&P and Fitch over a 10-year horizon.

4.7. In addition, the proposed default rate is stressed by adding a one-standard deviation on top of the historical default rate. This approach, however, assumes that the heightened default rate would persist through the whole 10-year period when market stresses typically last less than a few years. An alternative approach is to "notch" the loan rating down by one or two notches to increase the default rate – an approach utilized by rating agencies in stress testing.

Figure 16A. Cumulative Default Rates for Ba2/BB Rated Issuers



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Figure 16B. Cumulative Default Rates for B2/B Rated Issuers

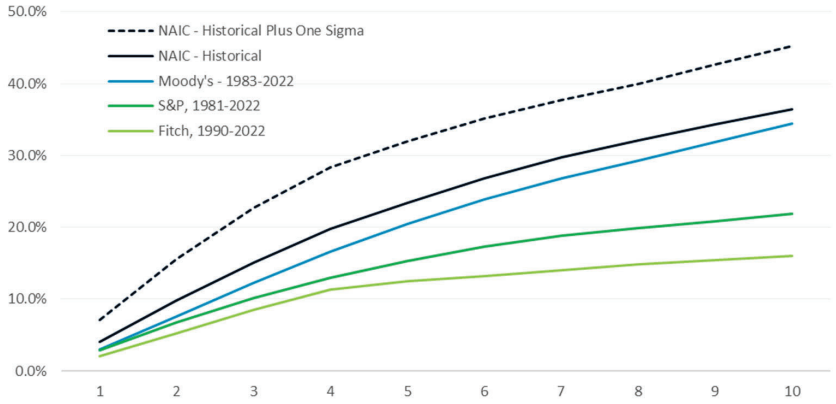
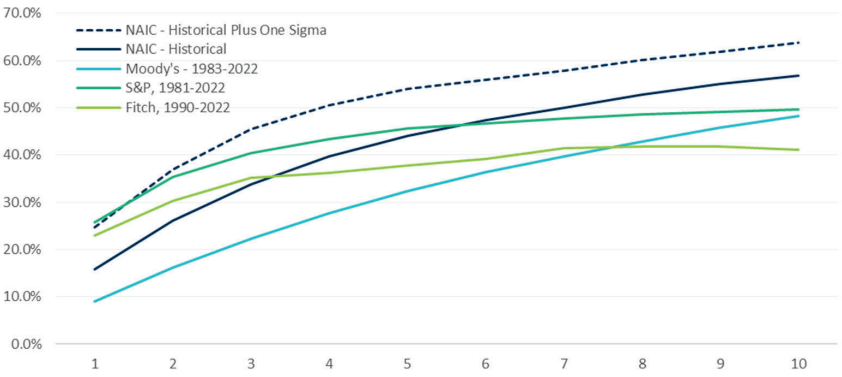


Figure 16C. Cumulative Default Rates for CCC-C Rated Issuers



IV.C. Recovery Rate Assumptions for Underlying Loans

4.8. NAIC proposes two recovery rate assumptions for the underlying collateral. First, the recovery rate is based on the loan type, and second, the recovery rate corresponds to a "stepdown" of the priority position. **Table 8** below summarizes NAIC's recovery rate assumptions. We note that the proposed stress test scenario recovery likely contains typos in the mapping for the collateral in the "Other" category. In the Proposed Methodology, the Other collateral type is labeled as "Sr. Subordinated Bond" in the Stepdown priority position (as opposed to "Jr. Subordinated Bond"), which would have resulted in a higher recovery rate relative to the historical priority position. In the sensitivity analysis, we adjusted the recovery rate assumption for the Other collateral type to "Sr. Subordinated Bond" in the historical scenario and "Jr. Subordinated Bond" in the stepdown scenario.

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Table 8. NAIC's Stress Test Scenarios Recovery Rate Assumptions

	NAIC - Historical Priority Position		NAIC - Stepdown Priority Position	
Collateral Label	Historical Priorty Position	Moody's 2019 Report	Stepdown Priority Position	Moody's 2019 Report
Senior Secured Loan	1st Lien Bank Loan	67.19%	Sr. Unsecured Bank Loan	45.75%
Second Lien Loan	2nd Lien Bank Loan	32.27%	Sr. Subordinated Bond	31.08%
Senior Unsecured Bond	Sr. Unsecured Bond	38.15%	Subordinated Bond	31.98%
Other	Sr. Subordinated Bond	31.08%	Jr. Subordinated Bond	23.67%

4.9. An alternative way to the proposed "stepdown" priority approach is to apply a rating-conditional recovery rate assumption – where a haircut is applied to the recovery rate with a greater haircut to tranches target a higher rating. Under this alternative approach, the higher-rated CLO tranches are designed to withstand more severe stress. For example, S&P's recovery rate assumption follows this approach. **Table 9** below shows that the recovery rate for the senior secured first-lien loans is 79% when applying to a 'B' or 'CCC' rated tranche, but is reduced to 50% when applying to an 'AAA' rated tranche.[113] Notably, S&P applies different expected recovery rates for loans from different jurisdictions (e.g., North America versus Asia), reflecting differences in standard loan documentation, laws, and court systems. The figures in **Table 9** reflect S&P's expected recovery rate for loans originated in North America and Western Europe.

Table 9. S&P Global Ratings Corporate Asset Recovery Rates For CDOs

	CDO liability rating (%)					
Instrument	AAA	AA	A	BBB	BB	B/CCC
Senior secured first-lien loans	50	55	59	63	75	79
Senior secured covenant-lite loans/senior secured bonds	41	46	49	53	63	67
Mezzanine/second-lien/senior unsecured loans/senior unsecured bonds	18	20	23	26	29	31
Subordinated loans/subordinated bonds	8	8	8	8	8	8

IV.D. Sensitivity Analysis of Test CLO Deals

4.10. In this section, we demonstrate the sensitivity of the CLO tranche cash flows with different modeling assumptions. We find that the results of the stress tests are sensitive to the modeling assumptions, which in turn affect the determination of risk-based capital charges.

[113] S&P, "Guidance | Criteria |Structured Finance |CDOs: Guidance: Global Methodology and Assumptions For CLOs and Corporate CDOs," October 14, 2022, Table 4, available at https://www.spglobal.com/ratings/en/research/articles/190621-guidance-criteria-structured-finance-cdos-global-methodology-and-assumptions-for-clos-and-corporate-cdos-11005168.

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4.11. Specifically, we examine the effect of the proposed stress test scenarios (see **Table 6**) of varying default and recovery rates on each of the six test CLO deals. In this analysis, we focus on the two lowest-rated tranches of NAIC's identified test CLO deals (those rated 'Ba3/BB-' or 'Baa3/BBB-') because these tranches are most suspect to potential cash flow erosion.[114] When discussing the test CLO deals in aggregate, we refer to these two most junior tranches as Tranche D and Tranche E.[115] We note that under all three of the proposed stress test scenarios (A, B, and C), the equity tranches of all six test CLO deals will suffer complete losses. However, based on historical CLO performance, a complete equity loss across all CLOs is highly unlikely. As **Figure 17** below shows, CLO equity continued to perform even during the Great Financial Crisis, with the median CLO continuing to make distributions to CLO equity through the peak of the market stress. [116]

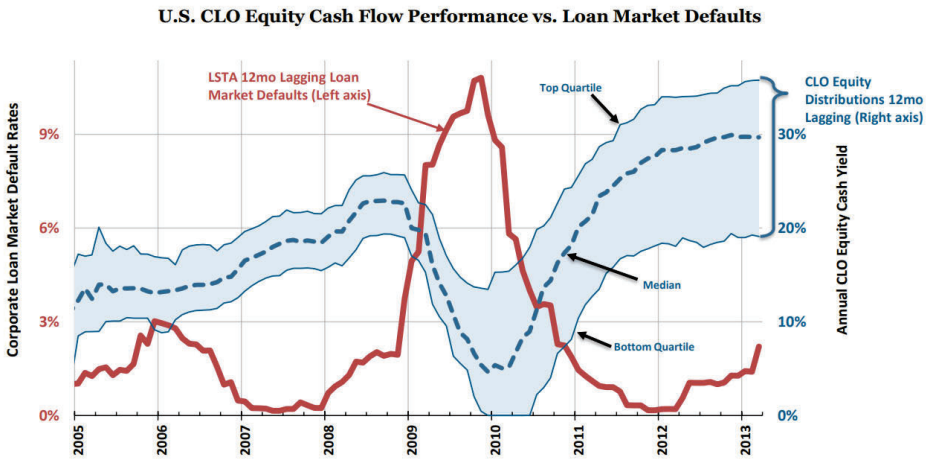
[114] Although the Ares CLO notes are not rated, their original pricing implies the same rating scale.

[115] These include Tranches C and D of the Carlyle 2021-1 CLO, Tranches ER and DR of Ares LII, Magnetite XXVII, and OHA Credit Funding CLOs.

[116] **Figure 17** also shows that other than the two-year period immediately following the 2008 Financial Crisis from 2009 to 2011, the default rate ranged between zero and 3%. It is important to note that the peak of loan default rate during the past two decades is approximately 10% and that peak default rate lasted only for a short period. In other words, the observed historical rates are less "severe" compared to the proposed stress test scenarios in which default rates are assumed to be persistently elevated. See also Figure 6. Source: Ares Management Corporation, Understanding Investments in Collateralized Loan Obligations ("CLOs"), at p. 17, available at https://www.aresmgmt.com/sites/default/files/2020-02/Understanding-Investments-in-Collateralized-Loan-ObligationsvF.pdf

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Figure 17. U.S. CLO Equity Cash Flow Performance vs. Loan Market Defaults



IV.D.1. Default and Recovery Rate Assumptions for Underlying Loans

4.12. **Table 10** below summarizes NAIC's stress test scenario results. For Scenario A, NAIC shows a complete loss of equity tranches, but no principal loss to any of the rated tranches, with the exception of the OHA Credit Funding's E tranche. For Scenario B, NAIC shows a complete or nearly complete loss of the most junior E tranches across the test CLO deals. Note that a loss of greater than 100% denotes interest loss in addition to principal loss.[117] For Scenario C, the loss extends to Tranche D and even more senior tranches.

Table 10. Test CLO Tranches D and E Loss by Scenarios, As Reported by NAIC

CLO Deal	Tranche	Original Bond Balance ($M)	Scenario A		Scenario B		Scenario C	
			Bond Losses ($M)	Loss (%)	Bond Losses ($M)	Loss (%)	Bond Losses ($M)	Loss (%)
Anchorage Capital CLO 17 Ltd.	D	31.50	0.00	0.00%	0.00	0.00%	31.50	100.00%
Anchorage Capital CLO 17 Ltd.	E	26.44	0.00	0.00%	26.44	100.00%	26.44	100.00%
Ares LII CLO Ltd.	DR	29.75	0.00	0.00%	0.00	0.00%	21.65	72.77%
Ares LII CLO Ltd.	ER	17.75	0.00	0.00%	15.63	88.03%	36.80	207.32%
Carlyle US CLO 2021-1 Ltd.	C	36.00	0.00	0.00%	0.00	0.00%	44.23	122.86%
Carlyle US CLO 2021-1 Ltd.	D	24.00	0.00	0.00%	43.33	180.53%	53.82	224.26%
Magnetite XXVII Ltd.	DR	30.00	0.00	0.00%	0.00	0.00%	38.03	126.78%
Magnetite XXVII Ltd.	ER	22.50	0.00	0.00%	39.62	176.07%	51.83	230.37%
OHA Credit Funding 3 Ltd.	DR	42.00	0.00	0.00%	31.58	75.19%	74.81	178.13%
OHA Credit Funding 3 Ltd.	ER	26.50	25.00	94.35%	55.75	210.38%	62.28	235.02%
Strata CLO II Ltd.	D	26.00	0.00	0.00%	0.00	0.00%	21.29	81.88%
Strata CLO II Ltd.	E	16.00	0.00	0.00%	13.80	86.25%	42.92	268.22%

[117] Specifically, when any deferred interest that is added to the tranche's balance is included in the loss calculation, these losses can exceed 100% of the original tranche balance).

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4.13. Our replication of NAIC's results shows a similar outcome, even though our principal loss figures do not completely match, despite our using the same modeling assumptions and the CDOnet software platform for the underlying loan data and cash flow modeling.[118] As **Table 11A** below shows, there is a 68% partial loss in Tranche E for OHA Credit Funding in Scenario A and smaller partial losses for this tranche (12 and 24%, respectively) for Carlyle and Magnetite deals. Scenario B shows a significant or complete loss of the principal balance of Tranche E and Scenario C shows a complete loss for Tranche E and a partial loss for Tranche D. Our calculated partial losses are less severe than those reported by NAIC. For example, we calculated 49% and 53% Tranche E losses for Ares and Strata in Scenario B, compared with 88% and 86% calculated by NAIC. In Scenario C, we calculated 17% and 5% Tranche D losses for Ares and Strata, respectively, which compares to 73% and 82% Tranche D losses calculated by NAIC.

Table 11A. Test CLO Tranches D and E Loss by Scenarios, Replication #1

CLO Deal	Tranche	Original Bond Balance ($M)	Scenario A		Scenario B		Scenario C	
			Bond Losses ($M)	Loss (%)	Bond Losses ($M)	Loss (%)	Bond Losses ($M)	Loss (%)
Anchorage Capital CLO 17 Ltd.	D	31.50	0.00	0.00%	0.00	0.00%	6.20	19.67%
Anchorage Capital CLO 17 Ltd.	E	26.44	0.00	0.00%	26.44	100.00%	26.44	100.00%
Ares LII CLO Ltd.	DR	29.75	0.00	0.00%	0.00	0.00%	4.95	16.63%
Ares LII CLO Ltd.	ER	17.75	0.00	0.00%	8.74	49.25%	34.17	192.48%
Carlyle US CLO 2021-1 Ltd.	C	36.00	0.00	0.00%	0.00	0.00%	3.33	9.24%
Carlyle US CLO 2021-1 Ltd.	D	24.00	2.86	11.94%	19.75	82.30%	46.30	192.91%
Magnetite XXVII Ltd.	DR	30.00	0.00	0.00%	0.00	0.00%	2.31	7.68%
Magnetite XXVII Ltd.	ER	22.50	5.36	23.80%	20.58	91.46%	47.26	210.05%
OHA Credit Funding 3 Ltd.	DR	42.00	0.00	0.00%	0.00	0.00%	20.57	48.97%
OHA Credit Funding 3 Ltd.	ER	26.50	17.97	67.82%	36.45	137.56%	51.65	194.89%
Strata CLO II Ltd.	D	26.00	0.00	0.00%	0.00	0.00%	1.39	5.34%
Strata CLO II Ltd.	E	16.00	0.00	0.00%	8.48	52.97%	32.85	205.31%

4.14. We investigated the potential drivers of the discrepancies between our results and those reported by NAIC, which occur despite our using the same modeling assumptions and the CDOnet software platform for the underlying loan data and cash flow modeling. **Table 11B** below shows the results with adjusted reinvestment assumptions (i.e., reinvestment into the current deal as opposed to reinvestment into separately tracked collateral buckets with specified rating and minimum weighted average rating factor ("WARF") requirements), but keeping all other modeling assumptions unchanged. In **Table 11B**, we find partial or complete loss to Tranche E only in Scenario B. In Scenario C, Tranche E experiences a complete loss, and Tranche D experiences partial loss across all test CLO deals.

[118] To ensure our replication appropriately applies the assumptions in the Proposed Methodology in the CDOnet software platform, we worked closely with CDOnet's support team and technical team. We also reviewed all available documents. In December 2023, NAIC published the CDOnet economy files that accompany the stress scenario results for the first time. A review of the economy files shows that the default/recovery rates are overrides for each scenario, defined at the investment label. However, this information is not provided. Additionally, NAIC assumes global reinvestment, while we used deal current reinvestment. NAIC also assumes no recovery delay, while we assume a 6-month recovery delay per NAIC's CLO Exposure Methodology published on May 17, 2022, at p. 3 ("Principal is recovered 6 months (2 periods) after default."). Finally, we included realized losses, while NAIC did not.

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Table 11B. Test CLO Tranches D and E Loss by Scenarios, Replication #2

CLO Deal	Tranche	Original Bond Balance ($M)	Scenario A		Scenario B		Scenario C	
			Bond Losses ($M)	Loss (%)	Bond Losses ($M)	Loss (%)	Bond Losses ($M)	Loss (%)
Anchorage Capital CLO 17 Ltd.	D	31.50	0.00	0.00%	0.00	0.00%	14.12	44.82%
Anchorage Capital CLO 17 Ltd.	E	26.44	0.00	0.00%	26.29	99.45%	26.44	100.00%
Ares LII CLO Ltd.	DR	29.75	0.00	0.00%	0.00	0.00%	9.58	32.21%
Ares LII CLO Ltd.	ER	17.75	0.00	0.00%	6.63	37.33%	34.17	192.48%
Carlyle US CLO 2021-1 Ltd.	C	36.00	0.00	0.00%	0.00	0.00%	14.09	39.15%
Carlyle US CLO 2021-1 Ltd.	D	24.00	0.00	0.00%	17.54	73.09%	46.27	192.81%
Magnetite XXVII Ltd.	DR	30.00	0.00	0.00%	0.00	0.00%	13.32	44.41%
Magnetite XXVII Ltd.	ER	22.50	0.00	0.00%	15.98	71.04%	47.26	210.05%
OHA Credit Funding 3 Ltd.	DR	42.00	0.00	0.00%	0.00	0.00%	26.99	64.26%
OHA Credit Funding 3 Ltd.	ER	26.50	0.00	0.00%	23.79	89.76%	48.00	181.14%
Strata CLO II Ltd.	D	26.00	0.00	0.00%	0.00	0.00%	9.26	35.60%
Strata CLO II Ltd.	E	16.00	0.00	0.00%	4.00	25.02%	33.85	211.59%

4.15. Besides the reinvestment assumptions, several other factors could also contribute to the numerical differences in the CLO tranche losses. For example, the Proposed Methodology does not explain what default and recovery rates are used for loans with no rating or withdrawn rating.[119] The Proposed Methodology also does not specify whether it accounts for loan "seasoning" and, if so, how the seasoning of default curves is used. The seasoning of the loans refers to the amount of time that has passed since the underlying loans were originated. Particularly for the lower-rated loans, the default rate in the first year of the loan life is substantially higher than the default rate later in the loan life. For example, for 'Caa-C' rated loans, NAIC shows a historical default rate of 16% in the first year of the loan life, which reduces to 6% from year three to year four (see **Table 7**). In other words, the historical default rate of seasoned loans can be substantially lower than that of unseasoned loans, which should be properly taken into consideration.

4.16. There are several additional modeling assumptions required to be input in CDOnet, which the Proposed Methodology does not explain what input it uses.[120] Note that these do not include the stated default-rate vectors, recovery rate vectors, recovery delay, interest-rate curve, and currency rates that are also part of the economic environment modeled for the deals. The CDOnet's results may change depending on these assumptions in select cases.

[119] An additional source of discrepancy is the stepdown recovery rate assumption for the Other collateral type. As discussed in Section IV.C, NAIC's published stress test scenarios denotes a higher recovery rate for the Other collateral type in the stepdown priority position relative to historical priority position.

[120] There are various modeling assumptions CDOnet asks the user. Generally, these are deal specific assumptions that require a careful examination of the deal prospectus. Some of these are:

- Prepay and default frequency
- Whether defaults occur before/after amortization
- Whether defaults/prepay follow bond accrual calendar
- Whether non-performing loans default
- Whether to ignore the rule on buying non defaulted assets
- Force recovery of defaults at maturity/call
- Haircut reinvested assets
- CCC Migration

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4.17. The internal rate of returns ("IRR") of the CLO tranches shows a similar picture as to how the test scenarios affect the tranche performance. As **Tables 12A-B** show, applying historical default rates and recovery rates as in Scenario A does not change the cash flow schedules of these most junior tranches. The IRR for Tranche D ranges between 6% and 8%, while the IRR for Tranche E ranges between 9% and 11%. In other words, an investor can expect to earn market-rate returns under observed historical default and recovery rates. Investors should expect below-market returns for Tranche E assuming further stressed (step-down) recovery/loss rates as in Scenario B. Only in Scenario C, where highly stressed default rates and stressed recovery rates are present simultaneously throughout the life of these deals, should the investor expect Tranche E will have substantial losses (getting only some interest payment) and Tranche D will earn below-market-rate of returns.

Table 12A. Tranche D IRR (%) by Stress Test Scenarios

IRR Tranche D	Scenario A	Scenario B	Scenario C
Anchorage Capital CLO 17 Ltd.	6.68	6.69	2.70
Ares LII CLO Ltd.	6.63	6.64	3.62
Carlyle US CLO 2021-1 Ltd.	5.95	5.96	2.66
Magnetite XXVII Ltd.	6.23	6.23	1.88
OHA Credit Funding 3 Ltd.	6.20	6.21	-0.77
Strata CLO II Ltd.	7.81	7.81	4.64

Table 12B. Tranche E IRR (%) by Stress Test Scenarios

IRR Tranche E	Scenario A	Scenario B	Scenario C
Anchorage Capital CLO 17 Ltd.	10.17	1.22	-74.10
Ares LII CLO Ltd.	9.81	6.71	-77.58
Carlyle US CLO 2021-1 Ltd.	9.16	3.58	-59.75
Magnetite XXVII Ltd.	9.37	2.91	-75.23
OHA Credit Funding 3 Ltd.	9.58	0.41	-76.59
Strata CLO II Ltd.	11.50	9.66	-70.23

- Prepay & default frequency
- Treat PR rating as a given rating
- Repurchase price discount
- Whether stop reinvestment if WAL test breached
- Reinvest monthly
- Reinvest monthly only if OC/IC/IDT tests pass
- Include/exclude any realized payment
- Reinvestment default lockout period
- PIK par mode
- Set call date override
- Excess par to interest or principal
- Set swap term override
- Liquidate collateral on EOD
- Liquidation value of equity assets to principal/interest

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4.18. The impact on tranche returns of these scenarios can be tied directly to the marginal loss increments of these scenarios. Scenario B reduces the recovery rate of collateral assets by approximately a factor of 1/3, from roughly 60% to 40%. For the six test CLO deals examined in this study, collateral assets have an average maturity of 7-9 years and an average rating between B2 and B3 (closer to B2). For this set of assets, reducing the recovery rates by about 1/3 is equivalent to stating that their cumulative rating would be slightly worse than Caa1 at the original recovery rate (i.e., only then would they have the same expected loss at the original recovery rate). The increase in expected loss is just enough to prevent full payment of principal and interest to Tranche E, which will effectively default during the life of the CLO. As **Table 12A** shows, the IRR for Tranche D in Scenario B is effectively the same as the IRR in Scenario A. However, the IRR for Tranche E is reduced substantially, meaning that the impact of a lower recovery rate on the defaulted loans starts to affect the scheduled cash flows of Tranche E (see **Table 12B**).

4.19. Similarly, Scenario C effectively increases the cumulative default rate by a factor of 25% for a portfolio of loans of average rating of B2-B3 with 7-9 year maturity. Combined with the one-third reduction in the recovery rate described above, Scenario C would have, on average, an additional 37% cumulative loss. This additional expected loss substantially reduces the cash flows to Tranche E such that it effectively receives some interest payments for a period but will not repay its principal balance, as indicated by its large negative IRRs. The reduction in cash flow also affects Tranche D so that its IRR reduces substantially. As discussed above, Tranche E is a performing high-yield rated bond (Ba3/BB- rated), and Tranche D is a performing investment-grade rated bond (Baa3/BBB- rated). This makes it clear that Scenario C is a drastic scenario where even a currently investment-grade rated bond will default. In other words, it takes substantially higher default rates *and* loss rates than historical averages for Tranche D to experience a loss.

4.20. We can also compare these expected loss increases to the internal credit enhancement or subordination limits for each tranche. As **Table 13** below shows, for the six test CLO deals, Tranche E's balance is approximately 4-6% of the collateral balance, and Tranche D and E combined is 10-13% of the collateral balance. Generally speaking, for loans with an average B2/B3 rating and 7-9 years maturity (which represent the majority of the underlying collateral), going from Scenario A to Scenario B increases the cumulative loss by approximately 6-8%,[121] and going from Scenario B to Scenario C increases the cumulative loss by approximately 11-14%.[122] Comparing these figures with the percentage of Tranches D and E balances over the collateral balance, it is not surprising that Scenario B triggers losses on Tranche E but not Tranche D, while Scenario C generates substantial collateral losses to cause a principal loss in both Tranche E and Tranche D.

[121] This figure reflects the impact on expected loss from a reduction in the recovery rate from approximately 60% to 40% when the recovery rate is stepped down from Scenario A to Scenario B.

[122] This figure reflects the additional impact of default rate increase by one-standard deviation (i.e., one-sigma).

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Table 13. Balances of D&E Tranches as a Percent of Collateral Balance

CLO Deal	Collateral Balance (October 2022)	Tranche	Original Bond Balance ($M)	D&E Tranche Balances as % of Collateral Balance
Anchorage Capital CLO 17 Ltd.	442.71	D	31.50	13%
		E	26.44	6%
Ares LII CLO Ltd.	496.23	DR	29.75	10%
		ER	17.75	4%
Carlyle US CLO 2021-1 Ltd.	610.43	C	36.00	10%
		D	24.00	4%
Magnetite XXVII Ltd.	497.45	DR	30.00	11%
		ER	22.50	5%
OHA Credit Funding 3 Ltd.	663.86	DR	42.00	10%
		ER	26.50	4%
Strata CLO II Ltd.	388.05	D	26.00	11%
		E	16.00	4%

4.21. Another way to understand how much collateral loss is necessary to cause losses to the junior tranches is through CLO deals' performance metrics and test results. For example, **Tables 14A-B** show the October 2022 results of overcollateralization (O/C), interest coverage (I/C), and interest diversion test (IDT) for the Anchorage deal and compare them to its trigger threshold value. For Tranche E, the overcollateralization ratio is required to be at least 104.20%. When collateral loss increases, the CLO would divert the cash flows from equity to Tranche E. If loss further increases, cash flows would divert from Tranche E and equity to Tranche D as needed to satisfy these performance tests. As a result, there is only a partial loss for Tranche D in Scenario C and a partial loss for Tranche E in Scenario B.[123]

Table 14A. Overcollateralization (O/C) Ratios for Anchorage Deal, as of October 2022

Tranche	Criteria	Current	Trigger	Test Pass/Fail
A/B	Senior O/C Ratio	135.68%	126.06%	Pass
C	Mezzanine 1 O/C Ratio	126.03%	118.38%	Pass
D	Mezzanine 2 O/C Ratio	115.79%	110.11%	Pass
E	Junior O/C Ratio	108.39%	104.20%	Pass

Table 14B. Interest Coverage (I/C) Ratios for Anchorage Deal, as of October 2022

Tranche	Criteria	Current	Trigger	Test Pass/Fail
A/B	Senior IC Ratio	184.27%	120.00%	Pass
C	Mezzanine 1 I/C Ratio	168.96%	110.00%	Pass
D	Mezzanine 2 I/C Ratio	150.47%	105.00%	Pass
	Interest Diversion Test	108.39%	104.70%	Pass

[123] For the six test CLO deals, Tranche E (Junior/BB-) O/C ratio test limits range from 3.2%-7.5%, and Tranche D (Mezzanine/BBB-) O/C ratio test limits range from 7%-10%.

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IV.D.2. Prepayment Rate Assumptions for Underlying Loans

4.22. The Proposed Methodology assumes no prepayment of the underlying loan collateral. However, the prepayment rate of the underlying loans could significantly change the weighted average life and yield of the CLO tranche. To evaluate how changes in the prepayment rate affect the CLO notes, we consider eight scenarios in which the conditional prepayment rate ("CPR") increases from 0% to 70% with 10% increments, where a CPR of 20% means that 20% of the pool's outstanding principal will be paid off prematurely in a given year.

4.23. To illustrate how CPR affects CLO tranches, we consider the most junior tranche of the test CLO deals. **Tables 15A-B** summarize the weighted average life and price yield for Tranche E of the test CLO deals when prepayment increased from 0% to 70%. As these tables show, the impact of prepayment can differ substantially from deal to deal. As **Table 15A** below shows, increasing CPR shortens Tranche E's weighted average life for Ares, but lengthens Tranche E's weighted average life for Carlyle. For OHA, Magnetite, and Strata, Tranche E's weighted average life initially decreases, but increases as CPR further increases. A longer weighted average life increases the risk of the tranche because the principal loss is more likely to occur.[124]

Table 15A. Weighted Average Life (years) of Tranche E by Conditional Prepayment Rate

CPR Scenarios	Anchorage Capital CLO 17 Ltd.	Ares LII CLO Ltd.	Carlyle US CLO 2021-1 Ltd.	Magnetite XXVII Ltd.	OHA Credit Funding 3 Ltd.	Strata CLO II Ltd.
0 CPR	6.88	6.71	7.09	6.91	6.78	6.64
10 CPR	6.83	6.62	7.07	6.88	6.63	6.59
20 CPR	6.74	6.40	7.10	6.82	6.50	6.51
30 CPR	6.71	5.94	7.25	6.75	6.34	6.40
40 CPR	6.95	5.41	7.46	6.97	6.36	6.31
50 CPR	7.14	4.74	7.99	7.32	6.47	6.32
60 CPR	8.53	4.16	8.32	7.65	6.62	6.61
70 CPR	0.00	3.65	8.36	8.73	6.63	6.99

4.24. **Table 15B** below reports Tranche E's price yield when CPR increases from 0% to 70%. Consistent with the reduction of the average weighted life, the yield of Ares's Tranche E increases as CPR increases. Tranche E's yield for Carlyle, Magnetite, and OHA declines substantially when CPR increases beyond 50%. This nonlinearity further demonstrates that the effect of prepayment rate changes not only across CLO deals but within the same tranches, depending on the actual value of the prepayment rate.

[124] The zero years weighted average life for Anchorage E tranche indicates that this tranche would experience 100% loss under the scenario with a 70% CPR. We note that the yield table of the CDOnet appears to be following different assumptions from the Economy modeling environment that specifies Loss Rates and Reinvestment Rules.

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Table 15B. Yield (price at 100, in %) of Tranche E by Conditional Prepayment Rate

CPR Scenarios	Anchorage Capital CLO 17 Ltd.	Ares LII CLO Ltd.	Carlyle US CLO 2021-1 Ltd.	Magnetite XXVII Ltd.	OHA Credit Funding 3 Ltd.	Strata CLO II Ltd.
0 CPR	10.89	10.49	10.00	10.01	10.28	12.09
10 CPR	10.89	10.49	10.00	10.01	10.28	12.09
20 CPR	10.89	10.50	9.99	10.01	10.28	12.09
30 CPR	10.89	10.53	9.99	10.00	10.27	12.10
40 CPR	10.68	10.56	9.96	9.99	10.27	12.10
50 CPR	8.38	10.61	8.42	7.21	10.25	12.10
60 CPR	4.72	10.68	2.89	1.95	8.72	12.06
70 CPR	-0.10	10.75	-8.63	-6.97	1.22	8.98

IV.D.3. Correlation Assumptions

4.25. As discussed in **Section III.D.2** above, correlation is one of the most important parameters in assessing the credit risk of CLO's loan pool. It affects how many assets are defaulting together in any given time period. However, the proposed stress scenarios A, B, and C do not analyze correlation – in these scenarios, cash flows of the collateral are calculated by assuming that a given fraction of the portfolio assets would default at the same time.

4.26. To analyze correlation, one can utilize the copula functions or the BET models. For copula functions, a Monte Carlo simulation is applied to draw from the default rates correlation factors between different assets to simulate the number of loans defaulting at any given time. The BET models utilize the concept of diversity score, which represents the number of uncorrelated (i.e., zero correlation) assets in a portfolio that effectively represents the portfolio of loans in interest. Specifically, BET takes into account multiple risk factors such as (i) diversity score for correlation, (ii) interest-rate volatility, (iii) change in the default curves over the first six years, and (iv) a multiplier distinct for each targeted rating. In this way, CDOnet's BET analysis inherently accounts for an increase in historical loss rates due to different default vectors. It is a more comprehensive analysis compared to the proposed static stress scenarios that consider only changes in default and recovery rates.

4.27. **Tables 16A-16B** below show the expected loss percentage for Tranche D and Tranche E of these six deals using BET analysis and the targeted rating of these tranches as of October 2022. BET analysis considers five different interest-rate scenarios (a base curve and other stressed interest rate curves where the curve increases or declines by one and two times the standard deviation (sigma). As these tables show, the BET analysis indicates that targeted ratings of 'Baa3' and 'Ba3' for Tranche D and E, respectively, were met for all CLO deals as of the October 2022 evaluation date, except for OHA Credit Funding CLO. For this particular CLO, the BET analysis would recommend a one-notch downgrade for both Tranches D and E. For other deals, the BET analysis indicates that the current ratings of 'Baa3' and 'Ba3' were justifiable. Even a one-notch upgrade may be considered in some cases (e.g., Ares CLO's Tranche E would comfortably pass the 'Ba2' rating criteria).

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Table 16A. Expected Loss % by BET Analysis for Tranche D

DEAL	TRANCHE	Target Rating	-2 SIGMA	-1 SIGMA	BASE	+1 SIGMA	+2 SIGMA	TRIGGER	PASS/ FAIL
Anchorage Capital CLO 17 Ltd.	D/Baa3	Ba3	0.37	0.40	0.44	0.49	0.54	**3.02**	Pass
Ares LII CLO Ltd.	DR/NR	Ba3	0.65	0.66	0.68	0.71	0.73	**2.22**	Pass
Carlyle US CLO 2021-1 Ltd.	C/Baa3	Ba3	0.77	0.84	0.93	1.04	1.18	**3.07**	Pass
Magnetite XXVII Ltd.	DR/Baa3	Ba3	1.08	1.15	1.23	1.36	1.52	**3.51**	Pass
OHA Credit Funding 3 Ltd.	DR/Baa3	Ba3	6.95	7.06	7.19	7.35	7.53	**3.53**	Fail
Strata CLO II Ltd.	D/Baa3	Ba3	2.39	2.49	2.62	2.80	3.01	**2.81**	Pass

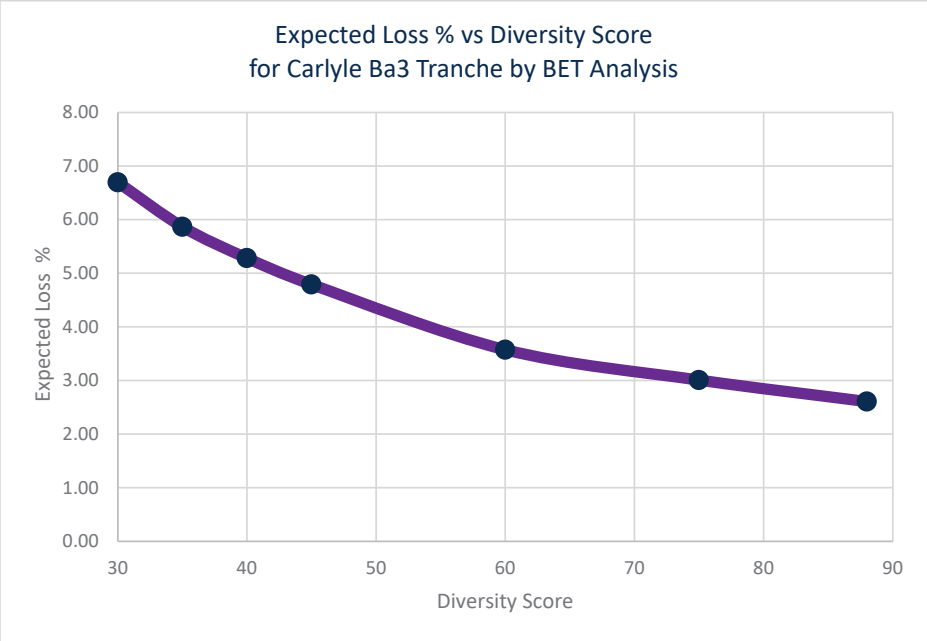
Table 16B. Expected Loss % by BET Analysis for Tranche E

DEAL	TRANCHE	Target Rating	-2 SIGMA	-1 SIGMA	BASE	+1 SIGMA	+2 SIGMA	TRIGGER	PASS/ FAIL
Anchorage Capital CLO 17 Ltd.	E/Ba3	Ba3	3.22	3.38	3.60	3.88	4.24	**9.75**	Pass
Ares LII CLO Ltd.	ER/NR	Ba3	1.14	1.15	1.18	1.20	1.22	**7.79**	Pass
Carlyle US CLO 2021-1 Ltd.	D/Ba3	Ba3	4.47	4.60	4.76	4.98	5.32	**9.75**	Pass
Magnetite XXVII Ltd.	ER/Ba3	Ba3	1.27	1.37	1.53	1.73	2.01	**10.47**	Pass
OHA Credit Funding 3 Ltd.	ER/Ba3	Ba3	20.10	20.04	19.99	19.96	19.96	**10.29**	Fail
Strata CLO II Ltd.	E/Ba3	Ba3	6.25	6.41	6.63	6.92	7.27	**9.24**	Pass

4.28. **Figure 18** below shows how the diversity score influences the expected loss under the BET method for a particular CLO deal and tranche (in this example, we use Carlyle 'Ba3' rated Tranche). Specifically, we calculated the expected loss for different levels of DS, with the highest (i.e., 87) being the current DS score of the Carlyle deal and the lowest (i.e., 30) the Carlyle deal's DS trigger. As this figure shows, the expected loss increases faster than a linear rate as the diversity score decreases.

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Figure 18. Expected Loss for Carlyle 'Ba3' Rated Tranche



4.29. Another modeling approach that takes into account default correlation is a Monte Carlo analysis with copula models, which further captures the effects of other stochastic variables through a simulation. In contrast to the proposed ad-hoc, static stress test scenarios, the results of the Monte-Carlo models are much more indicative of the possible outcomes and the associated risk for a CLO deal and tranches. For example, the Monte-Carlo models report the breakeven probability, which provides a probabilistic view of whether a specific CLO tranche will experience loss. For example, a breakeven probability of 70% means that the likelihood that the tranche does not experience any impairment is 70%. **Table 17** below shows the findings for Tranches D and E for the test CLO deals.[125] As this table shows, Tranche D would have positive returns in the majority of cases.

[125] A Student-T copula with 3 degrees of freedom is used to derive the results in **Table 16**.

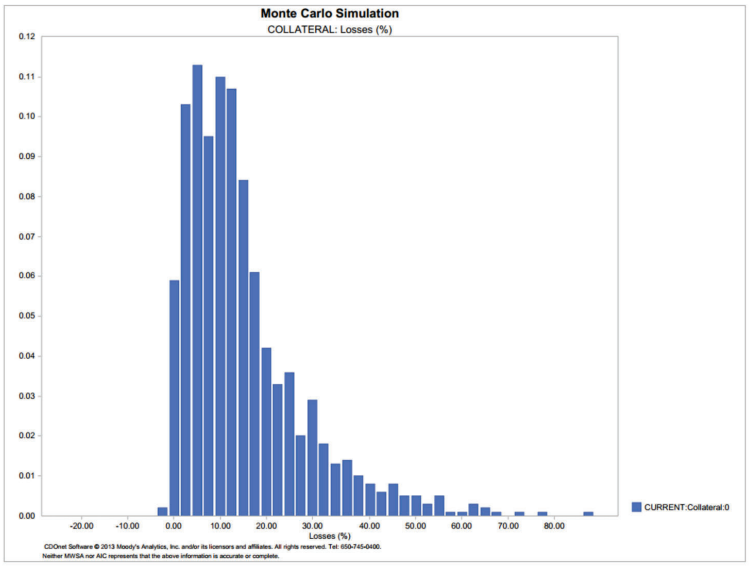
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Table 17. Breakeven Probability for Tranches D&E of the Test CLO Deals

CLO Deal	Tranche	Breakeven Probability
Anchorage Capital CLO 17 Ltd.	D	63%
	E	39%
Ares LII CLO Ltd.	DR	62%
	ER	44%
Carlyle US CLO 2021-1 Ltd.	C	59%
	D	31%
Magnetite XXVII Ltd.	DR	68%
	ER	35%
OHA Credit Funding 3 Ltd.	DR	57%
	ER	28%
Strata CLO II Ltd.	D	60%
	E	40%

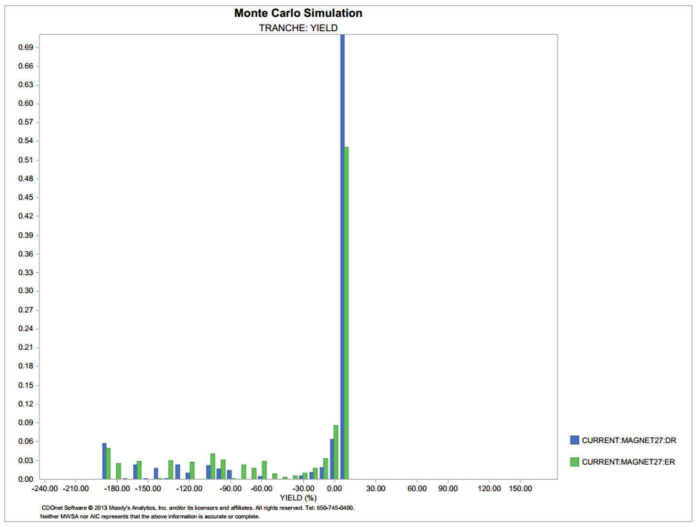
4.30. However, the loss rates expected for these tranches are highly skewed. To illustrate this, **Figures 19A-B** show for the Magnetite deal both the cumulative collateral loss and the yield distribution for Tranches E and D. These figures further demonstrate the flexibility and versatility of the Monte-Carlo models to incorporate stochastic modeling assumptions and provide informative metrics for risk assessment.

Figure 19A. Cumulative Collateral Loss of the Magnetite Deal



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Figure 19B. Yield Distribution for Tranches D&E of the Magnetite Deal



4.31. Monte Carlo analysis is a powerful tool that can incorporate various sets of assumptions, such as asset-level default rates, loan-level correlations of defaults, recovery rate volatility, and recovery rate correlations. It can also incorporate the correlation between asset default rates and recovery rates, in addition to the correlation between asset defaults. As high default rates and low recovery rates are typically observed at times of heightened economic sensitivity or during recessions, the correlation between defaults and loss rates given default may increase during market stress, which can affect the credit risk of the CLO notes.[126] To illustrate the effect, we used 10% for this correlation. A different value will result in different results in the expected losses and breakeven probability for each CLO tranche. For example, when this correlation changes to 90%, Magnetite Tranche D's breakeven probability (i.e., the likelihood that the tranche does not experience any impairment) declines from 68% to 63%, while Magnetite Tranche E's breakeven probability increases from 35% to 44%. Similarly, the expected loss for Magnetite Tranche D increases by approximately 4%, while the expected loss for Magnetite Tranche E decreases by 3%. Overall, the Monte-Carlo simulation will generate a higher probability of large losses when the correlations increase. Using empirical values for these correlations and volatilities would result in more realistic valuations and risk assessment of tranche risk-return profiles.

[126] For example, a study has estimated the correlation between default rates and loss given default to be 80% for subordinated debt and 45% for senior debt. See Frye, Jon, "Collateral damage", Risk, 91-4, April 2000, available at https://www.bis.org/bcbs/events/oslo/frye.pdf.

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IV.E. Updated Stress Test Scenarios

4.32. In the October 5 Presentation, NAIC included seven additional stress test scenarios, with four scenarios assuming a substantially higher default rate (i.e., increasing the default rate by two standard deviations of the historical default rate) and two scenarios further reducing the recovery rate below the "stepdown" recovery rate.[127] The updated stress test scenarios result in some marginal changes in the magnitude and timing of expected losses, but they do not change the overall theme that losses affect lower tranches and spread upward to higher tranches as the severity of the stress test increases. For any given scenario, we observe the rankings between different deals behave as expected as well: Deals with weaker collaterals and lower credit enhancements are expected to experience higher losses. Unsurprisingly, in the updated stress scenarios, the further increased stress results in partial to complete losses to the mezzanine tranches,[128] meaning that under these scenarios even CLO notes rated as investment grade are expected to suffer loss, including a complete loss. These results demonstrate that one can always design a stress scenario in which even the highest quality credit asset can incur losses. However, the critical consideration in accessing risk is not whether the notes will lose value in a designed scenario, but whether the designed scenario appropriately captures the relevant factors and how likely that scenario would occur. Despite the increased number of stress test scenarios, the October 5 Presentation still provides no critical assumption about the likelihood that each of its assumed stress scenarios would occur, nor does it provide any evidence and economic basis to support its assumptions.[129] As a result, the October 5 Presentation, and the companion files published in November and December 2023 continue to lack critical information for a rigorous evaluation of the proposed stress test scenarios.[130]

[127] The stress test scenarios A, B, and C correspond to Scenarios 3, 6, and 7 in the October 5 Presentation. Specifically, in the October 5 Presentation, scenarios 5, 8, 9, and 10 increase the default rate by two standard deviations of the historical default rate, and scenarios 9 and 10 further reduce the recovery rate to 75% and 50% of the "step down" recovery rate, respectively.

[128] See "CLO Preliminary Results by Scenario Updated 2023 1110.xlsb" and "CLO CashFlow updated 12-08-23."

[129] The October 5 Presentation notes that the combined probability for the "tail scenarios" 7, 8, 9, and 10 is expected to be less than 2%. As an initial point, we disagree with the suggestion that scenarios 5 and 6, which assume the default rate is two standard deviations above the historical mean and a step-down recovery rate, respectively, are not "tail scenarios" under severe stress. We also object to the 2% probability assumption, of which the October 5 Presentation provides no analysis or evidence to support its reasonableness.

[130] In its most recent October 2023 CLO analysis, Fitch "assessed the impact of sensitivity scenarios" of the most vulnerable U.S. leveraged loan issuers. In its two stress scenarios, Fitch assumes 5% and 10.8% default rates, respectively, for CLOs with a median exposure to stressed assets. These assumptions are substantially milder than the stress assumptions proposed by the NAIC. See Fitch Ratings, "US CLO Ratings Resilient Under Stress Scenarios," October 14, 2023, available at https://www.fitchratings.com/research/structured-finance/us-clo-ratings-resilient-under-stress-scenarios-14-10-2022

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4.33. Furthermore, the Proposed Methodology prescribes a set of stress test scenarios and evaluates the performance of CLOs under these different default and recovery rate assumptions. These proposed scenarios, however, do not coincide with the actual experience of CLOs since their inception. Rather, they rely on an expanded set of corporate debt, including corporate bonds and debt issued by non-U.S. issuers. In November 2023, NAIC further updated its default and recovery rate assumptions for the stress test scenarios. Although not explicitly stated, NAIC's November 2023 updated stress test assumptions now rely on the global issuer defaults in Moody's 2023 annual default study as opposed to the 2019 annual default study that it relied on previously.[131] The effect of this update is that the proposed default and recovery rate assumptions become affected by the substantial increase in defaults in 2022, which was largely driven by the Russia-Ukraine war and China's property sector downturn[132] – events that were not expected to affect the U.S. leveraged loans underlying the CLOs at issue. Without counting Russian defaults, global issuer defaults in 2022 would have been 91 as opposed to 151. According to Moodys', the drivers of the Russian and China defaults are "risks that are rare globally." It is unreasonable to assume that these issuers' defaults should be used to infer the performance of CLO's underlying U.S. leveraged loans.[133]

4.34. The inclusion of Russian defaults also impacted the recovery rate for certain types of bonds. Specifically, the recovery rate for senior unsecured bonds was 31.1% in 2022 including Russian defaults, but 35.1% without Russian defaults. The recovery rate for subordinated bonds was 18.2% in 2022 including Russian defaults, versus 24.8% without Russian defaults.[134] The inclusion of the 2022 global issuer defaults, therefore, both increases the default rates and lowers the recovery rates by Russian defaults that are not expected to impact the underlying loans of CLOs.

4.35. In addition to the reliance on Moody's 2023 report, NAIC also switched the recovery rate metrics to a dollar-weighted recovery rate from the issuer-weighted recovery rate. NAIC does not explain the reason for this change. It is noteworthy, however, that the historical default rates that NAIC uses are issuer-weighted and not dollar-weighted. In addition to the issue of consistency, dollar-weighted metrics are susceptible to the outcome of a few large issuers, which can differ substantially from the issuer composition of CLOs' underlying portfolios.

[131] See CDO Default Recovery Scenario, published on November 9, 2023.

[132] See Moody's Annual Default Study: Corporate Default Rate Will Rise in 2023 and Peak in Early 2024, March 13, 2023, at p. 1.

[133] See Moody's Annual Default Study: Corporate Default Rate Will Rise in 2023 and Peak in Early 2024, March 13, 2023, at pp. 1, 4. Similarly, in its 2019 annual default study, Moody's discussed the rise in default rate in onshore markets in China, as well as Argentina and Turkey's financial market sell-offs. Moody's Annual Default Study: Defaults will Rise Modestly in 2019 amid Higher Volatility, February 1, 2019, at p. 2.

[134] Moody's Annual Default Study: Corporate Default Rate Will Rise in 2023 and Peak in Early 2024, March 13, 2023, at p. 9.

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4.36. As a result of the inclusion of the 2022 default data and the change of recovery rate metrics, the assumed recovery rates decrease across collateral types. As **Table 18A** below shows, for the proposed historical priority position recovery scenario, the assumed recovery rate for Senior Secured Loans declined from 67.19% (based on Moody's 2019 Report issuer-weighted recovery rate) to 63.22% (based on Moody's 2023 Report dollar-weighted recovery rate). For the 'Other' type of collateral (which the proposed methodology mapped to junior subordinated bonds), the assumed recovery rate declined from 23.67% to 13.46%. Similar declines are shown in recovery rate assumptions for the stepdown priority position recovery scenario, as **Table 18B** shows.

Table 18A. Comparison of Recovery Rate Assumptions, Historical Priority Position

Collateral Label	Historical Priorty Position	Moody's 2019 Report Issuer-Weighted Recovery Rate	Moody's 2023 Report Issuer-Weighted Recovery Rate	Moody's 2023 Report Dollar-Weighted Recovery Rate
Senior Secured Loan	1st Lien Bank Loan	67.19%	65.68%	**63.22%**
Second Lien Loan	2nd Lien Bank Loan	32.27%	33.28%	**29.88%**
Senior Unsecured Bond	Sr. Unsecured Bond	38.15%	37.67%	**33.56%**
Other	Jr. Subordinated Bond	23.67%	22.26%	**13.46%**

Table 18B. Comparison of Recovery Assumptions, Stepdown Priority Position

Collateral Label	Historical Priorty Position	Moody's 2019 Report Issuer-Weighted Recovery Rate	Moody's 2023 Report Issuer-Weighted Recovery Rate	Moody's 2023 Report Dollar-Weighted Recovery Rate
Senior Secured Loan	Sr. Unsecured Bank Loan	45.75%	37.67%	**43.86%**
Second Lien Loan	Sr. Subordinated Bond	31.08%	31.00%	**26.57%**
Senior Unsecured Bond	Subordinated Bond	31.98%	31.99%	**27.77%**
Other	Jr. Subordinated Bond	23.67%	22.26%	**13.46%**

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V. Conclusion

5.1. CLOs have historically performed well, including during periods of extreme market stress, and have substantially lower default rates than other comparably rated asset classes, including corporate bonds and other structured finance products, such as consumer loan-backed ABS notes or commercial real-estate-backed mortgages. The consistent outperformance of CLOs reflects the benefits of multiple levels of static and dynamic credit enhancement mechanisms (such as portfolio diversification, subordination, overcollateralization, excess spread, and performance-based cash flow diversions), as well as the active management of CLO managers that repositions collateral pool to dampen adverse market shocks. Credit structures of CLOs were further improved even after their exceptional performance during the 2007-2009 Great Financial Crisis. As a result, the CLOs originated after 2009 (referred to as CLO 2.0s) further benefit from increased credit support, stricter limits on the portfolio composition, reduced reinvestment periods, and further diversified asset portfolios. CLO structures became even more conservative starting around 2014 and 2015 in order to comply with regulatory changes such as the Volcker Rule, which limited CLOs' investments in high-yield bonds (referred to as CLO 3.0s). Although the Volcker Rule was later amended to allow high-yield bond investments, CLO 3.0s continue capping their exposure to high-yield bonds.[135] The strong credit performance of CLO 3.0s is attributable to the more benign economic cycles post 2015, as well as their more conservative structures, which outperformed CLOs with less diverse pools and thinner credit cushions.[136]

[135] PineBridge Investments, "Seeing Beyond the Complexity: An Introduction to Collateralized Loan Obligations," January 2022, available at https://www.pinebridge.com/_assets/pdfs/insights/2022/pinebridge-investments_clo-primer.pdf

[136] S&P Research, "CLO Spotlight: The Dirty (Almost) Dozen: What Separates Defaulting U.S. CLO 2.0 Tranches From The Rest," July 7, 2022.

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5.2. Given the demonstrated effectiveness of credit enhancements and active management for CLOs, a CLO modeling must capture these features to approximate the risk profile of CLO notes reasonably. In other words, an analysis of CLO risk should include assessments of CLO structure and manager capability, in addition to assessments of the credit enhancement mechanisms. The Proposed Methodology, however, adopts an oversimplified, algorithmic approach that does not capture qualitative assessments of CLO risks and only considers a subset of quantitative modeling assumptions. For example, the Proposed Methodology oversimplifies assumptions regarding loan prepayment and reinvestment purchase prices. As NAIC itself indicated, these assumptions would affect the risk profile of CLO notes, sometimes in unexpected directions. In our view, to evaluate CLO risk, these assumptions need to properly reflect empirical evidence, industry practice, and the active management feature of CLOs. Additionally, the Proposed Methodology disregards the default correlation and the interaction between default and recovery – features that are critical to CLO performance and can have disparate impacts across CLOs and their tranches. In contrast to the Proposed Methodology, the big three rating agencies – S&P, Moody's, and Fitch – analyze qualitative factors of CLO deals to account for various known risk factors that cannot be incorporated into quantitative models but are nevertheless essential determinants of CLO performance. All three rating agencies also explicitly take into account portfolio default correlation, loan prepayment, and purchase price discount in assessing CLO risk.

5.3. Additionally, in the actual implementation, the Proposed Methodology adopts Moody's CDOnet software platform and, as a result, follows Moody's CLO modeling framework and utilizes Moody's input data and assumptions. The Proposed Methodology does not explain why the regulatory capital charges should be primarily determined based on Moody's CLO modeling framework when other reputable and well-regarded rating agencies, such as S&P and Fitch, evaluate the credit risk of CLO notes based on different methodologies and assumptions.

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5.4. Although NAIC describes its proposed stress test scenarios, the proposal thus far lacks the critical assumption about the likelihood that each stress test scenario is expected to occur, which severely limits the risk assessment based on the proposed scenarios. It is important to note, however, that the default and recovery assumptions under stress test Scenarios B and C result in marginal loss increments that prevent full payment of principal and interest to Tranche D (investment grade tranche) and Tranche E (high yield tranche). Specifically, Scenario C is a highly drastic scenario with simultaneously higher default rates and higher loss rates than historical averages under which a currently investment-grade rated bond is expected to default. In other words, these stress test scenarios are designed to increase capital charges above the current level. Furthermore, instead of the static stress test scenarios proposed by the NAIC, the industry and rating agencies have long moved away from static stress scenarios (such as the proposed stress test scenarios) and adopted models that can capture correlation and stochastic recovery rates. Considering the high sensitivity of the analysis outcome, the Proposed Methodology lacks sufficient technical sophistication to account for factors that can materially alter the credit profile of CLO notes, which could result in unfairly biased risk-based capital determination. The Proposed Methodology's omissions and oversimplifications of important CLO features can result in significantly altered risk profiles of CLO tranches, leading to a distorted assessment of the credit risk and the corresponding capital charges.

5.5. In summary, a comprehensive evaluation and more advanced modeling beyond what NAIC currently proposes are required to ensure a fair and reasonable assessment of CLO risk. We have shown that Monte-Carlo-type simulations can account for some of the complexities of the CLO modeling that are important for CLO performance, such as the stochastic variability of both default rates and recovery rates. We have also shown that stress test assumptions need to reflect the interactions across different economic factors over market cycles for the test meaningful assessment of risk. Additionally, the range of the possible default and recovery rates and correlations under various stress scenarios must be verified against both the historical and current market prices of the underlying loans and CLO notes, as well as other historical observations of default and recovery rates in past recessions. The additional modeling and stress test assumptions discussed in this white paper would transform the analysis of CLOs into a more complex study than what is currently proposed, but they are required for obtaining a more precise and fair assessment of CLO risk.

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January 29, 2026

Risk-Based Capital Investment Risk and Evaluation Working Group
Capital Adequacy (E) Task Force
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via Email

Re: Comments on American Academy of Actuaries' December 15, 2025, Presentation titled C-1 Subcommittee Update on CLO C-1 Factors Modeling

Dear Members of the Risk-Based Capital Investment Risk and Evaluation (RBC-IRE) Working Group:

We appreciate the opportunity to provide comments on the AAA's December 15, 2025, presentation to regulators regarding the ongoing development of C-1 factors for Collateralized Loan Obligations (CLOs). We commend the AAA C-1 Subcommittee, chaired by Stephen Smith, for its collaborative efforts with the NAIC's Structured Securities Group (SSG) to refine a modeling approach that better reflects the risk characteristics of CLOs held by insurers. This work represents a significant improvement over prior methodologies, and we support its continued advancement.

AAA vs SSG CLO Model: The Academy model uses a large-scale stochastic simulation with 10,000 equally weighted economic scenarios. This generates robust default vectors for the underlying loans, which are then fed through detailed waterfall mechanics (via CDO-Net) to simulate tranche performance. It explicitly measures tail risk using a Conditional Tail Expectation (CTE-90) approach, averaging losses across the worst 10% of outcomes, translating to 17 scenarios.

In contrast, the SSG approach relies on only 10 deterministic scenarios, which are artificially probability-weighted and back-solved primarily to enforce strict equivalence between the CLO's vertical slice RBC charges and the weighted-average charges of the underlying loan pool. This limits visibility into genuine tail risk, reduces emphasis on stochastic variation, and can mask tranche-specific sensitivities by scaling results to loan-pool averages.

We believe the AAA framework is "largely there" and represents the best path forward for establishing fair and accurate capital charges. Therefore, we urge the Working Group not to

revert to less sophisticated models, such as the SSG approach or a uniform fallback percentage, as these would not adequately capture the diversified and structured nature of CLOs.

Recommendations on Assumptions and Refinements: We note the Academy model's sensitivity to key assumptions, some of which still need adjustments to be fully calibrated, which can significantly influence outcomes. In particular:

- *Loss Given Default (LGD)*: The proposed adjustment from 27% to 36% represents a notable increase that could materially impact capital charges. We appreciate the Academy's transparency in highlighting assumption dependencies and look forward to further details in the February 10, 2026, presentation, including the appendix on underlying assumptions.
- *Prepayments*: We appreciate the Academy's sensitivity analysis regarding prepayment speeds given prepayments occur across all market conditions, including stressed conditions and periods of elevated defaults. We recommend the Academy consider a more moderate prepayment assumption that reflects historical floors observed during stressed periods to avoid overstating tail risk and capital charges.
- *Reinvestment Price*: Assumptions around reinvestment should be reviewed to align with market realities, ensuring they do not unduly penalize CLO structures. Notably, the par assumption departs materially from market realities. We suggest incorporating real-world data to refine these elements, recognizing the assumption-dependent nature of the model (as noted with at least five key variables that could alter results).
- *Probability of Default (PD)*: While not highlighted in the December 15 presentation, we believe there could be significant improvements in PD modeling. We encourage the AAA to couple consideration of changes to recoveries with revisions to the Academy's current probability of default assumptions. These are currently based on US corporates of all seniorities. Using historical experience of US BSL loans, which have exhibited lower relative defaults than bonds, would be more appropriate and realistic.

Anticipated Next Steps and Collaboration: We eagerly await the early 2026 presentation of residual tranche results, portfolio adjustment factors, model refinements, and potential comparable attributes. The full application of the model to the broader universe of CLOs owned by life insurers, as planned for February 10, 2026, will provide greater certainty and enable more precise feedback. In the interim, we are prepared to offer technical input from our CLO subject matter experts as well as data to support assumptions that align with observable market dynamics.

Thank you for your dedication to developing risk-based capital standards that promote a stable and competitive insurance industry. We stand ready to engage further and provide any additional information needed.

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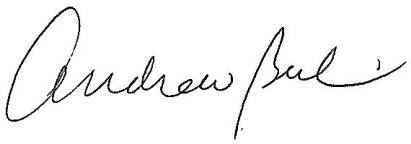
Sincerely,

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C-1 Subcommittee Update on CLO C-1 Factors Modeling

March 2, 2026

Stephen Smith, MAAA, FSA, CFA
Chairperson, C1 Subcommittee

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About the Academy

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Introduction

- The G1 Subcommittee & the NAIC's Structured Securities Group (SSG) have collaborated to build a working model for CLO RBC
- *Modeled* RBC-1 factors are shown based on ratings. The Academy has found ratings to include substantial information on tail risk so that ratings can serve as a comparable attribute when appropriate adjustments are made for horizon and tranche thickness.
- Results are broadly consistent with work done by SSG in the CLO ad hoc group, showing low risk for senior tranches but potential cliff risk for junior tranches.
- Factors are horizon-neutral.

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Methodology Summary

- Objective: Define several risk buckets for CLOs according to comparable attributes and then assign a C-1 factor to each bucket.
- CLO collateral credit modeling is largely consistent with C-1 corporate bond modeling.
- Projection of CLO cash flows is largely consistent with SSG modeling in the CLO Ad Hoc group, with the primary exception being the CLO collateral credit modeling.
- Conversion of CLO cash flows into C-1 factors is consistent with C-1 corporate bond methodology where possible, with additional modeling to address the fact that missed payments on CLOs do not necessarily trigger defaults.

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Anticipated Project Timeline

- Sept. 8, 2025 initial presentation of model
- Dec. 15, 2025 status update to regulators
- WE ARE HERE
- Early 2026 presentation of residual tranche results, portfolio adjustment factor, model refinements, identification of potential comparable attributes, and resulting factors
- Q1 2026 incorporation of modifications requested by regulators, if any
- Q2 2026 If significant changes are not requested by regulators, expectation is for final factors to be available for exposure by April 30, 2026

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Acknowledgments

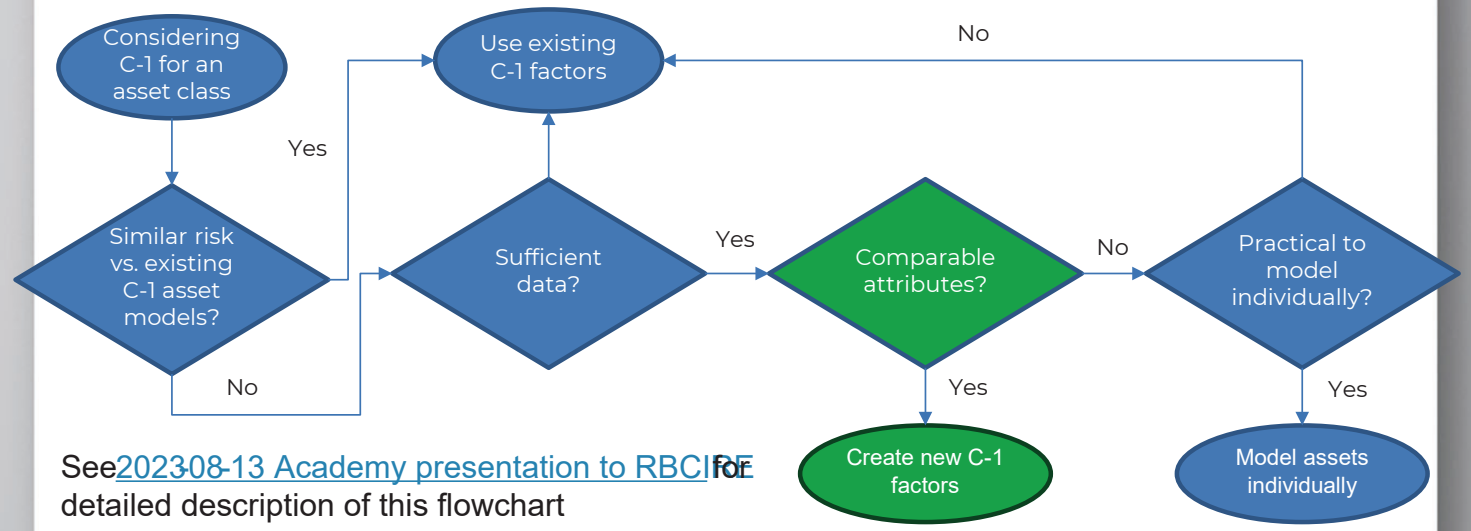
- ACLI – use of G1 corporate bond model developed by Moody's for ACLI
- Moody's – access to CLO deal data, collateral data, historical default rate data, and CDOnet
- S&P – historical recovery data and frequent discussions with structured finance analytical professionals
- Bridgeway Analytics – frequent discussions on credit modeling, structured finance, and help in understanding the ACLI & Moody's corporate bond model
- NAIC SSG – modeling advice and running CDOnet
- NAIC Accounting Staff – guidance on CLO statutory accounting and reporting

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C-1 Modeling Framework Flowchart

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See 2023-08-13 Academy presentation to RBCIRE for detailed description of this flowchart

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Project Status Update as of March 2, 2026

- This presentation includes modeled base factors for CLO debt tranches.
- The Academy will quickly follow up with modeled portfolio adjustment factors and residual tranche treatment.

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Key Definitions

Raw C-1 Factors refer to the factors estimated using a 3-step modeling process (collateral model, cash flow model, and C-1 factor model) for the universe of CLOs in scope, as described in the American Academy of Actuaries materials presented at the September 3, 2025, and December 12, 2025, NAIC RBC IRE public calls. Raw C-1 Factors are unique to each asset.

Modeled C-1 Factors refer to the factors derived using the comparable attributes modeling approach described in this presentation. Modeled C-1 Factors apply to asset groupings.

Tranche Thickness is defined as the difference between the detachment point and attachment point, both expressed as a % of the CLO balance, for a given tranche.

Reinvestment Horizon is defined as the time during which a CLO can reinvest principal payments made on its collateral into new loans.

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Modeled C-1 Factors for CLO Debt Tranches

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Modeled Comparable Attributes

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- Modeled tail risk can be largely explained by a combination of three attributes: remaining reinvestment horizon, rating, and tranche thickness.
- C-1 factors for other asset classes are horizon-neutral, therefore the C-1 factor for a given CLO debt tranche should not depend on its remaining reinvestment horizon.
- After adjusting for systematic differences in reinvestment horizons across ratings, CLO debt tranches can be sorted according to two comparable attributes: rating and tranche thickness (with tranche thickness only needed for CLO debt tranches rated Baa3 and lower).
- Tranche thickness can be treated in a simple manner, by dividing each rating into just two categories: tranche thickness greater than 4% and tranche thickness less than 4%.
- Alternative results are also presented that ignore tranche thickness, prioritizing ease of implementation in a rating-only framework

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Option 1—Rating Only (After-Tax Factors)

Investment Grade

Rating	Simple Average Raw C-1	Modeled C-1
Aaa	0.03%	**0.03%**
Aa1	0.28%	**0.04%**
Aa2	0.00%	**0.04%**
Aa3	0.00%	**0.04%**
A1	0.40%	**0.14%**
A2	0.11%	**0.14%**
A3	0.12%	**1.45%**
Baa1	1.58%	**1.81%**
Baa2	3.02%	**2.70%**
Baa3	5.94%	**2.73%**

Below Investment Grade

Rating	Simple Average Raw C-1	Modeled C-1
Ba1	20.70%	**12.59%**
Ba2	27.37%	**20.93%**
Ba3	28.92%	**23.28%**
B1	17.34%	**26.04%**
B2	30.81%	**35.20%**
B3	56.39%	**47.32%**
Caa1	57.60%	**48.12%**
Caa2	66.51%	**55.20%**
Caa3	77.33%	**70.82%**

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Option 2—Rating & Tranche Thickness (After-Tax Factors)

Investment Grade

Rating	Simple Average Raw C-1	Modeled C-1	
		Thickness > 4%	Thickness ≤ 4%
Aaa	0.03%	**0.03%**	
Aa1	0.28%	**0.04%**	
Aa2	0.00%	**0.04%**	
Aa3	0.00%	**0.04%**	
A1	0.40%	**0.14%**	
A2	0.11%	**0.14%**	
A3	0.12%	**1.45%**	
Baa1	1.58%	**1.81%**	
Baa2	3.02%	**2.70%**	
Baa3	5.94%	**2.73%**	**12.52%**

Below Investment Grade

Rating	Simple Average Raw C-1	Modeled C-1	
		Thickness > 4%	Thickness ≤ 4%
Ba1	20.70%	**12.59%**	**22.39%**
Ba2	27.37%	**20.93%**	**30.72%**
Ba3	28.92%	**23.28%**	**33.08%**
B1	17.34%	**26.04%**	**35.84%**
B2	30.81%	**35.20%**	**44.99%**
B3	56.39%	**47.32%**	**57.12%**
Caa1	57.60%	**48.12%**	**57.92%**
Caa2	66.51%	**55.20%**	**64.99%**
Caa3	77.33%	**70.82%**	**80.61%**

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Appendix 1—Methodology for C-1 Factors

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Methodology for Modeled C-1 Factors

1. Ordinary Least Squares ("OLS") regression 1 factor model
2. Adjustments for remaining reinvestment horizon
3. Adjustments for tranche thickness
4. Isotonic regression (on CLO debt tranches rated Baa2 and higher)

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Methodology for Modeled C-1 Factors

1. OLS Regression Model

The OLS regression model used to produce Modeled C-1 Factors uses the following independent variables:

- Ratings (19 indicator variables, one per rating)
- Reinvestment horizon (1 numerical variable)
- Interaction terms between reinvestment horizon and rating (6 interaction terms)
- Tranche thickness (1 indicator variable)

The adjusted R^2 for a ratings-only regression is 74.2%. Adding reinvestment horizon increases the adjusted R^2 to 76.2%. Adding interaction terms between reinvestment horizon and ratings increases R^2 to 81.6%. Adding the tranche thickness flag increases to R^2 83.2%.

C-1 factors are produced using an unweighted OLS, rather than weighted by $ balance.

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Methodology for Modeled C-1 Factors
2. Adjustment for Remaining Reinvestment Horizon

We observe reinvestment horizon is predictive of raw C-1 factors; when a security has a shorter reinvestment horizon, its raw C-1 factor is on average smaller.

The effect of reinvestment horizon on C-1 varies by rating – C-1 and its slope is ~0 for Aaa/Aa but increases especially at Baa and below IG

Because Caa has materially fewer data points, we bucket Caa with B3 and offset all other ratings (i.e., B2/B1/Ba3 and Ba2/Ba1/Baa3 etc.) for the purpose of interaction terms which results in a minor improvement to R^2 and produces monotonicity for all below IG ratings.

We observed no correlation between reinvestment horizon and rating (p-value = 0.19). Because non-CLO C-1 factors are horizon-neutral, the modeled C-1 factors are derived by using the average reinvestment horizon across ratings of 2.41 years (balance-weighted average is near-identical at 2.40 years).

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Methodology for Modeled C-1 Factors

3. Adj. for tranche thickness and 4. Isotonic Regression (Baa2 / above)

After adjusting for reinvestment horizon, an isotonic regression is applied to produce monotonic C-1 factors across rating.

Rating	Simple Average Raw C-1	Modeled C-1, Reinvestment Adjusted	Modeled C-1, Isotonic Regression Applied
Aaa	0.03%	0.03%	0.03%
Aa1	0.28%	0.27%	0.04%
Aa2	0.00%	0.00%	0.04%
Aa3	0.00%	0.04%	0.04%
A1	0.40%	0.41%	0.14%
A2	0.11%	0.10%	0.14%
A3	0.12%	1.45%	1.45%
Baa1	1.58%	1.81%	1.81%
Baa2	3.02%	2.70%	2.70%

Note that the shift in A3 from 0.12% simple average of raw C-1 to 1.45% with reinvestment adjustment is due to the relatively short horizons present in the A3 tranches in the dataset. Also note that A3 tranches are less common than A2.

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Methodology for Modeled C-1 Factors

3. Adjustments for tranche thickness (Baa3 / below)

Factors are monotonic after spiking out thickness and accounting for horizon

Rating	Simple Average Raw C-1	Simple Average Raw C-1		Modeled C-1, Reinvestment Adjusted	
		Thickness > 4%	Thickness ≤ 4%	Thickness > 4%	Thickness ≤ 4%
Baa3	5.94%	2.33%	16.27%	2.73%	12.52%
Ba1	20.70%	3.39%	26.09%	12.59%	22.39%
Ba2	27.37%	8.82%	38.13%	20.93%	30.72%
Ba3	28.92%	19.87%	35.61%	23.28%	33.08%
B1	17.34%	13.68%	53.96%	26.04%	35.84%
B2	30.81%	12.68%	65.04%	35.20%	44.99%
B3	56.39%	31.15%	57.35%	47.32%	57.12%
Caa1	57.60%	35.50%	67.07%	48.12%	57.92%
Caa2	66.51%	39.12%	70.16%	55.20%	64.99%
Caa3	77.33%	74.61%	81.47%	70.82%	80.61%

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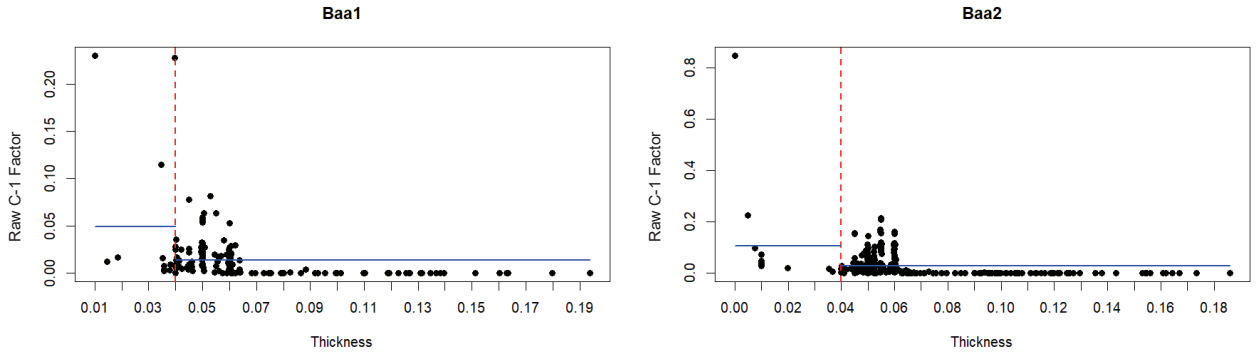
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Appendix 2—Modeling Choices

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Tranche Thickness 4% Cut-Off
Baa1/Baa2



The scatterplots above show the relationship between tranche thickness and raw C-1 factor within a single rating bucket. Each dot represents one CLO debt tranche. The blue horizontal lines show the average raw C-1 factor across the dataset for CLO debt tranches of given rating and tranche thickness (less than or equal vs. greater than 4%). The difference between the blue lines shows that tranche thickness provides information on tail risk, as represented by the raw C-1 factor, that is not captured by ratings.

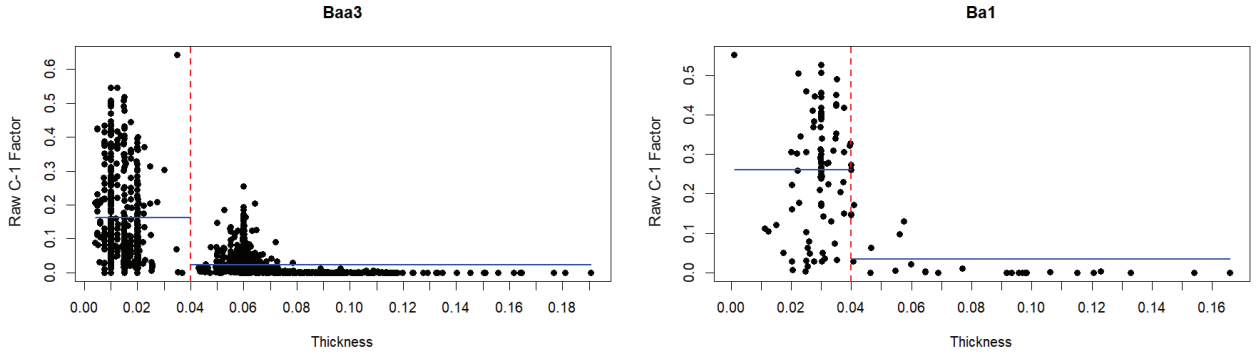
Tranche thickness is not included as a comparable attribute in modeled factors for Baa1 and Baa2 due to low sample size at these ratings, even though the pattern can be observed here.

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Tranche Thickness 4% Cut-Off

Baa3/Ba1

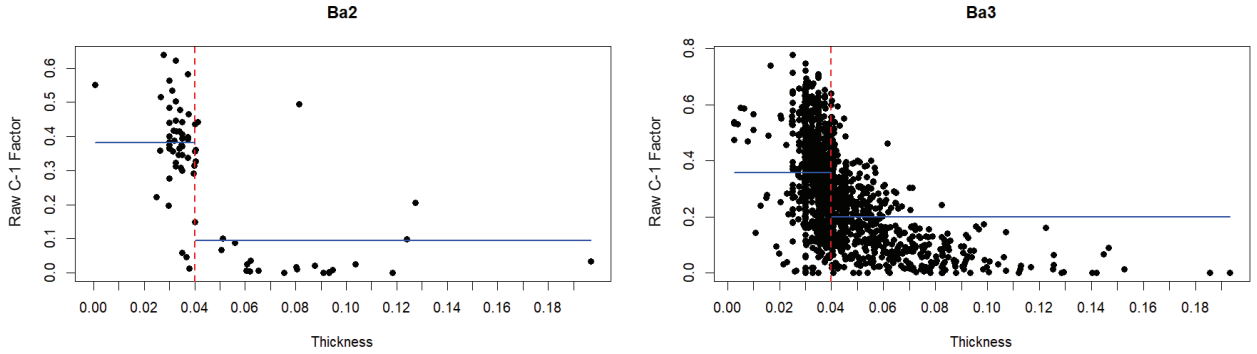


The scatterplots above show the relationship between tranche thickness and raw C-1 factor within a single rating bucket. Each dot represents one CLO debt tranche. The blue horizontal lines show the average raw C-1 factor across the dataset for CLO debt tranches of the given rating and tranche thickness (less than or equal vs. greater than 4%). The difference between the blue lines shows that tranche thickness provides information on tail risk, as represented by the raw C-1 factor, that is not captured by ratings.

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Tranche Thickness 4% Cut-Off
Ba2/Ba3

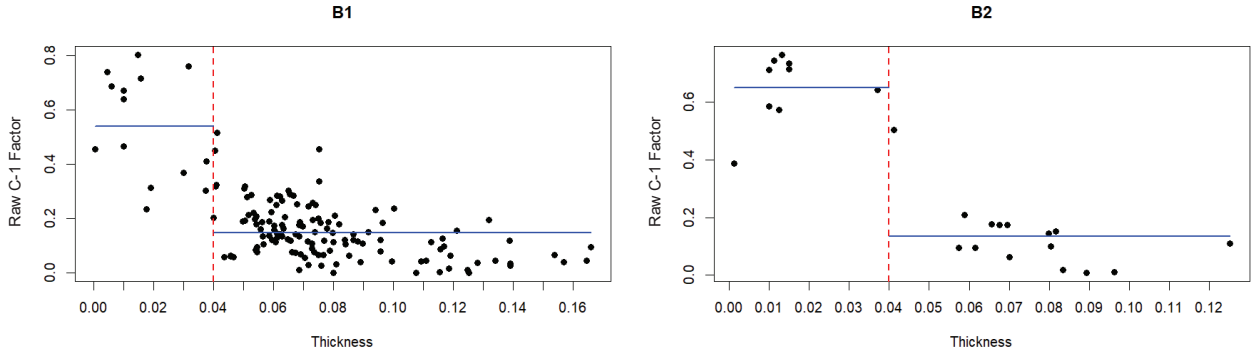


The scatterplots above show the relationship between tranche thickness and raw C-1 factor within a single rating bucket. Each dot represents one CLO debt tranche. The blue horizontal lines show the average raw C-1 factor across the dataset for CLO debt tranches of the given rating and tranche thickness (less than or equal vs. greater than 4%). The difference between the blue lines shows that tranche thickness provides information on tail risk, as represented by the raw C-1 factor, that is not captured by ratings.

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Tranche Thickness 4% Cut-Off
B1/B2



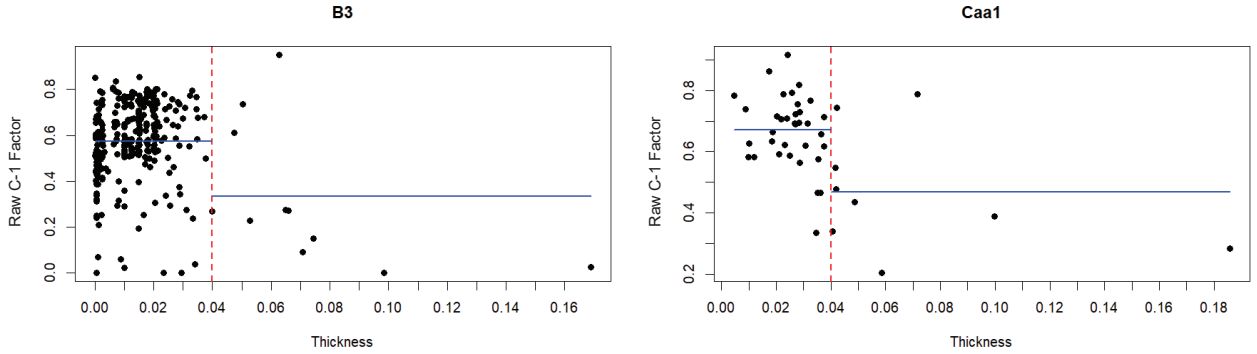
The scatterplots above show the relationship between tranche thickness and raw C-1 factor within a single rating bucket. Each dot represents one CLO debt tranche. The blue horizontal lines show the average raw C-1 factor across the dataset for CLO debt tranches of the given rating and tranche thickness (less than or equal vs. greater than 4%). The difference between the blue lines shows that tranche thickness provides information on tail risk, as represented by the raw C-1 factor, that is not captured by ratings.

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Tranche Thickness 4% Cut-Off

B3/Caa1

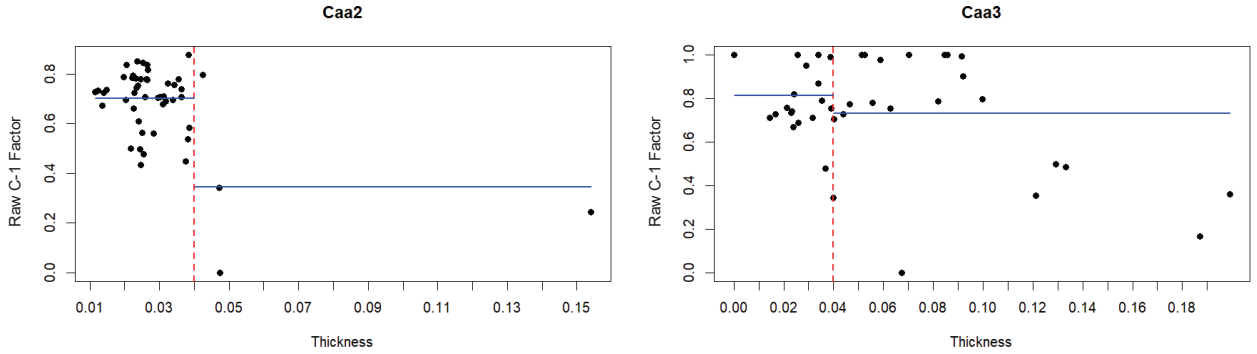


The scatterplots above show the relationship between tranche thickness and raw C-1 factor within a single rating bucket. Each dot represents one CLO debt tranche. The blue horizontal lines show the average raw C-1 factor across the dataset for CLO debt tranches of the given rating and tranche thickness (less than or equal vs. greater than 4%). The difference between the blue lines shows that tranche thickness provides information on tail risk, as represented by the raw C-1 factor, that is not captured by ratings.

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Tranche Thickness 4% Cut-Off
Caa2/Caa3



The scatterplots above show the relationship between tranche thickness and raw C-1 factor within a single rating bucket. Each dot represents one CLO debt tranche. The blue horizontal lines show the average raw C-1 factor across the dataset for CLO debt tranches of the given rating and tranche thickness (less than or equal vs. greater than 4%). The difference between the blue lines shows that tranche thickness provides information on tail risk, as represented by the raw C-1 factor, that is not captured by ratings.

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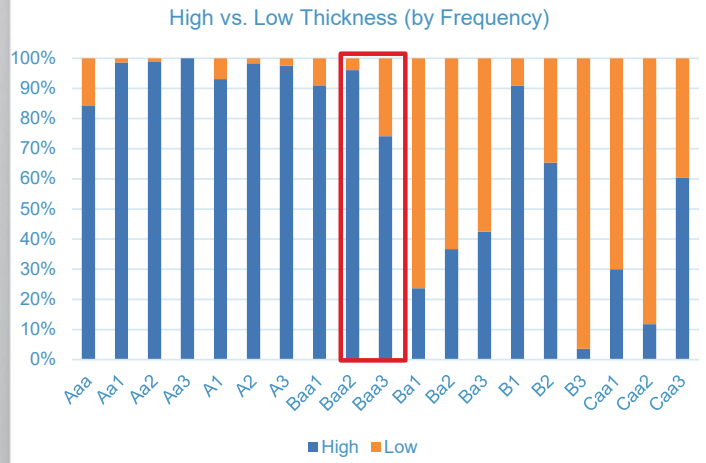
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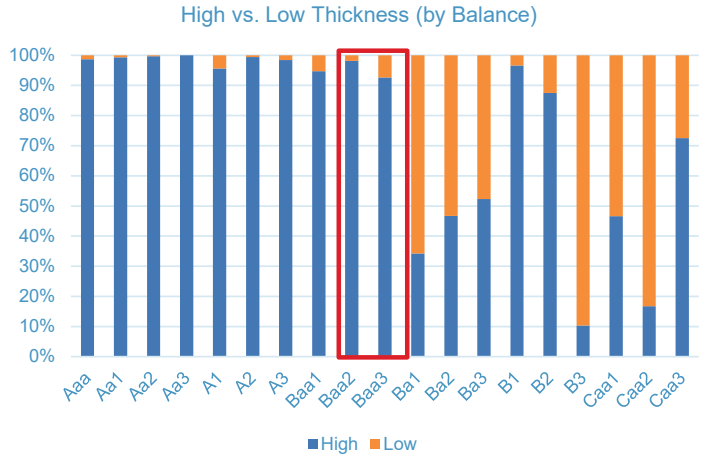
*High vs. low is defined as greater than vs. less than 4%

Distribution by Tranche Thickness

27

Differences between Baa2 and Baa3 tranche thickness are driven by securities with smaller $ balances. In other words, the intuitive result holds that thin tranches have smaller $ balances than thick tranches for most ratings.





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*High vs. low is defined as greater than vs. less than 4%

Distribution by Tranche Thickness

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	Counts		Balance		Difference (Balance - Counts)	
	High	Low	High	Low	High	Low
Aaa	84%	16%	99%	1%	15%	-15%
Aa1	99%	1%	99%	1%	1%	-1%
Aa2	99%	1%	100%	0%	1%	-1%
Aa3	100%	0%	100%	0%	0%	0%
A1	93%	7%	96%	4%	3%	-3%
A2	98%	2%	99%	1%	1%	-1%
A3	98%	2%	98%	2%	1%	-1%
Baa1	91%	9%	95%	5%	4%	-4%
Baa2	96%	4%	98%	2%	2%	-2%
Baa3	74%	26%	93%	7%	19%	-19%
Ba1	24%	76%	34%	66%	10%	-10%
Ba2	37%	63%	47%	53%	10%	-10%
Ba3	43%	57%	52%	48%	10%	-10%
B1	91%	9%	97%	3%	6%	-6%
B2	65%	35%	88%	12%	22%	-22%
B3	4%	96%	10%	90%	7%	-7%
Caa1	30%	70%	47%	53%	17%	-17%
Caa2	12%	88%	17%	83%	5%	-5%
Caa3	60%	40%	73%	27%	12%	-12%

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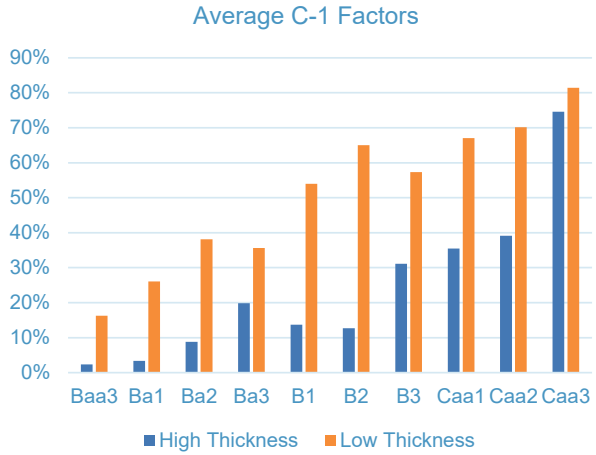
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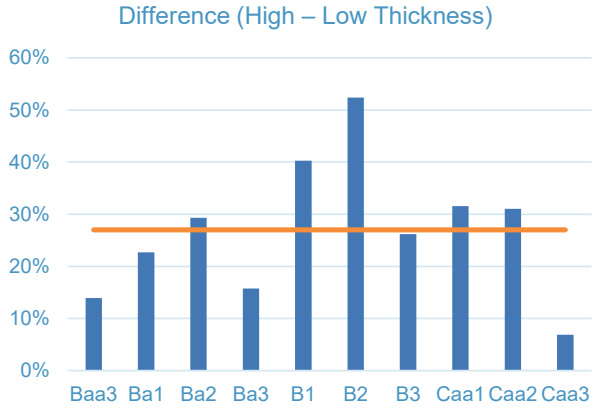
*High vs. low is defined as greater than vs. less than 4%

Raw C-1 Factor Averages by Tranche Thickness

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Differences between high thickness and low thickness factors do not trend across rating and only have minor improvements to model fit; we use one premium across all ratings to avoid overfitting





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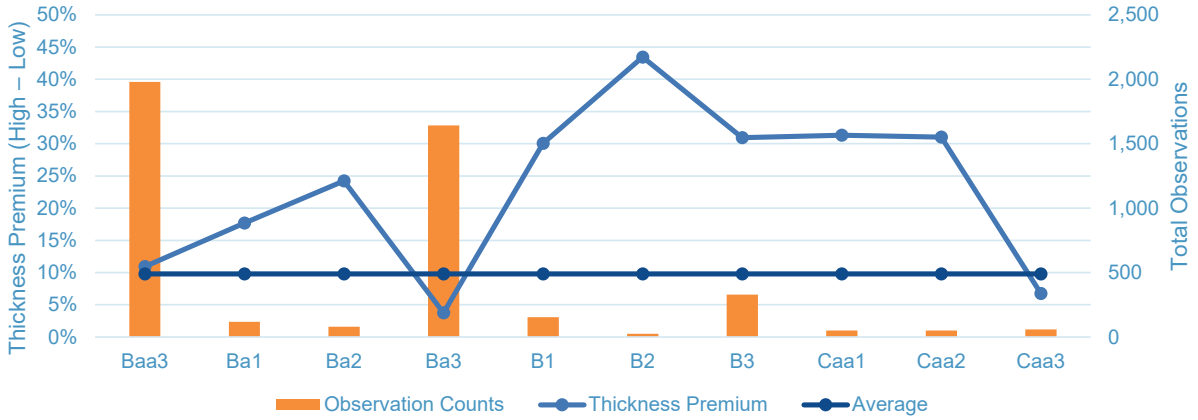
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*Applying regression to standardize reinvestment horizon to mean, spiking out 4% thickness for Baa3/below and applying isotonic regression to A2/above

Model* Output Thickness Premiums

30

After accounting for reinvestment horizon (see next section) and estimating the thickness premium at each rating, we observe noisy results for B1/below and elect to use a single average across all Baa3/below ratings

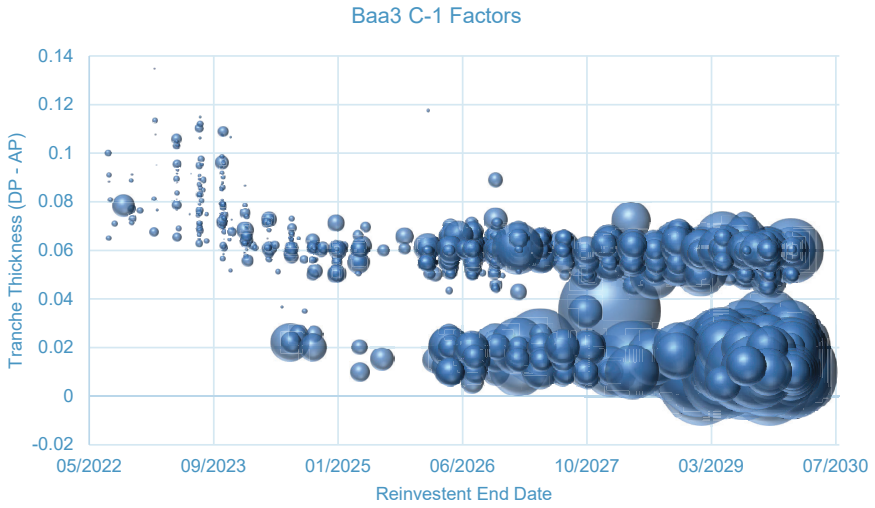


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Tranche Thickness and Reinvestment Horizon

- Within Baa3 tranches, two distinct groups are represented here by two horizontal lines of bubbles.
- Each bubble represents one CLO debt tranche, with larger bubbles having higher C1 factors.
- Bubbles are larger in the bottom row, showing that thin tranches are riskier.
- Bubbles are larger on the right, showing that longer remaining reinvestment horizons have more modeled risk.

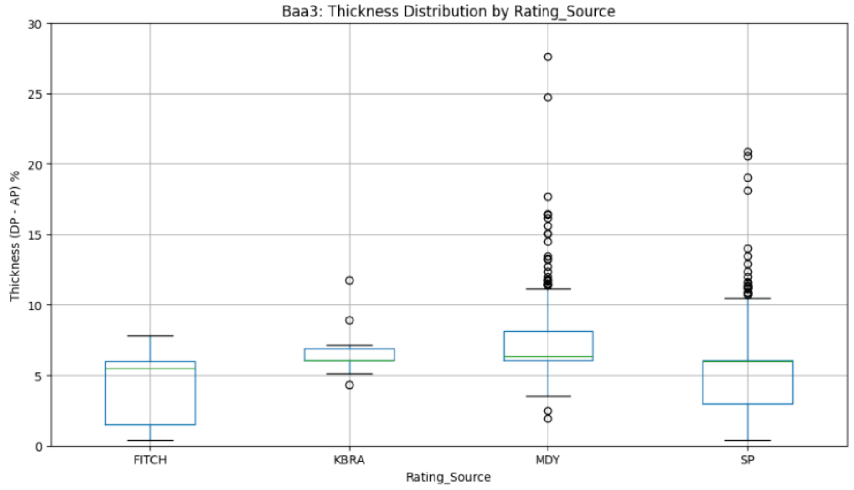


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Tranche Thickness by Rating Agency

- Thinner tranches can qualify for an investment-grade rating from S&P or Fitch, which rate to the first dollar of loss (attachment point drives rating, detachment point does not).
- Moody's and KBRA* ratings incorporate severity of loss, as do modeled G1 factors, and thus higher detachment points tend to be required for an investment-grade rating from Moody's or KBRA*.



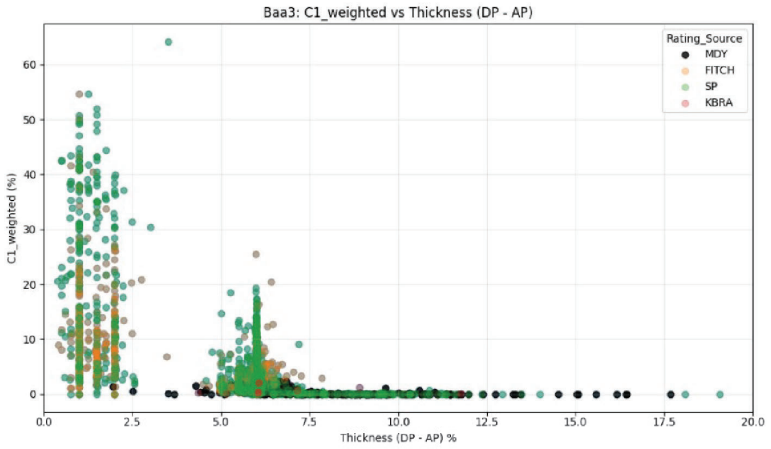
*KBRA is drawn from a smaller sample size in the data, consisting of only 10 Baa3 CLOs (see following slide for further details on the dataset)

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Tranche Thickness by Rating Agency

- Baa3 CLOs are clustered at a 6% thickness (typical Baa3 attaches at 12% and detaches at 18%).
- Moody's ratings (black dots) tend to have higher thickness than S&P ratings (green dots).



Thickness Distribution by Rating_Source (Baa3 only):

index	Rating_Source	count	mean	std	total_balance	avg_C1_weighted	simple_avg_C1	bal_thickness_<4%	bal_thickness_>=4%
0	FITCH	583	3.98	2.29	10371142500	4.5219	6.8773	15.35	84.65
1	KBRA	10	6.76	2.13	347144739	0.8527	0.7481	0	100
2	MDY	354	7.73	5.36	10257986866	0.6521	0.6579	0.76	99.24
3	SP	1033	5.19	2.65	23010314334	3.774	7.2659	6.72	93.28

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Reinvestment Horizon

- Adjusting reinvestment horizon to mean fixes non-monotonicity in average C1 factors, among below investment grade ratings.

	High Thickness		Low Thickness	
Rating	Simple Average	Constant Reinvestment Horizon	Simple Average	Constant Reinvestment Horizon
Aaa	0.03%	0.03%		
Aa1	0.28%	0.27%		
Aa2	0.00%	0.00%		
Aa3	0.00%	0.04%		
A1	0.40%	0.41%		
A2	0.11%	0.10%		
A3	0.12%	1.45%		
Baa1	1.58%	1.81%		
Baa2	3.02%	2.70%		
Baa3	5.94%	2.73%	16.27%	12.52%
Ba1	20.70%	12.59%	26.09%	22.39%
Ba2	27.37%	20.93%	38.13%	30.72%
Ba3	28.92%	23.28%	35.61%	33.08%
B1	17.34%	26.04%	53.96%	35.84%
B2	30.81%	35.20%	65.04%	44.99%
B3	56.39%	47.32%	57.35%	57.12%
Caa1	57.60%	48.12%	67.07%	57.92%
Caa2	66.51%	55.20%	70.16%	64.99%
Caa3	77.33%	70.82%	81.47%	80.61%

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*The effect of reinvestment horizon on C-1 is not homogenous across ratings. Due to data limitations (total observations and variance in C-1), not all ratings are credible enough to have their own interaction term; buckets were chosen to optimize adjusted R^2.

Reinvestment Horizon

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Ratings with short reinvestment horizons have suppressed average C-1 factors

To estimate this effect, we regress C-1 against reinvestment horizon, with interactions to the following buckets*:

Bucket 1: Aaa

Bucket 2: Aa1, Aa2

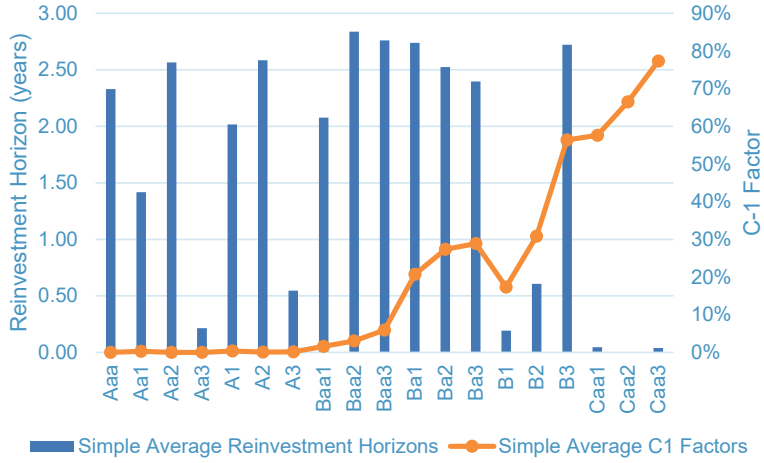
Bucket 3: Aa3, A1, A2

Bucket 4: A3, Baa1, Baa2

Bucket 5: Baa3, Ba1, Ba2

Bucket 6: Ba3, B1, B2

Bucket 7: B3, Caa1, Caa2, Caa3

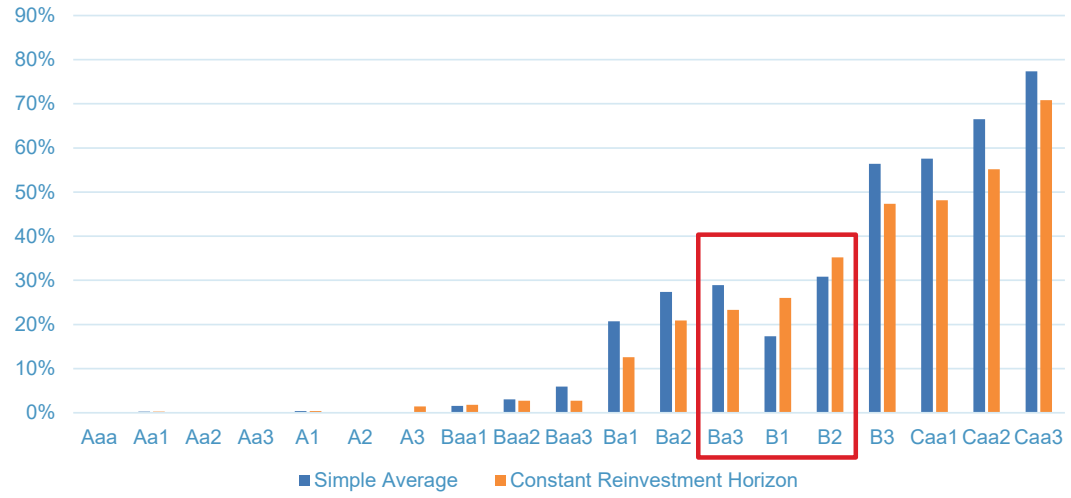


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Reinvestment Horizon—High Thickness Factors

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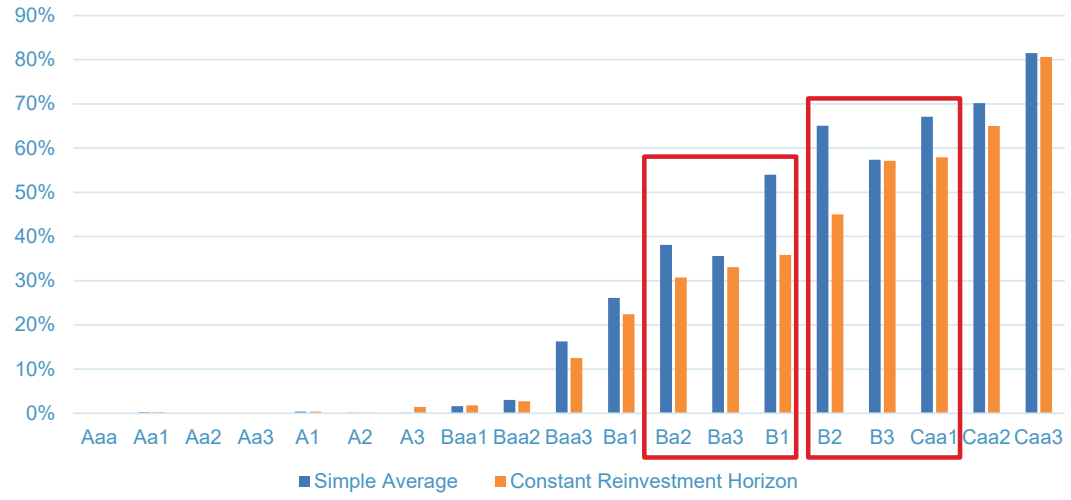


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Reinvestment Horizon—Low Thickness Factors

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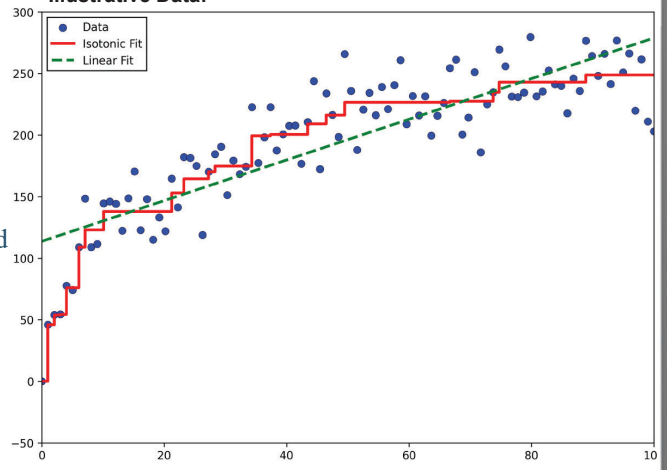
Isotonic Regression

- For $x_1 \leq x_2 \leq \cdots \leq x_n$, the isotonic regression solves:

$$\min_{\hat{y}_1,\ldots,\hat{y}_n} \sum_{i=1}^{n} (y_i - \hat{y}_i)^2 \ \ s.t. \hat{y}_1 \leq \hat{y}_2 \leq \cdots \leq \hat{y}_n$$

- The isotonic regression forces **monotonicity** , i.e., constrains data to be non-decreasing.
- The result is a **stepwise** fit where the steps correspond to weighted averages of the local points.
- The **Pool-Adjacent-Violators (PAV) algorithm** starts with $y_i = \hat{y}_i$ and identifies points where $\hat{y}_i > \hat{y}_{i+1}$.
- When violations occur, the two adjacent steps are averaged together (weighted by number of points) until monotonicity is achieved.

Illustrative Data:



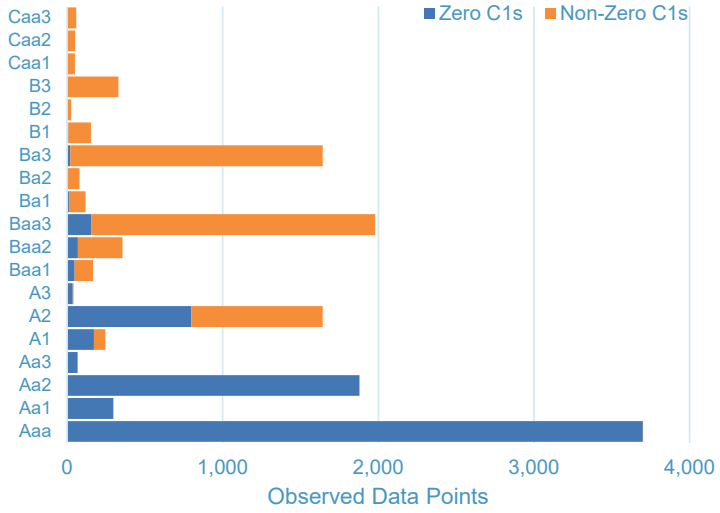
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Isotonic Regression—Applied to A3/above CLO C-1 Factors

- Average C-1 factors are not monotonic across rating for Aa1 to A2.
- The frequency for non-zero C-1 factors is too low for factors to be credible for Aa1 to A2.
- Isotonic regression smooths the average C-1 factors.

	Total Observations	Non-Zero C-1 Observations	Average C-1 Factors	Isotonic C-1 Factors
Aaa	3,701	2	0.03%	0.03%
Aa1	297	1	0.27%	0.04%
Aa2	1,879	1	0.00%	0.04%
Aa3	68	0	0.04%	0.04%
A1	246	73	0.41%	0.14%
A2	1,642	844	0.10%	0.14%
A3	41	5	1.45%	1.45%



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Equal-Weighted (Simple) vs. Balance-Weighted Raw C-1

All Tranches

Rating	Counts	Non-Zero C-1 Counts	Simple Average	Weighted Average	Diff
Aaa	3,701	2	0.03%	0.01%	-0.02%
Aa1	297	1	0.28%	0.31%	0.03%
Aa2	1,879	1	0.00%	0.00%	0.00%
Aa3	68	-	0.00%	0.00%	0.00%
A1	246	73	0.40%	0.38%	-0.02%
A2	1,642	844	0.11%	0.10%	-0.01%
A3	41	5	0.12%	0.13%	0.01%
Baa1	168	120	1.58%	1.33%	-0.24%
Baa2	356	286	3.02%	2.56%	-0.46%
Baa3	1,980	1,824	5.94%	3.20%	-2.74%
Ba1	118	107	20.70%	19.21%	-1.50%
Ba2	79	75	27.37%	23.67%	-3.70%
Ba3	1642	1621	28.92%	26.65%	-2.27%
B1	154	146	17.34%	15.46%	-1.89%
B2	26	25	30.81%	18.70%	-12.10%
B3	330	326	56.39%	57.38%	0.99%
Caa1	50	50	57.60%	49.49%	-8.10%
Caa2	51	50	66.51%	65.78%	-0.73%
Caa3	58	57	77.33%	70.71%	-6.62%

- Average C1 factors tend to be **lower** when weighting by current balance, as opposed to simple average
- This gap is driven by correlation between balance and tranche thickness—it dissipates when accounting for thickness and reinvestment horizon (see next page)
- Because weighted regressions have fewer effective degrees of freedom, we present unweighted results

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*Applying regression to standardize reinvestment horizon to mean, spiking out 4% thickness for Baa3/below and applying isotonic regression to A2/above

Unweighted vs. Weighted Modeled* C-1 Factors

Tranche Thickness > 4%

Rating	Counts	Non-Zero C-1 Counts	Unweighted	Weighted	Diff
Aaa	3,701	2	0.03%	0.01%	-0.02%
Aa1	297	1	0.04%	0.04%	0.00%
Aa2	1,879	1	0.04%	0.04%	0.00%
Aa3	68	-	0.04%	0.04%	0.00%
A1	246	73	0.14%	0.14%	-0.01%
A2	1,642	844	0.14%	0.14%	-0.01%
A3	41	5	1.45%	1.39%	-0.06%
Baa1	168	120	1.81%	1.70%	-0.11%
Baa2	356	286	2.70%	2.44%	-0.26%
Baa3	1,468	1,322	2.73%	2.68%	-0.05%
Ba1	28	17	12.59%	13.09%	0.49%
Ba2	29	25	20.93%	19.23%	-1.70%
Ba3	698	682	23.28%	23.57%	0.29%
B1	140	132	26.04%	25.48%	-0.56%
B2	17	16	35.20%	27.25%	-7.95%
B3	12	11	47.32%	48.53%	1.21%
Caa1	15	15	48.12%	48.53%	0.41%
Caa2	6	5	55.20%	57.99%	2.79%
Caa3	35	34	70.82%	68.02%	-2.80%

Tranche Thickness <= 4%

Rating	Counts	Non-Zero C-1 Counts	Unweighted	Weighted	Diff
Aaa	3,701	2	0.03%	0.01%	-0.02%
Aa1	297	1	0.04%	0.04%	0.00%
Aa2	1,879	1	0.04%	0.04%	0.00%
Aa3	68	-	0.04%	0.04%	0.00%
A1	246	73	0.14%	0.14%	-0.01%
A2	1,642	844	0.14%	0.14%	-0.01%
A3	41	5	1.45%	1.39%	-0.06%
Baa1	168	120	1.81%	1.70%	-0.11%
Baa2	356	286	2.70%	2.44%	-0.26%
Baa3	512	502	12.52%	11.79%	-0.73%
Ba1	90	90	22.39%	22.20%	-0.19%
Ba2	50	50	30.72%	28.34%	-2.38%
Ba3	944	939	33.08%	32.69%	-0.39%
B1	14	14	35.84%	34.59%	-1.24%
B2	9	9	44.99%	36.36%	-8.64%
B3	318	315	57.12%	57.65%	0.53%
Caa1	35	35	57.92%	57.65%	-0.27%
Caa2	45	45	64.99%	67.10%	2.11%
Caa3	23	23	80.61%	77.13%	-3.48%

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Appendix 3—Alternative Models Considered

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Tested Regressions—Part 1

Regression Exogenous Variables	Adjusted R^2	Number of Parameters	Notes
All Variables, excluding Rating (no transformations)	42.6%	47	Baseline estimate for non-rating characteristics
Attachment Point Percentile Buckets (50 equal-sized)	66.5%	50	
Thickness (DP – AP) Percentile Buckets (50 equal-sized)	45.3%	50	
Detachment Point Percentile Buckets (50 equal-sized)	76.5%	50	New baseline for non-rating characteristics. Downside: agnostic towards underlying credit quality.
Rating	74.2%	19	Baseline for ratings. Explanatory power comparable to detachment point
Rating + Detachment Point	74.4%	20	Adds little additional explanatory power over rating

Rating modeled as individual indicator variables for each of the 19 ratings

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Tested Regressions—Part 2

Regression Exogenous Variables	Adjusted R^2	Number of Parameters	Notes
Rating + Detachment Point Buckets	81.8%	68	Explains an additional 7.6% of variance over ratings only
Rating + Reinvestment Horizon	76.2%	20	Reinvestment horizon explains an additional 2.0% of variance over ratings only; is the most explanatory variable when added to rating (w/o transformation)
Rating + Reinvestment Horizon x Rating (interaction terms with rating)	82.4%	37	Explains an additional 8.2% of variance over ratings only; potential overfitting on thin tranches
Rating + Reinvestment Horizon x Rating Letter (interactions with AAA, AA, A, etc.)	81.6%	26	Loses less than 1% of variance explained Adds credibility to non-standard tranches
Rating + Reinvestment Horizon x Rating Bucket (interactions with B3/below, B2/B1/Ba3, Ba1/Ba2/B3, etc.)	81.6%	26	Comparable R^2 as rating letter; adds credibility to CCC (adds observations and adds variance in horizon)
Rating + Reinvestment Horizon x Rating Bucket + Detachment Point	81.7%	27	Negligible improvement over model without DP

Rating modeled as individual indicator variables for each of the 19 ratings

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Tested Regressions—Part 3

Regression Exogenous Variables	Adjusted R^2	Number of Parameters	Notes
Rating + Reinvestment Horizon x Rating Bucket + Detachment Point Buckets	85.6%	75	Detachment point (at the granular level) explains an additional 4.0% of variance
Rating + Reinvestment Horizon x Rating Bucket + Thickness	81.7%	27	Negligible improvement over model without thickness
Rating + Reinvestment Horizon x Rating Bucket + Flag for [Thickness ≤ 4% & Baa3/below Rating]	83.2%	27	Explains additional 1.6% of variance over model without thickness or DP; **chosen model**
Rating + Reinvestment Horizon x Rating Bucket + Flag for [Thickness ≤ 4% & Baa3/below Rating] * Rating	84.3%	36	Explains only 1% additional variance with 9 additional variables; potential overfitting for below-IG
Rating + Reinvestment Horizon x Rating Bucket + Flag for [Thickness ≤ 4% & Baa3/below Rating] + Detachment Point Buckets	85.7%	76	Reference point: granular detachment point data only explains an additional 2.5% of variance over chosen model

Rating modeled as individual indicator variables for each of the 19 ratings

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Questions?

For more information, please contact

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C-1 Subcommittee Update on CLO C-1 Factors Modeling—Technical Follow-up

March 23, 2026

Stephen Smith, MAAA, FSA, CFA
Chairperson, Academy C-1 Subcommittee

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C1SC Update on CLO C-1 Factors Modeling
March 23, 2026

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Introduction

- This presentation will address questions raised by regulators and interested parties in response to the Academy's March 2 presentation to RBCIRE focused on sensitivities to the choice of 4% tranche thickness as a cutoff point and on the distribution of risk within the tail
- Additional information on these points is provided
- Work is ongoing to provide thorough model documentation across the full model, in addition to the data and analytics provided herein

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Regression Results—Interpretation


```
Residuals:
     Min       1Q   Median       3Q      Max
-0.70926 -0.00145 -0.00037  0.00031  0.84095

Coefficients:
                    Estimate Std. Error t value Pr(>|t|)
Aaa                6.039e-04  1.788e-03   0.338   0.7356
Aa1                3.094e-03  4.138e-03   0.748   0.4547
Aa2                4.661e-04  2.672e-03   0.174   0.8615
Aa3               -3.794e-05  8.282e-03  -0.005   0.9963
A1                 3.657e-03  4.713e-03   0.776   0.4378
A2                 6.176e-04  2.863e-03   0.216   0.8292
A3                -2.676e-03  1.069e-02  -0.250   0.8024
Baa1               9.042e-04  6.104e-03   0.148   0.8822
Baa2               9.849e-03  5.556e-03   1.773   0.0763 .
Baa3              -1.735e-02  2.705e-03  -6.416 1.45e-10 ***
Ba1                8.131e-02  6.768e-03  12.014  < 2e-16 ***
Ba2                1.647e-01  7.998e-03  20.588  < 2e-16 ***
Ba3                1.286e-01  2.845e-03  45.206  < 2e-16 ***
B1                 1.562e-01  5.507e-03  28.356  < 2e-16 ***
B2                 2.477e-01  1.342e-02  18.461  < 2e-16 ***
B3                 4.999e-01  7.064e-03  70.771  < 2e-16 ***
Caa1               5.079e-01  9.850e-03  51.564  < 2e-16 ***
Caa2               5.787e-01  9.871e-03  58.624  < 2e-16 ***
Caa3               7.349e-01  9.033e-03  81.356  < 2e-16 ***
REINV_END_DATE    -1.115e-02  2.000e-03  -5.575 2.53e-08 ***
REINV_END_DATE_1   1.102e-02  2.087e-03   5.281 1.31e-07 ***
REINV_END_DATE_2   1.097e-02  2.169e-03   5.055 4.37e-07 ***
REINV_END_DATE_3   1.132e-02  2.191e-03   5.168 2.40e-07 ***
REINV_END_DATE_4   1.832e-02  2.491e-03   7.354 2.04e-13 ***
REINV_END_DATE_5   2.977e-02  2.170e-03  13.721  < 2e-16 ***
REINV_END_DATE_6   5.467e-02  2.251e-03  24.282  < 2e-16 ***
LOW_QUAL_LOW_THICK 9.795e-02  2.780e-03  35.233  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.06828 on 12859 degrees of freedom
Multiple R-squared:  0.8618,    Adjusted R-squared:  0.8615
F-statistic:  2970 on 27 and 12859 DF,  p-value: < 2.2e-16
```

Security rating

Reinv horizon

Interaction terms

Quality and thickness

- **Example:** Baa3 security with tranche thickness ≤ 4% has a factor:

$$-1.735\% + 2.395 \times [-1.115\% + 2.977\%] + 9.795\% = 12.52\%$$

- Baa3 Coefficient
- Average Reinvestment Horizon (yrs)
- Reinvestment Coefficient
- Bucket 5 Reinvestment Interaction
- Low Quality[1] / Low Thickness[2] Premium
- MODELED C-1

- C1 factors are regressed against
  - Security rating
  - Reinvestment horizon (number of years until reinvestments end)
  - Reinvestment horizon × rating bucket
  - Indicator for low-quality (Baa3/below) and low-thickness (≤4%)

- The rating buckets for the interaction terms—chosen to increase credibility—are:
  1. AAA
  2. Aa1 / Aa2
  3. Aa3 / A1 / A2
  4. A3 / Baa1 / Baa2
  5. Baa3 / Ba1 / Ba2
  6. Ba3 / B1 / B2

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Thickness Concentrations, by Rating

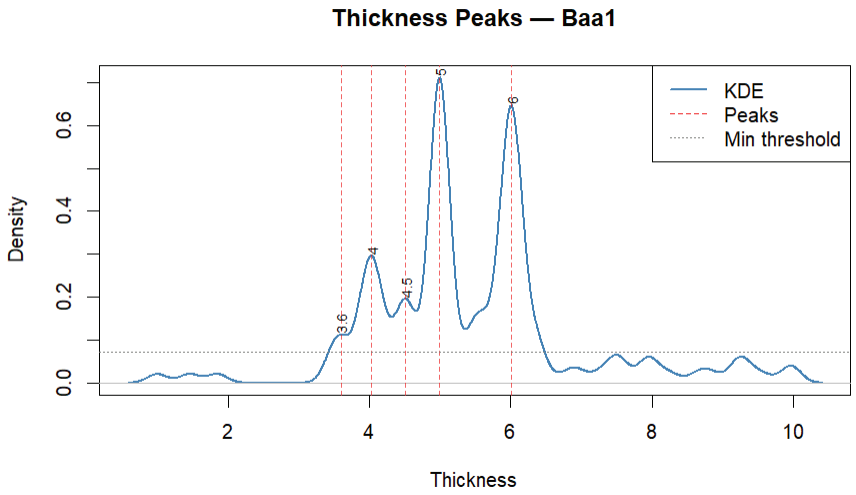
- Baa3 concentrates around 6% thickness with a second peak at 1.9%
- Baa3 has no observations with thickness in the range [3.68%, 4.29%]
- The Academy heuristically chose 4% as the cut off between “low thickness” and “high thickness” to divide these two types of Baa3 tranches. Ba3 has peaks at 4%, 3% and 3.5% with smaller peaks at 4.5% and 2.5%
- Setting the thickness cut-off at 4% interrupts the 4% peak that’s observed in ratings Ba1, Ba2, Ba3, B1 and B2
- In the following pages, kernel density estimates are shown to help visualize the distribution of tranche thicknesses for each rating—these charts translate discrete data into estimates of a smooth distribution of multiple overlapping normal distributions centered around clusters of observed tranche thickness

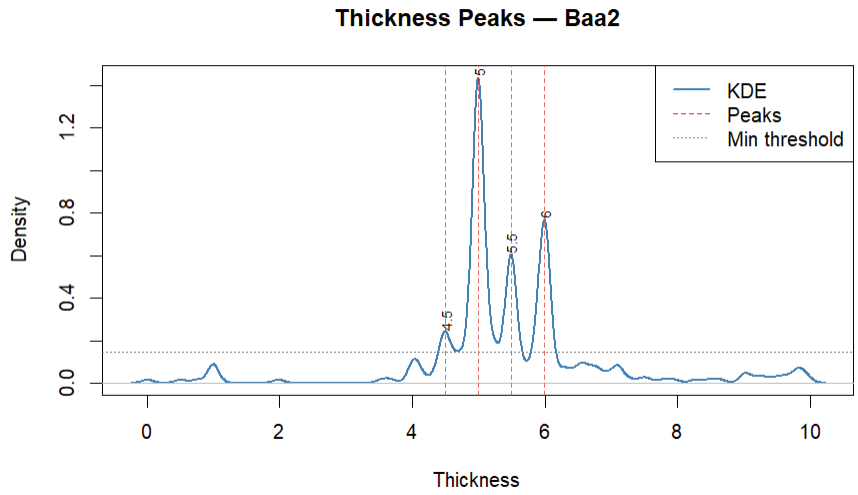
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Kernel Density Estimation—Baa1/Baa2



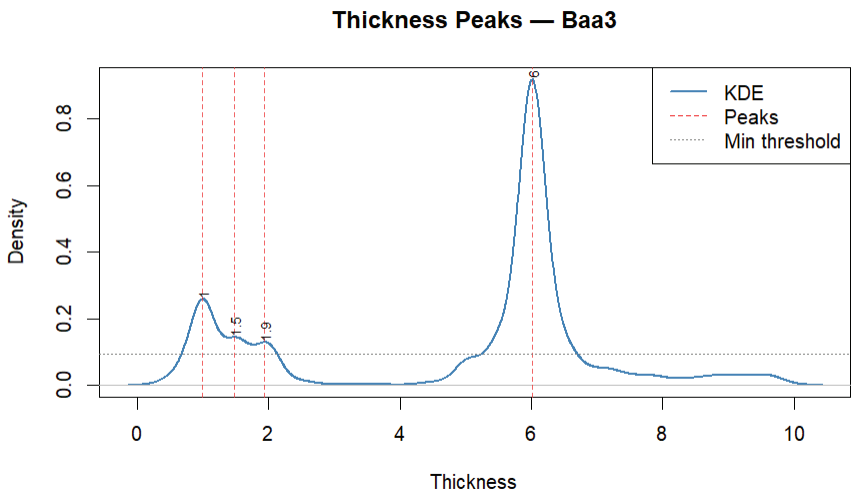


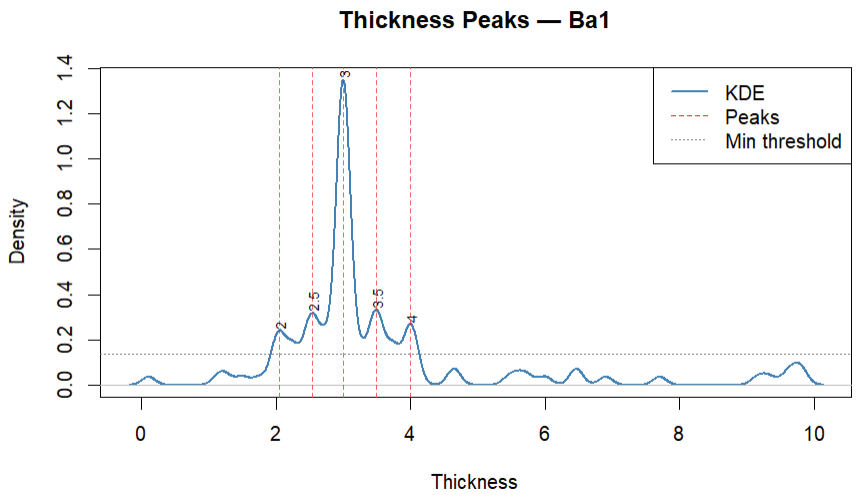
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Kernel Density Estimation—Baa3/Ba1



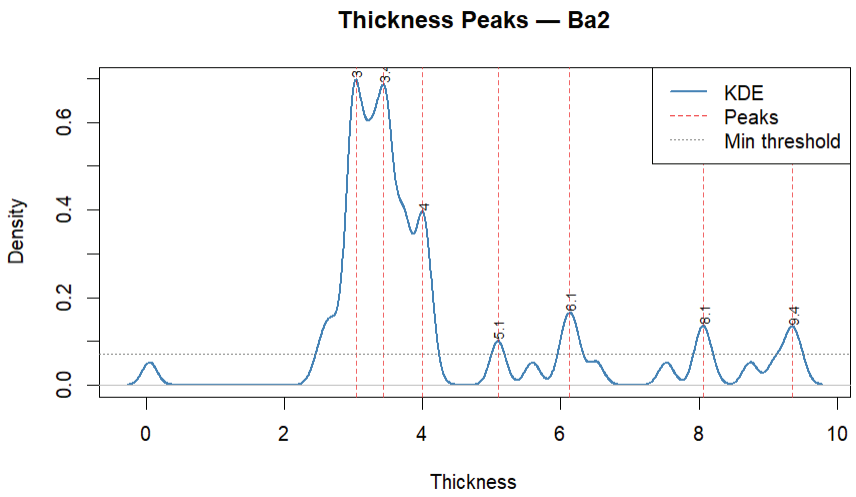


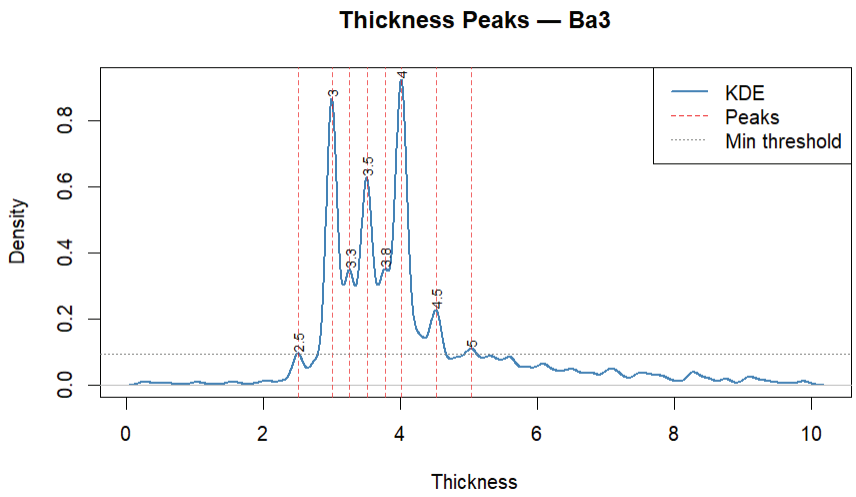
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Kernel Density Estimation—Ba2/Ba3



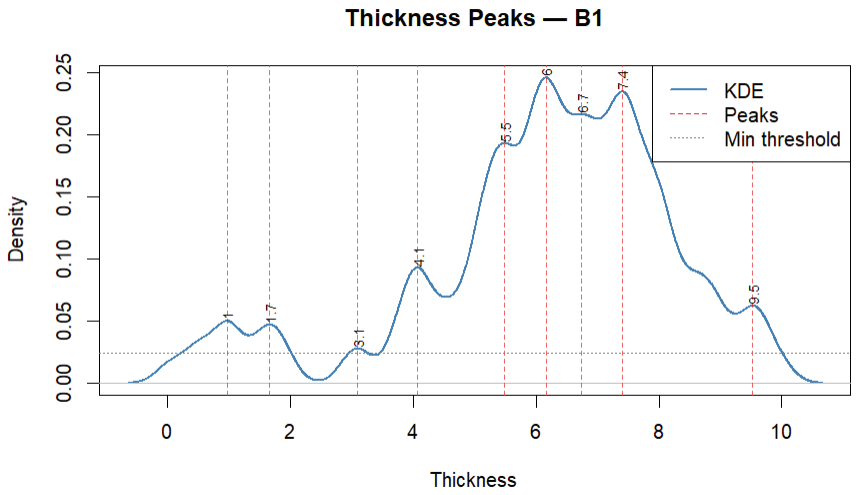


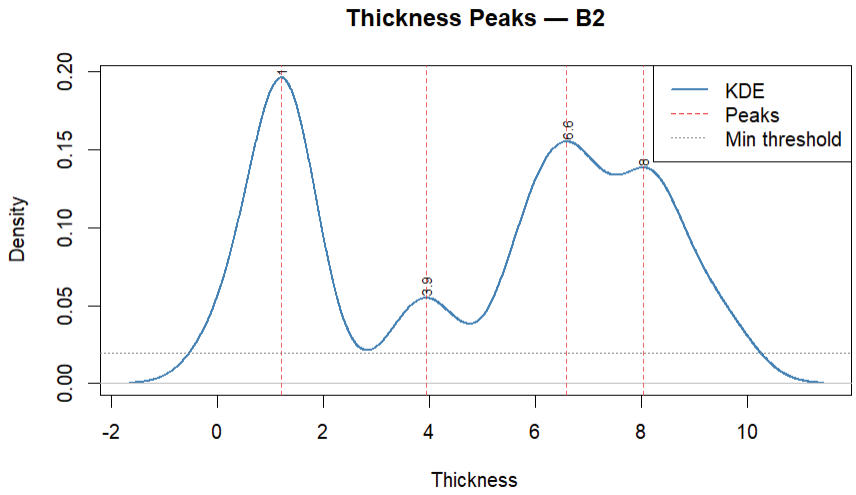
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Kernel Density Estimation—B1/B2



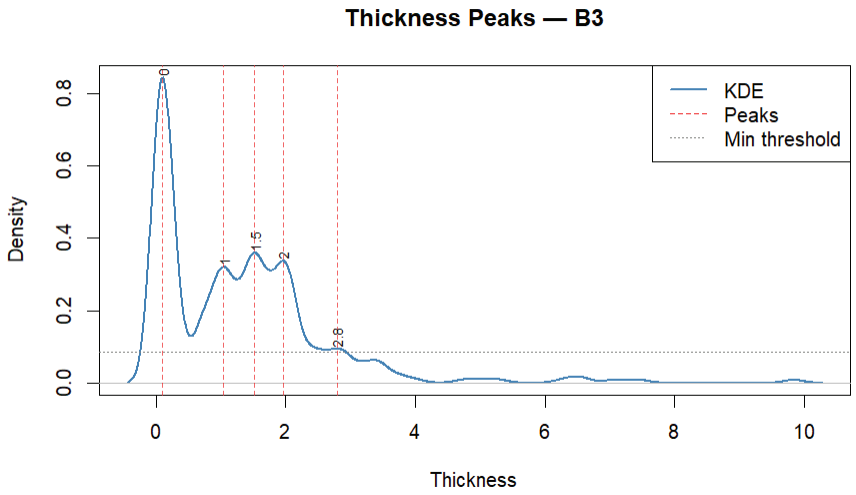


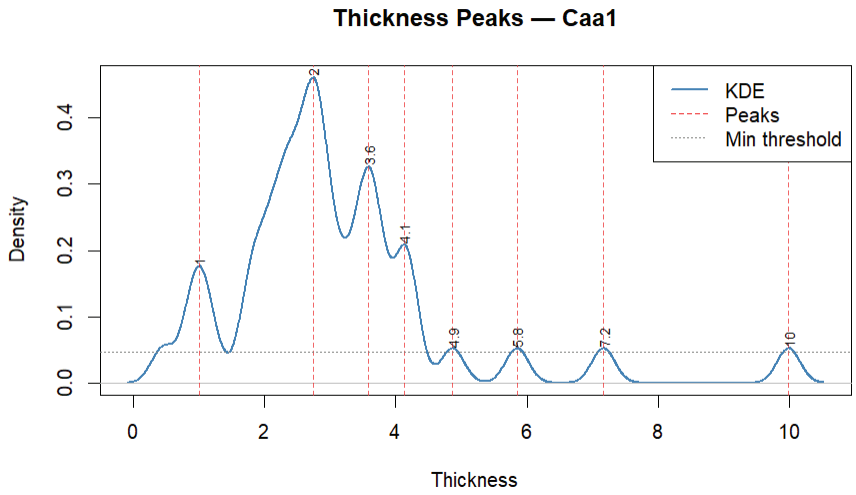
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Kernel Density Estimation—B3/Caa1



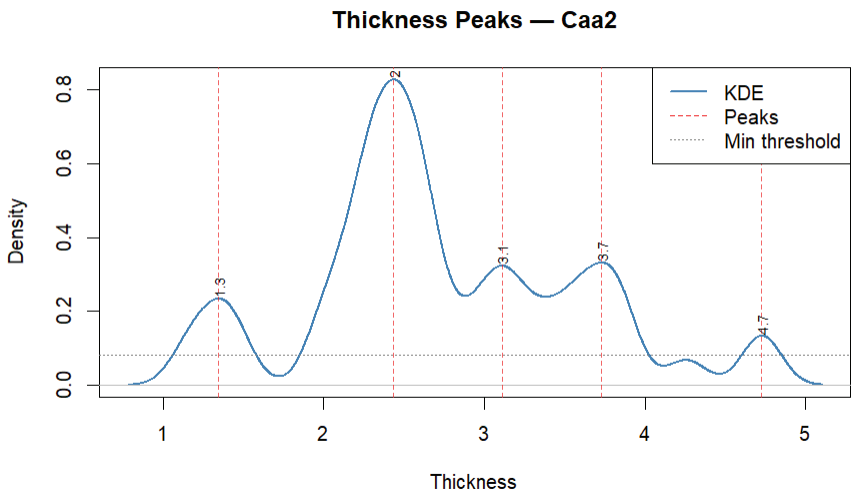


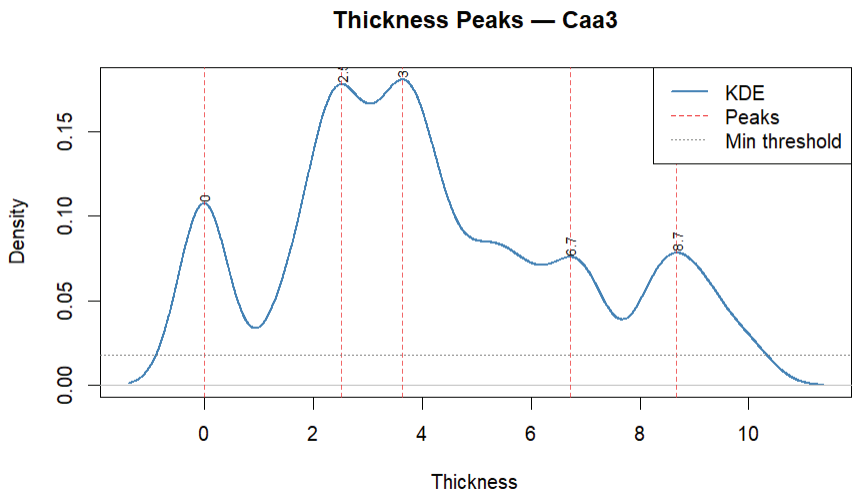
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Kernel Density Estimation—Caa2/Caa3





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Thickness Concentrations, by Rating

- Increasing the cut-off to >4.25% may reduce thick Baa3 charges by 39 basis points (bps) but increase the thin tranche charge by 153 bps
- The 4% cut-off has been selected based on observing the distribution of tranche thickness for Baa3 (insurance holdings of Baa3 and below are concentrated in Baa3), but a slightly higher cut-off point may be appropriate if the lower-rated tranches were also considered when choosing the cut-off
- For illustrative purposes, the Academy shows 4.25% as an alternative cutoff for thickness as it is:
    1. The mid point of 4% and 4.5% (two peaks in Ba3 tranches)
    2. In the range [3.68%, 4.29%], where there are no Baa3 observations

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Regression Results—4% Thickness Cutoff


```
Residuals:
     Min       1Q   Median       3Q      Max
-0.70926 -0.00145 -0.00037  0.00031  0.84095

Coefficients:
                   Estimate Std. Error t value Pr(>|t|)
Aaa                6.039e-04  1.788e-03   0.338   0.7356
Aa1                3.094e-03  4.138e-03   0.748   0.4547
Aa2                4.661e-04  2.672e-03   0.174   0.8615
Aa3               -3.794e-05  8.282e-03  -0.005   0.9963
A1                 3.657e-03  4.713e-03   0.776   0.4378
A2                 6.176e-04  2.863e-03   0.216   0.8292
A3                -2.676e-03  1.069e-02  -0.250   0.8024
Baa1               9.042e-04  6.104e-03   0.148   0.8822
Baa2               9.849e-03  5.556e-03   1.773   0.0763 .
Baa3              -1.735e-02  2.705e-03  -6.416 1.45e-10 ***
Ba1                8.131e-02  6.768e-03  12.014  < 2e-16 ***
Ba2                1.647e-01  7.998e-03  20.588  < 2e-16 ***
Ba3                1.286e-01  2.845e-03  45.206  < 2e-16 ***
B1                 1.562e-01  5.507e-03  28.356  < 2e-16 ***
B2                 2.477e-01  1.342e-02  18.461  < 2e-16 ***
B3                 4.999e-01  7.064e-03  70.771  < 2e-16 ***
Caa1               5.079e-01  9.850e-03  51.564  < 2e-16 ***
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Caa3               7.349e-01  9.033e-03  81.356  < 2e-16 ***
REINV_END_DATE    -1.115e-02  2.000e-03  -5.575 2.53e-08 ***
REINV_END_DATE_1   1.102e-02  2.087e-03   5.281 1.31e-07 ***
REINV_END_DATE_2   1.097e-02  2.169e-03   5.055 4.37e-07 ***
REINV_END_DATE_3   1.132e-02  2.191e-03   5.168 2.40e-07 ***
REINV_END_DATE_4   1.832e-02  2.491e-03   7.354 2.04e-13 ***
REINV_END_DATE_5   2.977e-02  2.170e-03  13.721  < 2e-16 ***
REINV_END_DATE_6   5.467e-02  2.251e-03  24.282  < 2e-16 ***
LOW_QUAL_LOW_THICK 9.795e-02  2.780e-03  35.233  < 2e-16 ***
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 0.06828 on 12859 degrees of freedom
Multiple R-squared:  0.8618,    Adjusted R-squared:  0.8615
F-statistic:  2970 on 27 and 12859 DF,  p-value: < 2.2e-16
```

Implied Factors

Rating	Modeled C-1	
	Thickness > 4%	Thickness ≤ 4%
Aaa	0.03%	
Aa1	0.04%	
Aa2	0.04%	
Aa3	0.04%	
A1	0.14%	
A2	0.14%	
A3	1.45%	
Baa1	1.81%	
Baa2	2.70%	
Baa3	2.73%	12.52%

Rating	Modeled C-1	
	Thickness > 4%	Thickness ≤ 4%
Ba1	12.59%	22.39%
Ba2	20.93%	30.72%
Ba3	23.28%	33.08%
B1	26.04%	35.84%
B2	35.20%	44.99%
B3	47.32%	57.12%
Caa1	48.12%	57.92%
Caa2	55.20%	64.99%
Caa3	70.82%	80.61%

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Regression Results—4.25% Thickness Cutoff


```
Residuals:
     Min       1Q   Median       3Q      Max
-0.69568 -0.00138 -0.00035  0.00031  0.84095

Coefficients:
                   Estimate Std. Error t value Pr(>|t|)
Aaa                6.039e-04  1.755e-03   0.344   0.7308
Aa1                3.094e-03  4.061e-03   0.762   0.4462
Aa2                4.661e-04  2.622e-03   0.178   0.8589
Aa3               -3.794e-05  8.128e-03  -0.005   0.9963
A1                 3.657e-03  4.626e-03   0.791   0.4292
A2                 6.176e-04  2.810e-03   0.220   0.8260
A3                -2.676e-03  1.050e-02  -0.255   0.7987
Baa1               9.042e-04  5.991e-03   0.151   0.8800
Baa2               9.849e-03  5.452e-03   1.806   0.0709 .
Baa3              -1.648e-02  2.654e-03  -6.212 5.38e-10 ***
Ba1                6.834e-02  6.667e-03  10.251  < 2e-16 ***
Ba2                1.518e-01  7.871e-03  19.290  < 2e-16 ***
Ba3                9.658e-02  2.971e-03  32.514  < 2e-16 ***
B1                 1.497e-01  5.410e-03  27.670  < 2e-16 ***
B2                 2.361e-01  1.318e-02  17.915  < 2e-16 ***
B3                 4.827e-01  6.948e-03  69.472  < 2e-16 ***
Caa1               4.846e-01  9.724e-03  49.838  < 2e-16 ***
Caa2               5.588e-01  9.716e-03  57.516  < 2e-16 ***
Caa3               7.230e-01  8.881e-03  81.408  < 2e-16 ***
REINV_END_DATE    -1.187e-02  1.963e-03  -6.046 1.53e-09 ***
REINV_END_DATE_1   1.174e-02  2.048e-03   5.731 1.02e-08 ***
REINV_END_DATE_2   1.169e-02  2.129e-03   5.488 4.15e-08 ***
REINV_END_DATE_3   1.204e-02  2.151e-03   5.600 2.19e-08 ***
REINV_END_DATE_4   1.904e-02  2.445e-03   7.787 7.41e-15 ***
REINV_END_DATE_5   2.823e-02  2.129e-03  13.256  < 2e-16 ***
REINV_END_DATE_6   5.571e-02  2.194e-03  25.387  < 2e-16 ***
LOW_QUAL_LOW_THICK 1.178e-01  2.793e-03  42.196  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.06701 on 12859 degrees of freedom
Multiple R-squared:  0.8669,    Adjusted R-squared:  0.8666
F-statistic:  3102 on 27 and 12859 DF,  p-value: < 2.2e-16
```

Implied Factors

Rating	Modeled C-1	
	Thickness > 4.25%	Thickness ≤ 4.25%
Aaa	0.03%	
Aa1	0.04%	
Aa2	0.04%	
Aa3	0.04%	
A1	0.14%	
A2	0.14%	
A3	1.45%	
Baa1	1.81%	
Baa2	2.34%	
Baa3	2.34%	14.05%

Rating	Modeled C-1	
	Thickness > 4.25%	Thickness ≤ 4.25%
Ba1	10.75%	22.54%
Ba2	19.10%	30.89%
Ba3	20.16%	31.94%
B1	25.47%	37.26%
B2	34.11%	45.90%
B3	45.43%	57.21%
Caa1	45.62%	57.40%
Caa2	53.04%	64.82%
Caa3	69.45%	81.24%

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Interaction Terms for Reinvestment Horizon

- A3 has a lower average reinvestment horizon than the full universe (0.55 years vs. 2.40 years), leading to a lower C1 factor than adjacent ratings
- When regressing against reinvestment horizon, we need interaction terms (with rating) to account for the non-linear impact of horizon (greater impact on lower ratings)
- If A3 is grouped with Baa1/Baa2 for interaction terms, its C1 factor is 1.45%
- If A3 is grouped with Aa3/A1/A2 for interaction terms, its C1 factor is 0.16%
- The outlier reinvestment horizon and poor credibility for A3 makes its C1 factor sensitive to model assumptions and setup

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Regression Results—A3 with Baa1/Baa2


```
Residuals:
     Min       1Q   Median       3Q      Max
-0.70926 -0.00145 -0.00037  0.00031  0.84095

Coefficients:
                  Estimate Std. Error t value Pr(>|t|)
Aaa               6.039e-04  1.788e-03   0.338   0.7356
Aa1               3.094e-03  4.138e-03   0.748   0.4547
Aa2               4.661e-04  2.672e-03   0.174   0.8615
Aa3              -3.794e-05  8.282e-03  -0.005   0.9963
A1                3.657e-03  4.713e-03   0.776   0.4378
A2                6.176e-04  2.863e-03   0.216   0.8292
A3               -2.676e-03  1.069e-02  -0.250   0.8024
Baa1              9.042e-04  6.104e-03   0.148   0.8822
Baa2              9.849e-03  5.556e-03   1.773   0.0763 .
Baa3             -1.735e-02  2.705e-03  -6.416 1.45e-10 ***
Ba1               8.131e-02  6.768e-03  12.014  < 2e-16 ***
Ba2               1.647e-01  7.998e-03  20.588  < 2e-16 ***
Ba3               1.286e-01  2.845e-03  45.206  < 2e-16 ***
B1                1.562e-01  5.507e-03  28.356  < 2e-16 ***
B2                2.477e-01  1.342e-02  18.461  < 2e-16 ***
B3                4.999e-01  7.064e-03  70.771  < 2e-16 ***
Caa1              5.079e-01  9.850e-03  51.564  < 2e-16 ***
Caa2              5.787e-01  9.871e-03  58.624  < 2e-16 ***
Caa3              7.349e-01  9.033e-03  81.356  < 2e-16 ***
REINV_END_DATE   -1.115e-02  2.000e-03  -5.575 2.53e-08 ***
REINV_END_DATE_1  1.102e-02  2.087e-03   5.281 1.31e-07 ***
REINV_END_DATE_2  1.097e-02  2.169e-03   5.055 4.37e-07 ***
REINV_END_DATE_3  1.132e-02  2.191e-03   5.168 2.40e-07 ***
REINV_END_DATE_4  1.832e-02  2.491e-03   7.354 2.04e-13 ***
REINV_END_DATE_5  2.977e-02  2.170e-03  13.721  < 2e-16 ***
REINV_END_DATE_6  5.467e-02  2.251e-03  24.282  < 2e-16 ***
LOW_QUAL_LOW_THICK  9.795e-02  2.780e-03  35.233  < 2e-16 ***
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 0.06828 on 12859 degrees of freedom
Multiple R-squared:  0.8618,    Adjusted R-squared:  0.8615
F-statistic:  2970 on 27 and 12859 DF,  p-value: < 2.2e-16
```

Implied Factors

Rating	Modeled C-1	
	Thickness > 4%	Thickness ≤ 4%
Aaa	0.03%	
Aa1	0.04%	
Aa2	0.04%	
Aa3	0.04%	
A1	0.14%	
A2	0.14%	
A3	1.45%	
Baa1	1.81%	
Baa2	2.70%	
Baa3	2.73%	12.52%

Rating	Modeled C-1	
	Thickness > 4%	Thickness ≤ 4%
Ba1	12.59%	22.39%
Ba2	20.93%	30.72%
Ba3	23.28%	33.08%
B1	26.04%	35.84%
B2	35.20%	44.99%
B3	47.32%	57.12%
Caa1	48.12%	57.92%
Caa2	55.20%	64.99%
Caa3	70.82%	80.61%

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Regression Results—A3 with Aa3/A1/A2


```
Residuals:
     Min       1Q   Median       3Q      Max
-0.70926 -0.00142 -0.00038  0.00027  0.84094

Coefficients:
                    Estimate Std. Error t value Pr(>|t|)
Aaa                6.039e-04  1.788e-03   0.338    0.736
Aa1                3.094e-03  4.138e-03   0.748    0.455
Aa2                4.661e-04  2.672e-03   0.174    0.862
Aa3               -3.707e-05  8.282e-03  -0.004    0.996
A1                 3.665e-03  4.711e-03   0.778    0.437
A2                 6.281e-04  2.856e-03   0.220    0.826
A3                 1.147e-03  1.067e-02   0.107    0.914
Baa1               5.879e-04  6.120e-03   0.096    0.923
Baa2               9.417e-03  5.588e-03   1.685    0.092 .
Baa3              -1.735e-02  2.704e-03  -6.416 1.45e-10 ***
Ba1                8.131e-02  6.768e-03  12.014  < 2e-16 ***
Ba2                1.647e-01  7.998e-03  20.589  < 2e-16 ***
Ba3                1.286e-01  2.845e-03  45.207  < 2e-16 ***
B1                 1.562e-01  5.507e-03  28.356  < 2e-16 ***
B2                 2.477e-01  1.342e-02  18.461  < 2e-16 ***
B3                 4.999e-01  7.064e-03  70.772  < 2e-16 ***
Caa1               5.079e-01  9.850e-03  51.565  < 2e-16 ***
Caa2               5.787e-01  9.871e-03  58.626  < 2e-16 ***
Caa3               7.349e-01  9.033e-03  81.357  < 2e-16 ***
REINV_END_DATE    -1.115e-02  2.000e-03  -5.575 2.53e-08 ***
REINV_END_DATE_1   1.102e-02  2.087e-03   5.281 1.31e-07 ***
REINV_END_DATE_2   1.097e-02  2.169e-03   5.055 4.37e-07 ***
REINV_END_DATE_3   1.132e-02  2.190e-03   5.170 2.38e-07 ***
REINV_END_DATE_4   1.847e-02  2.500e-03   7.389 1.57e-13 ***
REINV_END_DATE_5   2.977e-02  2.170e-03  13.721  < 2e-16 ***
REINV_END_DATE_6   5.467e-02  2.251e-03  24.283  < 2e-16 ***
LOW_QUAL_LOW_THICK 9.795e-02  2.780e-03  35.233  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.06828 on 12859 degrees of freedom
Multiple R-squared:  0.8618,    Adjusted R-squared:  0.8615
F-statistic:  2970 on 27 and 12859 DF,  p-value: < 2.2e-16
```

Implied Factors

Rating	Modeled C-1	
	Thickness > 4%	Thickness ≤ 4%
Aaa	0.03%	
Aa1	0.04%	
Aa2	0.04%	
Aa3	0.04%	
A1	0.14%	
A2	0.14%	
A3	0.16%	
Baa1	1.81%	
Baa2	2.70%	
Baa3	2.73%	12.52%

Rating	Modeled C-1	
	Thickness > 4%	Thickness ≤ 4%
Ba1	12.59%	22.39%
Ba2	20.93%	30.72%
Ba3	23.28%	33.08%
B1	26.04%	35.84%
B2	35.20%	44.99%
B3	47.32%	57.12%
Caa1	48.12%	57.92%
Caa2	55.20%	64.99%
Caa3	70.82%	80.61%

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C1SC Update on CLO C-1 Factors Modeling
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Value-at-Risk Analysis, by Rating and Percentile

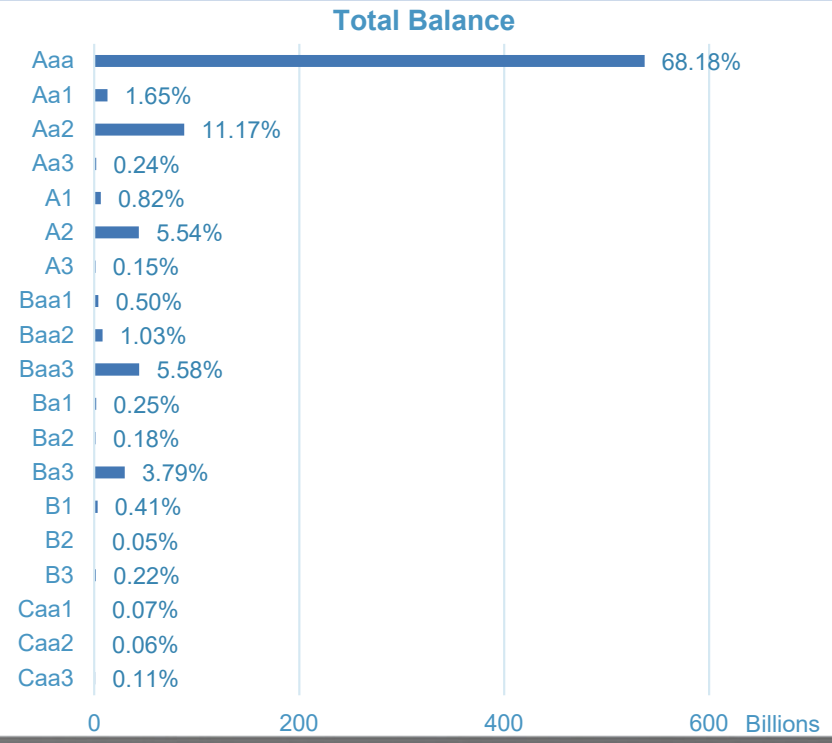
- The Academy observes that most A/above CLOs do not experience losses until past the 99th percentile
- Baa CLOs, with thickness > 4%, have average C1 factors <1% (less than Baa bond factors) until the 99th percentile
- All below-IG ratings experience losses at the 90th percentile

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Dataset Summary

Rating	Count	Total Balance	Average Balance
Aaa	3,701	536,990,530,454	145,093,361
Aa1	297	12,977,362,056	43,694,822
Aa2	1,879	87,971,730,271	46,818,377
Aa3	68	1,892,554,504	27,831,684
A1	246	6,464,462,500	26,278,303
A2	1,642	43,609,160,095	26,558,563
A3	41	1,161,995,000	28,341,341
Baa1	168	3,962,136,650	23,584,147
Baa2	356	8,114,555,000	22,793,694
Baa3	1,980	43,986,588,439	22,215,449
Ba1	118	1,940,755,600	16,447,081
Ba2	79	1,412,324,566	17,877,526
Ba3	1,642	29,832,733,348	18,168,534
B1	154	3,261,262,126	21,177,027
B2	26	422,194,200	16,238,238
B3	330	1,729,679,579	5,241,453
Caa1	50	570,093,651	11,401,873
Caa2	51	479,412,947	9,400,254
Caa3	58	860,837,767	14,842,030



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Value-at-Risk, by Rating and Percentile

Rating	CTE90	VAR_70	VAR_90	VAR_91	VAR_92	VAR_93	VAR_94	VAR_95	VAR_96	VAR_97	VAR_98	VAR_98.5	VAR_99	VAR_99.25	VAR_99.5	VAR_99.75	VAR_99.9	VAR_99.95	VAR_99.99
Aaa	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Aa1	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Aa2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aa3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A1	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	4.7%	0.6%	4.3%
A2	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.5%	6.2%	0.8%	9.2%
A3	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.8%	0.0%	0.6%	1.8%	1.5%	1.7%	2.1%
Baa1	1.6%	0.0%	0.3%	1.3%	0.0%	0.0%	0.1%	0.0%	0.6%	0.2%	0.9%	0.5%	3.6%	4.9%	1.4%	19.1%	34.3%	21.6%	42.9%
Baa2	3.0%	0.2%	1.2%	3.5%	0.3%	0.2%	0.4%	0.3%	2.2%	0.8%	3.6%	1.4%	7.1%	13.0%	2.7%	24.2%	46.2%	28.9%	50.8%
Baa3	5.9%	0.2%	3.8%	10.3%	0.1%	0.1%	1.3%	0.1%	7.3%	2.6%	7.5%	4.0%	15.7%	21.6%	6.0%	35.0%	50.9%	45.3%	63.0%
Ba1	20.7%	4.1%	18.1%	33.6%	1.0%	0.5%	14.8%	1.4%	28.9%	20.7%	29.6%	23.9%	47.6%	55.2%	34.2%	59.6%	63.7%	68.1%	70.4%
Ba2	27.4%	8.8%	28.4%	33.2%	3.3%	2.5%	24.9%	8.9%	40.0%	28.8%	42.8%	37.4%	52.0%	55.7%	50.7%	59.5%	59.1%	68.1%	66.0%
Ba3	28.9%	8.4%	33.0%	27.6%	6.3%	7.0%	26.0%	12.0%	33.5%	33.6%	43.1%	41.2%	56.6%	63.4%	56.1%	71.5%	70.5%	77.6%	78.2%
B1	17.3%	3.7%	11.3%	4.9%	10.8%	16.4%	12.3%	20.6%	8.9%	22.6%	20.1%	20.3%	28.0%	26.6%	44.9%	49.4%	45.4%	63.6%	61.0%
B2	30.8%	17.6%	28.5%	18.7%	20.8%	26.3%	30.2%	30.8%	23.4%	38.1%	35.8%	35.2%	44.7%	39.3%	52.7%	56.0%	54.3%	64.3%	66.7%
B3	56.4%	34.9%	61.2%	54.0%	31.5%	37.9%	61.8%	38.3%	64.3%	67.1%	70.8%	70.9%	79.0%	76.8%	77.3%	77.2%	72.3%	80.4%	80.6%
Caa1	57.6%	9.4%	43.8%	30.9%	58.6%	67.1%	58.2%	62.5%	45.7%	60.0%	64.1%	60.6%	74.2%	70.2%	75.9%	76.3%	62.8%	77.6%	78.3%
Caa2	66.5%	19.5%	50.0%	41.6%	68.8%	75.6%	67.4%	74.3%	56.3%	64.7%	74.1%	70.7%	80.0%	77.3%	80.2%	82.3%	65.8%	80.3%	81.6%
Caa3	77.3%	55.2%	67.6%	67.0%	81.9%	80.4%	78.3%	81.0%	73.7%	76.5%	78.1%	78.3%	82.3%	82.2%	83.7%	83.9%	74.9%	85.3%	86.1%

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Value-at-Risk, by Rating and Percentile—Thickness > 4%

Rating	CTE90	VAR_70	VAR_90	VAR_91	VAR_92	VAR_93	VAR_94	VAR_95	VAR_96	VAR_97	VAR_98	VAR_98.5	VAR_99	VAR_99.25	VAR_99.5	VAR_99.75	VAR_99.9	VAR_99.95	VAR_99.99
Aaa	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aa1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aa2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aa3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A1	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	3.9%	0.3%	4.2%
A2	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.4%	5.8%	0.7%	8.9%
A3	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.8%	0.0%	0.6%	1.9%	1.5%	1.8%	1.8%
Baa1	1.3%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	0.5%	0.3%	2.5%	3.7%	1.3%	18.0%	33.5%	19.0%	40.8%
Baa2	2.7%	0.0%	1.0%	3.1%	0.0%	0.0%	0.1%	0.0%	1.9%	0.6%	3.5%	1.3%	6.6%	12.4%	2.5%	22.9%	45.3%	27.7%	49.7%
Baa3	2.3%	0.0%	0.6%	1.8%	0.0%	0.0%	0.2%	0.0%	1.8%	0.4%	1.7%	1.1%	5.5%	10.6%	2.6%	22.4%	42.2%	35.2%	56.6%
Ba1	3.4%	0.0%	2.6%	2.0%	0.0%	0.0%	2.9%	1.1%	2.6%	1.4%	6.0%	8.2%	4.7%	11.0%	7.4%	19.1%	20.6%	27.2%	29.4%
Ba2	8.8%	1.7%	9.2%	3.0%	3.0%	2.4%	5.3%	8.3%	7.5%	9.3%	13.8%	14.8%	15.0%	17.9%	27.8%	28.8%	28.1%	42.4%	39.3%
Ba3	19.9%	2.4%	22.0%	6.7%	6.4%	7.1%	16.9%	12.7%	15.5%	23.7%	27.6%	32.6%	38.3%	46.1%	51.3%	63.7%	62.0%	72.0%	73.0%
B1	13.7%	0.2%	6.7%	0.7%	8.6%	15.1%	8.6%	17.5%	3.9%	18.2%	15.0%	15.6%	23.5%	21.8%	41.2%	46.3%	42.1%	61.5%	58.7%
B2	12.7%	1.9%	4.9%	0.6%	9.1%	14.8%	8.1%	15.2%	2.6%	17.3%	14.7%	11.5%	25.1%	16.2%	37.0%	43.1%	43.2%	54.1%	58.3%
B3	31.1%	9.8%	18.3%	14.1%	34.9%	37.8%	29.3%	41.7%	22.4%	21.3%	36.0%	34.7%	45.0%	32.2%	51.0%	57.5%	50.1%	56.5%	60.7%
Caa1	35.5%	8.6%	21.5%	22.6%	39.0%	43.2%	30.7%	37.7%	25.4%	35.2%	36.4%	35.5%	48.7%	47.9%	57.3%	57.7%	43.0%	63.0%	64.2%
Caa2	39.1%	22.0%	24.3%	34.8%	44.0%	50.4%	29.4%	44.8%	32.4%	32.9%	41.9%	33.8%	44.1%	42.8%	44.6%	56.6%	39.6%	49.5%	57.1%
Caa3	74.6%	58.6%	64.9%	67.9%	77.6%	76.4%	76.4%	77.7%	73.5%	73.0%	75.3%	74.5%	76.8%	76.5%	79.9%	80.0%	73.4%	81.7%	83.3%

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C1SC Update on CLO C-1 Factors Modeling
March 23, 2026

American Academy of Actuaries

Value-at-Risk, by Rating and Percentile—Thickness ≤ 4%

22

Rating	CTE90	VAR_70	VAR_90	VAR_91	VAR_92	VAR_93	VAR_94	VAR_95	VAR_96	VAR_97	VAR_98	VAR_98.5	VAR_99	VAR_99.25	VAR_99.5	VAR_99.75	VAR_99.9	VAR_99.95	VAR_99.99
Aaa	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Aa1	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%	21.1%
Aa2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A1	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	15.8%	5.0%	5.2%
A2	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	31.3%	1.8%	27.0%
A3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.8%
Baa1	4.6%	0.0%	3.2%	7.2%	0.1%	0.0%	1.1%	0.0%	3.8%	2.4%	4.6%	2.2%	14.0%	16.1%	2.9%	30.1%	41.6%	46.3%	62.8%
Baa2	10.5%	6.1%	6.3%	14.5%	6.1%	6.1%	6.1%	6.1%	11.2%	6.1%	6.1%	6.1%	19.1%	28.0%	7.3%	54.7%	68.5%	58.0%	78.8%
Baa3	16.3%	0.7%	13.1%	34.6%	0.2%	0.2%	4.5%	0.3%	23.3%	8.9%	24.1%	12.4%	45.0%	53.0%	15.7%	71.1%	75.9%	74.4%	81.4%
Ba1	26.1%	5.4%	23.0%	43.4%	1.3%	0.6%	18.4%	1.5%	37.1%	26.7%	37.0%	28.8%	60.9%	68.9%	42.5%	72.2%	77.1%	80.8%	83.2%
Ba2	38.1%	12.9%	39.6%	50.8%	3.4%	2.5%	36.3%	9.2%	58.9%	40.1%	59.6%	50.6%	73.4%	77.7%	64.0%	77.3%	77.0%	83.1%	81.5%
Ba3	35.6%	12.9%	41.1%	43.1%	6.1%	6.9%	32.7%	11.4%	46.8%	40.9%	54.5%	47.5%	70.2%	76.2%	59.7%	77.3%	76.8%	81.7%	81.9%
B1	54.0%	38.5%	57.6%	47.0%	33.3%	29.6%	49.1%	52.2%	59.7%	66.7%	71.1%	67.3%	73.3%	74.2%	81.5%	80.8%	77.6%	83.8%	83.5%
B2	65.0%	47.2%	73.2%	52.8%	42.8%	48.0%	72.1%	60.3%	62.6%	77.4%	75.8%	80.0%	81.9%	83.0%	82.2%	80.6%	75.5%	83.5%	82.8%
B3	57.3%	35.8%	62.8%	55.5%	31.4%	37.9%	63.0%	38.1%	65.9%	68.8%	72.1%	72.3%	80.3%	78.5%	78.3%	77.9%	73.1%	81.3%	81.4%
Caa1	67.1%	9.7%	53.4%	34.4%	67.0%	77.4%	70.0%	73.2%	54.4%	70.6%	76.0%	71.4%	85.1%	79.7%	83.9%	84.3%	71.3%	83.9%	84.3%
Caa2	70.2%	19.2%	53.4%	42.5%	72.2%	78.9%	72.5%	78.3%	59.5%	69.0%	78.4%	75.6%	84.8%	81.9%	85.0%	85.8%	69.2%	84.4%	84.8%
Caa3	81.5%	50.1%	71.6%	65.7%	88.3%	86.4%	81.2%	86.0%	74.1%	81.8%	82.4%	84.0%	90.5%	91.1%	89.5%	89.9%	77.2%	90.6%	90.3%
Caa3	77.3%	55.2%	67.6%	67.0%	81.9%	80.4%	78.3%	81.0%	73.7%	76.5%	78.1%	78.3%	82.3%	82.2%	83.7%	83.9%	74.9%	85.3%	86.1%

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C1SC Update on CLO C-1 Factors Modeling
March 23, 2026

American Academy of Actuaries

Questions?

For more information, please contact

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January 29, 2026

Mr. Philip Barlow, Chair
Risk-Based Capital Investment Risk and Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: RBC Formula structure changes to accommodate proposed revised factors for CLOs

Submitted Electronically

Dear Chair Barlow:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the exposed item from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBC IRE WG) on more granular reporting of Collateralized Loan Obligations (CLO) on the LR002 – Bonds page of the Life and Fraternal RBC Blank and related Instructions.

In order to support the changes to the Life RBC Blank, the Blanks (E) Working Group (BWG) exposed item #2025-27BWG concurrently to modify the Asset Valuation Reserve (AVR) pages. The BWG exposure highlights that all CLOs (as reported in Schedule D-Part 1-Section 2 – Asset-Backed Securities) would be included in the data being fed to the Life RBC Blank. Based on that assumption, ACLI is interpreting that any changes in the factors for the CLOs would apply to all types of CLOs (e.g., BSL, MML), CBOs and CDOs.

As stated in the RBC IRE WG exposure to modify the LR002 – Bonds page, the proposed changes to the 'Annual Statement Source' are contingent on the adoption of the related BWG proposal. After reviewing both exposures, the 'Line Number' column was changed for all sections in the AVR pages. ACLI suggests revising all lines in the Life RBC Blank that are sourced from the AVR pages upon adoption of the exposed BWG proposal.

We welcome the opportunity to discuss our comments further and to support RBC IRE WG's continued work in this area.

Sincerely,

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☒ RBC Investment Risk & Evaluation (E) Working Group

	DATE: 11/11/2025	**FOR NAIC USE ONLY**
CONTACT PERSON:	Maggie Chang	Agenda Item # 2025-22-IRE MOD Year 2026 or later
TELEPHONE:	816-783-8976	**DISPOSITION**
EMAIL ADDRESS:	mchang@naic.org	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
ON BEHALF OF:	Risk-Based Capital Investment Risk and Evaluation (E) Working Group	**EXPOSED:** ☐ TASK FORCE (TF) _____ ☒ WORKING GROUP (WG) 12/15/25 ☐ SUBGROUP (SG) _____
NAME:	Philip Barlow, Chair	**REJECTED:** ☐ TF ☐ WG ☐ SG _____
TITLE:	Associate Commissioner of Insurance	**OTHER:** ☐ DEFERRED TO _____ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) _____
AFFILIATION:	District of Columbia	
ADDRESS:	1050 First Street, NE Suite 801 Washington, DC 20002	

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

☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal incorporates a more granular reporting of Long-Term Bonds into two buckets: i) collateralized loan obligations (CLOs) and ii) all other Long-Term Bonds on the LR002 Bonds page. The expanded presentation of bonds is a result of the work of Risk-Based Capital Investment Risk and Evaluation (E) Working Group under Working Agenda item: Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets).

Please note that this proposal does not contemplate any changes to factors. Any changes of factors, if deemed necessary, will be dealt with by a separate proposal. Likewise, residual tranche structural changes, if any, are to be contemplated in separate proposal form.

The accompanying changes proposed to the instructions and blanks of the AVR – Default Component & Equity and Other Invested Asset Component tables are under purview of NAIC Blanks (E) Working Group. As such, the proposed changes to "Annual Statement Source" in LR002 are contingent on the adoption of such Blanks proposal.

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Additional Staff Comments:

12/15/25 – exposed by Working Group (mkc)
3/23/26 – modified to incorporate tranche thickness as comparable attributes (mkc). All modifications are highlighted in yellow

** **This section must be completed on all forms.** **Revised 2-2023**

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BONDS

LR002

Basis of Factors

The bond factors are based on cash flow modeling using historically adjusted default rates for each bond category. For each of 2,000 trials, annual economic conditions were generated for the 10-year modeling period. Each bond of a 400-bond portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by designation category and that year's economic environment. When a default takes place, the actual loss considers the expected principal loss by category, the time until the sale actually occurs and the assumed tax consequences.

Actual surplus needs are reduced by incorporating anticipated annual contributions to the asset valuation reserve (AVR) as offsetting cash flow. Required surplus for a given trial is calculated as the amount of initial surplus funds needed so that the accumulation with interest of this initial amount and subsequent cash flows will not become negative at any point throughout the modeling period. The factors chosen for the proposed formula produce a level of surplus at least as much as needed in 92% of the trials by category and a 96% level for the entire bond portfolio.

The factor for NAIC 6 bonds recognizes that the book/adjusted carrying value of these bonds reflects a loss of value upon default by being marked to market.

Specific Instructions for Application of the Formula

Lines (1) through (7)
The book/adjusted carrying value of all bonds, excluding collateralized loan obligations (CLOs), Collateralized Bond Obligations (CBOs), and Collateralized Debt Obligations (CDOs) ~~and related fixed income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For long-term bonds, these classifications are found on Lines A1 through A7 of the Asset Valuation Reserve Default Component~~, Page 30~~ of the annual statement.

The book/adjusted carrying value of all ~~collateralized loan obligations~~CLOs/CBOs/CDOs should be reported in Column 2. The ~~collateralized loan obligations~~ CLOs/CBOs/CDOs are split into six different risk classifications. These classifications are found on Lines A9.1 through A14 of the Asset Valuation Reserve Default Component~~, Page 30~~ of the annual statement.

Line (7.2)
Amounts reported in Column (2) line (3.3), (4.1), (4.2), (4.3), (5.1), (5.2), (5.3), (6.1), (6.2), (6.3) should exclude book/adjusted carrying value of Broadly Syndicated Bank Loans (BSL) CLO tranches (as defined below) with [current] tranche thickness less than or equal to [4%] (as defined below). Such balances should be reported in Column (2) Line (7.2).

BSL are typically syndicated corporate loans distributed to a broad base of institutional investors and rated by credit rating agencies. BSL CLOs are primarily backed by syndicated corporate loans.

[Current] Tranche thickness is defined as the difference between the attachment point (AP) and the detachment point (DP) of a CLO tranche. AP refers to tranche's subordination percentage, and DP is the percentage of total par amount of the underlying portfolio including principal proceeds, that will completely write off the tranche. The current tranche thickness is to be measured using the most recent periodic report available, without being stale, as of the investment reporting date.

Report the Subtotal RBC Requirement in Column (4), Line (7.2) based on the following calculations:

NAIC Designation Categories of the thin tranche CLOs	Book/Adjusted Carrying Value		Factors		RBC Requirement
NAIC Designation Category 2.C	Company Record	X	TBD	=	
NAIC Designation Category 3.A	Company Record	X	TBD	=	

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NAIC Designation Category 3.B	Company Record	X	TBD	=	
NAIC Designation Category 3.C	Company Record	X	TBD	=	
NAIC Designation Category 4.A	Company Record	X	TBD	=	
NAIC Designation Category 4.B	Company Record	X	TBD	=	
NAIC Designation Category 4.C	Company Record	X	TBD	=	
NAIC Designation Category 5.A	Company Record	X	TBD	=	
NAIC Designation Category 5.B	Company Record	X	TBD	=	
NAIC Designation Category 5.C	Company Record	X	TBD	=	
			Subtotal		

The total of Column (2) Lines (3.3), (4.1), (4.2), (4.3), (5.1), (5.2), (5.3) (6.1), (6.2) and (6.3) should agree to the total of AVR Default Component Column 1 Line A10.3, Line A11.1, Line A11.2, Line A11.3, Line A12.1, Line A12.2, Line A12.3, Line A13.1, Line A13.2, Line A13.3.

Line (8)
The total should equal long-term bonds ~~and other fixed income instruments~~ reported on Page 2, Column 3, Line 1 plus Schedule DL Part 1, Column 6, Line 2009999999 of the annual statement.

Lines (9) through (15)
The book/adjusted carrying value of all short-term and cash equivalent bonds ~~and related fixed income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For short-term bonds, these classifications are found on Lines ~~18~~ C1 through ~~24~~ C7 of the Asset Valuation Reserve Default Component, ~~Page 30~~ of the annual statement. For cash equivalent bonds, these classifications are found in Footnotes to Schedule E, Part 2.

Line (16)
The total should equal short-term bonds reported on Schedule DA, Part 1, Column 6 Line 0509999999 plus Schedule DL Part 1, Column 6, Line 9509999999 plus Schedule E, Part 2, Column 7, Line 0509999999.

Line (22)
Class 1 bonds (highest quality) issued by a U.S. government agency that are not backed by the full faith and credit of the U.S. government should be reported on this line. The loan-backed securities of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) would be examples of the securities reported on this line. Line (22) should not be larger than the sum of Lines (2) and (10). Exempt obligations should not be included on this line.

Line (24)
Bonds should be aggregated by issuer (the first six digits of the CUSIP number can be used). Exempt U.S. government bonds and bonds reported on Line (22) are not counted in determining the size factor. The RBC for those bonds will not be included in the base to which the size factor is applied. If this field is left blank, the maximum size factor adjustment of 2.40 will be used.

Line (25)
The size factor reflects the higher risk of a bond portfolio that contains relatively fewer bonds. The overall factor decreases as the portfolio size increases. The size factor is based on the weighted number of issuers. (The calculation shown below will not appear on the RBC filing software but will be calculated automatically.)

Line (25)	Source	(a) Number of Issuers (for bonds,	(b) Weighted Issuers (for bonds, excluding CLOs/CBOs/CDOs)

		excluding CLOs/CBOs/CDOs)				
First 50	Company Records		X	2.40	=	
Next 50	Company Records		X	1.53	=	
Next 100	Company Records		X	0.85	=	
Next 300	Company Records		X	0.85	=	
Over 500	Company Records		X	0.82	=	
(i) Total Number of Issuers from Line (23) Column (1)						
(ii) Total Weighted Issuers (for bonds, excluding CLOs/CBOs/CDOs)						

	Source	(a) Number of Issuers (for CLOs/CBOs/CDOs)				(b) Weighted Issuers (for CLOs/CBOs/CDOs)
First XX*	Company Records		X	TBD	=	
Next XX*	Company Records		X	TBD	=	
Next XXX*	Company Records		X	TBD	=	
Next XXX*	Company Records		X	TBD	=	
Over XXX*	Company Records		X	TBD	=	
(iii) Total Number of Issuers from Line (23) Column (2)						
(iv) Total Weighted Issuers (for CLOs/CBOs/CDOs)						
Size Factor = Total Weighted Issuers (ii)+(iv) Divided by Total Number of Issuers (i)+(iii)						

* Total number of breakpoints, as well as weights assigned to each, is subject to American Academy of Actuaries' recommendation and Working Group's review.

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BONDS

Company Name — Cocode: 00000

BONDS

	SVO Bond Designation Category	Annual Statement Source	(1) Non-CLOs/CBOs/CDOs Book / Adjusted Carrying Value		Factor	(2) CLOs/CBOs/CDOs Book / Adjusted Carrying Value		Factor	(3)	(4) RBC Requirement
	Long Term Bonds									
(1)	Exempt Obligations	C(1) AVR Default Component Column 1 Line A1 C(1) AVR Default Component Column 1 Line A2.1	$0	X	0.00000	XXX		XXX	=	$0
(2.1)	NAIC Designation Category 1.A	C(2) AVR Default Component Column 1 Line A9.1 C(1) AVR Default Component Column 1 Line A2.2	$0	X	0.00158	$0	X	TBD	=	$0
(2.2)	NAIC Designation Category 1.B	C(2) AVR Default Component Column 1 Line A9.2 C(1) AVR Default Component Column 1 Line A2.3	$0	X	0.00271	$0	X	TBD	=	$0
(2.3)	NAIC Designation Category 1.C	C(2) AVR Default Component Column 1 Line A9.3 C(1) AVR Default Component Column 1 Line A2.4	$0	X	0.00419	$0	X	TBD	=	$0
(2.4)	NAIC Designation Category 1.D	C(2) AVR Default Component Column 1 Line A9.4 C(1) AVR Default Component Column 1 Line A2.5	$0	X	0.00523	$0	X	TBD	=	$0
(2.5)	NAIC Designation Category 1.E	C(2) AVR Default Component Column 1 Line A9.5 C(1) AVR Default Component Column 1 Line A2.6	$0	X	0.00657	$0	X	TBD	=	$0
(2.6)	NAIC Designation Category 1.F	C(2) AVR Default Component Column 1 Line A9.6 C(1) AVR Default Component Column 1 Line A2.7	$0	X	0.00816	$0	X	TBD	=	$0
(2.7)	NAIC Designation Category 1.G	C(2) AVR Default Component Column 1 Line A9.7	$0	X	0.01016	$0	X	TBD	=	$0
(2.8)	Subtotal NAIC 1	Sum of Lines (2.1) through (2.7)	$0			$0				$0
(3.1)	NAIC Designation Category 2.A	C(1) AVR Default Component Column 1 Line A3.1 C(2) AVR Default Component Column 1 Line A10.1 C(1) AVR Default Component Column 1 Line A3.2	$0	X	0.01261	$0	X	TBD	=	$0
(3.2)	NAIC Designation Category 2.B	C(2) AVR Default Component Column 1 Line A10.2 C(1) AVR Default Component Column 1 Line A3.3	$0	X	0.01523	$0	X	TBD	=	$0
(3.3)	NAIC Designation Category 2.C	C(2) AVR Default Component Column 1 Line A10.3, in part	$0	X	0.02168	$0	X	TBD	=	$0
(3.4)	Subtotal NAIC 2	Sum of Lines (3.1) through (3.3)	$0			$0				$0
(4.1)	NAIC Designation Category 3.A	C(1) AVR Default Component Column 1 Line A4.1 C(2) AVR Default Component Column 1 Line A11.1, in part C(1) AVR Default Component Column 1 Line A4.2	$0	X	0.03151	$0	X	TBD	=	$0
(4.2)	NAIC Designation Category 3.B	C(2) AVR Default Component Column 1 Line A11.2, in part C(1) AVR Default Component Column 1 Line A4.3	$0	X	0.04537	$0	X	TBD	=	$0
(4.3)	NAIC Designation Category 3.C	C(2) AVR Default Component Column 1 Line A11.3, in part	$0	X	0.06017	$0	X	TBD	=	$0
(4.4)	Subtotal NAIC 3	Sum of Lines (4.1) through (4.3)	$0			$0				$0
(5.1)	NAIC Designation Category 4.A	C(1) AVR Default Component Column 1 Line A5.1 C(2) AVR Default Component Column 1 Line A12.1, in part C(1) AVR Default Component Column 1 Line A5.2	$0	X	0.07386	$0	X	TBD	=	$0
(5.2)	NAIC Designation Category 4.B	C(2) AVR Default Component Column 1 Line A12.2, in part C(1) AVR Default Component Column 1 Line A5.3	$0	X	0.09535	$0	X	TBD	=	$0
(5.3)	NAIC Designation Category 4.C	C(2) AVR Default Component Column 1 Line A12.3, in part	$0	X	0.12428	$0	X	TBD	=	$0
(5.4)	Subtotal NAIC 4	Sum of Lines (5.1) through (5.3)	$0			$0				$0
(6.1)	NAIC Designation Category 5.A	C(1) AVR Default Component Column 1 Line A6.1 C(2) AVR Default Component Column 1 Line A13.1, in part C(1) AVR Default Component Column 1 Line A6.2	$0	X	0.16942	$0	X	TBD	=	$0
(6.2)	NAIC Designation Category 5.B	C(2) AVR Default Component Column 1 Line A13.2, in part C(1) AVR Default Component Column 1 Line A6.3	$0	X	0.23798	$0	X	TBD	=	$0
(6.3)	NAIC Designation Category 5.C	C(2) AVR Default Component Column 1 Line A13.3, in part	$0	X	0.30000	$0	X	TBD	=	$0
(6.4)	Subtotal NAIC 5	Sum of Lines (6.1) through (6.3)	$0			$0				$0
(7.1)	NAIC 6	C(1) AVR Default Component Column 1 Line A7 C(2) AVR Default Component Column 1 Line A14	$0	X	0.30000	$0	X	TBD	=	$0
(7.2)	CLO in NAIC Designation Category 2.C or below, with thin tranches (See Instruction)	C(2) AVR Default Component Column 1 Line A10.3, in part + Line A11.1, in part + Line A11.2, in part + Line A11.3, in part + Line A12.1, in part + Line A12.2, in part + Line A12.3, in part + Line A13.1, in part + Line A13.2, in part + Line A13.3, in part	XXX		XXX		X	Composite Factor '$	=	
(8)	Total Long-Term Bonds	Sum of Lines (1) + (2.8) + (3.4) + (4.4) + (5.4) + (6.4) + (7.1) + (7.2)	$0			$0				$0
	(Column (1) + Column (2) should equal Page 2 Column 3 Line 1 + Schedule DL Part 1 Column 6 Line 2009999999)									
	Short Term and Cash Equivalent Bonds									
(9)	Exempt Obligations	AVR Default Component Column 1 Line C1 + Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.000	XXX		XXX	=	$0
(10.1)	NAIC Designation Category 1.A	AVR Default Component Column 1 Line C2.1 + Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.00158	XXX		XXX	=	$0
(10.2)	NAIC Designation Category 1.B	AVR Default Component Column 1 Line C2.2 + Schedule E, Part 2, Footnote L000001A, Amount 2	$0	X	0.00271	XXX		XXX	=	$0
(10.3)	NAIC Designation Category 1.C	AVR Default Component Column 1 Line C2.3 + Schedule E, Part 2, Footnote L000001A, Amount 3	$0	X	0.00419	XXX		XXX	=	$0
(10.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line C2.4 + Schedule E, Part 2, Footnote L000001A, Amount 4	$0	X	0.00523	XXX		XXX	=	$0
(10.5)	NAIC Designation Category 1.E	AVR Default Component Column 1 Line C2.5 + Schedule E, Part 2, Footnote L000001A, Amount 5	$0	X	0.00657	XXX		XXX	=	$0
(10.6)	NAIC Designation Category 1.F	AVR Default Component Column 1 Line C2.6 + Schedule E, Part 2, Footnote L000001A, Amount 6	$0	X	0.00816	XXX		XXX	=	$0
(10.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line C2.7 + Schedule E, Part 2, Footnote L000001A, Amount 7	$0	X	0.01016	XXX		XXX	=	$0
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)	$0							$0

=ROUND(MAX(0,D10)*F10 + MAX(0,G10)*I10,0)

LR002

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		AVR Default Component Column 1 Line C3.1 +						
(11.1)	NAIC Designation Category 2.A	Schedule E, Part 2, Footnote L000001B, Amount 1	$0	X 0.01261	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C3.2 +						
(11.2)	NAIC Designation Category 2.B	Schedule E, Part 2, Footnote L000001B, Amount 2	$0	X 0.01523	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C3.3 +						
(11.3)	NAIC Designation Category 2.C	Schedule E, Part 2, Footnote L000001B, Amount 3	$0	X 0.02168	XXX	XXX =	$0	
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)	$0				$0	
		AVR Default Component Column 1 Line C4.1 +						
(12.1)	NAIC Designation Category 3.A	Schedule E, Part 2, Footnote L000001C, Amount 1	$0	X 0.03151	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C4.2 +						
(12.2)	NAIC Designation Category 3.B	Schedule E, Part 2, Footnote L000001C, Amount 2	$0	X 0.04537	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C4.3 +						
(12.3)	NAIC Designation Category 3.C	Schedule E, Part 2, Footnote L000001C, Amount 3	$0	X 0.06017	XXX	XXX =	$0	
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3)	$0				$0	
		AVR Default Component Column 1 Line C5.1 +						
(13.1)	NAIC Designation Category 4.A	Schedule E, Part 2, Footnote L000001D, Amount 1	$0	X 0.07386	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C5.2 +						
(13.2)	NAIC Designation Category 4.B	Schedule E, Part 2, Footnote L000001D, Amount 2	$0	X 0.09535	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C5.3 +						
(13.3)	NAIC Designation Category 4.C	Schedule E, Part 2, Footnote L000001D, Amount 3	$0	X 0.12428	XXX	XXX =	$0	
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3)	$0				$0	
		AVR Default Component Column 1 Line C6.1 +						
(14.1)	NAIC Designation Category 5.A	Schedule E, Part 2, Footnote L000001E, Amount 1	$0	X 0.16942	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C6.2 +						
(14.2)	NAIC Designation Category 5.B	Schedule E, Part 2, Footnote L000001E, Amount 2	$0	X 0.23798	XXX	XXX =	$0	
		AVR Default Component Column 1 Line C6.3 +						
(14.3)	NAIC Designation Category 5.C	Schedule E, Part 2, Footnote L000001E, Amount 3	$0	X 0.30000	XXX	XXX =	$0	
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)	$0				$0	
		AVR Default Component Column 1 Line C7						
(15)	NAIC 6	Schedule E, Part 2, Footnote L000001F, Amount 1	$0	X 0.300	XXX	XXX =	$0	
(16)	Total Short-Term and Cash Equivalent Bonds	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)	$0				$0	
	(Column (1) should equal Schedule DA Part 1 Column 6 Line 0509999999 + Schedule DL Part 1 Column 6 Line 9509999999 + Schedule E Part 2 Column 7 Line 0509999999)							
(17)	Total Long-Term and Short-Term Bonds (pre-MODCO/Funds Withheld)	Line (8) + (16)	$0		$0		$0	
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column (13) Line (0399999)					$0	
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	LR045 Modco or Funds Withheld Reinsurance Ceded - Bonds C-1o Column (4) Line (9999999)					$0	
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (9999999)					$0	
(21)	Total Long-Term and Short-Term Bonds (including MODCO/FundsWithheld and Credit for Hedging adjustments.)	Lines (17) - (18) - (19) + (20)	$0		$0		$0	
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2, Schedule DA Part 1 and Schedule E Part 2, in part†	$0	X 0.00158		=	$0	
(23)	Bonds Subject to Size Factor	Line (21) - Line (1) - Line (9) - Line (22)	$0		$0		$0	
(24)	Number of Issuers	Company Records	$0		$0			
(25)	Size Factor for Bonds						2.4	Formula subjects to change once breakpoints & weights are finalized
(26)	Bonds Subject to Size Factor after the Size Factor is Applied	Line (23) x Line (25)					$0	
(27)	Total Bonds	Line (22) + Line (26)					$0	

† Only investments in-U.S. Government agency bonds previously reported in Lines (2.8) and (10.8), net of those included on Line (19), plus the portion of Line (20) attributable to ceding companies' Lines (2.8) and (10.8) should be included on Line (22). No other bonds should be included on this line. Exempt U.S. Government bonds shown on Lines (1) and (9) should not be included on Line (22). Refer to the bond section of the risk-based capital instructions for more clarification.

‡ **Exclude BSL CLO tranches with current tranche thickness less than or equal to 4% . Refer to Instruction for details.**

§ **Column (3) is calculated as Column (4) divided by Column (2).**

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

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

Company Name — Cocode: 00000

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
	ASSET RISKS							
	Bonds							
(001)	Long-term Bonds – NAIC 1	LR002 Bonds Column (4) Line (2.8) + LR018 Off-Balance Sheet Collateral Column (3) Line (2.8)	$0	X	0.1680	=	$0	
(002)	Long-term Bonds – NAIC 2	LR002 Bonds Column (4) Line (3.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (3.4)	$0	X	0.1680	=	$0	
(003)	Long-term Bonds – NAIC 3	LR002 Bonds Column (4) Line (4.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (4.4)	$0	X	0.1680	=	$0	
(004)	Long-term Bonds – NAIC 4	LR002 Bonds Column (4) Line (5.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (5.4)	$0	X	0.1680	=	$0	
(005)	Long-term Bonds – NAIC 5 & Others	LR002 Bonds Column (4) Line (6.4) & (7.2) + LR018 Off-Balance Sheet Collateral Column (3) Line (6.4)	$0	X	0.1680	=	$0	
(006)	Long-term Bonds – NAIC 6	LR002 Bonds Column (4) Line (7.1) + LR018 Off-Balance Sheet Collateral Column (3) Line (7)	$0	X	0.2100	=	$0	
(007)	Short-term Bonds – NAIC 1	LR002 Bonds Column (4) Line (10.8)	$0	X	0.1680	=	$0	
(008)	Short-term Bonds – NAIC 2	LR002 Bonds Column (4) Line (11.4)	$0	X	0.1680	=	$0	
(009)	Short-term Bonds – NAIC 3	LR002 Bonds Column (4) Line (12.4)	$0	X	0.1680	=	$0	
(010)	Short-term Bonds – NAIC 4	LR002 Bonds Column (4) Line (13.4)	$0	X	0.1680	=	$0	
(011)	Short-term Bonds – NAIC 5	LR002 Bonds Column (4) Line (14.4)	$0	X	0.1680	=	$0	
(012)	Short-term Bonds – NAIC 6	LR002 Bonds Column (4) Line (15)	$0	X	0.2100	=	$0	
(013)	Credit for Hedging - NAIC 1 Through 5 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0199999)	$0	X	0.1680	=	$0	†
(014)	Credit for Hedging - NAIC 6 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0299999)	$0	X	0.2100	=	$0	†
(015)	Bond Reduction - Reinsurance	LR002 Bonds Column (4) Line (19)	$0	X	0.2100	=	$0	†
(016)	Bond Increase - Reinsurance	LR002 Bonds Column (4) Line (20)	$0	X	0.2100	=	$0	
(017)	Non-Exempt NAIC 1 U.S. Government Agency	LR002 Bonds Column (4) Line (22)	$0	X	0.1680	=	$0	
(018)	Bonds Size Factor	LR002 Bonds Column (4) Line (26) - LR002 Bonds Column (4) Line (21)	$0	X	0.1680	=	$0	
	Mortgages							
	In Good Standing	Detail Eliminated to Conserve Space						
(019)	Residential Mortgages - Insured		$0	X	0.1575	=	$0	
(020)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (2)	$0	X	0.1575	=	$0	
(021)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (3)	$0	X	0.1575	=	$0	

LR030

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Company Name | Cocode: 00000

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	$0
(2)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	$0
(3)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	$0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	$0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	$0
(6)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	$0
(7)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	$0
(8)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	$0
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	$0
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)	$0
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)	$0
(12)	Net (C-0) - Post-Tax	Line (10) - Line (11)	$0
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding		
(14)	Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (49) - (45)	$0
(15)	Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (45)	$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
	Asset Risk - All Other (C-1o)		
(22)	Bonds after Size Factor	LR002 Bonds Column (4) 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 Collateral Column (3) Line (17) + Line (18)	$0

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Capital Adequacy (E) Task Force
RBC Proposal Form

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☒ Variable Annuities Capital. & Reserve (E/A) Subgroup
☐ Health RBC (E) Working Group
☐ P/C RBC (E) Working Group
☐ Economic Scenarios (E/A) Subgroup
☒ Life RBC (E) Working Group
☐ Longevity Risk (A/E) Subgroup
☐ RBC Investment Risk & Evaluation (E) Working Group

DATE:	9/24/2025
CONTACT PERSON:	Jane Ren
TELEPHONE:	212-386-1942
EMAIL ADDRESS:	jren@naic.org
ON BEHALF OF:	Variable Annuities Capital and Reserve Subgroup
NAME:	Matt Cheung, Vice Chair
TITLE:	Chief Life Actuary
AFFILIATION:	Illinois
ADDRESS:	115 S. Lasalle St, 13th Floor Chicago IL, 60603

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Agenda Item # 2025-17-L
Year 2026

DISPOSITION

ADOPTED:
☒ TASK FORCE (TF) 3/24/2026
☒ WORKING GROUP (WG) 3/22/2026
☐ SUBGROUP (SG) _____

EXPOSED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) **07-21-2025**
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

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

☐ Health RBC Blanks
☐ Health RBC Instructions
☐ Health RBC Formula
☐ Property/Casualty RBC Blanks
☐ Property/Casualty RBC Instructions
☐ Property/Casualty RBC Formula
☐ Life and Fraternal RBC Blanks
☒ Life and Fraternal RBC Instructions
☐ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal clarifies that for LR027 in the Life and Fraternal RBC blanks, companies that reserve for payout annuities resulting from variable annuities under VM-21 (which requires domiciliary commissioner approval) should exclude such reserves from the Interest Rate Risk and Market Risk calculation.

APPENDIX 1 – CASH FLOW MODELING FOR C-3 RBC

The total C-3 component is the sum of (a), (b), (c) and (d), but not less than half the C-3 component based on current factors and instructions.

- For this C-3 calculation, "Certain Annuities" means products with the characteristics of deferred and immediate annuities, structured settlements, guaranteed separate accounts (excluding guaranteed indexed separate accounts following a Class II investment strategy) and GICs (including synthetic GICs and funding agreements). Debt incurred for funding an investment account is included if cash flow testing of the arrangement is required by the insurer's state of domicile for asset adequacy analysis. Variable annuity products are not to be included, including guaranteed fixed options within such products **and payout annuities resulting from variable annuities reserved for under VM-21**, as they are separately tested under the requirements for Variable Annuities and Similar Products. See Appendix 1b for further discussion.

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The RBC instructions already extend C3P2 to all policies and contracts valued with AG-43/VM-21, so no further change is needed there.

Additional Staff Comments:

- 07-21-2025: Proposal was exposed with comments due 08-20-2025 - No comment letter received (KO)

** **This section must be completed on all forms.** **Revised 2-2023**

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APPENDIX 1 – CASH FLOW MODELING FOR C-3 RBC

This appendix is applicable for all companies who do Cash Flow Testing for C-3 RBC for Certain Annuities and Single Premium Life products.

The method of developing the C-3 component for these products is building on the work of the asset adequacy modeling but using interest scenarios designed to help approximate the 95th percentile C-3 risk.

The C-3 component is to be calculated as the sum of four amounts, but subject to a minimum. The calculation is:

(a) For Certain Annuities or Single Premium Life Insurance products other than equity-indexed products, whether written directly or assumed through reinsurance, that the company tests for asset adequacy analysis using cash flow testing, an actuary should calculate the C-3 requirement based on the same cash flow models and assumptions used and same "as-of" date as for asset adequacy, but with a different set of interest scenarios and a different measurement of results. A weighted average of a subset of the scenario-specific results is used to determine the C-3 requirement. The result is to be divided by (1-enacted maximum federal corporate income tax rate) to put it on a pre-tax basis for LR027 Interest Rate Risk and Market Risk Column (2) Line (33).

If the "as-of" date of this testing is not Dec. 31, the ratio of the C-3 requirement to reserves on the "as-of" date is applied to the year-end reserves, similarly grouped, to determine the year-end C-3 requirement for this category.

(b) Equity-indexed products are to use the existing C-3 RBC factors, not the results of cash flow testing.

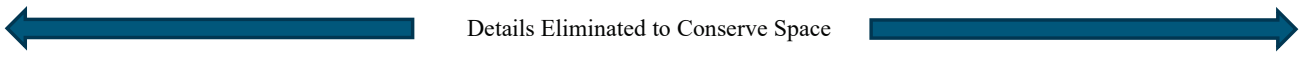
(c) For all other products (either non-cash-flow-tested or those outside the product scope defined above) the C-3 requirements are calculated using current existing C-3 RBC factors and instructions.

(d) For callable/pre-payable assets (including IOs and similar investments other than those used for testing in component a) above, the after-tax C-3 requirement is 50.0% of the excess, if any, of book/adjusted carrying value above current call price. The calculation is to be done on an asset-by-asset basis. For callable/pre-payable assets used for testing in component a) above as well as those used in C-3P2 testing, the C-3 factor requirement is zero.

The total C-3 component is the sum of (a), (b), (c) and (d), but not less than half the C-3 component based on current factors and instructions.

- For this C-3 calculation, "Certain Annuities" means products with the characteristics of deferred and immediate annuities, structured settlements, guaranteed separate accounts (excluding guaranteed indexed separate accounts following a Class II investment strategy) and GICs (including synthetic GICs and funding agreements). Debt incurred for funding an investment account is included if cash flow testing of the arrangement is required by the insurer's state of domicile for asset adequacy analysis. Variable annuity products are not to be included, including guaranteed fixed options within such products and payout annuities resulting from variable annuities reserved for under VM-21, as they are separately tested under the requirements for Variable Annuities and Similar Products. See Appendix 1b for further discussion.

- The company may use either a standard 50 scenario set of interest rates or an alternative, but more conservative, 12 scenario set (for part a, above). It may use the smaller set for some products and the larger one for others. Details of the cash flow testing for C-3 RBC methodology are contained in Appendix 1a.



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☐ Longevity Risk (A/E) Subgroup
☐ RBC Investment Risk & Evaluation (E) Working Group

DATE: 11/12/25

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EMAIL ADDRESS: eyeung@naic.org
ON BEHALF OF: Catastrophe Risk (E) Subgroup
NAME: Wanchin Chou
TITLE: Chair
AFFILIATION: Connecticut Department of Insurance
ADDRESS: 153 Market St., Hartford CT 06103

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Agenda Item #2025-19-CR
Year 2026

DISPOSITION

ADOPTED:
☒ TASK FORCE (TF) 3/24/2025
☒ WORKING GROUP (WG) 3/23/2025
☒ SUBGROUP (SG) 3/23/2025
EXPOSED:
☐ TASK FORCE (TF)
☒ WORKING GROUP (WG) 11/12/2025
☒ SUBGROUP (SG) 11/12/2025
REJECTED:
☐ TF ☐ WG ☐ SG
OTHER:
☐ DEFERRED TO
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY)

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

☐ Health RBC Blanks
☐ Health RBC Instructions
☐ Health RBC Formula
☒ Property/Casualty RBC Blanks
☐ Property/Casualty RBC Instructions
☐ Property/Casualty RBC Formula
☐ Life and Fraternal RBC Blanks
☐ Life and Fraternal RBC Instructions
☐ Life and Fraternal RBC Formula
☐ OTHER

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The objective of this proposal is to differentiate hurricane and earthquake losses, following the methodology applied to wildfire and severe convective storm events. This distinction will enable the Subgroup and Working Group to more effectively manage and address each peril, considering their unique characteristics and impacts.

Additional Staff Comments:

** **This section must be completed on all forms.** **Revised 2-2023**

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SCHEDULE P PART 1XX - XXXX PR100s (Option 2)

	(3) Premiums Earned, Net	(24) Total Net Losses and Expenses Unpaid	(28) Total Losses and Expenses Incurred, Net	Earthquake Catastrophe Experience* (24AI) Total U.S. Net Losses Unpaid	(28AI) Total U.S. Losses Incurred, Net	(24BI) Total Non-U.S. Net Losses Unpaid	(28BI) Total Non-U.S. Losses Incurred, Net	Hurricane Catastrophe Experience* (24AII) Total U.S. Net Losses Unpaid	(28AII) Total U.S. Losses Incurred, Net	(24BII) Total Non-U.S. Net Losses Unpaid	(28BII) Total Non-U.S. Losses Incurred, Net	Wildfire Catastrophe Experience* (24AIII) Total U.S. Net Losses Unpaid	(28AIII) Total U.S. Losses Incurred, Net	(24BIII) Total Non-U.S. Net Losses Unpaid	(28BIII) Total Non-U.S. Losses Incurred, Net	(28C) Total Losses and Expenses Incurred, Net excluding Earthquake, Hurricane and Wildfire Losses
(2) 2017	0		0		0		0		0		0		0		0	0
(3) 2018	0		0		0		0		0		0		0		0	0
(4) 2019	0		0		0		0		0		0		0		0	0
(5) 2020	0		0		0		0		0		0		0		0	0
(6) 2021	0		0		0		0		0		0		0		0	0
(7) 2022	0		0		0		0		0		0		0		0	0
(8) 2023	0		0		0		0		0		0		0		0	0
(9) 2024	0		0		0		0		0		0		0		0	0
(10) 2025	0		0		0		0		0		0		0		0	0
(11) 2026	0		0		0		0		0		0		0		0	0
(12) Totals		0		0		0		0		0		0		0		

	Convective Storms Catastrophe Experience* (24III) Total U.S. Net Losses Unpaid	(28III) Total U.S. Losses Incurred, Net	(24IV) Total Non-U.S. Net Losses Unpaid	(28IV) Total Non-U.S. Losses Incurred, Net	(28V) Total Losses and Expenses Incurred, Net excluding Earthquake, Hurricane, Wildfire and Convective Storms Losses
(2) 2017		0		0	0
(3) 2018		0		0	0
(4) 2019		0		0	0
(5) 2020		0		0	0
(6) 2021		0		0	0
(7) 2022		0		0	0
(8) 2023		0		0	0
(9) 2024		0		0	0
(10) 2025		0		0	0
(11) 2026		0		0	0
(12) Totals	0		0		

vendor link items

manual data entry items

* Please provide losses only; no expenses. Catastrophe losses should 1.) be the net losses incurred for the reporting entity, not net losses incurred for the group; 2.) be a subset of, and therefore, less than, total net losses reported in Column (28); 3.) be reported in 000s to be consistent with all values reported in this exhibit; and 4.) not be reported as negative amounts.

If this line of business has incurred U.S. catastrophe losses arising from events either included on the list of U.S. catastrophe events approved by the Catastrophe Risk Subgroup as available on the NAIC's website or numbered and labeled by PCS as a hurricane, tropical storm, or earthquake, provide only the amount of those catastrophe losses in Catastrophe Experience columns (24AI), **(24AII), (24AIII), (28AI), **(28AII) and (28AIII)**.

***If this line of business has incurred non-U.S. catastrophe losses arising from a hurricane, tropical storm, or earthquake from an event included on the list of non-U.S. catastrophe events approved by the Catastrophe Risk Subgroup as available on the NAIC's website, provide only the amount of those catastrophe losses in Catastrophe Experience Columns (24BI),**(24BII), (24BIII),** (28BI), **(28BII) and (28BIII).**

****Columns 24**III** through 28V are for informational purposes only.

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Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☒ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

DATE: 11/4/2025	**FOR NAIC USE ONLY**
CONTACT PERSON: Derek Noe	Agenda Item # 2025-15-CA-MOD Year 2026
TELEPHONE: 816-783-8973	**DISPOSITION**
EMAIL ADDRESS: dnoe@naic.org	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
ON BEHALF OF: Health Risk-Based Capital (E) Working Group	**EXPOSED:** ☒ TASK FORCE (TF) 3/24/2026 ☒ WORKING GROUP (WG) 2/13/2026 ☐ SUBGROUP (SG) _____
NAME: Steve Drutz	**REJECTED:** ☐ TF ☐ WG ☐ SG _____
TITLE: Chief Financial Analyst/Chair	**OTHER:** ☐ DEFERRED TO _____ ☒ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) Capital Adequacy (E) Task Force
AFFILIATION: WA Office of Insurance Commissioner	
ADDRESS: 5000 Capital Blvd SE Tumwater, WA 98501	

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

☒ Health RBC Blanks ☒ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☒ Health RBC Instructions ☒ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☒ Health RBC Formula ☒ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Changes to the structure of pages XR013, XR014, PR019, PR020, PR022, PR025, LR019, and LR020 based on the recommendations from the Academy's H-2 Underwriting Risk Report.

The Academy presented their *H2-Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report* to the Health Risk-Based Capital Working Group at their April 30, 2025 meeting. The report presented a revised structure to more closely align the underwriting risk pages with the lines of business as presented in the Analysis of Operations of the Health Annual Statement. The report also advised to change the implementation in the Life and Property and Casualty RBC to mirror the line of business changes in Health.

This proposal also implements a new alternative risk charge based on the recommendation from the Academy that the multiple of maximum individual risk be eliminated.

Additional Staff Comments:

LR029 Line (42) and PR022 Line (5) now include Title XVIII Medicare and Title XIX Medicaid as part of total health premium.

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Income adjustment factor instructions and values will be updated during the annual Investment Income Adjustment review.

03/11/26 Revisions

Split line 12 into lines 12.1 and 12.2 for more accurate implementation of the standalone investment income factor and updated formulas for line 13.

02/10/26 Revisions

Changes are highlighted in yellow.

Changed numeric references in the health instructions and blanks to match the renumbered lines.

Updated line reference for PR019 to match renumbered lines.

Added description to the PR020 and LR020 line 12 instructions.

Changed verbiage in the instructions for the Alternate Risk Charge

Did not remove lines 1.1, 1.2, and 1.3 from PR020 and LR020 as those lines are used for calculations on other pages. LR019 individual and Group comprehensive were already separated.

**** This section must be completed on all forms.** **Revised 2-2023**

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UNDERWRITING RISK - L(1) THROUGH L(1921)

XR013

Underwriting Risk is the largest portion of the risk-based capital charge for most reporting entities. The Underwriting Risk page generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this page comes from the Managed Care Credit Calculation page.

Underwriting risk is present when the next dollar of unexpected claim payments comes directly out of the reporting entity's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, a reporting entity may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by that reporting entity. If the individual incurs $101 in claims costs, the reporting entity's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the reporting entity is not at risk for excessive claims payments, such as when an HMO agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claim costs, so the risk of excessive claims experience is borne by the self-insured employer, not the reporting entity. The underwriting risk section of the formula, therefore, requires some adjustments to remove non-underwriting risk business (both premiums and claims) before the RBC requirement is calculated. Appendix 1 contains commonly used terms for general types of health insurance. Refer to INT 05-05: Accounting for Revenue under Medicare Part D Cover for terms specifically used with respect to Medicare Part D coverage of prescription drugs.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

A. Underwriting risk revenue, times the underwriting risk claims ratio, times a set of tiered factors. The tiered factors are determined by the underwriting risk revenue volume.

or

B. An alternat~~ive~~ risk charge that addresses the risk of catastrophic claims on any single individual. ~~The alternative risk charge is equal to multiple of the maximum retained risk on any single individual in a claims year.~~ The alternate risk charge ~~maximum retained risk (level of potential claim exposure)~~ is ~~capped at $750,000 per individual and~~ $~~1,~~500,000 per line ~~total~~ for medical coverage,~~; $25,000 per individual and~~ $50,000 each~~total~~ for all other coverage except Medicare Part D coverage, and ~~$25,000 per individual and~~ $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e.~~e.g.~~, writing more than one coverage type), the total alternat~~ive~~ risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~for each subsequent line of business is reduced by the amount of the highest cap. For example, if an organization is writing both comprehensive (hospital & medical) individual & group (with a cap of $1,500,000) and dental (with a cap of $50,000), then only the larger alternative risk charge is considered when calculating the RBC requirement (i.e., the alternative risk charges for each line of business are not cumulative).~~

For RBC reports to be filed by a health organization commencing operations in this reporting year, the health organization shall estimate the initial RBC levels using operating (revenue and expense) projections (considering managed care arrangements) for its first full year (12 months) of managed care operations. The projections, including the risk-based capital requirement, should be the same as those filed as part of a comprehensive business plan that is submitted as part of the application for

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licensure. The Underwriting, Credit (capitation risk only), and Business Risk sections of the first RBC report submitted shall be completed using the health organization's actual operating data for the period from the commencement of operations until year-end, plus projections for the number of months necessary to provide 12 months of data. The affiliate, asset and portions of the credit risk section that are based on balance sheet information shall be reported using actual data. For subsequent years' reports, the RBC results for all of the formula components shall be calculated using actual data.

L(1) through L(1921)

There are tensix lines of business used in the formula for calculating the RBC requirement for this risk: (1) Comprehensive (Hospital & Medical) individual & group; (2) Comprehensive (Hospital & Medical) group; (3) Title XVIII Medicare; (4) Title XIX Medicaid; (52) Medicare Supplement; (63) Dental/Vision Only; (7) Dental Only; (84) Stand-Alone Medicare Part D Coverage; (95) Other Health; and (106) Other Non-Health. Each of these lines of business has its own column in the Underwriting Risk – Experience Fluctuation Risk table. The categories listed in the columns of this page include all risk revenue and risk revenue that is received from another reporting entity in exchange for medical services provided to its members. These categories DO NOT include administrative services contracts (ASC), administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in the Business Risk section of the formula. The descriptions of the items are described as follows:

Column (1) – Comprehensive (Hospital & Medical) Individual & Group. Includes policies providing for medical coverages including hospital, surgical, and major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This category DOES NOT include administrative services contracts (ASC), administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in the Business Risk section of the formula. Neither does lit does not include Federal Employees Health Benefit Plan (FEHBP) or TRICARE, which are handled in Line 224 of this section. Medicaid Pass-Through Payments reported as premiums should also be excluded from this category and should be reported in Line 25.2 of this section. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000. Prescription drug benefits included in major medical insurance plans (including Medicare Advantage plans with prescription drug coverage) should be reported in this line. These benefits should also be included in the Managed Care Credit calculation.

Column (2) – Comprehensive (Hospital & Medical) Group Includes policies providing for medical coverages including hospital, surgical, and major medical. Prescription drug benefits included in major medical insurance plans should be reported in this line. These benefits should also be included in the Managed Care Credit calculation.

Column (3) – Title XVIII Medicare Business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the beneficiary premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans

Column (4) – Title XIX Medicaid Business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicaid subscribers.

Column (52) – Medicare Supplement. This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement and includes Medicare Select. Medicare risk business is reported under Comprehensive (Hospital & Medical) Individual & Group.under Title XVIII Medicare.

Column (63) – Dental & Vision Only. This is limited to policies providing for dental-only or vision-only coverage issued as a stand-alone policy or as a rider to a medical policy, which is not related to the medical policy through deductibles or out-of-pocket limits.

Column (7) – Dental Only This is limited to policies providing for dental-only coverage issued as a stand-alone policy or as a rider to a medical policy, which is not related to the medical policy through deductibles or out-of-pocket limits.

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Column (84) – Stand-Alone Medicare Part D Coverage. This includes both individual coverage and group coverage of Medicare Part D coverage where the plan sponsor has risk corridor protection. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. Medicare drug benefits included in major medical plans or benefits that do not meet the above criteria are not to be included in this line. Supplemental benefits within Medicare Part D (benefits in excess of the standard benefit design) are addressed separately on page XR015. Employer-based Part D coverage that is in an uninsured plan as defined in *SSAP No. 47—Uninsured Plans* is not to be included here.

Column (95) – Other Health Coverages. This includes other health coverages such as other stand-alone prescription drug benefit plans, that have not been specifically addressed in Columns (1) through (84) listed above and those lines of business addressed separately on page XR015, such as stop loss. Stop-loss premiums are addressed separately in Line (235) on page XR015.

Column (106) – Other Non-Health Coverages. This includes life and property and casualty coverages.

The following paragraphs explain the meaning of each line of the table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium. This is the amount of money charged by the reporting entity for the specified benefit plan. It is the earned amount of prepayments (usually on a per member per month basis) made by a covered group, ~~or~~ individual, CMS, or state agency to the reporting entity in exchange for services to be provided or offered by such organization. However, it does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-underwritten business. Nor does it include federal employees health benefit programs (FEHBP) and TRICARE. Report premium net of payments for stop-loss or other reinsurance. The amounts reported in the individual columns should come directly from Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement. For Stand-Alone Medicare Part D Coverage the premium includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D payment demonstration amounts and risk corridor payment adjustments. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. It does not include revenue received for reinsurance payments or low-income subsidy (cost-sharing portion), which are considered funds received for uninsured plans in accordance with Emerging Accounting Issues Working Group (EAIWG) INT. No. 05-05. Also exclude the beneficiary premium (supplemental benefit portion) for Stand-Alone Medicare Part D coverage.

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

~~Line (2) Title XVIII Medicare. This is the earned amount of money charged by the reporting entity (net of reinsurance) for Medicare risk business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the beneficiary premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans. The total of this line will tie to the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement.~~

~~Line (3) Title XIX Medicaid. This is the earned amount of money charged by the reporting entity for Medicaid risk business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicaid subscribers. The total of this line will tie to the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement. Stand-Alone Medicare Part D coverage of low-income enrollees is not included in this line.~~

Line (24) Other Health Risk Revenue. This is earned amounts charged by the reporting entity as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders, or members of another insurer or health entity. Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health entity to the reporting entity in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the reporting entity from another

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reporting entity. This revenue is reported in the Business Risk section of the formula as non-underwritten and limited risk revenue. The amounts reported in the individual columns will come directly from Page 7, Line 4 of the annual statement.

Line (35) Medicaid Pass-Through Payments Reported as Premiums. Medicaid Pass-Through Payments that are included as premiums in the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 should be reported in this line.

Line (46) Underwriting Risk Revenue. The sum of Lines (1) ~~through~~ and (24) minus Line (35).

Line (57) Net Incurred Claims. Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the reporting entity. Paid claims include capitation and all other payments to providers for services to members of the reporting entity, as well as reimbursement directly to members for covered services. Paid claims also include salaries paid to reporting entity employees that provide medical services to members and related expenses. Do not include ASC payments or Federal Employees Health Benefits Program (FEHBP) and TRICARE claims. These amounts are found on Page 7, Line 17 of the annual statement.

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in INT 05-05: Accounting for Revenue under Medicare Part D Coverage). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claims liabilities should reflect expected recoveries from the reinsurance coverage, for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS. Exclude the beneficiary incurred claims (supplemental benefit portion) for Stand-Alone Medicare Part D coverage and report the incurred claims amount (supplemental benefit portion) on Line (245.1) of page XR015.

Line (68) Medicaid Pass-Through Payments Reported as Claims. Medicaid Pass-Through Payments that are included as claims in the Analysis of Operations by Lines of Business, Page 7, Line 17 should be reported in this line.

~~Line (9) Total Net Incurred Claims Less Medicaid Pass-Through Payments Reported as Claims. Line (7) minus Line (8).~~

Line (710) Fee-for-Service Offset. Report fee for service revenue that is directly related to medical expense payments. The fee for service line does not include revenue where there is no associated claim payment (e.g., fees from non-member patients where the provider receives no additional compensation from the reporting entity) and when such revenue was excluded from the pricing of medical benefits. The amounts reported in the individual columns should come directly from Page 7, Line 3 of the annual statement.

Line (811) Underwriting Risk Incurred Claims. Line (59) minus Lines (610) and (7).

Line (912) Underwriting Risk Claims Ratio. For Columns (1) through (95), Line (811)/Line (46). If either Line (46) or Line (811) is zero or negative, Line (912) is zero.

Line (10) Underwriting Risk Factor for Initial Amounts of Premium. Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7),

Line (11) Underwriting Risk Factor for Excess of Initial Amount. Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7),

Line (12) Investment Income Adjustment Factor. The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned

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by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (13) Composite Underwriting Risk Factor. A weighted average factor based on the amount reported in Line (46), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor ~~The factors for Column (1) through (3) have incorporated an investment income yield of 4.5%.~~

	~~$0 - $3 Million~~	~~$3 - $25 Million~~	~~Over $25 Million~~
~~Comprehensive (Hospital & Medical) Individual & Group~~	~~0.1440~~	~~0.1440~~	~~0.0844~~
~~Medicare Supplement~~	~~0.0987~~	~~0.0609~~	~~0.0609~~
~~Dental & Vision~~	~~0.1153~~	~~0.0716~~	~~0.0716~~
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~
~~Other Health~~	~~0.130~~	~~0.130~~	~~0.130~~
~~Other Non-Health~~	~~0.130~~	~~0.130~~	~~0.130~~

~~The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 0.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.~~

Line (14) Base Underwriting Risk RBC. Line (46) x Line (~~912~~) x Line (13).

Line (15) Managed Care Discount. For Comprehensive (Hospital & Medical) individual & group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), and Dental/Vision, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claim payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (17) of the Managed Care Credit Calculation page. An average factor based on the combined results of these ~~three~~ categories ~~is used for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (17) of the Managed Care Credit Calculation page.

There is no discount given for the Other Health and Other Non-Health lines of business.

Line (16) RBC After Managed Care Discount. Line (14) x Line (15).

~~Line (17) Maximum Per-Individual Risk After Reinsurance. This is the maximum after-reinsurance loss for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per-individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:~~

- ~~Where coverage under the stop-loss protection (plus retention) with the highest attachment point is capped at less than $750,000 per member, the maximum retained loss will be equal to such attachment point plus the difference between the coverage (plus retention) and $750,000.~~

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- Where the stop-loss layer is subject to participation by the reporting entity, the maximum retained risk as calculated above will be increased by the reporting entity's participation in the stop-loss layer (up to $750,000 less retention).

If there is no specific stop-loss or reinsurance in place, enter $9,999,999.

Examples of the calculation are presented below:

EXAMPLE 1 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$100,000
Reinsurance Coverage	90% of $500,000 in excess of $100,000
Maximum reinsured coverage	$600,000 ($100,000 + $500,000)

Maximum Ret. Risk =	$100,000 deductible
	+ $150,000 ($750,000 – $600,000)
	+ $ 50,000 (10% of ($600,000 – $100,000) coverage layer)
	= $300,000

EXAMPLE 2 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$75,000
Reinsurance Coverage	90% of $1,000,000 in excess of $75,000
Maximum reinsured coverage	$1,075,000 ($75,000 + $1,000,000)

Maximum Ret. Risk =	$ 75,000 deductible
	+ 0 ($750,000 – $1,075,000)
	+ $ 67,500 (10% of ($750,000 – $75,000)) coverage layer)
	= $142,500

Line (178) Alternate Risk Charge. This is twice the amount in Line (17) for columns (1), (2), (3) and (5) and Column (4) is six times the amount in Line (17), subject to a maximum of $1,500,000 for Column (1), $50,000 for Columns (2), (3) and (5) and $150,000 for Column (4). Column (6) is excluded from this calculation. $500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), (7), and (9); and $150,000 for Column (8).

Line (19) Alternate Risk Adjustment. This line shows the largest value in Line (18) for the column and all columns left of the column. Column (6) is excluded from this calculation.

Line (1820) Net Alternate Risk Charge. This is the amount in Line (18), less the amount in the previous column of Line (19), but not less than zero. Column (6) is excluded from this calculation. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

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Line (~~21~~19) Net Underwriting Risk RBC. This is the maximum of Line (16) and Line (18~~20~~) for each of columns (1) through (9~~5~~). This is the amount in Line (14) for Column (6~~10~~). The amount in Column (11~~7~~) is the sum of the values in Columns (1) through (10~~6~~).

OTHER UNDERWRITING RISK – L(20~~2~~) THROUGH L(44~~5~~)

XR015–XR017

In addition to the general risk of fluctuations in the claims experience, there is an additional risk generated when reporting entities guarantee rates for extended periods beyond one year. If rate guarantees are extended between 15 and 36 months from policy inception, a factor of 0.024 is applied against the direct premiums earned for those guaranteed policies. Where a rate guaranty extends beyond 36 months, the factor is increased to 0.064. This calculation only applies to those lines of accident and health business, which include a medical trend risk, (i.e., Comprehensive (Hospital & Medical) individual & group, Medicare Supplement, Dental/Vision, Stand-Alone Medicare Part D Coverage, Supplemental benefits within Medicare Part D Coverage, Stop-Loss, and Minimum Premium). Premiums entered should be earned premium for the current calendar year period and not for the entire period of the rate guarantees. Premium amounts should be shown net of reinsurance only when the reinsurance ceded premium is also subject to the same rate guarantee.

A separate risk factor has been established to recognize the reduced risk associated with safeguards built into the Federal Employees Health Benefit Program (FEHBP) created under Section 8909(f)(1) of Title 5 of the United States Code and TRICARE business. Claims incurred are multiplied by 2% to determine total underwriting RBC on this business.

The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive (Hospital & Medical) individual & group or Other Health Coverages (Page XR013). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to premium in excess of $25,000,000. Stop-loss premiums should be reported on a net basis.

Line (24~~5~~.1) Supplemental Benefits within Stand-Alone Medicare Part D Coverage. A separate risk factor has been established to recognize the different risk (as described in INT 05-05: Accounting for Revenue under Medicare Part D Coverage) for the incurred claims associated with the beneficiaries for these supplemental drug benefits.

Line (24~~5~~.2) Medicaid Pass-Through Payments Reported as Premium. The treatment of Medicaid Pass-Through Payments varies from state to state, and in some instances is treated as premium. The Health Risk-Based Capital (E) Working Group, however, determined that the risk associated with these payments is more administrative in nature and similar to uninsured plans. As such, the Working Group determined that the charge should follow that of the uninsured plans (ASC and ASO) and apply a 2% factor charge to those Medicaid Pass-Through Payments reported as premiums. This amount should be equal to the amount reported on page XR013, Column (4~~1~~), Line (3~~5~~).

Lines (25~~6~~) through (31~~2~~) Disability Income. Disability Income Premiums are to be separately entered depending upon category (Individual and Group). For Individual Disability Income, a further split is between noncancellable (NC) or other (guaranteed renewable, etc.). For Group Disability Income, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. In determining the premiums subject to the higher factors, Individual Disability Income NC and Other are combined. All types of Group and Credit Disability Income are combined in a different category from Individual.

STOP-LOSS ELECTRONIC-ONLY TABLES

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The Health Risk-Based Capital (E) Working Group revised the stop-loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop-loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop-Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2019, will reflect the incurred data for calendar year 2018 run-out through December 31, 2019.

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss (including aggregating specific) = This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = Specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = Specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = Specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Do not include quota share or excess reinsurance written on stop-loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed, e.g., the RBC report filed for 2019 should provide experience information for calendar year 2018 with run-out through December 31, 2019. If the contract year does not follow a calendar year (e.g. 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Contract 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

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Total Gross Claims + Expenses =

Total Gross Claims – These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability.

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio – This is equal to (Total Gross Claims + Expenses)/Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims – These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Electronic Table 2a – Calendar Year Specific Stop-Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop-Loss Contracts by Group Size

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop-loss data and Table 2b should reflect the aggregate stop-loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (e.g. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop-loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) – The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

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Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =
(Sum of Specific Attachment Points X Reported Lives)/(Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$200,000	115%	90	Include	
2	$100,000	120%	60	Include	
3	$50,000	140%	40	Exclude	Not in Group Size Band
4	$120,000	N/A	50	Include	
Calculation:	(200,000 x 90 + 100,000 x 60 + 120,000 x 50)/(90 + 60 + 50) = $150,000				

Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop-loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %)/(Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$200,000	115%	$ 500,000	90	Include	
2	$100,000	120%	$ 300,000	60	Include	
3	$50,000	140%	$ 200,000	40	Exclude	Not in Group Size Band
4	$120,000	N/A	$ 400,000	50	Exclude	Aggregate not purchased by group
Calculation:	(500,000 x 115% + 300,000 x 120%)/(500,000 + 300,000) = 116.7%					

Footnote – The number of covered lives for stop-loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop-loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

Lines (323) through (401) Long Term Care. Long-Term Care Insurance (LTCI) Premiums are used to determine both a rate risk and the morbidity risk. The rate risk relates to all Noncancellable LTCI premiums. The morbidity risk is partially applied directly to premium with a higher factor (10%) applied to amounts up to $50,000,000 and a lower factor (3%) applied to premiums in excess of $50,000,000. In addition, the earned premiums and incurred claims for the last two years are used to determine an average loss ratio (incurred claims divided by earned premiums). This average loss ratio times the current year's premium is called Adjusted LTCI Claims for RBC. A higher factor (25%) is applied to claims up to $35,000,000 and a lower factor (8%) is applied to claims above $35,000,000. In certain situations where loss ratios cannot

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be used because one of the values is zero or negative, the current year's incurred claims are used. In a situation where the current year's premium is not positive, higher factors are applied to current year's incurred claims to reflect the lack of a premium-based RBC. The RBC for LTCI is the sum of these three calculations.

Line (412) Limited Benefit Plans. There is a factor for certain types of Limited Benefit coverage (Hospital Indemnity, which includes a per diem for intensive care facility stays, and Specified Disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

Line (423) Accidental Death and Dismemberment. There is a factor for Accidental Death and Dismemberment (AD&D) insurance (where a single lump sum is paid) which depends on several items:

1. Three times the maximum amount of retained risk for any single claim;
2. $300,000 if 3 times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and maximum retained risk on any single claim. The actual RBC amount will be calculated automatically as the lesser of 1 and 2. That result is then added to 3 and 4.

Line (434) Other Accident. There is a factor for Other Accident coverage that provides for any accident-based contingency other than those contained in Line 43. For example, this line should contain all the premium for policies that provide coverage for accident only disability or accident only hospital indemnity. The premium for policies that contain AD&D in addition to other accident only benefits should be shown on this line.

Line (445) Premium Stabilization Reserves. Premium stabilization reserves are funds held by the company in order to stabilize the premium a group policyholder must pay from year to year. Usually experience-rating refunds are accumulated in such a reserve so that they can be drawn upon in the event of poor future experience. This reduces the insurer's risk.

For health insurance, 50% of the premium stabilization reserves held in the annual statement as a liability (not as appropriated surplus) are permitted as an offset up to the amount of risk-based capital. The 50% factor was chosen to approximate the portion of premium stabilization reserves that would be an appropriate offset if the formula were applied on a contract-by-contract basis, and the reserve offset were limited to the amount of risk-based capital required for each contract.

Companies must list each group having 5% or more of the total premium stabilization reserve of the reporting entity. All other groups may be summarized on one line and labeled as various.

No credit is given here for premium stabilization reserves held for FEHBP and TRICARE coverage, because that coverage is already subject to a lesser percentage of premium in the underwriting risk calculation to reflect its reduced level of risk. Similarly, no credit is given here for any amounts held in connection with stand-alone Medicare Part D Coverage (i.e., amounts held as liabilities to the federal government under the risk-corridor mechanism), since Medicare Part D Coverage premium is already subject to a lesser factor in the underwriting risk calculation to reflect the reduced net level of risk. Amounts held as prepayments from the federal government for reinsurance coverage or low-income subsidy (cost-sharing portion) under Medicare Part D Coverage are not considered premium stabilization reserves as they relate to an uninsured plan.

As such, the company must exclude all amounts relating to FEHBP, TRICARE or stand-alone Medicare Part D Coverage in determining the amount of reserves to be reported.

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HEALTH PREMIUMS and HEALTH CLAIMS RESERVES

LR019, LR023 and LR024

Basis of Factors

Risk-based capital factors for health insurance are applied to medical and disability income, long-term care insurance and other types of health insurance premiums and Exhibit 6 claim reserves with an offset for premium stabilization reserves. For health coverage that does not fit into one of the defined categories for risk-based capital, the "Other Health" category is to be used.

Medical Insurance Premium

The business is subdivided by product into categories for individual coverages and for group and credit coverages depending on the risk related to volatility of claims. The factors were developed from a model that determines the minimum amount of surplus needed to protect the company against a worst-case scenario for each type of coverage. The results of the model were then translated into either a uniform percentage or a two-tier formula to be applied to premium. The two-tier formula reflects the decreased risk of a larger in-force block. The formula includes several changes starting in 1998 for some types of health insurance. These changes add several worksheets and are designed to keep the RBC amounts for health coverage consistent regardless of the RBC formula used. If the company has comprehensive medical business **(Individual & Group)**, **Title XVIII Medicare, Title XIX Medicaid,** Medicare Supplement, **Vision, Dental** business, or Stand-Alone Medicare Part D coverage through a PDP arrangement, it will be directed to these additional worksheets. The instructions for including paid health claims in the various categories of the Managed Care Discount Factor Calculation can be found in the instructions to LR022 Underwriting Risk – Managed Care Credit. Appendix 32 of these instructions lists commonly used health insurance terms. Appendix 43 of these instructions listslist commonly used terms specific to Stand-Alone Medicare Part D coverage. If the company has any of the four mentioned types of medical insurance, it will also be required to complete additional parts of the formula for C-3 Health Credit Risk and C-4 Health Administrative Expenses Risk portion of the Business Risk.

Disability Income Premium

Prior to 2001, the individual disability income factors were based on models of the disability risk completed by several companies with significant experience in this line. The group long-term disability income risk was modeled based on methodology similar to that used by one of the largest writers of this business. The pricing risk was addressed principally as the delayed reaction to increases in incidence of new claims and to the lengthening of claims from slower recoveries than assumed.

Starting in 2001, new categories and new factors are applicable to all types of disability income premiums. These factors are based on new data and apply a model similar to that used for other health premium risk to that data.

Long-Term Care Insurance Premium

Prior to 2005, factors equal to the original disability income factors were used. Starting in 2005, factors based on LTC experience replaced those factors. The difference in the factors used in 2004 and prior years for noncancellable LTC versus other LTC has been retained as a rate risk factor applied to the NC premium. The morbidity risk is partially applied directly to premium with a higher factor applied to amounts up to $50,000,000 and a lower factor applied to premiums in excess of $50,000,000. In addition, the earned premiums and incurred claims for the last two years are used to determine an average loss ratio (incurred claims divided by earned premiums). This average loss ratio times the current year's premium is called Adjusted LTC Claims for RBC. A higher factor is applied to claims up to $35,000,000 and a lower factor is applied to claims above $35,000,000.

Claim Reserves

Additional risk-based capital of 5% of claim reserves for both individual and group and credit is required to recognize the risk of the level of recoveries and other claim terminations falling below that assumed in the development of claim reserves. However, claims reserves for workers' compensation carve-out are excluded from this charge and are separately assessed risk-based capital on page LR021 Underwriting Risk – Other, Line (5); reserves entered for this exclusion should be reported in net balance sheet reserves in Schedule P, Part 1 of the Workers Compensation Carve-Out Supplement.

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Pre-Tax and Post-Tax Factors

The formula uses pre-tax factors for all types of health insurance. Because many insurers of some types of health insurance write very little other business, it was determined that there would be no difference between pre-tax and post-tax factors except where substantial investment income is assumed as part of the product pricing. Thus, for disability income, the pre-tax factors in the table below and in LR023 Long-Term Care will be adjusted to post-tax by applying a tax-effect change to RBC in LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital. For reasons of practicality and simplicity, credit disability is included with other disability income and adjusted to post-tax. The pre-tax RBC values for other types of health insurance will not be adjusted.

Specific Instructions for Application of the Formula

The total of all earned premium categories LR019 Health Premiums, Line (~~31~~41), (Column (1) should equal Health Supplement Analysis of Operations Part 1 Columns 2 through 13 Line 1 + 2) ~~Column (1) should equal the total in Schedule H, Part 1, Line 2, Column 1~~ of the annual statement. Earned premium for each of these coverages should be from underlying company records. Earned premium may be reported in Health Supplement Analysis of Operations ~~Schedule H~~ for Administrative Services Contracts (ASC) and/or the Federal Employees Health Benefits Plan (FEHBP) and/or Workers Compensation Carve-Out, which are included in order that Line (~~31~~41) will equal the total in ~~Schedule H~~Health Supplement Analysis of Operations. As such, there is no RBC factor applied to any premium reported on Lines (~~18~~**26**), (~~28~~**36**), (38) or (~~29~~39). For some of the coverages, two-tier formulas apply. The calculations for these coverages shown below will not appear on the RBC filing software but will automatically be calculated by the software.

Lines 13, ~~16,17, 18,~~ -19, 23-26, 29-33, 39, 42 and ~~34~~3 are not applicable to Fraternal Benefit Societies.

Line (1)

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

Line (2)

Health premiums for Title XVIII Medicare written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (3), Line (1.1).

Line (3)

Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (4), Line (1.1).

Line (~~42~~)

Health premiums for Medicare supplement written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (~~52~~), Line (1.1).

Line (~~53~~)

Health premiums for ~~dental or~~ vision only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (~~63~~), Line (1.1).

Line (~~56~~)

Health premiums for dental only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (7), Line (1.1).

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Line (74)
Health premium for Stand-Alone Medicare Part D coverage written on individual contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor payment adjustments. See Appendix 43 for definition of these terms. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (31). No RBC requirement is calculated in Column (2). The premium is carried forward to page LR020 Underwriting Risk – Experience Fluctuation Risk Column (84) Line (1.1).

Line (85)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on individual contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible. This does not include the low-income subsidy (cost sharing portion), which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Stand-Alone Medicare Part D Coverage on LR019.

Line (96) and (2216)
Medicaid pass-through payments reported as premium ~~and excluded from Line (1) should be reported in Line (6) or (16)~~.

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Line (107) and Line (2317)
There is a factor for certain types of limited benefit coverage (hospital indemnity, which includes a per diem for intensive care facility stays, and specified disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

Line (118) and Line (2418)
The factor for accidental death and dismemberment (AD&D) insurance (where a single lump sum is paid) depends on several items:

1. Three times the maximum amount of retained risk for any single claim;
2. $300,000 if three times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and the maximum retained risk on any single claim. The actual RBC Requirement will be calculated automatically as the sum of (a) the lesser of items 1 and 2 plus (b) items 3 plus 4.

Line (129) and Line (2519)
The factor for Other Accident coverage provides for any accident-based contingency other than those contained in Lines (811) or (1824). For example, this line should contain all the premium for policies that provide coverage for accident-only disability or accident-only hospital indemnity. The premium for policies that contain AD&D in addition to other accident-only benefits should also be shown on this line.

Line (130)
Health premiums for usual and customary major medical and hospital (including comprehensive major medical and expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (21), Line (1.2).

Line (14)
Health premiums for Title XVIII Medicare written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (3), Line (1.2).

Line (15)
Health premiums for Title XIX Medicaid written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (4), Line (1.2).

Line (161)
Health premiums for ~~dental or~~ vision only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (63), Line (1.2).

Line (17)
Health premiums for dental only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (7), Line (1.2).

Line (182)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (3240)). It is not expected that the transfer of risk through the

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various managed care credits will reduce the risk of stop-loss coverage. Medical Stop Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to the premium in excess of $25,000,000. Stop loss premiums should be reported on a net basis.

Line (193)
Health premiums for Medicare supplement written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to LR020 Underwriting Risk – Experience Fluctuation Risk, Column (52), Line (1.2).

Line (2014)
Health premium for Stand-Alone Medicare Part D coverage written on group contracts only if the plan sponsor has risk corridor protection for the contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor protection payments. See Appendix 3 4 for definition of these terms. Stand-Alone Medicare Part D coverage written on group contracts without risk corridor protection is reported in Line (340) Other Health. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (1429). No RBC requirement is calculated in Column (2). The premium is carried forward to page LR020 Underwriting Risk – Experience Fluctuation Risk Column (84) Line (1.2).

Line (22115)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on group contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible where the plan sponsor has risk corridor protection for the group contract's standard benefit design coverage. This does not include the low-income subsidy (cost-sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Part D Coverage on LR019.

Lines (21627) through (22733)
Disability income premiums are to be separately entered depending upon category (individual and group). For Individual, a further split is between noncancellable (NC) or other (GR, etc.) For group, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. Starting in 2001, in determining the premiums subject to the higher factors, individual disability income noncancellable and other is combined. All types of group and credit are combined in a different category from individual.

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

	Disability Income Premium	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
Line (271)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in ~~Schedule H, Part 1, Line 2,~~ Health Supplement Analysis of Operations 11, Line 1 + 2, in part			
a)	First $50 Million Earned Premium of Line (271)	Company Records		X 0.4435 =	
b)	Over $50 Million Earned Premium of Line (271)	Company Records		X 0.1901 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (271) + b) of Line (271), Column (2)			

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Line (282)	Other Disability Income - Individual Morbidity	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (282) [up to $50 million less premium in a) of Line (271)]	Company Records		X 0.3168 =	
b)	Earned Premium in Line (282) not included in a) of Line (282)	Company Records		X 0.0889 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (282) + b) of Line (282), Column (2)			
Line (293)	Disability Income - Credit Monthly Balance	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (293)	Company Records		X 0.2534 =	
b)	Over $50 Million Earned Premium of Line (293)	Company Records		X 0.0378 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (293) + b) of Line (293), Column (2)			
Line (3024)	Disability Income – Group Long-Term	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (3024) [up to $50 million less premium in a) of Line (293)]	Company Records		X 0.1901 =	
b)	Earned Premium in Line (3024) not included in a) of Line (3024)	Company Records		X 0.0378 =	
c)	Total Disability Income – Group Long-Term	a) of Line (3024) + b) of Line (3024), Column (2)			
Line (3125)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part. This amount to be reported on LR019 Health Premiums, Line (3125)			
a)	Additional Reserves for Credit Disability Plans	LR019 Health Premiums Column (1) Line (4234)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	LR019 Health Premiums Column (1) Line (4335)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (3125) - a) of Line (3125) + b) of Line (3125)			
d)	Earned Premium in c) [up to $50 million less premium in a) of Line (293) + a) of Line (3024)]	Company Records		X 0.1901 =	
e)	Earned Premium in c) of Line (3125) not included in d) of Line (3125)	Company Records		X 0.0378 =	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (3125) + e) of Line (3125), Column (2)			

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Line (3226)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (3226) [up to $50 million less premium in a) of Line (293) + a) of Line (3024) + d) of Line (3125)]	Company Records		X 0.1267 =	
b)	Earned Premium in Line (3226) not included in a) of Line (3226)	Company Records		X 0.0378 =	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (3226) + b) of Line (3226), Column (2)			
Line (3327)	Disability Income – Group Short-Term	Earned Premium included in Health Supplement Analysis of Operations Column 11, Line 1 + 2, ~~Schedule H, Part 1, Line 2,~~ in part			
a)	Earned Premium in Line (3327) [up to $50 million less premium in a) of Line (293) + a) of Line (3024) + d) of Line (3125) + a) of Line (3226)]	Company Records		X 0.0634 =	
b)	Earned Premium in Line (3327) not included in a) of Line (3327)	Company Records		X 0.0378 =	
c)	Total Disability Income – Group Short-Term	a) of Line (3327) + b) of Line (3327), Column (2)			

Lines (3528) and (3629)
Premiums for noncancellable long-term care insurance are included on Line (3528) to reflect the additional risk when rate increases are not permitted. Line (3629) includes premiums for Other LTC coverage but with no RBC value on this page (the RBC is determined on LR023 Long-Term Care) so that the validation check to ~~Schedule H~~Health Supplement Analysis of Operations can still be performed.

Line (391)
Premiums for Workers' Compensation Carve-Out are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The RBC Requirement assessed on these premiums can be found on page LR021 Underwriting Risk – Other, Line (4).

Line (4032)
It is anticipated that most health premium will have been included in one of the other lines. In the event that some coverage does not fit into any of these categories, the "Other Health" category continues the RBC factor from the 1998 and prior formula for Other Limited Benefits Anticipating Rate Increases. Stop loss premiums are addressed separately in Line (182).

Stop Loss Electronic Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop loss factors as a result of the changes to life time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop Loss Interrogatories

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The interrogatories are designed to gather the information by product type and will be reviewed on a go forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2018, will reflect the incurred data for calendar year 2017 run-out through December 31st, 2018.

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on Stop Loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for 2018 should provide experience information for calendar year 2017 with run-out through December 31st, 2018. If the contract year does not follow a calendar year (i.e. 7/1- 6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Treaty 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability. .

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

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Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to I(Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2**a** – Calendar Year Specific Stop Loss Contracts By Group Size and Table 2b – Calendar Year Aggregate Stop Loss Contracts by Group Size

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop loss data and Table 2b should reflect the aggregate stop loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (i.e. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop loss contract based on the number of covered lives in the group.

Average Specific Attachment Point **(**Table 2a**)** - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =

(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50) = $150,000

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Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the count of covered lives within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	$ 500,000	90	Include	
2	$ 100,000	120%	$ 300,000	60	Include	
3	$ 50,000	140%	$ 200,000	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	$ 400,000	50	Exclude	Aggregate not purchased by group

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000) = 116.7%

Footnote – The number of covered lives for stop loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 6, Section C. Other Business, Line 2.

If stop loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

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UNDERWRITING RISK – EXPERIENCE FLUCTUATION RISK
LR020

The underwriting risk generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this worksheet comes from LR022 Underwriting Risk – Managed Care Credit.

Underwriting risk is present when the next dollar of unexpected claims payments comes directly out of the company's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, an insurer may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by the insurer. If the individual incurs $101 in claims costs, the company's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the insurer is not at risk for excessive claims payments, such as when an insurer agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claims costs, so the risk of excessive claims experience is borne by the self-insured employer, not the insurer. The underwriting risk section of the RBC formula, therefore, requires some adjustments to remove non-risk business (premiums and claims) before the RBC requirement is calculated.

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10) through (13) of LR022 will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

Claims Experience Fluctuation
The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

A. Underwriting risk revenue times the underwriting risk claims ratio times a set of factors.

or

B. An alternate risk charge that addresses the risk of catastrophic claims on any single individual. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~The alternate risk charge is calculated for each type of health coverage, but only the largest value is compared to the value from A. above for that type. The alternate risk charge is equal to a multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at two times the maximum or $1,500,000 for Comprehensive Medical; two times the maximum or $50,000 for each of Medicare Supplement business and dental coverage and six times the maximum or $150,000 for Stand-Alone Medicare Part D coverage.~~

Line (1) through Line (19~~8~~)
There are eight~~four~~ lines of business used in the life and fraternal RBC formula for calculating the RBC requirement in this worksheet. Other health coverages will continue to use the factors on LR019 Health Premiums. The ~~four~~ eight lines of business are: Column (1) Comprehensive Medical and Hospital - Individual; Column (2) Comprehensive Medical and Hospital - Group; Column (3) Title XVIII Medicare; Column (4) Title XIX Medicaid; Column (5~~2~~) Medicare Supplement; Column (6~~3~~) ~~Dental &~~ Vision Only; Column (7) Dental Only; and Column (8~~4~~) Stand-Alone Medicare Part D coverage. Each of the ~~four~~ eight lines of business has its own column in the Underwriting Risk - Experience Fluctuation Risk table. The

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categories listed in the columns of this worksheet include premiums plus all risk revenue that is received from another reporting entity in exchange for medical services provided to its members.

For details of each category refer to LR019 instructions.

~~The descriptions of the items are as follows:~~

~~Comprehensive Medical & Hospital~~
~~Includes policies providing for medical coverages, including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare supplement) and Medicaid risk coverage. This includes Medicare Advantage, with or without prescription drug benefits. This category DOES NOT include administrative services contracts (ASC) or administrative services only (ASO) contracts. These programs are reported in the Business Risk section of the formula. Neither does it include Federal Employees Health Benefits Program (FEHBP) business, which is reported on LR021 Underwriting Risk – Other, Line (3). The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000.~~

~~Medical Only (non-hospital professional services)~~
~~Include in Comprehensive Medical.~~

~~Medicare Supplement~~
~~This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement. Medicare risk business is reported under comprehensive medical and hospital.~~

~~Dental & Vision~~
~~These are premiums for policies providing for dental or vision only coverage issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.~~

~~Stand-Alone Medicare Part D Coverage~~
~~Includes policies and contracts providing the standard coverage for individuals enrolled in Stand-Alone Medicare Part D and the insurance is a federally approved PDP with risk corridor protection. It does not include risk revenue for Supplemental benefits within Stand-Alone Medicare Part D coverage that is a portion of the PDP's approved package. It does not include employer coverage unless the coverage meets the above criteria. Where there is a federal subsidy to the employer in lieu of risk corridor protection, the premiums are to be reported as "Other Health."~~

~~Other Health Coverages~~
~~Include in the appropriate line on LR019 Health Premiums.~~

The following paragraphs explain the meaning of each line of the worksheet table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium
This is the amount of money charged by the insurer for the specified benefit plan. It is the earned premium, net of reinsurance. It does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-risk business; or premium for the Federal Employees Health Benefit Programs (FEHBP), which has a risk factor relating to incurred claims reported separately under LR021 Underwriting Risk – Other, Line (3).

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

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For Stand-Alone Medicare Part D Coverage, this will include only certain amounts paid by the individual, an employer or CMS. See Appendix ~~3~~ 4 for details of what is and is not premium income.

~~Line (2) Title XVIII Medicare~~
~~This is the earned amount of money charged by the insurer (net of reinsurance) for Medicare risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans.~~

~~Line (3) Title XIX Medicaid~~
~~This is the earned amount of money charged by the insurer for Medicaid risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicaid subscribers. Revenue from Stand-Alone Medicare Part D coverage under the low-income subsidy (cost sharing portion) and low-income subsidy (premium portion) are not included in this line.~~

Line (~~2~~42) Other Health Risk Revenue
Earned amounts charged by the reporting company as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders or members of another insurer or managed care organization (MCO). Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or MCO to the company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the company from another reporting entity. This revenue is reported in the business risk section of the formula as health ASO/ASC and limited risk revenue.

Line (3) Medicaid Pass-Through Payments Reported as Premiums
Medicaid Pass-Through Payments that are included as premiums. Equals the total of LR019 Lines (9) and (22)

Line (~~4~~5) Underwriting Risk Revenue
~~The sum of~~ Lines (1.3) ~~through~~ + (24) – (3).

Line (~~5~~6) Net Incurred Claims
Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims ~~includes~~include capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. Line (~~5~~6) does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

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

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in Appendix ~~3~~4). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claim liabilities should reflect expected recoveries from the reinsurance coverage – for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS.

Line (6) Medicaid Pass-Through Payments Reported as Claims.

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Medicaid Pass-Through Payments that are included as claims.

Line (7) Fee-for-Service Offset
Report fee-for-service revenue that is directly related to medical expense payments. The fee-for-service line does not include revenue where there is no associated claim payment (e.g., fees or charges to non-member/insured of the company where the provider of the service receives no additional compensation from the company) and when such revenue was excluded from the pricing of medical benefits.

Line (8) Underwriting Risk Incurred Claims
Lines (56) – ~~minus Line~~ (67) – (7).

Line (9) Underwriting Risk Claims Ratio
Line (8) / Line (45). If either Line (45) or Line (8) is zero or negative, Line (9) is zero.

Line (10) ~~Underwriting Risk Factor~~Underwriting Risk Factors for Initial Amounts of Premium
Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7).
~~A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue. The factors for Column 1-3 have incorporated investment income.~~

	~~$0 – $3 Million~~	~~$3 – $25 Million~~	~~Over $25 Million~~
~~Comprehensive Medical~~	~~0.14341440~~	~~0.14341440~~	~~0.08380844~~
~~Medicare Supplement~~	~~0.09800987~~	~~0.06030609~~	~~0.06030609~~
~~Dental~~	~~0.11481153~~	~~0.07110716~~	~~0.07110716~~
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~

Line (11) Underwriting Risk Factors for Excess of Initial Amount
Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7).

Line (12) Investment Income Adjustment Factor
The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (13) Composite Underwriting Risk Factor.
A weighted average factor based on the amount reported in Line (4), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor.

Line (14~~1~~) Base Underwriting Risk RBC
Line (45) x Line (9) x Line (13~~0.3~~).

Line (15~~2~~) Managed Care Discount Factor
For Comprehensive Medical & Hospital Individual, Comprehensive Medical & Hospital Group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), Vision, and Dental, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the

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uncertainty about future claims payments attributable to the managed care arrangements. The discount factor is from Column (3) Line (17) of LR022 Underwriting Risk – Managed Care Credit. An average factor based on the combined results of these ~~three~~ categories is used ~~for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (17) of LR022 Underwriting Risk – Managed Care Credit.

Line (16~~3~~) Base RBC After Managed Care Discount
Line (14~~1~~) x Line (15~~2~~).

~~Line (14) RBC Adjustment for Individual~~
~~The average experience fluctuation risk charge is increased by 20% for the portion relating to individual medical expense premiums in Column (1). Other types of health coverage do not differentiate individual and group. The additional time necessary to develop sufficient data to make a premium filing with states and then to implement the premium increase was modeled to calculate this factor.~~

~~Line (15) Maximum Per-Individual Risk After Reinsurance~~
~~This is the maximum loss after reinsurance for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:~~

- ~~Where coverage under non-proportional reinsurance or stop-loss protection with the highest attachment point is capped at less than $750,000 per insured for comprehensive medical and $25,000 for the other three lines, the maximum retained loss will be equal to such attachment point plus the difference between the coverage maximum per claim and $750,000 or $25,000, whichever is applicable.~~

- ~~Where the non-proportional reinsurance or stop-loss protection is subject to participation by the company, the maximum retained risk as calculated above will be increased by the company's participation in claims in excess of the attachment point, but not to exceed $750,000 for comprehensive medical and $25,000 for the other three coverages.~~

~~If there is no specific stop-loss or reinsurance in place, enter the largest amount payable (within a calendar year), or $9,999,999 if there is no limit.~~

~~Examples of the calculation are presented below:~~

~~EXAMPLE 1 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention)~~	~~$100,000~~
~~Reinsurance Coverage~~	~~90% of $500,000 in excess of $100,000~~
~~Maximum Reinsured Coverage~~	~~$600,000 ($100,000 + $500,000)~~

~~Maximum Retained Risk =~~	~~$100,000~~	~~deductible~~
	~~+$150,000~~	~~($750,000 - $600,000)~~
	~~+$50,000~~	~~(10% of $500,000 coverage layer)~~
	~~=$300,000~~	

~~EXAMPLE 2 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention)~~	~~$75,000~~

~~Reinsurance Coverage 90% of $1,000,000 in excess of $75,000~~
~~Maximum Reinsured Coverage $1,075,000 ($75,000 + $1,000,000)~~

~~Maximum Retained Risk = $75,000 deductible~~
~~+ 0 ($750,000 - $1,075,000)~~
~~+$67,500 (10% of $675,000 coverage layer)~~
~~=$142,500~~

Line (17~~6~~) Alternate Risk Charge
~~Twice the amount in Line (15), subject to a maximum of $1,500,000 for comprehensive medical and $50,000 for Medicare Supplement and Dental. Six times the amount in Line (15), subject to a maximum of $150,000 for Stand-Alone Medicare Part D Coverage~~. $500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), and (7); and $150,000 for Column (8).

Line (18~~7~~) Net Alternate Risk Charge
~~The largest value from Line (16) is retained for that column in Line (17) and all others are ignored.~~ The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

Line (19~~8~~) Net Underwriting Risk RBC
The maximum of Line (16~~4~~) and Line (18~~7~~).

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

If the reporting company writes 5% or more of its premiums in A&H lines in 20243, 20254 or 20265, this section of the formula must be completed. To determine if that applies, take the sum of Lines 13, 14 and 15 of the Underwriting and Investment Exhibit Part 1B Column 6 and divide by Line 35 Column 6, and round to three decimals for each individual year. If the result is at least 0.050 in any year, this exhibit and the appropriate Schedule P adjustment must be completed.

If the company writes less than 5% of its premiums in A&H lines in 20243, 20254 and 20265, disregard this section.

PR019 - Health Premiums

Basis of Factors

Risk-based capital factors for health insurance are applied to medical, disability income, long-term care insurance and other types of health insurance premiums and claim reserves with an offset for premium stabilization reserves. For health coverage that does not fit into one of the defined categories for risk-based capital, the "Other Health" category is to be used.

Medical Insurance Premium
The business is subdivided by product into categories for individual coverages and for group and credit coverages depending on the risk related to volatility of claims. The factors were developed from a model that determines the minimum amount of surplus needed to protect the company against a worst-case scenario for each type of coverage. The results of the model were then translated into either a uniform percentage or a two-tier formula to be applied to premium. The two-tier formula reflects the decreased risk of a larger in-force block. The formula includes several changes starting in 1999 for some types of health insurance. These changes add several additional worksheets and are designed to keep the RBC amounts for health coverage consistent regardless of the RBC formula used. If the company has Comprehensive Medical business, Medicare Supplement, Dental & Vision business, or Stand-Alone Medicare Part D coverage through a PDP arrangement, it will be directed to these additional worksheets. The instructions for including paid health claims in the various categories of the Managed Care Discount Factor Calculation can be found in the instructions to PR021 Underwriting Risk – Managed Care Credit. Appendix 1 - Commonly Used Health Insurance Terms haves been added to these instructions. Appendix 2 of these instructions lists commonly used terms of Stand-Alone Medicare Part D coverage. If the company has any of the three mentioned types of medical insurance, it will also be required to complete additional parts of the formula for Health Credit Risk (PR013) and Health Administrative Expenses portion in PR022.

Disability Income Premium
Prior to 2001, the individual disability income factors were based on models of the disability risk completed by several companies with significant experience in this line. The group long-term disability income risk was modeled based on methodology similar to that used by one of the largest writers of this business. The pricing risk was addressed principally as the delayed reaction to increases in incidence of new claims and to the lengthening of claims from slower recoveries than assumed.

Starting in 2001, new categories and new factors are applicable to all types of disability income premiums. These factors are based on new data and apply a model similar to that used for other health premium risk to that data.

All premium should be reported on a net of reinsurance basis.

Specific Instructions for Application of the Formula

The total of all earned premium categories PR019 Health Premiums, Line (3626), Column (1) should equal the total in ~~Schedule H~~ Underwriting and Investment Exhibit, Part 1, Line 13.1 through 15.92, Column ~~41~~ of the Annual Statement. Earned premium for each of these coverages should be from underlying company records. Earned premium may be reported in ~~Schedule H~~Underwriting and Investment Exhibit for Administrative Services Contract (ASC) and/or the Federal Employees Health Benefit Program (FEHBP) which are included in order that Line (3626) will equal the total in ~~Schedule H~~Underwriting and Investment Exhibit. As such, there is no RBC factor applied to any premium reported on lines (2214), (3223)

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or (3424). For some of the coverages, two tier formulas apply. The calculations for these coverages shown below will not appear on the RBC filing software but will automatically be calculated by the software.

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

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

Line (3)
Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.1).

Line (42)
Health premiums for Medicare supplement written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (52) Line (1.1).

Line (53)
Health premiums for ~~dental or~~ vision only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (63) Line (1.1).

Line (6)
Health premiums for dental only coverage written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (7) Line (1.1).

Line (73.1)
Health premium for Stand-Alone Medicare Part D coverage written on individual contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor payment adjustments. See Appendix 2 for definition of these terms. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (24). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (84) Line (1.1).

Line (73.2)
Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on individual contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible. This does not include the low-income subsidy (cost sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Stand-Alone Medicare Part D Coverage on PR019.

Line (73.3)
Medicaid pass-through payments reported as premium ~~and excluded from Line (1) should be reported in Line (3.3)~~.

Line (84) and Line (191)
There is a factor for certain types of limited benefit coverage (Hospital Indemnity, which includes a per diem for intensive care facility stays, and Specified Disease) which includes both a percent of earned premium on such insurance (3.5%) and a flat dollar amount ($50,000) to reflect the higher variability of small amounts of business.

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Line (95) and Line (2012)
There is a factor for accidental death and dismemberment (AD&D) insurance (where a single lump sum is paid) which depends on several items:

1. The maximum amount of retained risk for any single claim;
2. $300,000 if three times the maximum amount of retained risk is larger than $300,000;
3. 5.5% of earned premium to the extent the premium for AD&D is less than or equal to $10,000,000; and
4. 1.5% of earned premium in excess of $10,000,000.

There are places for reporting the total amount of earned premium and the maximum retained risk on any single claim. The actual RBC amount will be calculated automatically as the sum of (a) the lesser of items 1 and 2; plus (b) items 3 plus 4.

Line (106) and Line (2113)
A 5% factor for Other Accident coverage provides for any accident based contingency other than those contained in Lines (95) or (2012). For example, this line should contain all the premium for policies that provide coverage for accident only disability or accident only hospital indemnity. The premium for policies that contain AD&D in addition to other accident only benefits should be shown on this line.

Line (117)
Health premiums for comprehensive (medical and hospital), which includes expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (21) Line (1.2).

Line (12)
Health premiums for Title XVIII Medicare written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (3) Line (1.2).

Line (13)
Health premiums for Title XIX Medicaid written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.2).

Line (148)
Health premiums for ~~dental or~~ vision only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (63) Line (1.2).

Line (15)
Health premiums for dental only coverage written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (7) Line (1.2).

Line (169)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (325)). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35% will be applied to the first $25,000,000 in premium and a factor of 25% will be applied to the premium in excess of $25,000,000. Stop-loss premiums should be reported on a net basis.

Line (170)
Health premiums for Medicare supplement written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (52) Line (1.2).

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Line (180.1)
Health premium for Stand-Alone Medicare Part D coverage written on group contracts only if the plan sponsor has risk corridor protection for the contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor protection payments. See Appendix 2 for definition of these terms. Stand-Alone Medicare Part D coverage written on group contracts without risk corridor protection is reported in Line (325) Other Health. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (169). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (84) Line (1.2).

Line (180.2)
Health Incurred Claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on group contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible where the plan sponsor has risk corridor protection for the group contract's standard benefit design coverage. This does not include the low-income subsidy (cost-sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Part D Coverage on PR019.

Line (180.3)
Medicaid pass-through payments reported as premium ~~and excluded from Line (7) should be reported in Line (10.3)~~.

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Lines (2315) through (3424)

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

The following table describes the calculation process used to assign RBC charges to disability income business. The reference to line numbers (e.g., Line 2315) represent the actual line numbers used in the formula page, but the subdivisions of those lines [e.g., a), b), etc.] do not exist in the formula page. The total RBC Requirement shown in the last (Total) subdivision of each line will be included in Column (2) for that line in the formula page.

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (2315)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in U&I Part 1, Column 4 Line 15.3 ~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (2315)	Company Records		X 0.350 =	
b)	Over $50 Million Earned Premium of Line (2315)	Company Records		X 0.150 =	
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (2315) + b) of Line (2315), Column (2)			
Line (2416)	Other Disability Income – Individual Morbidity	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (2416) [up to $50 million less premium in a) of Line (2315)]	Company Records		X 0.250 =	
b)	Earned Premium in Line (2416) not included in a) of Line (2416)	Company Records		X 0.070 =	
c)	Total Other Disability Income - Individual Morbidity	a) of Line (2416) + b) of Line (2416), Column (2)			
Line (2517)	Disability Income - Credit Monthly Balance	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	First $50 Million Earned Premium of Line (2517)	Company Records		X 0.200 =	
b)	Over $50 Million Earned Premium of Line (2517)	Company Records		X 0.030 =	
c)	Total Disability Income - Credit Monthly Balance	a) of Line (2517) + b) of Line (2517), Column (2)			
Line (2618)	Disability Income – Group Long Term	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (2618) [up to $50 million less premium in a) of Line (2517)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (2618) not included in a) of Line (2618)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Long Term	a) of Line (2618) + b) of Line (2618), Column (2)			

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		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (2719)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part. This amount to be reported on Health Premiums, Line (2719)			
a)	Additional Reserves for Credit Disability Plans	PR019 Health Premiums Column (1) Line (3727)			
b)	Additional Reserves for Credit Disability Plans, Prior Year	PR019 Health Premiums Column (1) Line (3828)			
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (2719) - a) of Line (2719) + b) of Line (2719)			
d)	Earned Premium in c) [up to $50 million less premium in a) of Line (2517) + a) of Line (2618)]	Company Records		X 0.100 =	
e)	Earned Premium in c) of Line (2719) not included in d) of Line (2719)	Company Records		X 0.030 =	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (2719) + e) of Line (2719), Column (2)			
Line (280)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (280) [up to $50 million less premium in a) of Line (2517) + a) of Line (2618) + d) of Line (2719)]	Company Records		X 0.150 =	
b)	Earned Premium in Line (280) not included in a) of Line (280)	Company Records		X 0.030 =	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (280) + b) of Line (280), Column (2)			
Line (291)	Disability Income – Group Short Term	Earned Premium included in U&I Part 1, Column 4 Line 15.3~~Schedule H, Part 1, Column 21, Line 2,~~ in part			
a)	Earned Premium in Line (291) [up to $50 million less premium in a) of Line (2517) + a) of Line (2618) + d) of Line (2719) + a) of Line (280)]	Company Records		X 0.050 =	
b)	Earned Premium in Line (291) not included in a) of Line (291)	Company Records		X 0.030 =	
c)	Total Disability Income – Group Short Term	a) of Line (291) + b) of Line (291), Column (2)			
Line (3122)	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (U&I Part 1, Column 4 Line 15.7~~Schedule H, Part 1, Column 23, Line 2~~, in part)		X 0.100 =	

Line (235)

Most Health Premium will have been included in one of the prior lines. In the event that some coverage does not fit into any of these categories, "Other Health" category is applied with a 12% factor, which is from 1998 formula for Other Limited Benefits Anticipating Rate Increases. Stop-loss premiums are addressed separately in Line (169).

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Stop-Loss Electronic-Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop-loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop-loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop-Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end **2018**, will reflect the incurred data for calendar year **2017** run-out through December 31, **2018**.

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop-Loss (including aggregating specific) = This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop-Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = Specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = Specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = Specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on stop-loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for **2019** should provide experience information for calendar year **2018** with run-out through December 31, **2019**. If the contract year does not follow a calendar year (e.g., 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Contract 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.
Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability. .

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

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Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2a – Calendar Year Specific Stop-Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop-Loss Contract by Group Size

For those insurers where the stop-loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop-loss data and Table 2b should reflect the aggregate stop-loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (e.g. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop-loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =

(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50)

= $150,000

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Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop-loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =
(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude
1	$ 200,000	115%	$ 500,000	90	Include
2	$ 100,000	120%	$ 300,000	60	Include
3	$ 50,000	140%	$ 200,000	40	Exclude
4	$ 120,000	N/A	$ 400,000	50	Exclude

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000)
= 116.7%

Footnote – The number of covered lives for stop-loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop-loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

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

(Underwriting Risk – Experience Fluctuation Factor in the LRBC Formula)

The underwriting risk generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this worksheet comes from PR021 Underwriting Risk - Managed Care Credit.

The columns are as follows:

Column (1) – Comprehensive (Hospital & Medical) Individual Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

Column (2) – Comprehensive (Hospital & Medical) Group Policies that provide fully insured indemnity, HMO, PPO, or Fee for Service coverage for hospital, medical, and surgical expenses. This category excludes Short-Term Medical Insurance, the Federal Employees Health Benefit Program and non-comprehensive coverage such as basic hospital only, medical only, hospital confinement indemnity, surgical, outpatient indemnity, specified disease, intensive care, and organ and tissue transplant coverage as well as any other coverage described in the other categories of this exhibit.

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Column (3) – Title XVIII Medicare Policies issued as Medicare Advantage Plans providing Medicare benefits to Medicare eligible beneficiaries created by title XVIII of the Social Security Act of 1965. This includes Medicare Managed Care Plans (i.e., HMO and PPO) and Medicare Private Fee-for-Service Plans. This also includes all Medicare Part D Prescription Drug Coverage through a Medicare Advantage product and whether sold directly to an individual or through a group.

Column (4) – Title XIX Medicaid Policies issued in association with the Federal/State entitlement program created by Title XIX of the Social Security Act of 1965 that pays for medical assistance for certain individuals and families with low incomes and resources.

Column (5) – Medicare Supplement. Policies that qualify as Medicare Supplement policy forms as defined in the NAIC Medicare Supplement Insurance Minimum Standards Model Act. This includes standardized plans, pre-standardized plans and Medicare select. Does not include Medicare (Title XVIII) or Medicaid (Title XIX) risk contracts.

Column (6) – Vision Only Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. Does not include self-insured business, federal employees health benefit plans (FEHBP), or Medicare and Medicaid programs.

Column (7) – Dental Only Policies providing for dental only coverage (dental treatment benefits such as routine dental examinations, preventive dental work, and dental procedures needed to treat tooth decay and diseases of the teeth and jaw) issued as stand-alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits. If dental benefits are part of a comprehensive medical plan, then include data under comprehensive/major medical category. Does not include self-insured business, as well as federal employee's health benefits plans (FEHBP), or Medicare and Medicaid programs.

Column (8) – Stand-Alone Medicare Part D Coverage. This includes both individual coverage and group coverage of Medicare Part D coverage where the plan sponsor has risk corridor protection. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. Medicare drug benefits included in major medical plans or benefits that do not meet the above criteria are not to be included in this line. Supplemental benefits within Medicare Part D (benefits in excess of the standard benefit design) are addressed separately on page PR019. Employer-based Part D coverage that is in an uninsured plan as defined in *SSAP No. 47—Uninsured Plans* is not to be included here

Description from *Life Risk-Based Capital Report Including Overview & Instructions*:

Underwriting risk is present when the next dollar of unexpected claims payments comes directly out of the company's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, an insurer may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by the insurer. If the individual incurs $101 in claims costs, the company's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the insurer is not at risk for excessive claims payments, such as when an insurer agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claims costs, so the risk of excessive claims experience is borne by the self-insured employer, not the insurer. The underwriting risk section of the RBC formula, therefore, requires some adjustments to remove non-risk business (both premiums and claims) before the RBC requirement is calculated.

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10.1) through (10.4) of PR021 will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

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A. Underwriting risk revenue times the underwriting risk claims ratio times a set of factors.

or

B. An alternate risk charge that addresses the risk of catastrophic claims on any single individual. The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health. For example, if an organization writes Comprehensive – Individual, Comprehensive – Group, Vision Only, and Dental Only, the alternate risk charge is $1,000,000 (the cumulative charge for Comprehensive – Individual and Comprehensive – Group, which is higher than the $100,000 cumulative charge for Vision Only and Dental Only.)~~The alternate risk charge is calculated for each type of health coverage, but only the largest value is compared to the value from A. above for that type. The alternate risk charge is equal to a multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at two times the maximum or $1,500,000 for Comprehensive Medical; two times the maximum or $50,000 for each of Medicare Supplement business and dental coverage and six times the maximum or $1,500,000 for Stand-Alone Medicare Part D coverage.~~

Line (1) through Line (19~~8~~)

There are ~~four~~ eight lines of business used in the property/casualty RBC formula for calculating the RBC requirement in this worksheet. Other health coverages will continue to use the factors on PR019 Health Premiums. The ~~four~~ eight lines of business are Column (1) Comprehensive Medical ~~and Hospital~~Individual; Column (2) Comprehensive Medical Group; Column (3) Title XVIII Medicare; Column (4) Title XIX Medicaid; Column (5~~2~~) Medicare Supplement; Column (6~~3~~) ~~Dental &~~ Vision; Column (7) Dental; and Column (8~~4~~) Stand-Alone Medicare Part D coverage. Each of the ~~four~~ eight lines of business has its own column in the Underwriting Risk – Premium Risk table. The categories listed in the columns of this worksheet include premiums plus all risk revenue that is received from another health entity in exchange for medical services provided to such Health entity's members. ~~The descriptions of the items are as follows:~~

~~Comprehensive Medical & Hospital~~
~~Includes policies providing for medical coverages including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This includes Medicare Advantage, with or without prescription drug benefits. This category DOES NOT include administrative services contracts (ASC) or administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in PR022 Underwriting Risk – Other, Business Risk section of the formula. Neither does it include Federal Employees Health Benefit Program (FEHBP) business, which is reported on Line (3) of PR022 Underwriting Risk – Other. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000.~~

~~Medical Only (non-hospital professional services)~~
~~Include in Comprehensive Medical.~~

~~Medicare Supplement~~
~~This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement. Medicare risk business is reported under comprehensive medical and hospital.~~

~~Dental & Vision~~
~~These are premiums for policies providing for dental or vision only coverage issued as stand-alone dental or vision or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.~~

~~Stand-Alone Medicare Part D Coverage~~
~~Includes policies and contracts providing the standard coverage for individuals enrolled in Stand-Alone Medicare Part D and the insurance is a federally approved PDP with risk corridor protection. It does not include risk revenue for Supplemental benefits within Stand-Alone Medicare Part D coverage that is a portion of the PDP's approved package. It does not include employer coverage unless the coverage meets the above criteria. Where there is a federal subsidy to the employer in lieu of risk corridor protection, the premiums are to be reported as "Other Health."~~

~~Other Health Coverages~~

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~~Include in the appropriate line on PR019 Health Premiums.~~

The following paragraphs explain the meaning of each line of the worksheet table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium
This is the amount of money charged by the insurer for the specified benefit plan. It is the earned premium, net of reinsurance. It does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-risk business; or premium for the Federal Employees Health Benefit Programs (FEHBP), which has a risk factor relating to incurred claims reported separately under PR022 Underwriting Risk – Other, Line (3).

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

For Stand-Alone Medicare Part D Coverage, this will include only certain amounts paid by the individual, an employer or CMS. See Appendix 2 for details of what is and is not premium income.

The Line 1.3 sources for each column are given in the table below:

PR020 Column	**Annual Statement Source**
Comprehensive Medical Individual	U&I Part 1, Column 4 Line 13.1
Comprehensive Medical Group	U&I Part 1, Column 4 Line 13.2
Title XVIII Medicare	U&I Part 1, Column 4 Line 15.6
Title XIX Medicaid	U&I Part 1, Column 4 Line 15.5
Medicare Supplement	U&I Part 1, Column 4 Line 15.4
Vision	U&I Part 1, Column 4 Line 15.1
Dental	U&I Part 1, Column 4 Line 15.2
Stand-Alone Medicare Part D Coverage	Company Records, Earned Premium Net of Reinsurance

~~Line (2) Title XVIII Medicare~~
~~This is the earned amount of money charged by the insurer (net of reinsurance) for Medicare risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans.~~

~~Line (3) Title XIX Medicaid~~
~~This is the earned amount of money charged by the insurer for Medicaid risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicaid subscribers. Revenue from Stand-Alone Medicare Part D coverage under the low-income subsidy (cost sharing portion) and low-income subsidy (premium portion) are not included in this line.~~

Line (24) Other Health Risk Revenue
Earned amounts charged by the reporting company as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders or members of another insurer or health insurance company (Health). Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health insurance company to the company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the company from a health entity. This revenue is reported in the business risk section of the formula as health ASO/ASC and limited risk revenue.

Line (3) Medicaid Pass-Through Payments Reported as Premiums.
Amount is equal to the total amount reported in PR019 Lines 7.3 and Line 18.3

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Line (~~45~~) Underwriting Risk Revenue
~~The sum of~~ Line~~s~~ (1.3) ~~+~~ Lines (2) – Line (3) ~~through (4)~~.

Line (~~56~~) Net Incurred Claims
Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims include capitation and all other payments to providers for services to covered lives, as well as reimbursement directly to insureds (or their providers) for covered services. Paid claims also include salaries paid to company employees that provide medical services to covered lives and related expenses. This line does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

PR020 Column	Annual Statement Source
Comprehensive Medical Individual	U&I Part 2, Column 7 Line 13.1
Comprehensive Medical Group	U&I Part 2, Column 7 Line 13.2
Title XVIII Medicare	U&I Part 2, Column 7 Line 15.6
Title XIX Medicaid	U&I Part 2, Column 7 Line 15.5
Medicare Supplement	U&I Part 2, Column 7 Line 15.4
Vision	U&I Part 2, Column 7 Line 15.1
Dental	U&I Part 2, Column 7 Line 15.2
Stand-Alone Medicare Part D Coverage	Company Records

~~Column (1) claims come from Annual Statement, Schedule H, Part 5 Column 1+2+7+8 Line D1 less the amounts reported as incurred claims for Administrative Services Contracts (ASC) in Line (8) of PR013 and Federal Employee Health Benefit Plan (FEHBP) in Line (3) of PR022. Column (2) claims come from Schedule H, Part 5, Column 3, Line D1. Column (3) dental and vision claims come from Schedule H, Part 5, Columns 4+5, Line D11.)~~

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

Line (6) Medicaid Pass-Through Payments Reported as Claims.
Medicaid pass-through payments that were included as claims reported in Line (5)

Line (7) Fee-for-Service Offset
Report fee-for-service revenue that is directly related to medical expense payments. The fee-for-service line does not include revenue where there is no associated claim payment (e.g., fees or charges to nonmember/insured of the company where the provider of the service receives no additional compensation from the company) and when such revenue was excluded from the pricing of medical benefits.

Line (8) Underwriting Risk Incurred Claims
Line (56) – Line (6) ~~minus~~ Line (7).

Line (9) Underwriting Risk Claims Ratio
Line (8) / Line (45). If either Line (45) or Line (8) is zero or negative, Line (9) is zero.

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Line (10) Underwriting Risk Factor for Initial Amounts of Premium. Factor applied to the first $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to the first $3,000,000 in premium for columns (5), (6), (7).

Line (11) Underwriting Risk Factor for Excess of Initial Amount. Factor applied to premium in excess of $25,000,000 in premium for columns (1), (2), (3), (4), and (8) and applied to premium in excess of $3,000,000 in premium for columns (5), (6), (7).

Line (12) Investment Income Adjustment Factor
The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.5% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

~~Line (10) Underwriting Risk Factor~~
~~A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue.~~

	~~$0 - $3 Million~~	~~$3 - $25 Million~~	~~Over $25 Million~~
~~Comprehensive Medical~~	~~0.1427~~0.1440	~~0.1427~~0.1440	~~0.0832~~0.0844
~~Medicare Supplement~~	~~0.0973~~0.0987	~~0.0596~~0.0609	~~0.0596~~0.0609
~~Dental & Vision~~	~~0.1143~~0.1153	~~0.0706~~0.0716	~~0.0706~~0.0716
~~Stand-Alone Medicare Part D Coverage~~	~~0.251~~	~~0.251~~	~~0.151~~

Line (13) Composite Underwriting Risk Factor
A weighted average factor based on the amount reported in Line (4), Underwriting Risk Revenue. Includes the Investment Income Adjustment Factor

Line (14~~1~~) Base Underwriting Risk RBC
Line (4~~5~~) x Line (9) x Line (13~~0.3~~).

Line (15~~2~~) Managed Care Discount
For Comprehensive Medical & Hospital Individual, Comprehensive Medical & Hospital Group, Title XVIII Medicare, Title XIX Medicaid, Medicare Supplement (including Medicare Select), Vision, and Dental, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claims payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (12) of PR021 Underwriting Risk - Managed Care Credit. An average factor based on the combined results of these ~~three~~ categories ~~is used for all three~~.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (12) of PR021 Underwriting Risk - Managed Care Credit.

Line (16~~3~~) Base RBC After Managed Care Discount
Line (14~~1~~) x Line (15~~2~~).

~~Line (14) RBC Adjustment for Individual~~
~~The average Experience Fluctuation Risk charge is increased by 20% for the portion relating to Individual Medical Expense premiums in Column (1). Other types of health coverage do not differentiate between Individual and Group. The additional time necessary to develop sufficient data to make a premium filing with states and then to implement the premium increase was modeled to calculate this factor.~~

~~Line (15) Maximum Per-Individual Risk After Reinsurance~~

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~~This is the maximum loss after reinsurance for any single individual. Where specific stop loss reinsurance protection is in place, the maximum per individual risk after reinsurance is equal to the highest attachment point on such stop loss reinsurance, subject to the following:~~

- ~~Where coverage under non-proportional reinsurance or stop loss protection with the highest attachment point is capped at less than $750,000 per insured for Comprehensive Medical and $25,000 for the other three lines, the maximum retained loss will be equal to such attachment point plus the difference between the coverage maximum per claim and $750,000 or $25,000, whichever is applicable.~~

- ~~Where the non-proportional reinsurance or stop loss protection is subject to participation by the company, the maximum retained risk as calculated above will be increased by the company's participation in claims in excess of the attachment point, but not to exceed $750,000 for Comprehensive Medical and $25,000 for the other three coverages.~~

~~If there is no specific stop loss or reinsurance in place, enter the largest amount payable (within a calendar year) or $9,999,999 if there is no limit.~~

~~Examples of the calculation are presented below:~~

~~EXAMPLE 1 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention)~~	~~$100,000~~	
~~Reinsurance Coverage~~	~~90% of $500,000 in excess of $100,000~~	
~~Maximum Reinsured Coverage~~	~~$600,000 ($100,000 + $500,000)~~	
~~Maximum Retained Risk =~~	~~$100,000~~	~~deductible~~
	~~+$150,000~~	~~($750,000 - $600,000)~~
	~~+$50,000~~	~~(10% of $500,000 coverage layer)~~
	~~=$300,000~~	

~~EXAMPLE 2 (Insurer provides Comprehensive Care):~~

~~Highest Attachment Point (Retention)~~	~~$75,000~~	
~~Reinsurance Coverage~~	~~90% of $1,000,000 in excess of $75,000~~	
~~Maximum Reinsured Coverage~~	~~$1,075,000 ($75,000 + $1,000,000)~~	
~~Maximum Retained Risk =~~	~~$75,000~~	~~deductible~~
	~~+$0~~	~~($750,000 - $1,075,000)~~
	~~+$67,500~~	~~(10% of $675,000 coverage layer)~~
	~~=$142,500~~	

Line (17~~6~~) Alternate Risk Charge

$500,000 for Columns (1), (2), (3), and (4); $50,000 for Columns (5), (6), and (7); and $150,000 for Column (8).~~Twice the amount in Line (15), subject to a maximum of $1,500,000 for comprehensive medical and $50,000 for Medicare Supplement and Dental. Six times the amount in Line (15), subject to maximum of $150,000 for Stand Alone Medicare Part D Coverage.~~

Line (18~~7~~) Net Alternate Risk Charge

~~The largest value from Line (16) is retained for that column in line (17) and all others are ignored.~~ The alternate risk charge is $500,000 per line for medical coverage, $50,000 total for all other coverage except Medicare Part D coverage, and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (i.e., writing more than one coverage

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type), the total alternate risk charge is the highest of the cumulative alternate risk charges for each of the following: Comprehensive (Comprehensive – Individual, Comprehensive – Group, Title XVIII – Medicare, Title XIX – Medicaid); Medicare Supplement; Dental & Vision (Dental only, Vision Only); Medicare Part D; and Other Health.

Line (198) Net Underwriting Risk RBC
The maximum of Line (164) and Line (187).

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UNDERWRITING RISK

Experience Fluctuation Risk

		Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non-Health	(11) Total
(1)	†	Premium											
(2)	†	Other Health Risk Revenue					XXX					XXX	
(3)		Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(4)		Underwriting Risk Revenue (1) + (2) – (3)											
(5)	†	Net Incured Claims										XXX	
(6)		Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(7)	†	Fee-For-Service Offset					XXX					XXX	
(8)		Underwring Risk Incurred Claims (5) – (6) – (7)										XXX	
(9)		Underwriting Risk Claim Ratio (8)/(4)										1.000	XXX
(10)		Underwriting Risk Factor for Initial Amounts of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	0.130	0.130	XXX
(11)		Underwriting Risk Factor for Excess of Initial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	0.130	0.130	XXX
(12.1)		Investment Income Adjustment Factor Initial Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX	XXX	XXX
(12.2)		Investment Income Adjustment Factor Excess Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX	XXX	XXX
(13)		Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	0.130	0.130	XXX
(14)		Base Underwriting Risk RBC = (4) x (9) x (13)											
(15)		Managed Care Discount Factor*									XXX	XXX	XXX
(16)		RBC After Managed Care Discount = Lines (14) x (15)										XXX	
(17)		Alternate Risk Charge	$500,000	$500,000	$500,000	$500,000	$50,000	$50,000	$50,000	$150,000	$50,000	XXX	XXX
(18)		Net Alternate Risk Charge***	B0	B0	B0	B0	B1	B2	B2	B3	B4	XXX	
(19)		Net Underwriting Risk RBC (MAX{Line (16), Line (18)}) for Columns (1) through (9), Column (10), Line (14)											

Initial Premium Amount‡									
Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000	N/A	N/A

Denotes items that must be manually entered on filing software.

† The Annual Statement Sources are found on page XR014.

* This row uses the factors calculated on page XR018

*** Limited to the largest of the applicable alternate risk adjustments, prorated if necessary.

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† Annual Statement Source

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non-Health	(11) Total
(1)	Premium	Page 7, Columns 2, Lines 1 + 2	Page 7, Columns 3, Lines 1 + 2	Page 7, Columns 8, Lines 1 + 2	Page 7, Columns 9, Lines 1 + 2	Page 7, Column 4, Line 1 + 2	Page 7, Columns 5, Line 1 + 2	Page 7, Columns 6, Line 1 + 2			Page 7, Column 14, Lines 1 + 2	
(2)	Other Health Risk Revenue	Page 7, Columns 2, Line 4	Page 7, Columns 3, Line 4	Page 7, Columns 8, Line 4	Page 7, Columns 9, Line 4	XXX	Page 7, Columns 5, Line 4	Page 7, Columns 6, Line 4			XXX	
(5)	Net Incurred Claims	Page 7, Columns 2, Line 17	Page 7, Columns 3, Line 17	Page 7, Columns 8, Line 17	Page 7, Columns 9, Line 17	Page 7, Column 4, Line 17	Page 7, Columns 5, Line 17	Page 7, Columns 6, Line 17			XXX	
(7)	Fee-For-Service Offset	Page 7, Columns 2, Line 3	Page 7, Columns 3, Line 3	Page 7, Columns 8, Line 3	Page 7, Columns 9, Line 3	XXX	Page 7, Columns 5, Line 3	Page 7, Columns 6, Line 3			XXX	

Denotes items that must be manually entered on filing software.

XR014

XR013 Formulas

Cell Label	Formula
A1	={{Min[Line (4) x Line (10), 25,000,000 x Line (10)] x Line (12.1)} + {Max[0, (Line (4) - 25,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A2	={{Min[Line (4) x Line (10), 3,000,000 x Line (10)] x Line (12.1)} + {Max[0, (Line (4) - 3,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(18) - C(7) L(18)], 0]
B4	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(18) - C(7) L(18) - C(8) L(18)], 0]

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		Annual Statement Source	(1) Amount	Factor	(2) RBC Requirement
Other Underwriting Risk					
(20)	Business with Rate Guarantees Between 15-36 Months - Direct Premium Earned	Gen Int Part 2 Line 9.21		0.024	
(21)	Business with Rate Guarantees Over 36 Months - Direct Premium Earned	Gen Int Part 2 Line 9.22		0.064	
(22)	FEHBP and TRICARE Claims Incurred	UI, Part 2, Column 7, Line 12.4		0.020	
(23)	Stop Loss and Minimum Premium	Company Records		*	
(24.1)	Supplemental Benefits within Stand-Alone Medicare Part D Coverage (Claims Incurred)	Company Records		0.500	
(24.2)	Medicaid Pass-Through Payments Reported as Premiums	XR013, Column (1), Line (5)		0.020	
(24.3)	Total Other Underwriting Risk	Sum of Lines (20) through (24.2)			
Disability Income Premium					
(25)	Noncancellable Disability Income - Individual Morbidity	Company Records			
(25.1)	First $50 Million Earned Premium of Line (25)			0.350	
(25.2)	Over $50 Million Earned Premium of Line (25)			0.150	
(25.3)	Total Noncancellable Disability Income - Individual Morbidity	Lines (25.1) + (25.2)			
(26)	Other Disability Income - Individual Morbidity	Company Records			
(26.1)	Earned Premium in Line (26) [up to $50 Million less Premium in Line (25.1)]			0.250	
(26.2)	Earned Premium in Line (26) not included in Line (26.1)			0.070	
(26.3)	Total Other Disability Income - Individual Morbidity	Lines (26.1) + (26.2)			
(27)	Disability Income - Credit Monthly Balance Plans	Company Records			
(27.1)	First $50 Million Earned Premium of Line (27)			0.200	
(27.2)	Over $50 Million Earned Premium of Line (27)			0.030	
(27.3)	Total Disability Income - Credit Morbidity	Lines (27.1) + (27.2)			
(28)	Disability Income - Group Long-Term	Company Records			
(28.1)	Earned Premium in Line (28) [up to $50 Million less Premium in Line (27.1)]			0.150	
(28.2)	Earned Premium in Line (28) not included in Line (28.1)			0.030	
(28.3)	Total Disability Income - Group Long-Term	Lines (28.1) + (28.2)			
(29)	Disability Income - Credit Single Premium with Additional Reserves	Company Records			
(29.1)	Additional Reserves for Credit Disability Plans	Company Records			
(29.2)	Additional Reserves for Credit Disability Plans, Prior Year	Company Records			
(29.3)	Sub-Total Disability Income - Credit Single Prem w/Addl Reserves	Lines (29) - (29.1) + (29.2)			
(29.4)	Earned Premium in Line (29.3) [up to $50 Million less Premium in Lines (27.1) + (28.1)]			0.100	
(29.5)	Earned Premium in Line (29.3) not included in Line (29.4)			0.030	
(29.6)	Total Disability Income - Credit Single Premium with Additional Reserves	Lines (29.4) + (29.5)			
(30)	Disability Income - Credit Single Premium without Additional Reserves	Company Records			
(30.1)	Earned Prem in Line (30) [up to $50 Million less Prem in Lines (27.1) + (28.1) + (29.4)]			0.150	
(30.2)	Earned Premium in Line (30) not included in Line (30.1)			0.030	
(30.3)	Total Disability Income - Credit Single Premium without Additional Reserves	Lines (30.1) + (30.2)			
(31)	Disability Income - Group Short-Term	Company Records			
(31.1)	Earned Prem in Line (31) [up to $50 Million less Prem in Lines (27.1) + (28.1) + (29.4) + (30.1)]			0.050	
(31.2)	Earned Premium in Line (31) not included in Line (31.1)			0.030	
(31.3)	Total Disability Income - Group Short-Term	Lines (31.1) + (31.2)			

Denotes items that must be manually entered on filing software.

* A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (23) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

XR015

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Long-Term Care (LTC) Insurance Premium		Annual Statement Source	(1) Amount	Factor		(2) RBC Requirement
(32)	Noncancellable LTC Premium - Rate Risk	Company Records		0.100	*	
(33)	All LTC Premium - Morbidity Risk (to $50 Million)	Line (36.1) Column (1) up to $50 Million		0.100		
(34)	LTC Premium (over $50 Million) - Morbidity Risk	Remainder of Line (36.1) Column (1) over $50 Million		0.030		
(35)	Premium-Based RBC	Column (2), Lines (32) + (33) + (34)				

Historical Loss Ratio Experience		Annual Statement Source	(1) Premiums	(2) Incurred Claims	(3) Column (2)/(1) § Loss Ratio		(4) RBC Requirement
(36.1)	Current Year	Company Records					
(36.2)	Immediate Prior Year	Company Records					
(36.3)	Average Loss Ratio	If loss ratios are used, [Column (3), Line (36.1) + Line (36.2)/2, otherwise zero]					
(37)	Adjusted LTC Claims for RBC	If Column (3) Line (36.3) <> 0, then [Column (1), Line (33) + Line (34)] x Column (3), Line (36.3), else Column (2) Line (36.1)					
(37.1)	Claims (to $35 Million) - Morbidity Risk	Lower of Column (2), Line (37) and $35 Million			0.370	†	
(37.2)	Claims (over $35 Million) - Morbidity Risk	Excess of Column (2), Line (37) over $35 Million			0.120	‡	
(38)	LTC Claims Reserves	Company Records			0.050		
(39)	Claims-Based RBC	Column (4), Lines (37.1) + (37.2)					
(40)	LTC RBC	Column (2), Line (35) + Column (4), Lines (38) + (39)					

* The factor applies to all Noncanellable premium.

† If Column (1), Line (36.1) is positive, then a factor of 0.250 is used. Otherwise, a higher factor of 0.370 is used

‡ If Column (1), Line (36.1) is positive, then a factor of 0.080 is used. Otherwise, a higher factor of 0.120 is used

§ If Column (1), Line (36.1) or (36.2) are less than or equal to zero or if Column (2), Line (36.1) or (36.2) are less than zero, the loss ratios are not used and Column (3), Line (36.3) is set to zero.

Denotes items that must be manually entered on filing software.

XR016

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	Limited Benefit Plans (Individual and Group Combined)	Annual Statement Source	(1) Amount	Factor		(2) RBC Requirement
(41)	Hospital Indemnity and Specified Disease	Included in Page 7, Column 13, Line 1 and 2, in part		0.035		
(41.1)	$50,000 if Line (41) is Greater Than Zero					
(41.2)	Total Hospital Indemnity and Specified Disease	Lines (41) + (41.1)				
(42)	Accidental Death & Dismemberment	Included in Page 7, Column 13, Line 1 and 2, in part				
(42.1)	First $10 Million Earned Premium of Line (42)			0.055		
(42.2)	Over $10 Million Earned Premium of Line (42)			0.015		
(42.3)	Maximum Retained Risk for Any Single Claim	Company Records				
(42.4)	Three Times Line (42.3)					
(42.5)	Lesser of Line (42.4) or $300,000					
(42.6)	Total AD&D	Lines (42.1) + (42.2) + (42.5)				
(43)	Other Accident	Included in Page 7, Column 13, Line 1 and 2, in part		0.050		
(44)	Premium Stabilization Reserves	Included in U&I, Part 2D, Column 1, Line 4		-0.500	Φ	
(45)	Total Other Underwriting Risk	Lines (24.3) + (25.3) + (26.3) + (27.3) + (28.3) + (29.6) + (30.3) + (31.3) + (40) + (41.2) + (42.6) + (43) + (44)				

Φ This is limited to the Total Net Underwriting RBC on XR013, Column (11), Line (19) Less Column (8), Line (19) and XR015, Column (2), Lines (24.3), (25.3), (26.3), (27.3), (28.3), (29.6), (30.3), (31.3), XR016 Column (2), Line (35) and XR017 Column (2), Lines (41.2), (42.6), and (43).

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BUSINESS RISK

		Annual Statement Source	(1) Amount	Factor	(2) RBC Requirement
Administrative Expense Risk					
(1)	Claims Adjustment Expenses	Page 4, Column 2, Line 20			
(2)	General Administrative Expenses	Page 4, Column 2, Line 21			
(3)	Less the Net Amount of ASC Revenue and Expenses Included in Lines 1 and 2	Company Records			
(4)	Less the Net Amount of ASO Revenue and Expenses Included in Lines 1 and 2	Company Records			
(5)	Less Admin Expenses for Commission & Premium Taxes	Underwriting & Investment Exhibit Part 3, Line 3, in part			
(6)	Administrative Expenses Base RBC	Lines (1) + (2) - (3) - (4) - (5)		*	
(7)	Proration of Admin Expense to Experience Fluctuation Risk	Lines (6) x (20)/(Lines (21) + (22))			
Non-Underwritten and Limited-Risk					
(8)	Administrative Expenses for ASC Arrangements	Company Records		0.020	
(9)	Administrative Expenses for ASO Arrangements	Company Records		0.020	
(10)	Medical Costs Paid Through ASC Arrangements (Including Fee-for Service Received From Other Health Entities)	Company Records		0.010	
(11)	Non-Underwritten and Limited Risk Business RBC				
Guaranty Fund Assessment Risk					
(12)	Premiums Subject to Guaranty Fund Assessment	Included in Sch T - Company Records		0.005	
Excessive Growth Risk					
(13)	UW Risk Revenue, Prior Year	**2025** XR013, Column (7), Line (6) *(manual entry)* †			
(14)	UW Risk Revenue, Current Year	**2026** XR013, Column **(11)**, Line **(4)**			
(15)	Net UW Risk RBC, Prior Year	**2025** XR013, Column (7), Line (21) *(manual entry)* †			
(16)	Net UW Risk RBC, Current Year	**2026** XR013, Column **(11)**, Line **(19)**			
(17)	RBC Growth Safe Harbor	[Lines (14)/(13)+.10] x Line (15)			
(18)	Excess of RBC Growth Over Safe Harbor	Max {0, Lines (16) - (17)}			
(19)	Excessive Growth Risk RBC	.5 x Line (18)			
			Premium	Weight	Weighted Premium
(20)	Experience Fluctuation Risk Revenue	XR013, Column **(11)**, Line **(4)**			
(21)	Premiums Earned	Page 4, Column 2, Lines 2 + 3			
(22)	Risk Revenue	Page 4, Column 2, Line 5			
(23)	Tier 1 - $0 to $25 Million of Line (20)			0.070	
(24)	Tier 2 - Amount Over $25 Million of Line (20)			0.040	
(25)	Total Experience Fluctuation Risk Revenue	Lines (23) + (24)			
(26)	Administrative Expenses Base RBC Factor	Column (2), Line (25) / Column (1), Line (25)			

* The factor for the Administrative Expenses Base RBC is calculated as a weighted average, based on premium volume from XR013.

† For start-up health companies using projected amounts from the domicile state approved proforma, complete Footnote 1.

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Footnote 1: If your company is a start-up health company that has received approval from your domiciliary state to use projected amounts in Lines (13) and (15), please explain the projections used.

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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 (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 (26)	
(24)	Total H1	Sum Lines (11) through (23)	
H2 - UNDERWRITING RISK			
(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line **(19)**	
(26)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line **(24.3)**	
(27)	Disability Income	XR015, Underwriting Risk Page, Lines **(25.3) + (26.3) + (27.3) + (28.3) + (29.6) + (30.3) + (31.3)**	
(28)	Long-Term Care	XR016, Underwriting Risk Page, Line **(40)**	
(29)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines **(41.2) + (42.6) + (43)**	
(30)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line **(44)**	
(31)	Total H2	Sum Lines (25) through (30)	

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HEALTH PREMIUMS

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Medical Insurance Premiums - Individual						
(1)	Comprehensive Medical and Hospital	**Earned Premium (Health Supplement Analysis of Operations Column 2 Line 1 + 2)**			†		XXX
(2)	**Title XVIII Medicare**	**Earned Premium (Health Supplement Analysis of Operations Column 8 Line 1 + 2 in part)**			†		**XXX**
(3)	**Title XIX Medicaid**	**Earned Premium (Health Supplement Analysis of Operations Column 9 Line 1 + 2 in part)**			†		**XXX**
(4)	Medicare Supplement	**Earned Premium (Health Supplement Analysis of Operations Column 4 Line 1 + 2 in part)**			†		XXX
(5)	**Vision Only**	**Earned Premium (Health Supplement Analysis of Operations Column 5 Line 1 + 2 in part)**			†		**XXX**
(6)	**Dental Only**	**Earned Premium (Health Supplement Analysis of Operations Column 6 Line 1 + 2 in part)**			†		XXX
(7)	Stand-Alone Medicare Part D Coverage	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**			†		XXX
(8)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records		X	0.500	=	
(9)	Medicaid Pass-Through Payments Reported as Premium	Company Records		X	0.020	=	
(10)	Hospital Indemnity and Specified Disease	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	*	=	
(11)	AD&D (Maximum Retained Risk Per Life)	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	‡	=	
(12)	Other Accident	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	0.050	=	
	Medical Insurance Premiums - Group and Credit						
(13)	Comprehensive Medical and Hospital	**Earned Premium (Health Supplement Analysis of Operations Column 3 Line 1 + 2)**			†		XXX
(14)	**Title XVIII Medicare**	**Earned Premium (Health Supplement Analysis of Operations Column 8 Line 1 + 2 in part)**			†		**XXX**
(15)	**Title XIX Medicaid**	**Earned Premium (Health Supplement Analysis of Operations Column 9 Line 1 + 2 in part)**			†		**XXX**
(16)	**Vision Only**	**Earned Premium (Health Supplement Analysis of Operations Column 5 Line 1 + 2 in part)**			†		**XXX**
(17)	**Dental Only**	**Earned Premium (Health Supplement Analysis of Operations Column 6 Line 1 + 2 in part)**			†		XXX
(18)	Stop Loss and Minimum Premium	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	¥	=	
(19)	Medicare Supplement	**Earned Premium (Health Supplement Analysis of Operations Column 4 Line 1 + 2 in part)**			†		XXX
(20)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**			†		XXX
(21)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records		X	0.500	=	
(22)	Medicaid Pass-Through Payments Reported as Premium	Company Records		X	0.020	=	
(23)	Hospital Indemnity and Specified Disease	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	*	=	
(24)	AD&D (Maximum Retained Risk Per Life)	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	‡	=	
(25)	Other Accident	**Earned Premium (Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	0.050	=	
(26)	Federal Employee Health Benefit Plan	**Earned Premium (Health Supplement Column 7 Line 1 + 2)**		X	0.000	=	
	Disability Income Premium						
(27)	Noncancellable Disability Income - Individual Morbidity	**Earned Premium (Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(28)	Other Disability Income - Individual Morbidity	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(29)	Disability Income - Credit Monthly Balance Plans	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(30)	Disability Income - Group Long-Term	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(31)	Disability Income-Credit Single Premium with Additional Reserves	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(32)	Disability Income-Credit Single Premium without Additional Reserves	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(33)	Disability Income - Group Short-Term	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2 in part)**		X	‡	=	
(34)	**Total Disability Income**	**Earned Premium Health Supplement Analysis of Operations Column 11 Line 1 + 2)**					
	Long-Term Care						
(35)	Noncancellable Long-Term Care Premium - Rate Risk**	**Earned Premium Health Supplement Analysis of Operations Column 12 Line 1 + 2 in part)**		X	0.127**	=	
(36)	Other Long-Term Care Premium ‡‡	**Earned Premium Health Supplement Analysis of Operations Column 12 Line 1 + 2 in part)**		X	0.000	=	‡‡
(37)	**Total Long Term Care**	**Earned Premium Health Supplement Analysis of Operations Column 12 Line 1 + 2)**					
	Health Premium With Limited Underwriting Risk						
(38)	ASC Business Reported as Revenue Premium	**Earned Premium Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	0.000	=	
	Other Health						
(39)	Workers Compensation Carve-Out	**Earned Premium Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)**		X	0.000	=	
(40)	Other Health	**Earned Premium Health Supplement Analysis of Operations Column 10 and 13 Line 1 + 2 in part)**		X	0.120	=	
(41)	Total Earned Premiums (Column (1) should equal sum of **Health Supplement Analysis of Operations Columns 2 through 13 Line 1 + 2)**	Sum of Lines (1) through **(26) excluding (9) and (22); Line (34); and Line (37) through (40)**					
(42)	Additional Reserves for Credit Disability Plans	Exhibit 6, Column 10, Line 2		§			
(43)	Additional Reserves for Credit Disability Plans, prior year	Exhibit 6, Column 10, Line 2, prior year		§			

† The premium amounts in these lines are transferred to LR020 Underwriting Risk – Experience Fluctuation Risk Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete LR022 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete LR028 Health Credit Risk in the (C-3) portion of the formula. If there are amounts in any of lines **(1) through (6), (13) through (17), or (19)** on page LR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of LR029 Business Risk in the (C-4) portion of the formula.

‡ The two tiered calculation is illustrated in the risk-based capital instructions for LR019 Health Premiums.

‡‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on page LR023. The premium is shown to allow totals to check to **Health Supplement Analysis of Operations.**

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

** The factor applies to all Noncancellable premium.

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

¥ A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (12) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

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UNDERWRITING RISK

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Total
(1.1)	Individual Premium †		XXX							
(1.2)	Group Premium †	XXX								
(1.3)	Total Premium† (1.1) + (1.2)									
(2)	Other Health Risk Rev†					XXX				
(3)	Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(4)	Underwriting Risk Revenue (1.3) + (2) - (3)									
(5)	Net Incured Claims†									
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(7)	Fee-For-Service Offset†					XXX				
(8)	Underwring Risk Incurred Claims (5) - (6) - (7)									
(9)	Underwriting Risk Claim Ratio (8)/(4)									XXX
(10)	Underwriting Risk Factor for Intial Amounts of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Intial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(13)	Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	XXX
(14)	Base Underwriting Risk RBC = (4) x (9) x (13)									
(15)	Managed Care Discount Factor (LR022 Line 17)									XXX
(16)	RBC After Managed Care Discount = Lines (14) x (15)									
(17)	Alternate Risk Charge	$500,000	$500,000	$500,000	$500,000	$50,000	$50,000	$50,000	$150,000	
(18)	Net Alternate Risk Charge	B0	B0	B0	B0	B1	B2	B2	B3	
(19)	Net Underwriting Risk RBC (MAX{Line (16), Line (18)})									

† **The Annual Statement Sources are found on page LR020-A.**

Initial Premium Amount‡							
Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

~~* The Line (17) Alternate Risk Charge is calculated as follows:~~

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† Annual Statement Source

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(11) Total
(1.3)	Premium	Health Supp Analysis of Operations, Columns 2, Lines 1 + 2	Health Supp Analysis of Operations, Columns 3, Lines 1 + 2	Health Supp Analysis of Operations, Columns 8, Lines 1 + 2	Health Supp Analysis of Operations, Columns 9, Lines 1 + 2	Health Supp Analysis of Operations, Column 4, Line 1 + 2	Health Supp Analysis of Operations, Columns 5, Line 1 + 2	Health Supp Analysis of Operations, Columns 6, Line 1 + 2		
(2)	Other Health Risk Revenue	Health Supp Analysis of Operations, Columns 2, Line 4	Health Supp Analysis of Operations, Columns 3, Line 4	Health Supp Analysis of Operations, Columns 8, Line 4	Health Supp Analysis of Operations, Columns 9, Line 4	XXX	Health Supp Analysis of Operations, Columns 5, Line 4	Health Supp Analysis of Operations, Columns 6, Line 4		
(5)	Net Incurred Claims	Health Supp Analysis of Operations, Columns 2, Line 17	Health Supp Analysis of Operations, Columns 3, Line 17	Health Supp Analysis of Operations, Columns 8, Line 17	Health Supp Analysis of Operations, Columns 9, Line 17	Analysis of Operations, Column 4, Line 17	Health Supp Analysis of Operations, Columns 5, Line 17	Health Supp Analysis of Operations, Columns 6, Line 17		
(7)	Fee-For-Service Offset	Health Supp Analysis of Operations, Columns 2, Line 3	Health Supp Analysis of Operations, Columns 3, Line 3	Health Supp Analysis of Operations, Columns 8, Line 3	Health Supp Analysis of Operations, Columns 9, Line 3	XXX	Health Supp Analysis of Operations, Columns 5, Line 3	Health Supp Analysis of Operations, Columns 6, Line 3		

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LR020 Formulas

Cell Lab	Formula
A1	={{Min[Line (4) x Line (10), 25,000,000 x Line (10)] x Line (12.1)} + {Max[0, (Line (4) - 25,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A2	={{Min[Line (4) x Line (10), 3,000,000 x Line (10)] x Line (12.1)} + {Max[0, (Line (4) - 3,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(18) - C(7) L(18)], 0]

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HEALTH CLAIMS RESERVES

		Annual Statement Source	(1) Statement Value	(2) Less Workers Compensation Carve Out	(3) RBC Subtotal		Factor		(4) RBC Requirement
	Individual Claim Reserves								
(1)	Exhibit 6 Total Individual Claim Reserves	Company Records							
(2)	Line is to be left blank or zero-filled for **2025**								
(3)	Line is to be left blank or zero-filled for **2025**								
(4)	Line is to be left blank or zero-filled for **2025**								
(5)	Line is to be left blank or zero-filled for **2025**								
(6)	Line is to be left blank or zero-filled for **2025**								
(7)	Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 2 Column 12, in part †							
(8)	Less Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 2 Column 13, in part †							
(9)	Disability Income and Long-Term Care Claim Reserves	Company Records				X	0.063	=	
(10)	Total Individual Claim Reserves	Lines (1) + (2) + (3) + (4) + (5) + (6)+ (7) - (8) - (9)				X	0.050	=	
	Group and Credit Claim Reserves								
(11)	Exhibit 6 Total Group & Credit Claim Reserves	Company Records							
(12)	Line is to be left blank or zero-filled for **2025**								
(13)	Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 2 Column 12, in part †							
(14)	Less Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 2 Column 13, in part †							
(15)	Disability Income and Long-Term Care Claim Reserves	Company Records				X	0.063	=	
(16)	Total Exhibit 6 Group and Credit Claim Reserves	Lines (11) + (12) + (13) - (14) - (15)				X	0.050	=	
(17)	Total Claim Reserves	Lines (9) + (10) + (15) + (16)							
(18)	Total Health RBC	LR019 Health Premiums Column (2) Line **(41)** + LR020 Underwriting Risk Experience Fluctuation Risk Column **(9)** Line **(19)** + LR021 Underwriting Risk Other Column (2) Line (7) + LR023 Long-Term Care Morbidity Risk Column (4) Line (7) + LR024 Health Claim Reserves Column (4) Line (17)							

† Include only the portion which relates to claim reserves that, if written on a direct basis, would be included on Exhibit 6.

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

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PREMIUM STABILIZATION RESERVES

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Group and Credit Life and Health Reported Premium Stabilization Reserves						
(1)	Stabilization Reserves and Experience Rating Refunds included in Line 3	Page 3 Column 1 Line 3 in part		X	0.500	=	
(2)	Provision for Experience Rating Refunds	Page 3 Column 1 Line 9.2 in part		X	0.500	=	
(3)	Reserve for Group Rate Credits	Company Records		X	0.500	=	
(4)	Reserve for Credit Rate Credits	Company Records		X	0.500	=	
(5)	Premium Stabilization Reserves	Page 3 Column 1 Line 25 in part		X	0.500	=	
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)					
	Group & Credit Life and Health Risk-Based Capital						
(7)	Life	LR025 Life Insurance Column (2) Line (12)					
(8)	Health	LR024 Health Claim Reserves Column (4) Line (16) + [LR024 Column (4) Line (15) x 0.65] + LR019 Health Premiums Column (2) Lines **(18), (23), (24)** and **(25)** + [[LR019 Column (2) Lines **(29), (30),** and **(33)**] x 0.65] + [LR020 Underwriting Risk - Experience Fluctuation Risk Column **(9)** Line **(19)** - Column **(8)** Line **(19)** x **Column 9** Line (1.2) / (1.3)]					
(9)	Maximum Risk-Based Capital	Lines (7) + (8)					
(10)	Final Premium Stabilization Reserve	Column (2) Line (6), but not more than Column (1) Line (9)		X	-1.000	=	

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BUSINESS RISK

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Life Insurance Premiums						
(1)	Total Life Premiums	Schedule T Column 2 Line 59					
(2)	Less American Samoa Life Premiums	Schedule T Column 2 Line 52					
(3)	Less Guam Life Premiums	Schedule T Column 2 Line 53					
(4)	Less Puerto Rico Life Premiums	Schedule T Column 2 Line 54					
(5)	Less U.S. Virgin Islands Life Premiums	Schedule T Column 2 Line 55					
(6)	Less Northern Mariana Islands Life Premiums	Schedule T Column 2 Line 56					
(7)	Less Canada Life Premiums	Schedule T Column 2 Line 57					
(8)	Less Other Alien Life Premiums	Schedule T Column 2 Line 58					
(9)	Subtotal Net Life Premiums	Line (1) less the Sum of Lines (2) through (8)					
(10)	Plus Foreign Variable and Other Life Premiums	See Instructions†					
(11)	Less Total Variable and Other Life Premiums	See Instructions†					
(12)	Net Life Premiums	Line (9) plus Line (10) less Line (11)		X	0.0253	=	
	Annuity Considerations						
(13)	Total Annuity Considerations	Schedule T Column 3 Line 59					
(14)	Less American Samoa Annuity Considerations	Schedule T Column 3 Line 52					
(15)	Less Guam Annuity Considerations	Schedule T Column 3 Line 53					
(16)	Less Puerto Rico Annuity Considerations	Schedule T Column 3 Line 54					
(17)	Less U.S. Virgin Islands Annuity Considerations	Schedule T Column 3 Line 55					
(18)	Less Northern Mariana Islands Annuity Considerations	Schedule T Column 3 Line 56					
(19)	Less Canada Annuity Considerations	Schedule T Column 3 Line 57					
(20)	Less Other Alien Annuity Considerations	Schedule T Column 3 Line 58					
(21)	Subtotal Net Annuity Considerations	Line (13) less the Sum of Lines (14) through (20)					
(22)	Plus Foreign Variable and Other Annuity Considerations	See Instructions†					
(23)	Less Total Variable and Other Annuity Considerations	See Instructions†					
(24)	Net Annuity Considerations	Line (21) plus Line (22) less Line (23)		X	0.0253	=	
	Accident and Health Premiums						
(25)	Total Accident and Health Premiums	Schedule T Column 4 Line 59					
(26)	Less American Samoa Accident and Health Premiums	Schedule T Column 4 Line 52					
(27)	Less Guam Accident and Health Premiums	Schedule T Column 4 Line 53					
(28)	Less Puerto Rico Accident and Health Premiums	Schedule T Column 4 Line 54					
(29)	Less U.S. Virgin Islands Accident and Health Premiums	Schedule T Column 4 Line 55					
(30)	Less Northern Mariana Islands Accident and Health Premiums	Schedule T Column 4 Line 56					
(31)	Less Canada Accident and Health Premiums	Schedule T Column 4 Line 57					
(32)	Less Other Alien Accident and Health Premiums	Schedule T Column 4 Line 58					
(33)	Subtotal Net Accident and Health Premiums	Line (25) less the Sum of Lines (26) through (32)					
(34)	Plus Foreign Variable and Other A&H Premiums	See Instructions†					
(35)	Less Total Variable and Other A&H Premiums	See Instructions†					
(36)	Net Accident and Health Premiums	Line (33) plus Line (34) less Line (35)		X	0.0063	=	

† Enter amounts only if included in Schedule T Column 2 (life), Column 3 (annuity) or Column 4 (accident and health).

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

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BUSINESS RISK (CONTINUED)

		Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
	Separate Account Liabilities				
(37)	Total Liabilities from Separate Accounts Statement	Page 3 Column 1 Line 27			
(38)	Transfers to Separate Accounts Due or Accrued	Page 3 Column 1 Line 13			
(39)	Total Separate Account Liabilities	Line (37) plus Line (38)		X 0.0006 =	
(40)	Business Risk (C-4a)	Lines (12) + (24) + (36) + (39)			
	Administrative Expenses for Certain A&H Coverages				
(41)	Total Accident and Health Premiums	LR019 Health Premiums Column (1) Line **(41)**			
(42)	Accident and Health Premiums from Underwriting Risk	LR020 Underwriting Risk Column **(9) Line (1.3)**			
(43)	Accident and Health Premiums Factor	Line (42) / Line (41)			
(44)	Exhibit 2 Administrative Expenses for Health Insurance	Exhibit 2 Column 2 + Column 3 Line 10			
(45)	Exhibit 3 Administrative Expenses for Health Insurance	Exhibit 3 Column 2 Line 7			
(46)	Less Administrative Expenses for Administrative Service Contracts (ASC)	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2			
(47)	Less Administrative Expenses for Administrative Services Only (ASO) Business	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2			
(48)	Less Administrative Expenses for Commissions and Premium Taxes	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2			
(49)	Net Administrative Expenses	Lines (44) + (45) - (46) - (47) - (48)			
(50)	Composite Health Administrative Expense Risk Factor	(7% of Line (42) up to $25 million + 4% of any in excess of $25 million)/Line (42)			
(51)	Administrative Expense Component for Health	Line (49) x factor Line (43) x factor Line (50)			
	Health ASO/ASC				
(52)	Administrative Expenses for ASC Business	Company Records§		X 0.0200 =	
(53)	Administrative Expenses for ASO Business	Company Records§		X 0.0200 =	
(54)	ASC Claims Reported as Incurred Claims	Company Records		X 0.0100 =	
(55)	Other Medical Costs Paid through ASC Arrangements	Company Records		X 0.0100 =	
(56)	Fee-for-Service Received from Health Entities	Company Records		X 0.0100 =	
(57)	Business Risk (C-4b)	Column (2) Lines (51) + (52) + (53) + (54) + (55) + (56)			

§ Line (52) should be greater than or equal to Line (46). Line (53) should be greater than or equal to Line (47).

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

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LR029

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

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

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

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

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=		
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=		
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=		
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=		
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=		
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=		
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=		†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=		
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12)		X	0.1575	=		
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)		X	0.1575	=		
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)		X	0.1575	=		
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)		X	0.1575	=		
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)		X	0.1575	=		
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)		X	0.2100	=		
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)		X	0.2100	=		†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)		X	0.2100	=		
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)		X	0.1575	=		
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)		X	0.1575	=		
(081)	BA Common Stock Affiliated	LR008 Other Long-Term Assets Column (5) Line (50.3)		X	0.2100	=		
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (51)		X	0.1575	=		
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (53.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		X	0.2100	=		
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X	0.2100	=		†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (56)		X	0.2100	=		
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (12)		X	0.1575	=		
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (16)		X	0.1575	=		
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (20)		X	0.1575	=		
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X	0.2100	=		†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (23)		X	0.2100	=		
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page		X	0.1575	=		
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X	0.1575	=		
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X	0.1575	=		
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X	0.1575	=		
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X	0.1575	=		
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X	0.1575	=		
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X	0.1575	=		
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X	0.1575	=		
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X	0.2100	=		
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X	0.2100	=		†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X	0.2100	=		

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)		X	0.2100	=		
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)		X	0.2100	=		
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)		X	0.2100	=		
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)		X	0.2100	=		
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)		X	0.2100	=		
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)		X	0.2100	=		
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)		X	0.2100	=		
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)		X	0.2100	=		
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)		X	0.2100	=		
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)		X	0.2100	=		
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)		X	0.2100	=		
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)		X	0.2100	=		
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)		X	0.0000	=		
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)		X	0.0000	=		
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)						
	Common Stock							
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual							
(127)	Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (49) - Line (45)		X	0.2100	=		
(128)	Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (45)		X	0.2100	=		
(129)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=		
(130)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)		X	0.1575	=		
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)		X	0.1575	=		
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)		X	0.2100	=		
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)		X	0.2100	=		
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)						
	Insurance Risk							
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (34)		X	0.2100	=		

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (35) + LR023 Long-Term Care Column (4) Line (7)		X	0.2100	=	
(137)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (5)		X	0.2100	=	
(138)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (12)		X	0.2100	=	
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)		X	0.2100	=	
(139)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)		X	0.2100	=	
(140)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)		X	0.0000	=	
(141)	Total C-2 Risk	L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (Correlation Factor) * (L(137) + L(138)) * L(138b)]]					
(142)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)		X	0.2100	=	
(143)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)		X	0.0000	=	
(144)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)		X	0.2100	=	
(145)	Business Risk	LR029 Business Risk Column (2) Line (40)		X	0.2100	=	
(146)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)		X	0.0000	=	
(147)	Total Tax Effect	Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)					

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

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HEALTH PREMIUMS PR019

			(1)		(2) RBC Requirement
	Medical Insurance Premium - Individual	Annual Statement Source	Statement Value	Factor	
(1)	Comprehensive (Medical and Hospital)	Earned Premium (U&I Part 1, Column 4 Line 13.1)	0	†	XXX
(2)	Title XVIII Medicare	Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0	†	XXX
(3)	Title XIX Medicaid	Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0	†	XXX
(4)	Medicare Supplement	Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0	†	XXX
(5)	Vision Only	Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0	†	XXX
(6)	Dental Only	Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0	†	XXX
(7.1)	Stand-Alone Medicare Part D Coverage	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	†	XXX
(7.2)	Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0	0.500	0
(7.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0	0.020	0
(8)	Hospital Indemnity and Specified Disease	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.035 *	0
(9)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	‡	0
(10)	Other Accident	Earned Premium (U&I Part 1, Column 4 Line 15 in part)	0	0.050	0
	Medical Insurance Premium - Group and Credit				
(11)	Comprehensive (Medical and Hospital)	Earned Premium (U&I Part 1, Column 4 Line 13.2)	0	†	XXX
(12)	Title XVIII Medicare	Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0	†	XXX
(13)	Title XIX Medicaid	Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0	†	XXX
(14)	Vision Only	Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0	†	XXX
(15)	Dental Only	Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0	†	XXX
(16)	Stop Loss and Minimum Premium	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	¥	0
(17)	Medicare Supplement	Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0	†	XXX
(18.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	†	XXX
(18.2)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0	0.500	0
(18.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0	0.020	0
(19)	Hospital Indemnity and Specified Disease	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.035 *	0
(20)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	‡	0
(21)	Other Accident	Earned Premium (U&I Part 1, Column 4 Line 15 in Part)	0	0.050	0
(22)	Federal Employee Health Benefit Plan	Earned Premium (U&I Part 1, Column 4 Line 15.8)	0	0.000	0
	Disability Income Premium				
(23)	Noncancellable Disability Income - Individual Morbidity	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(24)	Other Disability Income - Individual Morbidity	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(25)	Disability Income - Credit Monthly Balance Plans	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	
(26)	Disability Income - Group Long-Term	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(27)	Disability Income - Credit Single Premium with Additional Reserve	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(28)	Disability Income - Credit Single Premium without Additional Reserve	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(29)	Disability Income - Group Short-Term	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0	‡	0
(30)	Total Disability Income	Earned Premium (U&I Part 1, Column 4 Line 15.3)	0		
	Long-Term Care				
(31)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0	0.100	0
(32)	Other Long-Term Care Premium ‡ ‡	Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0	0.000	0 ‡ ‡
(33)	Total Long-Term Care	Earned Premium (U&I Part 1, Column 4 Line 15.7)	0		
	Health Premium with Limited Underwriting Risk				
(34)	ASC Business with Premium Revenue	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0	0.000	0
	Other Health				
(35)	Other Health	Earned Premium (U&I Part 1, Column 4 Line 14 and 15.9 in part)	0	0.120	0
(36)	Total Earned Premiums	Sum of Lines (1) through (22), Line (30), and Lines (33) through (35) minus Lines (7.3) and (18.3)	0		0
	C(1), L(36) should equal U&I Part 1 Column 4 Lines 13.1 through 15.9				
(37)	Additional Reserves for Credit Disability Plans	Company records	0	§	
(38)	Additional Reserves for Credit Disability Plans, prior year	Company records	0	§	

† The premium amounts in these lines are transferred to PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement, Dental & Vision and Stand-Alone Medicare Part D Coverage Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete PR021 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete PR013 Health Credit Risk in the formula.
If there are amounts in any of lines (1) through (6), (11) through (15), and (17) on page PR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of PR023.

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

‡ ‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on Page PR023. The premium is shown to allow totals to check to U&I Part 1.

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

** The factor applies to all Noncancellable premium.

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

¥ A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (16) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical Individual	(2) Comprehensive Medical Group	(3) Title XVIII-Medicare	(4) Title XIX-Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) TOTAL
(1.1)	Individual Premium	0	0	0	0	0	0	0	0	0
(1.2)	Group Premium	0	0	0	0	0	0	0	0	0
(1.3)	Total Premium	0	0	0	0	0	0	0	0	0
(2)	Other Health Risk Revenue†	0	0	0	0	XXX	0	0	0	0
(3)	Medicaid Pass-Through Payments Reported as Premium	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(4)	Underwriting Risk Revenue = Lines (1.3) + (2) - (3)	0	0	0	0	0	0	0	0	0
(5)	Net Incurred Claims	0	0	0	0	0	0	0	0	0
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(7)	Fee-for-Service Offset†	0	0	0	0	XXX	0	0	0	0
(8)	Underwriting Risk Incurred Claims = Lines (5) – (6) – (7)	0	0	0	0	0	0	0	0	0
(9)	Underwriting Risk Claim Ratio (8)/(4)	0	0	0	0	0	0	0	0	XXX
(10)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1440	0.1440	0.1440	0.1440	0.0987	0.1153	0.1153	0.251	XXX
(11)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0844	0.0844	0.0844	0.0844	0.0609	0.0716	0.0716	0.151	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	XXX	XXX
(13)	Composite Underwriting Risk Factor	A1	A1	A1	A1	A2	A2	A2	A3	XXX
(14)	Base Underwriting Risk RBC = Line (4) x Line (9) x Line (13)	0	0	0	0	0	0	0	0	XXX
(15)	Managed Care Discount Factor = PR021 Line (12)	0	0	0	0	0	0	0	0	XXX
(16)	Base RBC After Managed Care Discount = Line (14) x Line (15)	0	0	0	0	0	0	0	0	0
(17)	Alternate Risk Charge	500,000	500,000	500,000	500,000	50,000	50,000	50,000	150,000	XXX
(18)	Net Alternate Risk Charge	B0	B0	B0	B0	B1	B2	B2	B3	0
(19)	Net Underwriting Risk RBC (Maximum of Line (16) or Line (18))	0	0	0	0	0	0	0	0	0

† Source is company records unless already included in premiums.

	Initial Premium Amount‡							
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	$25,000,000	$25,000,000	$25,000,000	$25,000,000	$3,000,000	$3,000,000	$3,000,000	$25,000,000

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

~~* The Line (17) Alternate Risk Charge is calculated as follows:~~

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

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PR020 Formulas

Cell Label	Formula
A1	={{Min[Line (4) x Line (10), 25,000,000 x Line (10)] x Line (12.1)}+ {Max[0, (Line (4) - 25,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A2	={{Min[Line (4) x Line (10), 3,000,000 x Line (10)] x Line (12.1)} + {Max[0, (Line (4) - 3,000,000) x Line (11)] x Line (12.2)}} / Line (4)
A3	={Min[Line (4) x Line (10), 25,000,000 x Line (10)] + Max[0, (Line (4) - 25,000,000) x Line (11)] } / Line (4)
B0	=If[OR[Line (4) > 0, Line (8) > 0], 500,000, 0]
B1	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18)], 0]
B2	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 50,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18)], 0]
B3	=If[OR[Line (4) > 0, Line (8) > 0], Max[0, 150,000 - C(1) L(18) - C(2) L(18) - C(3) L(18) - C(4) L(18) - C(5) L(18) - C(6) L(18) - C(7) L(18)], 0]

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UNDERWRITING RISK - OTHER AND TOTAL NET HEALTH PREMIUM RBC PR022

			(1) Amount	Factor	(2) RBC Requirement
	Rate Guarantees & Federal Employees Health Benefits	Data Source			
(1)	Business with Rate Guarantees Between 15-36 Months	Company Records	0	0.024	0
(2)	Business with Rate Guarantees Over 36 Months	Company Records	0	0.064	0
(3)	Federal Employees Health Benefit Program (FEHBP) Claims Incurred	Company Records	0	0.020	0
(4)	Total, Rate Guarantees & Federal Employees Health Benefits	L(1) + L(2) + L(3)	0		0
	Administrative Expenses for Certain A&H Coverages				
(5)	Total Accident and Health Premiums	PR019 Health Premiums Column (1) Line (36)	0		
(6)	Accident and Health Premiums from Underwriting Risk	PR020 Underwriting Risk Column (9) Line (1.3)	0		
(7)	Accident and Health Premiums Factor	L(6)/L(5)	0.000		
(8)	Administrative Expenses for Health Insurance	Company Records	0		
(9)	Less Administrative Expenses for Administrative Service Contracts (ASC) included in Line (8)	Company Records	0		
(10)	Less Administrative Expenses for Administrative Services Only (ASO) Business included in Line (8)	Company Records	0		
(11)	Less Administrative Expenses for Commissions and Premium Taxes	Company Records	0		
(12)	Net Administrative Expenses	L(8) - L(9) - L(10) - L(11)	0		
(13)	Composite Health Administrative Expense Risk Factor	(7% of L(6) up to $25 million + 4% of excess)/L(6)	0.000		
(14)	Administrative Expense Component for Health	L(12) x L(7) x L(13)			0
	Health ASO/ASC				
(15)	Administrative Expenses for ASC Business	Company Records*	0	0.020	0
(16)	Administrative Expenses for ASO Business	Company Records*	0	0.020	0
(17)	Total Health ASO/ASC	L(15) + L(16)	0		0
(18)	Total Underwriting Risk - Other	L(4) + L(14) + L(17)			0
	Total Net Health Premium RBC				
(19)	Total Health Premium RBC	L(18) + PR019 C(2) L(36) + PR020 C(9) L(19)			
(20)	Premium Concentration Factor	PR018 C(20) L(14)			1.000
(21)	Total Net Health Premium RBC	L(19) x L(20)			0

* Line (15) should be greater than or equal to Line (9). Line (16) should be greater than or equal to Line (10).

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PREMIUM STABILIZATION RESERVES PR025

		Data Source	(1) Statement Value	Factor	(2) RBC Requirement
	Group & Credit Health Premium Stabilization Reserves Reported				
(1)	Stabilization Reserves and Experience Rating Refunds	Company Records	0	0.500	0
(2)	Provision for Experience Rating Refunds	Company Records	0	0.500	0
(3)	Reserve for Group Rate Credits	Company Records	0	0.500	0
(4)	Reserve for Credit Rate Credits	Company Records	0	0.500	0
(5)	Premium Stabilization Reserves	Company Records	0	0.500	0
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)	0		0
	Group & Credit Health Risk-Based Capital				
(7)	Maximum Risk-Based Capital	PR024 Health Claim Reserves Column (2) Line (2) + PR019 Health Premiums Column (2) Lines **(16), (19), (20), (21), (25), (26), (27), (28) and (29)** + [PR020 Underwriting Risk- Premiums Risk **Column (9) Line (19) - Column (8) Line (19)** x **Column (9) Line (1.2) / Column (9) Line (1.3)**]	0		
(8)	Final Premium Stabilization Reserve Credit	Column (2) Line (6), but not more than Column (1) Line (7)	0	-1.000	0

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To: Mike Yanacheak, Chair of the Capital Adequacy (E) Task Force
Tom Botsko, Vice Chair of the Capital Adequacy (E) Task Force

From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Kevin Clark, Vice Chair of the Statutory Accounting Principles (E) Working Group

Re: Elimination of Investment Subsidiaries (SAPWG Ref #2024-21)

Date: December 11, 2025

This referral intends to inform the Capital Adequacy (E) Task Force of the supported elimination of the investment subsidiary concept by the Statutory Accounting Principles (E) Working Group and request RBC instruction and/or structure changes to accommodate the elimination for all lines of business.

In summary, the concept and accounting guidance for investment subsidiaries was eliminated from statutory accounting guidance in 2005. However, even with the statutory accounting elimination, reporting lines remained on D-6-1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies and in the Asset Valuation Reserve (AVR) that allowed reporting entities to classify investments in a subsidiary, controlled or affiliated (SCA) as an investment subsidiary with company-calculated look-through RBC treatment. With the recent discussion and adopted recommendations, the Statutory Accounting Principles (E) Working Group has sponsored a blanks proposal to eliminate the investment subsidiary reporting lines and instructions in D-6-1 and in the AVR. This blanks proposal (2025-20BWG) is exposed until Feb. 6, 2026, with a planned effective date of Dec. 31, 2026. With the elimination of the blanks reporting lines for investment subsidiaries, revisions are also recommended to the RBC reporting structure and instructions to eliminate the concept of investment subsidiaries and look-through RBC for these SCAs.

As additional information, the historical reporting of investment subsidiaries lacks transparency for regulators and allows companies to self-calculate the RBC treatment simply by placing the investment in an SCA rather than reporting the investment directly on an investment schedule. To further elaborate, placing investments within an investment subsidiary could allow life insurance companies to obtain favorable look-through treatment by circumventing specific asset and SSAP treatment of an investment, as there is no explicit asset detail to ensure compliance with SSAP requirements, state investment limitations, or NAIC designation determination requirements. For example, if an investment had a private letter rating (PLR) and was placed in an investment subsidiary, there would be no way to verify whether that security had complied with the SVO PLR reporting requirements. The same could be true of debt securities and whether they reflect bonds under the principles-based bond definition or if they should be captured as non-bond debt securities. Furthermore, Schedule D-6-1's instruction requires reporting entities to measure investment subsidiaries using an "imputed statutory value" which is an undefined term in the instructions and conflicts with *SSAP No. 97—Subsidiary, Controlled and Affiliated Investments*, which requires measurement based on audited U.S. GAAP. The elimination of the investment subsidiary reporting lines does not prohibit insurers from owning investment subsidiaries. Rather, the revisions should simply align reporting and RBC with the accounting concepts of SSAP No. 97.

The adopted SAPWG reference agenda item 2024-21 accompanies this referral. It includes additional discussion and the suggested blanks and RBC revisions.

The Statutory Accounting Principles (E) Working Group appreciates action on this issue. Please contact NAIC staff Julie Gann (jgann@naic.org) if you have any questions.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr, Maggie Chang

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On March 24, 2026, the Capital Adequacy (E) Task Force received a referral from the Statutory Accounting Principles (E) Working Group (SAPWG), informing us about the supported elimination of the investment subsidiary concept by SAPWG. The Task Force is therefore being requested to review RBC instruction and/ or Blanks to accommodate the elimination.

In response to SAPWG's referral, NAIC committee support drafted RBC proposal 2026-05-CA *Remove Investment Affiliate Code 4* for all type of businesses. However, it is noted that **Life** RBC framework historically instructed insurers to include investments held in investment subsidiaries when considering asset concentrations (see LR010 and LR011 instructions for details).

Note that the elimination of investment subsidiaries concept is limited to statutory accounting principles and annual statement instructions. This change does not prohibit insurers from owning investment subsidiaries. The Investments of Insurers Model Act (Model 280) permits insurers to hold investments through such subsidiaries. Since adoption of Model 280 varies by state and the consolidation view in Asset Concentration application is more transparent, NAIC staff would like to seek feedback from regulators and interested parties as to whether the elimination of consolidation approach, as it is currently drafted in proposal 2026-05-CA, is appropriate.

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Capital Adequacy (E) Task Force

RBC Proposal Form

☒ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

	DATE: 3/24/26	**FOR NAIC USE ONLY**
CONTACT PERSON:	Eva Yeung	Agenda Item # 2026-05-CA Year 2026
TELEPHONE:	816-783-8407	**DISPOSITION**
EMAIL ADDRESS:	eyeung@naic.org	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
ON BEHALF OF:	Capital Adequacy (E) Task Force	
NAME:	Ben Slutsker	
TITLE:	Chair	**EXPOSED:** ☒ TASK FORCE (TF) 03/24/2026 ☐ WORKING GROUP (WG) _____ ☐ SUBGROUP (SG) _____
AFFILIATION:	Minnesota Department of Commerce	
ADDRESS:	85 7th Place East, Suite 280, St. Paul, MN 55101	**REJECTED:** ☐ TF ☐ WG ☐ SG _____
		OTHER: ☐ DEFERRED TO _____ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) _____

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

☒ Health RBC Blanks ☒ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☒ Health RBC Instructions ☒ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☒ Health RBC Formula ☒ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal removed the investment subsidiary category in the blanks, instructions and formulas for all line of business as a result of the recently adopted Blanks proposal #2025-20BWG on March 5, 2026.

Additional Staff Comments:

** **This section must be completed on all forms.** **Revised 2-2023**

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AFFILIATED/SUBSIDIARY STOCKS
XR002–XR004

There are ~~nine~~ eight categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements for common stock and preferred stock holdings. Those ~~nine~~ eight categories are:

1. Directly Owned U.S. Insurance Affiliates/Subsidiaries Subject to a Risk-Based Capital (RBC)-Look-Through Calculation
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries Subject to RBC-Look-Through Calculation
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries
~~4. Investment Subsidiaries~~
~~5.~~4. Directly Owned Alien Insurance Affiliates/Subsidiaries
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
~~6.~~5. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
~~7.~~6. Investments in Upstream Affiliate (Parent)
~~8.~~7. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Health Insurance Companies and Health Entities Not Subject to RBC
    b. Property and Casualty Insurance Companies Not Subject to RBC
    c. Life Insurance Companies Not Subject to RBC
~~9.~~8. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Entities with a capital requirement imposed by a regulatory body
    b. Other Financial Entities without regulatory capital requirements
    c. Other Non-financial entities

Enter applicable items for each affiliate/subsidiary in the Details for Affiliated Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be crosschecked, and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line ~~0999999~~ 0899999 plus Line ~~1899999~~1699999.

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Affiliated/Subsidiary investments fall primarily into two broad categories: (a) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (b) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. A third category of Affiliates/Subsidiaries, publicly traded insurance affiliates/subsidiaries held at market value, has characteristics of both broader categories. As a result, it has a two-part RBC calculation. The general treatment for each is explained below.

Directly owned insurance and health entity affiliates/subsidiaries are affiliates/subsidiaries in which the reporting company owns the stock of the affiliate/subsidiary. Indirectly owned insurance affiliates/subsidiaries and health entities are those where the reporting company owns stock in a holding company, which in turn owns the stock of the insurance affiliate/subsidiary or health entity. Note that there could be multiple holding companies that control the downstream insurance company.

Enter the book/adjusted carrying value of: the common stock in Column (5), the preferred stock in Column (9), the total outstanding common stock in Column (7) and the total outstanding preferred stock of that affiliate/subsidiary in Column (10) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

Insurance Affiliates/Subsidiaries that are Subject to RBC

1. Directly Owned U.S. Affiliates/Subsidiaries:

The risk-based capital requirement for the reporting company for those insurance affiliates/subsidiaries that are subject to a risk-based capital requirement is based on the Total Risk-Based Capital After Covariance of the subsidiary, prorated for the percent of ownership of that affiliate/subsidiary.

For purposes of Affiliate/Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

a. For a Health affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (XR025, Line (~~41~~40)).
b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (~~60~~59)).
c. For a Life affiliate/subsidiary RBC filing, the sum of
    i. Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (68); and
    ii. Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (73)).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of a directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted for financial reporting purposes. The value reported in annual statement Schedule D, Part 6, Section 1 will be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted capital for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (6) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraph 8.b. as the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in *SSAP No. 68—Business Combinations and Goodwill*. For those insurance affiliates/subsidiaries of the reporting company that are reported under the equity method, the H_0 charge of the ownership of the common and preferred stock in these Affiliates/Subsidiaries is limited to the lesser of:

- (a) the Total RBC After Covariance of the affiliate/subsidiary times the percentage of ownership, which is the total of common stock and preferred stock; or
- (b) the common and preferred stock book/adjusted carrying value at which the affiliate/subsidiary is carried

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, paragraph 8.a.): If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The prorated portion is the percentage of ownership of total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the H_0 component of the reporting company. Normally, the

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common and preferred stock book/adjusted carrying value of the affiliate/subsidiary exceeds the prorated portion of the larger of its statutory surplus and its RBC after covariance, an additional charge is applied to H_1. The additional charge to the H_1 component is the larger of a) 22.5% of the affiliate/subsidiary's common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate's/subsidiary's statutory surplus or b) the prorated portion of the affiliate's/subsidiary's RBC after covariance in excess of the prorated portion of its statutory surplus. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of its RBC after covariance, but greater than the prorated portion of its statutory surplus, 100% of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the reporting company's H_1 component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiary statutory surplus, there is no addition to the H_1 component.

2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries

For Indirectly Owned U.S. Insurance Affiliates/Subsidiaries, the carrying value and RBC is calculated in the same manner as for directly owned U.S. Insurance Affiliates/Subsidiaries. The RBC for the indirect affiliates/subsidiaries must be calculated prior to completing this RBC report.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned RBC filer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an RBC filer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC requirement of indirectly owned RBC filing affiliate/subsidiary companies. This involves drilling down to the first RBC filing insurance subsidiary and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both RBC and carrying value of the RBC filer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (6) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value for each indirect insurance affiliate/subsidiary is established based on company records using the statutory value of the insurer as reported in the NAIC annual financial statement blank submitted by the affiliate/subsidiary or market value when applicable, and the RBC requirement as determined in its RBC Report adjusted for the ownership percentages (both the percentage of the indirectly owned RBC filing affiliate/subsidiary that is owned by the directly held downstream holding company and the reporting insurer's ownership percentage in that downstream entity). The value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis.

3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries

The carrying value of a U.S. Insurance Affiliate/Subsidiary that is subject to RBC is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC *Accounting Practices and Procedures Manual* (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each RBC filing insurer and each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The remaining value of the directly held holding company is then subject to a charge that is calculated in accordance with the instructions for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries as specified in the RBC formula. If the holding company is not admitted, report the excess carrying value as zero and the corresponding RBC charge will also be zero. If a negative excess value for the downstream holding company results from removing the value of U.S. RBC filing insurers from the downstream holding company's reported value, then the value of that holding company will be floored at zero and the corresponding RBC charge will also be zero.

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The following hypothetical Balance Sheet indicates the view of a Holding Company - Holder, Inc. which is 100% owned by MEGA Health Insurance Company (it assumes that the value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis):

	Balance Sheet Holder, Inc. 12/31/XXXX				
Cm Stk:	ABC Life Company	10,000,000		Long Term Debt	5,000,000
	XYZ Casualty Company	15,000,000		Other Liabilities	2,000,000
	ANH Health Company	3,000,000			
	Other Common Stock	17,000,000		Total Liabilities	7,000,000
	Cash	7,000,000			
	Other Assets	5,000,000		Equity	50,000,000
	Total Assets	57,000,000		Total Liabilities & Equity	57,000,000

The RBC calculation for Holder, Inc.'s value in excess of the indirectly owned insurance affiliates/subsidiaries is as follows:

Company	**Stat. Book Value**	**Source:**
Holder, Inc.	50,000,000	MEGA Health Sch D - Part 6, Section 1
Holder, Inc. aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
Subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 30.0% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

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The following table shows the XR002 entries that MEGA Health Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance affiliates/subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these affiliates/subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		XR002 Column					
		4	**5**	**7**	**8**	**11**	**12**
Affiliates/Subsidiaries	**Affiliates/Subsidiaries Type**	**100% RBC**	**Book Adjusted Carrying Value**	**Total Value of Affiliates/Subsidiaries**	**Statutory Surplus of Affiliates/Subsidiaries**	**% Owned**	**RBC Required**
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	12,000,000	25%	1,500,000

The risk-based capital charge for the parent insurer preparing the calculation is a 30% charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries as calculated in the prior example. Enter information in the appropriate columns of the worksheet, omitting those columns that do not apply (Column (3) – NAIC Company Code or Alien ID Number and Column (4) Affiliate's RBC After Covariance).

Affiliates/Subsidiaries that are Not Subject to RBC

~~4. Investment Subsidiaries~~

~~An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term investment subsidiary is defined in the annual statement instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. The risk-based capital for an investment in an investment subsidiary is 30% of the carrying value of the common and preferred stock.~~

~~5.~~4. Directly Owned Alien Insurance Affiliates/Subsidiaries

For purposes of this formula, the Risk-Based Capital (RBC) of each directly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company's interest in the affiliate multiplied by 1.000. Enter information for any non-U.S. insurance affiliate/subsidiary: life, property and casualty, and health insurers.

For each affiliate/subsidiary, enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line ~~1499999~~ 1399999 and 0599999. If no value is reported in the Total Value of Affiliate's common and preferred stock columns (7) and (10), the program will assume 100% ownership.

~~6.~~5. Indirectly Owned Alien Insurance Affiliates/Subsidiaries

For Indirectly Owned Alien Insurance Affiliates/Subsidiaries, the carrying value and RBC charge is calculated in a similar manner as for directly owned Alien Insurance Affiliates/Subsidiaries.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned Alien insurer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an Alien insurer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the

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reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC charge that would be imposed had the Alien insurance affiliate/subsidiary companies been directly held by the reporting insurer. This involves looking down to the first alien insurer affiliate/subsidiary, unless there is an RBC filer in between, and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both the RBC charge and carrying value of the alien insurer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (6) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value of an alien insurance affiliate/subsidiary is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC *Accounting Practices and Procedures Manual* (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each RBC filing insurer and each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The RBC charge to be applied to each indirectly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company's interest in the affiliate/subsidiary multiplied by 1.0 and adjusted to reflect the reporting company's ownership on the holding company. For example, assume NEWBIE Insurance Company acquired 100% shares of Holder (a holding company), and Holder owns an Alien Life Insurance Company, which represents 50% of the book adjusted carrying value of Holder. If Holder has a book adjusted carrying value of $20,000,000, NEWBIE Insurance Company would enter $10,000,000 (1/2 of $20,000,000) as the carrying value of the Alien Life Insurance Company and the RBC charge for the indirect ownership of the alien insurance affiliate/subsidiary would be $10,000,000 (1.000 times $10,000,000). The risk-based capital charge for the parent insurer preparing the calculation is a 30% charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

XR002 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	10,000,000	10,000,000
Holder Holding Company	3	10,000,000	3,000,000

If NEWBIE Insurance Company only acquired 50% shares of Holder, NEWBIE Insurance Company would enter $5,000,000 (50% of 1/2 of $20,000,000) as the carrying value of the Alien Life Insurance Company and the RBC charge for the indirect ownership of the alien insurance affiliate/subsidiary would be $5,000,000 (1.0 times $5,000,000). Enter information for any indirectly owned alien insurance subsidiaries.

XR002 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	5,000,000	5,000,000
Holder Holding Company	3	5,000,000	1,500,000

For each affiliate/subsidiary enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,

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- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line ~~1499999~~ 1399999 and 0599999. If no value is reported in the Total Value of Affiliate's Common and preferred stock column (7) and (10), the program will assume 100% ownership.

~~7.~~6. Investment in Upstream Affiliate (Parent)

The risk-based capital (RBC) for an investment in an upstream parent is 30.0% of the book/adjusted carrying value of the common and preferred stock, regardless of whether that upstream parent is subject to RBC. Report the appropriate information from Schedule D, Part 6, Section 1, Lines 0199999 and ~~1099999~~ 0999999 in Columns (1) through (10).

For each affiliate, enter the following information:

- Company Name,
- Affiliate Type Code,
- NAIC Company Code,
- Book Adjusted carrying value of common stock
- Book Adjusted carrying value of preferred stock,
- Total Outstanding value of common and preferred stock.

~~8~~7. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC

a. Health Insurance Companies and Health Entities Not Subject to RBC
b. Property and Casualty Insurance Companies Not Subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
c. Life Insurance Companies Not Subject to RBC, such as life insurance subsidiary exempted from RBC

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula is 30% of the book/adjusted carrying value of the common and preferred stock.

~~9~~8. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC

a. Financial entities with a capital requirement imposed by a regulatory body (e.g., a bank)
b. Other financial entities without regulatory capital requirements
c. Other non-financial entities

The risk-based capital for entity types a, b, and c is 30% of the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurer Affiliates/Subsidiaries Not Subject to RBC is "~~9~~8". Reported amounts use Schedule D, Part 6, Section 1, Line ~~089999990~~799999, and Line ~~1799999~~ 1599999 as the basis of reporting.



Detail Eliminated To Conserve Space



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COVARIANCE CALCULATION
XR024–XR025

The purpose of the Health RBC formula is to estimate the minimum risk-based capital required to absorb losses that can be caused by a series of catastrophic financial events. However, it is extremely unlikely that all such losses will occur simultaneously. The covariance formula adjusts the combined effect of the H0, H1, H2, H3, and H4 risks so that the combination of risks is less than the sum of the parts. Statistically, this assumes that the H1, H2, H3 and H4 risks are uncorrelated. The H0 risk of subsidiaries is added to the total under the assumption that the risk of the subsidiaries is highly correlated with the risk of the parent, so that if the parent were to experience severe financial distress, the subsidiaries would also be adversely affected.

The components of the RBC after Covariance Formula are:

H0 – Insurance Affiliates and Misc. Other
H1 – Asset Risk – Other
H2 – Underwriting Risk
H3 – Credit Risk
H4 – Business Risk

The covariance formula is applied before adding operational risk on Line (~~41~~40) on XR025:

RBC after Covariance Before Operational Risk = Square Root of ($H1^2 + H2^2 + H3^2 + H4^2$) + H0

Operational Risk:
Operational risk is defined as the risk of financial loss resulting from operational events, such as the inadequacy or failure of internal systems, personnel, procedures or controls, as well as external events. Operational risk includes legal risk but excludes reputational risk and risk arising from strategic decisions. Operational risk has been identified as a risk that should be explicitly addressed in the RBC formulas. The Operational Risk charge is intended to account for operational risks that are not already reflected in existing risk categories.

An operational risk charge will be reported on Line (~~42~~41) using a percentage of RBC or "add-on" approach that will apply a risk factor of 3.00% to the amount reported in Line (~~41~~40) - RBC after Covariance Before Operational Risk reported on page XR025. A reduction to the operational risk charge equal to the sum of the C-4a offset amounts reported by the direct Life RBC filing insurance subsidiaries (Page LR031, Lines (65 + 71)), adjusted for the percentage of ownership in the direct life insurance subsidiary, will be reported on Page XR025 in Line (~~43~~42), and the Net Basic Operational Risk charge will be reported in Line (~~44~~43), but not to produce a charge that is less than zero.

Total RBC After Covariance including Operational Risk will be reported in Line (~~45~~44) as the sum of lines (~~41~~40) and (~~44~~43).

Authorized Control Level RBC is computed from the RBC after Covariance and is set at 50% of RBC after Covariance including Operational Risk.

Company Action Level RBC is 200% of Authorized Control Level RBC. Regulatory Action Level RBC is 150% of Authorized Control Level RBC. Mandatory Control Level RBC is 70% of Authorized Control Level RBC.

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ASSET CONCENTRATION FACTOR

LR010

Basis of Factors

The purpose of the concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an individual issuer of a security or a holder of a mortgage, etc.) The concentration factor doubles the risk-based capital pre-tax factor (with a maximum of 45% pre-tax) of the 10 largest asset exposures excluding various low-risk categories or categories that already have a maximum factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, the asset concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The 10 largest asset exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance ~~and investment subsidiaries~~**.** The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand-alone" basis.

The 10 largest exposures should exclude the following: affiliated and non-affiliated common stock, affiliated preferred stock, home office properties, policy loans, bonds for which AVR and RBC are zero, NAIC 1 bonds, NAIC 1 unaffiliated preferred stock, CM 1 Commercial and Farm Mortgages and any other asset categories with RBC factors less than 0.8% post-tax (this includes residential mortgages in good standing, insured or guaranteed mortgages, cash, certain cash equivalents and short-term investments).

In determining the assets subject to the concentration factor for both C-1o and C-1cs, the ceding company should exclude any asset whose performance inures primarily (>50%) to one reinsurer under modified coinsurance or funds withheld arrangements. The reinsurer should include 100% of such assets. Any asset where no one reinsurer receives more than 50% of its performance should remain with the ceding company.

Assets should be aggregated by issuer before determining the 10 largest exposures. Aggregations should be done separately for bonds including applicable Other Invested Assets with Underlying Characteristics of Bonds that are reported in Line 22 through 28 of Asset Valuation Reserve (AVR) Equity and Other Invested Asset Component table, and preferred stock (the first six digits of the CUSIP number can be used as a starting point) (please note that the same issuer may have more than one unique series of the first six digits of the CUSIP), mortgages and real estate. Securities held within Schedule BA joint ventures, partnerships, limited liability and other fund structures should be aggregated by issuer as if the securities are held directly. Likewise, where joint venture real estate is mortgaged by the insurer, both the mortgage and the joint venture real estate should be considered as part of a single exposure. Tenant exposure is not included. For bonds and unaffiliated preferred stock, aggregations should be done first for classes 2 through 6. After the 10 largest issuer exposures are chosen, any NAIC 1 bonds or NAIC 1 unaffiliated preferred stock, from any of these issuers should be included before doubling the risk-based capital. For some companies, following the above steps may generate less than 10 "issuer" exposures. These companies should list all available exposures.

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

The book/adjusted carrying value of each asset is listed in Column (2).

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COMMON STOCK CONCENTRATION FACTOR

LR011

Basis of Factors

The purpose of the common stock concentration factor is to reflect the additional risk of high concentrations in a single exposure of common stock. The common stock concentration factor increases by 50% the risk-based capital factor for the five largest common stock exposures. The 50% increase was chosen by comparing the total variance of particular holdings of common stock to the portion of the variance that can be explained by movements of the overall stock market. The risk-based capital of the assets included in the unaffiliated common stock concentration factor has already been counted once in the basic formula; the common stock concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the common stock concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The five largest common stock exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance ~~and investment subsidiaries~~. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand-alone" basis.

The five largest holdings should exclude common stock in the FHLB, investment companies (mutual funds) and common trust funds, that are diversified with the meaning of the Investment Company Act, and affiliated investments other than investments in non-insurance subsidiaries. For non-insurance subsidiaries, i.e., those with affiliate code 3 on LR044 (the portion of holding companies in excess of indirect subsidiaries) and those with affiliate code 9 (other subsidiaries), the total stock investment including both preferred and common stock should be used.

Replicated assets in the nature of common stock other than synthetically created indices should be included in the common stock concentration calculation in the same manner as other investments in common stock.

Assets should be aggregated by issuer before determining the five largest exposures.

The book/adjusted carrying value of each asset is listed in Column (2).

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

LR031

Basis of Factors

The purpose of the formula is to estimate the risk-based capital levels required to manage losses that can be caused by a series of catastrophic financial events. However, it is remote that all such losses will occur simultaneously. The covariance adjustment states that the combined effect of the C–1o, C-1cs, C–2 and C–3 and a portion of the C-4 risks are not equal to their sum but are equal to the square root calculation described below. It is statistically assumed that the C–1o risk and a portion of the C–3 risk are correlated, while the C-1cs risk, the C–2 risk, the balance of the C-3 risk and a portion of the C-4 risk are independent of both. The split of the C-3 and C-4 risks allows for general consistency with the health RBC formula. This assumption provides a reasonable approximation of the capital requirements needed at any particular level of losses.

The covariance formula is applied on Line (69) on LR031 before adding operational risk and Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII:

RBC after Covariance Before Operational Risk = C0 + C4a + Square Root of $[(C1o + C3a)^2 + (C\text{-}1cs + C\text{-}3c)^2 + (C2)^2 + (C3b)^2 + C4b)^2]$

Operational Risk:
Operational risk is defined as the risk of financial loss resulting from operational events, such as the inadequacy or failure of internal systems, personnel, procedures or controls, as well as external events. Operational risk includes legal risk but excludes reputational risk and risk arising from strategic decisions. Operational risk has been identified as a risk that should be explicitly addressed in the RBC formulas. The Operational Risk charge is intended to account for operational risks that are not already reflected in existing risk categories.

A Gross Operational Risk charge will be reported on Line (70) using a percentage of RBC or "add-on" approach that will apply a risk factor of 3.00% to the amount reported in Line (69) – Total RBC after Covariance Before Operational Risk reported on page LR031. The result will represent an initial value of operational risk. Because the current C-4a risk charge is assumed to include some operational risk, a company's C-4a – Post Tax reported on Line (65) is offset against operational risk. A further reduction to the operational risk charge equal to the sum of the C-4a offset amounts reported by direct life RBC filing insurance subsidiaries (Page LR031, Lines (65 + 71)), adjusted for the percentage of ownership in the direct life insurance subsidiary, will be reported on Page LR031 in Line (71).

Net Operational risk after C-4a offset is reported on Line (72), but not less than zero.

Total RBC After Covariance including Operational Risk will be reported in Line (74) as the sum of lines (69), (72) and (73) - Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII as described below.

Authorized Control Level Risk-Based Capital is 50% of the sum of items A plus B plus C where:

"A" equals C-0 plus the C–4a risk-based capital and the square root of the sum of the C–1o and C–3a risk-based capital squared, the C-1cs and C-3c risk-based capital squared, the C–2 risk-based capital squared, the C-3b risk-based capital squared and the C-4b risk-based capital squared as reported on Line (69) and,

"B" equals the amount of operational risk after C-4a offset as reported on Line (72) and

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"C" equals the greater of zero and the amount of Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two on Line (73).

The intent of this addend is to produce a dollar for dollar increase in the Authorized Control Level for the total of the AG 48 Primary Security shortfall. This Authorized Control Level increase for the amount of Primary Security shortfall applies to all insurers and all cessions of Covered Policies as defined in AG 48, that do not fall within an exemption set forth in AG 48, regardless of whether a state may have chosen to waive all or part of AG 48. For example, if a cession is of Covered Policies and no exemption is available under the terms of AG 48 for a particular insurer or transaction, but a state nevertheless determines that the insurer or Appointed Actuary will not be required to comply in full with the Guideline, then for RBC a computation of shortfall, if any, will still be required and an increase to Authorized Control Level for any such shortfall will still apply.

The information reported should be consistent with the information that will be included in Part 2B, Column 19, of the annual statement Supplemental Term and Universal Life Insurance Reinsurance Exhibit.

Mandatory Control Level Risk-Based Capital is 70% of Authorized Control Level Risk-Based Capital.

Specific Instructions for Application of the Formula

All amounts reflected for the calculation of Authorized Control Level Risk-Based Capital will be calculated automatically by the software.

In recognition of the exclusion of the carrying value of **Directly and Indirectly Owned** Alien Insurance **Affiliates/**Subsidiaries ~~**Other**~~ from Total Adjusted Capital, the carrying value of these entities is also to be excluded from the calculation of C-0 risk-based capital.

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CALCULATION OF TOTAL ADJUSTED CAPITAL

(Including Total Adjusted Capital Tax Sensitivity Test)
LR033

Lines (6), (7) and (9)
The source for subsidiary amounts should be reported from the subsidiaries' annual statements. These amounts should be adjusted by percentage of ownership before entering. All U.S. life, property and casualty ~~**and investment**~~ subsidiaries should be included. An adjustment to reduce the Total Adjusted Capital for the carrying value of **Directly and Indirectly Owned** Alien Insurance **Affiliates/**Subsidiaries ~~**Other**~~ should be made for the parent company on Line (9).

Lines (11.1) through (11.4)
These lines calculate the credit to Total Adjusted Capital for the insurer's qualifying capital notes. The calculation on Line (11.2) limits the credit for capital notes so the total amount of capital and surplus notes included in Total Adjusted Capital is not more than one-half of Total Adjusted Capital from other sources. This is equivalent to a limit of one-third of Total Adjusted Capital from all sources, including the capital and surplus notes themselves.

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Line (12)
Line (12) should include all XXX/AXXX reinsurance RBC shortfalls as reported in LR037 XXX/AXXX Captive Reinsurance Consolidated Exhibit Column (10) Line (10).

Lines (13) through (17)
The tax sensitivity test provides a "what if" scenario eliminating deferred tax assets and deferred tax liabilities from the calculation of Total Adjusted Capital. The sensitivity test has no effect on the risk-based capital amounts reported in the annual statement.

Line (14)
Include only the admitted portion of the deferred tax asset.

Line (16)
Line (16) should include only the admitted portion of deferred tax assets for insurance subsidiaries that are subject to RBC.

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XXX/AXXX REINSURANCE PRIMARY SECURITY SHORTFALL BY CESSION

LR036

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Column 7 – Primary Security Shortfall

For a given cession the Column 7 Primary Security Shortfall equals the greater of (a) zero and (b) Column 5 Required Level of Primary Security less Column 6 Primary Security and Remediation Adjustments. The total for line (9999999) will be doubled and added to line (**6873**) of LR031 Calculation of Authorized Control Level Risk-Based Capital. The adjustment will result in a dollar for dollar increase in Authorized Control Level for the total of all primary security shortfalls.

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SENSITIVITY TESTS

LR038, LR039 and LR040

The sensitivity tests provide a "what if" scenario recalculating Authorized Control Level RBC or Total Adjusted Capital using a specified alternative for a particular factor in the formula.

The amounts reported in the sensitivity tests will be an actual recalculation of the Authorized Control Level RBC and Total Adjusted Surplus. If a company does not have any of these specified items, the amounts reported will be the same as the Authorized Control Level RBC and Total Adjusted Surplus as originally calculated.

Other affiliates, noncontrolled assets, guarantees for affiliates, contingent liabilities, long-term leases and interest swaps reported elsewhere will automatically trigger recalculations of the RBC Authorized Control Level. Companies who own lower-tier subsidiaries should enter the referenced amounts from the subsidiaries' LRBC report or annual statement times the percent of ownership.

Affiliated investments owned by the company, other than preferred and common stock, should be reported on Line (7.1). Companies owning lower-tier subsidiaries should report the referenced amounts from the subsidiaries' annual statement multiplied by the percent of ownership on Line (7.2).

Surplus notes reported on Page 3 should be reported where indicated. Companies who own lower-tier subsidiaries should report the referenced amounts from the subsidiaries' annual statement times percent of ownership (as defined in the affiliated stock section).

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Current year capital contributions are reported on Page 4, Line 50.1 and Line 51.1. This amount should be reported where indicated. Companies who own lower-tier subsidiaries should report the referenced amounts from the subsidiaries' annual statement multiplied by the percent of ownership.

The amounts reported on this page for subsidiaries should include only those subsidiaries that are subject to a "look through" risk-based capital calculation (i.e., insurance ~~and investment~~ subsidiaries). Other subsidiaries have a fixed RBC factor and therefore, have no impact on the sensitivity tests.

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AFFILIATED/SUBSIDIARY STOCKS

LR042, LR043 and LR044

Basis of Factors

There are ~~ten~~nine categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements for common stock and preferred stock holdings. Those nine ~~ten~~ categories are:

1. Directly Owned U.S. Insurance Affiliates/Subsidiaries Subject to a Risk-Based Capital (RBC)-Look-Through Calculation
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries Subject to RBC-Look-Through Calculation
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries

~~4. Investment Subsidiaries~~

~~5.~~4. Directly Owned Alien Insurance Affiliates/Subsidiaries
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company

~~6.~~5. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company

~~7.~~6. Investments in Upstream Affiliate (Parent)

~~8.~~7. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Health Insurance Companies and Health Entities Not Subject to RBC
    b. Property and Casualty Insurance Companies Not Subject to RBC
    c. Life Insurance Companies Not Subject to RBC

~~9.~~8. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Entities with a capital requirement imposed by a regulatory body
    b. Other Financial Entities without regulatory capital requirements
    c. Non-financial entities

~~10.~~9. Publicly Traded Insurance Affiliates/Subsidiaries Held at Market Value

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Enter applicable items for each affiliate/subsidiary in the Details for Affiliated/Subsidiary Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be cross-checked and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line ~~0999999~~ 0899999 plus Line ~~18999991~~699999.

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. ~~Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer.~~ Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

Directly owned insurance and health entity affiliates/subsidiaries are affiliates/subsidiaries in which the reporting company owns the stock of the affiliate/subsidiary. Indirectly owned insurance affiliates/subsidiaries and health entities are those where the reporting company owns stock in a holding company, which in turn owns the stock of the insurance affiliate/subsidiary or health entity. Note that there could be multiple holding companies that control the downstream insurance company.

Enter the book/adjusted carrying value of: the common stock in Column (5), the preferred stock in Column (7), the total outstanding common stock in Column (6) and the total outstanding preferred stock of that affiliate/subsidiary in Column (8) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred stock and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

Insurance Affiliate/Subsidiaries that are Subject to RBC

1. Directly Owned U.S. Affiliates/Subsidiaries:

The risk-based capital requirement for the reporting company for those insurance affiliates/subsidiaries that are subject to a risk-based capital requirement is based on the Total Risk-Based Capital After Covariance of the affiliate/subsidiary, prorated for the percent of ownership of that affiliate/subsidiary.
For purposes of Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

a. For a Health affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (~~XR024~~XR025, Line (~~41~~40));
b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (~~60~~59)); and
c. For a Life affiliate/subsidiary RBC filing, the sum of
    (a) Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (69); and
    (b) Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (73)).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted. The value reported in annual statement Schedule D, Part 6, Section 1 should be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted carrying value for RBC purposes, in order to appropriately balance the numerator with the addition of the denominator value. Enter the carrying value of the insurer as an additional amount in line (8) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

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Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraph 8.b. as the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in *SSAP No. 68—Business Combinations and Goodwill*. For those insurance Affiliates/Subsidiaries of the reporting company that are reported under the equity method, the C_0 charge of the ownership of the common and preferred stock in these Affiliates/Subsidiaries is limited to the lesser of:

- (a) the Total RBC After Covariance of the affiliate/subsidiary times the percentage of ownership, which is the total of common stock and preferred stock; or
- (b) the common and preferred stock book/adjusted carrying value at which the affiliate/subsidiary is carried.

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, paragraph 8.a.): See ~~10~~ 9below.

2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries

For Indirectly Owned U.S. Insurance Affiliates/Subsidiaries, the carrying value and RBC is calculated in the same manner as for directly owned U.S. Insurance Affiliates/Subsidiaries. The RBC for the indirect affiliates/subsidiaries must be calculated prior to completing this RBC report.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned RBC filer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an RBC filer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC requirement of indirectly owned RBC filing affiliate/subsidiary company. This involves drilling down to the first RBC filing insurance affiliate/subsidiary and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both RBC and carrying value of the RBC filer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (8) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value for each indirect insurance affiliate/subsidiary is established based on company records using the statutory value of the insurer as reported in the NAIC annual financial statement blank submitted by the affiliate/subsidiary or market value when applicable, and the RBC requirement as determined in its RBC Report adjusted for the ownership percentages (both the percentage of the indirectly owned RBC filing affiliate/subsidiary that is owned by the directly held downstream holding company and the reporting insurer's ownership percentage in that downstream entity). The value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis.

3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries**:**

The carrying value of a U.S. Insurance Affiliate/Subsidiary that is subject to RBC is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance affiliate/subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each RBC filing insurer and each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The remaining value of the directly held holding company is then subject to a charge that is calculated in accordance with the instructions for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries as specified in the RBC formula. If the holding company is not admitted, report the excess carrying value as zero and the corresponding RBC charge will also be zero. If a negative excess value for the downstream holding company results from removing the value of U.S. RBC filing insurers from the downstream holding company's reported value, then the value of that holding company will be floored at zero and the corresponding RBC charge will also be zero.

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The following hypothetical Balance Sheet indicates the view of a Holding Company - Holder, Inc. which is 100% owned by MEGA Life Insurance Company (it assumes that the value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis):

	Balance Sheet Holder, Inc. 12/31/XXXX				
Cm Stk:	ABC Life Company	10,000,000		Long Term Debt	5,000,000
	XYZ Casualty Company	15,000,000		Other Liabilities	2,000,000
	ANH Health Company	3,000,000			
	Other Common Stock	17,000,000		Total Liabilities	7,000,000
	Cash	7,000,000			
	Other Assets	5,000,000		Equity	50,000,000
	Total Assets	57,000,000		Total Liabilities & Equity	57,000,000

The RBC calculation for Holder, Inc.'s value in excess of the indirectly owned insurance affiliates is as follows:

Company	Stat. Book Value	Source:
Holder, Inc.	50,000,000	MEGA Life Sch D - Part 6, Section 1
Holder, Inc. aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
Subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 30.0% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

The following table shows the LR044 entries that MEGA Life Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		LR044 Column				
		4	**5**	**6**	**9**	**10**
Affiliates/Subsidiaries	**Affiliates/Subsidiaries Type**	**100% RBC**	**Book Adjusted Carrying Value**	**Total Value of Affiliates/Subsidiaries**	**% Owned**	**RBC Required**
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	25%	1,500,000

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The risk-based capital charge for the parent insurer preparing the calculation is a 30.0% charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries as calculated in the prior example. Enter information in the appropriate columns of the worksheet, omitting those columns that do not apply (Column (3) – NAIC Company Code or Alien ID Number and Column (4) Affiliate's RBC After Covariance).

~~4. Investment Subsidiaries~~

~~An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term "investment subsidiary" is defined in the NAIC's *Annual Statement Instructions* as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.~~
~~Report information regarding any investment subsidiaries. Subsidiaries reported in this section will be assigned an affiliate code of "4" for investment subsidiaries. The amount of reported common stock should be the same as Schedule D, Part 6, Section 1, Line 1699999. Preferred stock information should be the same as Schedule D, Part 6, Section 1, Line 0799999.~~

Affiliates/Subsidiaries that are Not Subject to RBC

~~5.~~4. Directly Owned Alien Insurance Affiliates/Subsidiaries

For purposes of this formula, the risk-based capital of each alien insurance affiliate/subsidiary is zero. Report information for any non-U.S. insurance affiliate/subsidiary, both life and property and casualty.
For each affiliate/subsidiary, report the name and alien insurer identification number. For purposes of this formula, the statement value of common and preferred stock and the total outstanding value of common and preferred stock for alien insurance affiliates/subsidiaries should be entered as zero. Companies reported in this section will be assigned an affiliate/subsidiary code of **"~~4~~5"** for alien insurers.
For each affiliate/subsidiary, enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line ~~1499999~~1399999**.** If no value is reported in the Total Value of Affiliate's/Subsidiary's common and preferred stock columns (6) and (8), the program will assume 100% ownership.

~~6.~~5. Indirectly Owned Alien Insurance Affiliates/Subsidiaries

Consistent with the treatment of Directly Owned Alien Insurance Subsidiaries / Affiliates, for purposes of this formula, the carrying value and risk-based capital charge of each alien insurance affiliate is zero.
For each affiliate/Subsidiary enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,

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- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Lines ~~1499999~~ 1399999 and 0599999. If no value is reported in the Total Value of Affiliate's/Subsidiary's Common and preferred stock columns (6) and (8), the program will assume 100% ownership.

~~7.~~6. Investment in Upstream Affiliate (Parent)

The pre-tax Risk-Based Capital (RBC) for an investment in an upstream parent is 30.0% of the book/adjusted carrying value of the common and preferred stock, regardless of whether that upstream parent is subject to RBC. Report the appropriate information from Schedule D, Part 6, Section 1, Lines 0199999 and ~~1099999~~ 0999999 in Columns (1) through (~~6~~10).

For each affiliate, enter the following information:

- Company Name,
- Affiliate Type,
- NAIC Company Code,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock.

~~8~~7. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC

a. Health Insurance Companies and Health Entities Not Subject to RBC
b. Property and Casualty Insurance Companies Not Subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
c. Life Insurance Companies Not Subject to RBC, such as life insurance affiliate/subsidiary exempted from RBC

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute, regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula Investment is 0.300 times the book/adjusted carrying value of the common and preferred stock.

~~9.~~ 8. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC

a. Financial entities with a capital requirement imposed by a regulatory body (e.g. a bank)
b. Other financial entities without regulatory capital requirements
c. Other non-financial entities

The risk-based capital for entity types a, b, and c. is 0.300 times the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurance Affiliates/Subsidiaries Not Subject to RBC is "~~9~~8." Reported amounts use Schedule D, part 6, Schedule 1, Line ~~0899999~~0799999, and Line ~~1799999~~ 1599999 as the basis of reporting.

~~10.~~ 9. Publicly Traded Insurance Affiliates/Subsidiaries Held at Market Value

The risk-based capital for a publicly traded insurance affiliate/subsidiary held at market value after any "discount," is calculated in two parts. First, calculate and report the risk-based capital of the affiliate/subsidiary according to the relevant instructions above for Insurance Affiliates/Subsidiaries that are Subject to a RBC-look-through Calculation. Second, calculate the additional risk-based capital charge as 34.6% pre-tax of any excess of the market (statement) value over the book value of the affiliate/subsidiary. The result of the second calculation will be added to the C-1o component.

Report information regarding any publicly traded insurance affiliate/subsidiary held at market value. The reported market value of common stock should be the same as shown Schedule D, Part 2, Section 2, Column 7, Line 5919999999 plus Line 5929999999. The market value of preferred stock should be the same as shown in Schedule D, Part 2, Section 1, Column 8,

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line 4319999999 plus 4329999999. The reported book value of common stock should be the same as shown in Schedule D, Part 2, Section 2, Column 5, Line 5919999999 plus Line 5929999999. The reported book value of preferred stock should be the same as Schedule D, Part 2, Section 1, Column 6, Line 4319999999 plus 4329999999.

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AFFILIATED STOCKS
PR003 – PR005

There are ~~nine~~ eight categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirement for common stock and preferred stock holdings. Those ~~nine~~ eight categories are:

1. Directly Owned U.S. Insurance Affiliates/Subsidiaries Subject to a Risk-Based Capital (RBC)-Look-Through Calculation
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries Subject to RBC-Look-Through Calculation
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company
3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries

~~4. Investment Subsidiaries~~

~~5.~~4. Directly Owned Alien Insurance Affiliates/Subsidiaries
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company

~~6.~~5. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
    a. Health Insurance Company or Health Entity
    b. Property and Casualty Insurance Company
    c. Life Insurance Company

~~7.~~6. Investments in Upstream Affiliate (Parent)

~~8.~~7. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Health Insurance Companies or Health Entities Not Subject to RBC
    b. Property and Casualty Insurance Companies Not Subject to RBC
    c. Life Insurance Companies Not Subject to RBC

~~9.~~8. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Entities with a capital requirement imposed by a regulatory body
    b. Other financial entities without regulatory capital requirements
    c. Other non-financial entities

Enter applicable items for each affiliate/subsidiary in the Details for Affiliated Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be cross-checked and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line ~~0999999~~ 0899999 plus Line ~~1899999~~1699999.

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Affiliated/Subsidiary investments fall primarily into two broad categories: (a) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (b) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. A third category of Affiliates/Subsidiaries, publicly traded insurance affiliates/subsidiaries held at market value, has characteristics of both broader categories. As a result, it has a two-part RBC calculation. The general treatment for each is explained below.

Directly owned insurance and health entity affiliates/subsidiaries are affiliates/subsidiaries in which the reporting company owns the stock of the affiliate/subsidiary. Indirectly owned insurance affiliates/subsidiaries and health entities are those where the reporting company owns stock in a holding company, which in turn owns the stock of the insurance affiliate/subsidiary or health entity. Note that there could be multiple holding companies that control the downstream insurance company.

Enter the book/adjusted carrying value of: the common stock in Column (5), the preferred stock in Column (9), the total outstanding common stock in Column (7) and the total outstanding preferred stock of that affiliate/subsidiary in Column (10) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

Insurance Affiliates/Subsidiaries that are Subject to RBC

1. Directly Owned U.S. Affiliates/Subsidiaries:

The risk-based capital requirement for the reporting company for those insurance affiliates/subsidiaries that are subject to a risk-based capital requirement is based on the Total Risk-Based Capital After Covariance of the subsidiary, prorated for the percent of ownership of that affiliate/subsidiary.

For purposes of Affiliate/Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

a. For a Health affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (XR025, Line (~~41~~40).
b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (~~60~~59).
c. For a Life affiliate/subsidiary RBC filing, the sum of
    i. Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (69); and
    ii. Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (73).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of a directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted for financial reporting purposes. The value reported in annual statement Schedule D, Part 6, Section 1 will be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted capital for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (12) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraph 8.b. as the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in *SSAP No. 68—Business Combinations and Goodwill*. For those insurance Affiliates/Subsidiaries of the reporting company that are reported under the equity method, the R_0 charge of the ownership of the common and preferred stock in these Affiliates/Subsidiaries is limited to the lesser of:

- (a) the Total RBC After Covariance of the affiliate/subsidiary times the percentage of ownership, which is the total of common stock and preferred stock; or
- (b) the common and preferred stock book/adjusted carrying value at which the affiliate/subsidiary is carried

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, paragraph 8.a.): If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The prorated portion is the percentage of ownership of the total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the R_0 component of the reporting company. Normally, the common and preferred stock book/adjusted carrying value of the affiliate/subsidiary exceeds the prorated portion of the larger of its statutory surplus and its RBC after covariance an additional charge is applied to R_2 . The additional charge to the R_2 component is the larger of a) 22.5% of the affiliate/subsidiary's common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus or b) the prorated portion of the affiliate/subsidiary's RBC after covariance in excess of the prorated portion of its statutory surplus. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of its RBC after covariance, but greater than the prorated portion of its statutory surplus, 100% of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the

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reporting company's R_2 component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiaries' s statutory surplus, there is no addition to the R_2 component.

2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries

For Indirectly Owned U.S. Insurance Affiliates/Subsidiaries, the carrying value and RBC is calculated in the same manner as for directly owned U.S. Insurance Affiliates/Subsidiaries. The RBC for the indirect affiliates/subsidiaries must be calculated prior to completing this RBC report.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned RBC filer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an RBC filer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC requirement of indirectly owned RBC filing affiliate/subsidiary companies. This involves drilling down to the first RBC filing insurance affiliate/subsidiary and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both RBC and carrying value of the RBC filer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (12) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value for each indirect insurance affiliate/subsidiary is established based on company records using the statutory value of the insurer as reported in the NAIC annual financial statement blank submitted by the affiliate/subsidiary or market value when applicable, and the RBC requirement as determined in its RBC Report adjusted for the ownership percentages (both the percentage of the indirectly owned RBC filing affiliate/subsidiary that is owned by the directly held downstream holding company and the reporting insurer's ownership percentage in that downstream entity). The value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis.

3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries

The carrying value of a U.S. Insurance Affiliate/Subsidiary that is subject to RBC is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each RBC filing insurer and each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The remaining value of the directly held holding company is then subject to a charge that is calculated in accordance with the instructions for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries as specified in the RBC formula. If the holding company is not admitted, report the excess carrying value as zero and the corresponding RBC charge will also be zero. If a negative excess value for the downstream holding company results from removing the value of U.S. RBC filing insurers from the downstream holding company's reported value, then the value of that holding company will be floored at zero and the corresponding RBC charge will also be zero.

The following hypothetical Balance Sheet indicates the view of a Holding Company - Holder, Inc. which is 100% owned by MEGA P&C Insurance Company (it assumes that the value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis):

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	Balance Sheet Holder, Inc. 12/31/XXXX				
Cm Stk:	ABC Life Company	10,000,000		Long Term Debt	5,000,000
	XYZ Casualty Company	15,000,000		Other Liabilities	2,000,000
	ANH Health Company	3,000,000			
	Other Common Stock	17,000,000		Total Liabilities	7,000,000
	Cash	7,000,000			
	Other Assets	5,000,000		Equity	50,000,000
	Total Assets	57,000,000		Total Liabilities & Equity	57,000,000

The RBC calculation for Holder, Inc.'s value in excess of the indirectly owned insurance affiliates/subsidiaries is as follows:

Company	**Stat. Book value**	**Source:**
Holder, Inc.	50,000,000	MEGA P&C Sch D - Part 6, Section 1
Holder, Inc. Aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 22.5% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

The following table shows the PR003 entries that MEGA P&C Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance Affiliates/subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these affiliates/subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		PR003 Column					
		4	5	7	8	9	13
Affiliates/Subsidiaries	Affiliates/Subsidiaries Type	100% RBC	Book Adjusted Carrying Value	Total Value of Affiliates/Subsidiaries	Statutory Surplus of Affiliates/Subsidiaries	% Owned	RBC Required
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	12,000,000	25%	1,500,000

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The risk-based capital charge for the parent insurer preparing the calculation is a 22.5% charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries as calculated in the prior example. Enter information in the appropriate columns of the worksheet, omitting those columns that do not apply (Column (3) – NAIC Company Code or Alien ID Number and Column (4) Affiliate's RBC After Covariance).

Affiliates/Subsidiaries that are Not Subject to RBC

~~4. Investment Subsidiaries~~

~~An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term investment subsidiary is defined in the annual statement instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. The risk-based capital for an investment in an investment subsidiary is 22.5% of the carrying value of the common and preferred stock.~~

~~5.~~4. Directly Owned Alien Insurance Affiliates/Subsidiaries

For purposes of this formula, the Risk-Based Capital (RBC) of each directly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company's interest in the affiliate multiplied by 0.500. Enter information for any non-U.S. insurance affiliate/subsidiary: life, property and casualty, and health insurers.
For each affiliate/subsidiary, enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line ~~1499999~~ 1399999 plus Line 0599999. If no value is reported in the Total Value of Affiliate's common and preferred stock columns (7) and (10), the program will assume 100% ownership.

~~6.~~5. Indirectly Owned Alien Insurance Affiliates/Subsidiaries

For Indirectly Owned Alien. Insurance Affiliates/Subsidiaries, the carrying value and RBC charge is calculated in a similar manner as for directly owned Alien Insurance Affiliates/Subsidiaries.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned Alien insurers may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an Alien insurer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC charge that would be imposed had the alien insurance affiliate/subsidiary companies been directly held by the reporting insurer. This involves looking down to the first alien insurer affiliate/subsidiary, unless there is an RBC filer in between and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both the RBC charge and carrying value of the alien insurer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (12) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value of an alien insurance Affiliate/Subsidiary is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each non-U.S. insurer in order to determine the remaining excess value of the holding company.

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The RBC charge to be applied to each indirectly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company's interest in the affiliate/subsidiary multiplied by 0.500 and adjusted to reflect the reporting company's ownership on the holding company. For example, assume NEWBIE Insurance Company acquired 100% shares of Holder (a holding company), and Holder owns an Alien Life Insurance Company, which represents 50% of the book adjusted carrying value of Holder. If Holder has a book adjusted carrying value of $20,000,000, NEWBIE Insurance Company would enter $10,000,000 (1/2 of $20,000,000) as the carrying value of the Alien Life Insurance Company and the RBC charge for the indirect ownership of the alien insurance affiliate/subsidiary would be $5,000,000 (0.500 times $10,000,000). The risk-based capital charge for the parent insurer preparing the calculation is a 22.5% charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

PR003 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	10,000,000	5,000,000
Holder Holding Company	3	10,000,000	2,250,000

If NEWBIE Insurance Company only acquired 50% shares of Holder, NEWBIE Insurance Company would enter $5,000,000 (50% of 1/2 of $20,000,000) as the carrying value of the Alien Life Insurance Company and the RBC charge for the indirect ownership of the Alien insurance affiliate/subsidiary would be $2,500,000 (0.500 times $5,000,000). Enter information for any indirectly owned alien insurance subsidiaries.

PR003 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	5,000,000	2,500,000
Holder Holding Company	3	5,000,000	1,125,000

For each affiliate/subsidiary enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line ~~1499999~~ 1399999 plus Line 0599999. If no value is reported in the Total Value of Affiliate's common and preferred stock columns (7) and (10), the program will assume 100% ownership.

~~7.~~6. Investment in Upstream Affiliate (Parent)

The Risk-Based Capital (RBC) for an investment in an upstream parent is 22.5% of the book/adjusted carrying value of the common and preferred stock, regardless of whether that upstream parent is subject to RBC. Report the appropriate information from Schedule D, Part 6, Section 1, Lines 0199999 and ~~1099999~~ 0999999 in Columns (1) through (10).

For each affiliate, enter the following information:

- Company Name,
- Affiliate Type Code,
- NAIC Company Code,
- Book Adjusted carrying value of common stock
- Book Adjusted carrying value of preferred stock,
- Total Outstanding value of common and preferred stock.

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~~8.~~7. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC

a. Health Insurance Companies and Health Entities Not Subject to RBC
b. Property and Casualty Insurance Companies Not Subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
c. Life Insurance Companies Not Subject to RBC, such as life insurance subsidiary exempted from RBC

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula is 22.5% of the book/adjusted carrying value of the common and preferred stock.

~~9.~~8. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC

a. Financial entities with a capital requirement imposed by a regulatory body (e.g., a bank)
b. Other financial entities without regulatory capital requirements
c. Other Non-financial entities

The risk-based capital for entity types a, b, and c is 22.5% of the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurance Affiliates/Subsidiaries Not Subject to RBC is "~~9~~8". Reported amounts use Schedule D, Part 6, Section 1, Line ~~089999990~~799999, and Line ~~1799999~~ 1599999 as the basis of reporting.

Detail Eliminated To Conserve Space

PR030 - PR032 - Computation of Total Risk-Based Capital After Covariance

The components of R0, R1, R2, R3, R4, R5 and Rcat are shown on the following pages of the booklet. The covariance adjustment is used to discount the Total RBC Before Covariance because the RBC amounts for the individual R components, when simply added together, overstate the true risk. It is assumed that not all of the events for which RBC is required would occur simultaneously.

The components of the Total RBC After Covariance formula are:

R0 – Affiliated Insurance Companies and Misc. Other Amounts RBC
R1 – Fixed Income Assets RBC
R2 – Equity Assets RBC
R3 – Credit-Related Assets RBC
R4 – Underwriting Risk – Reserves RBC
R5 – Underwriting Risk – Net Written Premiums
Rcat – Catastrophe Risk

If loss reserve RBC is greater than the sum of other credit RBC and one half of reinsurance recoverable RBC, then half of reinsurance recoverable is allocated to the R4 component and half is allocated to R3. If loss reserve RBC is less than or equal to the sum of other credit RBC plus one half of reinsurance recoverable RBC, then the entire amount of reinsurance RBC is allocated to the R3 component.

To compute the Total RBC After Covariance Before Basic Operational Risk on Line (~~60~~59), the following formula is used:

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R0 + SQRT(R1^2 + R2^2 + R3^2 + R4^2 + R5^2 + Rcat^2) = Total RBC After Covariance Before Basic Operational Risk

Operational Risk:
Operational risk is defined as the risk of financial loss resulting from operational events, such as the inadequacy or failure of internal systems, personnel, procedures or controls, as well as external events. Operational risk includes legal risk but excludes reputational risk and risk arising from strategic decisions. Operational risk has been identified as a risk that should be explicitly addressed in the RBC formulas. The Operational Risk charge shall account for operational risks that are not determined to be already reflected in existing risk categories.

An operational risk charge will be reported on Page PR032 in Lines (~~61~~60) using a percentage of RBC or "add-on" approach that will apply a risk factor of 3.000% to Line (~~60~~59) - RBC after Covariance Before Basic Operational Risk. A further reduction to the operational risk charge equal to the sum of C-4a offset amounts reported by direct Life RBC filing insurance subsidiaries on their Page LR031, Lines (65) + (71), adjusted for the percentage of ownership in the direct life insurance subsidiary, will be reported in Line (~~63~~61), and the net Basic Operational Risk charge will be reported on Page PR032 in Line (~~64~~62), but not to produce a charge that is less than zero.

Total RBC After Covariance including Basic Operational Risk will be reported in Line (~~64~~63) as the sum of lines (~~60~~59) and (~~63~~62).

The Authorized Control Level RBC, which is reported in the Five-Year Historical Exhibit on Line 29 along with Total Adjusted Capital, is one-half of the Total RBC After Covariance including Operational Risk.

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

#REF!

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

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

#REF!

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

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

#REF!

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=		
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=		
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=		
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=		
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=		
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=		
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=		†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=		
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12)		X	0.1575	=		
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)		X	0.1575	=		
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)		X	0.1575	=		
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)		X	0.1575	=		
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)		X	0.1575	=		
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)		X	0.2100	=		
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)		X	0.2100	=		†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)		X	0.2100	=		
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)		X	0.1575	=		
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)		X	0.1575	=		
(081)	BA Common Stock Affiliated	LR008 Other Long-Term Assets Column (5) Line (50.3)		X	0.2100	=		
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (51)		X	0.1575	=		
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (53.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		X	0.2100	=		
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X	0.2100	=		†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (56)		X	0.2100	=		
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (12)		X	0.1575	=		
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (16)		X	0.1575	=		
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (20)		X	0.1575	=		
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X	0.2100	=		†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (23)		X	0.2100	=		
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page		X	0.1575	=		
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X	0.1575	=		
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X	0.1575	=		
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X	0.1575	=		
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X	0.1575	=		
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X	0.1575	=		
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X	0.1575	=		
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X	0.1575	=		
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X	0.2100	=		
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X	0.2100	=		†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X	0.2100	=		

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

#REF!

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	~~Investment Affiliates~~ ~~Intentionally Left Blank~~	~~LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)~~ XXX	XXX	~~X~~	~~0.21~~ XXX	=	XXX	
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)		X	0.2100	=		
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)		X	0.2100	=		
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)		X	0.2100	=		
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)		X	0.2100	=		
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)		X	0.2100	=		
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)		X	0.2100	=		
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)		X	0.2100	=		
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)		X	0.2100	=		
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)		X	0.2100	=		
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)		X	0.2100	=		
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)		X	0.2100	=		
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)		X	0.0000	=		
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)		X	0.0000	=		
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)+(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)						
	Common Stock							
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual							
(127)	Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (49) - Line (45)		X	0.2100	=		
(128)	Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) Line (45)		X	0.2100	=		
(129)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=		
(130)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)		X	0.1575	=		
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)		X	0.1575	=		
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)		X	0.2100	=		
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)		X	0.2100	=		
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)						
	Insurance Risk							
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)		X	0.2100	=		

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)		X	0.2100	=	
(137)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (5)		X	0.2100	=	
(138)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (12)		X	0.2100	=	
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)		X	0.2100	=	
(139)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)		X	0.2100	=	
(140)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)		X	0.0000	=	
(141)	Total C-2 Risk	L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))^2 + L(138b)^2 + 2 * (Correlation Factor) * (L(137) + L(138)) * L(138b)]]					
(142)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)		X	0.2100	=	
(143)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)		X	0.0000	=	
(144)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)		X	0.2100	=	
(145)	Business Risk	LR029 Business Risk Column (2) Line (40)		X	0.2100	=	
(146)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)		X	0.0000	=	
(147)	Total Tax Effect	Lines (110) + (122) + (134) + (141) +(142) + (143) + (144) + (145) + (146)					

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	
(2)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	
(3)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	
(4)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	
(6)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	
(7)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	
(8)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)	
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)	
(12)	Net (C-0) - Post-Tax	Line (10) - Line (11)	
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	
(14)	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (49) - (45)	
(15)	Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (45)	
(16)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	
(17)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	
(18)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	
(19)	Total (C-1cs) - Pre-Tax	Sum of Lines (13) through (18)	
(20)	(C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (134)	
(21)	Net (C-1cs) - Post-Tax	Line (19) - Line (20)	
	Asset Risk - All Other (C-1o)		
(22)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	
(23)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	
(24)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	
(25)	~~Investment Affiliates~~ Intentionally Left Blank	~~LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)~~	XXX
(26)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (**15**)	
(27)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (**16**)	
(28)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (**17**)	
(29)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (**18**)	
(30)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (**22**)	
(31)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	

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

		Source	(1) RBC Requirement
(32)	Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	
(33)	Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	
(34)	Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	
(35)	Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	
(36)	Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (57) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	
(37)	Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (24)	
(38)	Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) Grand Total Page	
(39)	Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	
(40)	Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	
(41)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	
(42)	Total (C-1o) - Pre-Tax	Sum of Lines (22) through (41)	
(43)	(C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (110)	
(44)	Net (C-1o) - Post-Tax	Line (42) - Line (43)	
	Insurance Risk (C-2)		
(45)	Individual and Industrial Life Insurance	LR025 Life Insurance Column (2) Line (5)	
(46)	Group and Credit Life Insurance and FEGI/SGLI	LR025 Life Insurance Column (2) Line (12)	
(46b)	Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	
(47)	Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	
(48)	Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	
(49)	Total (C-2) - Pre-Tax	L(47) + L(48) + Greatest of [Guardrail Factor * (L(45)+L(46)), Guardrail Factor * L(46b), Square Root of [$(L(45) + L(46))^2 + L(46b)^2 + 2$ * (Correlation Factor) * (L(45) + L(46)) * L(46b)]]	
(50)	(C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
(51)	Net (C-2) - Post-Tax	Line (49) - Line (50)	
	Interest Rate Risk (C-3a)		
(52)	Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	
(53)	(C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
(54)	Net (C-3a) - Post-Tax	Line (52) - Line (53)	
	Health Credit Risk (C-3b)		
(55)	Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	
(56)	(C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	
(57)	Net (C-3b) - Post-Tax	Line (55) - Line (56)	
	Market Risk (C-3c)		
(58)	Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	
(59)	(C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	
(60)	Net (C-3c) - Post-Tax	Line (58) - Line (59)	

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

		Source	(1) RBC Requirement
	Business Risk (C-4a)		
(61)	Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	
(62)	Liability Component	LR029 Business Risk Column (2) Line (39)	
(63)	Subtotal Business Risk (C-4a) - Pre-Tax	Lines (61) + (62)	
(64)	(C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (145)	
(65)	Net (C-4a) - Post-Tax	Line (63) - Line (64)	
	Business Risk (C-4b)		
(66)	Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	
(67)	(C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (146)	
(68)	Net (C-4b) - Post-Tax	Line (66) - Line (67)	
	Total Risk-Based Capital After Covariance Before Basic Operational Risk		
(69)	C-0 + C-4a + Square Root of [(C-1o + C-3a)² + (C-1cs + C-3c)² + (C-2)² + (C-3b)² + (C-4b)²]	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE L(12)+L(65) + Square Root of [(L(44) + L(54))² + (L(21) + L(60))² + L(51)² + L(57)² + L(68)²]	
(70)	Gross Basic Operational Risk	0.03 x L(69)	
(71)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(72)	Net Basic Operational Risk	Line (70) - (Line (65) + Line (71)) (Not less than zero)	
(73)	Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII Multiplied by 2	LR036 XXX/AXXX Reinsurance Primary Security Shortfall by Cession Column (7) Line (9999999) Multiplied by 2	
(74)	Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied by 2)	Line (69) + Line (72) + Line (73)	
	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)		
(75)	Total Risk-Based Capital After Covariance Times Fifty Percent	Line (74) x 0.50	
	Tax Sensitivity Test		
(78)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	L(10)+L(63) + Square Root of [(L(42) + L(52))² + (L(19) + L(58))² + L(49)² + L(55)² + L(66)²]	
(77)	Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (76) x 0.50	

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CALCULATION OF TOTAL ADJUSTED CAPITAL
(Including Total Adjusted Capital Tax Sensitivity Test)

		Annual Statement Source	(1) Statement Value		Factor		(2) Adjusted Capital
	Company Amounts						
(1)	Capital and Surplus	Page 3 Column 1 Line 38	$0	X	1.000	=	$0
(2)	Asset Valuation Reserve	Page 3 Column 1 Line 24.01 §	$0	X	1.000	=	$0
(3)	Dividends Apportioned for Payment	Page 3 Column 1 Line 6.1, in part	$0	X	0.500	=	$0
(4)	Dividends Not Yet Apportioned	Page 3 Column 1 Line 6.2, in part	$0	X	0.500	=	$0
(5)	Hedging Fair Value Adjustment	Company Records	$0	X	-1.000	=	$0
	Life Subsidiary Company Amounts†						
(6)	Asset Valuation Reserve	Subsidiaries' Annual Statement Page 3 Column 1 Line 24.01‡ §	$0	X	1.000	=	$0
(7)	Dividend Liability	Subsidiaries' Annual Statement Page 3 Column 1 Line 6.1 + Line 6.2‡	$0	X	0.500	=	$0
(8)	Carrying Value of Non-Admitted Insurance Affiliates	Included in LR044 Columns 5 and 7	$0	X	1.000	=	$0
	Property and Casualty and Other Non-U.S. Affiliated Amounts						
(9)	Non-Tabular discount and/or **Directly and Indirectly Owned** Alien Insurance **Affiliates/** Subsidiaries~~-Other~~	Included in Subsidiaries' Annual Statement Page 3 Column 1 Line 1 + 3‡ and/or Schedule D Part 6, Section 1 Column 6 Line 0599999 and Line **1399999**, in part	$0	X	1.000	=	$0
(10)	Total Adjusted Capital Before Capital Notes	Sum of Lines (1) through (8) less Line (9)	$0				$0
	Credit for Capital Notes						
(11.1)	Surplus Notes	Page 3 Column 1 Line 32	$0				
(11.2)	Limitation on Capital Notes	0.5 x [Line (10) - Line (11.1)] - Line (11.1), but not less than 0	$0				
(11.3)	Capital Notes Before Limitation	LR032 Capital Notes Before Limitation Column (4) Line (18)	$0				
(11.4)	Credit for Capital Notes	Lesser of Column (1) Line (11.2) or Line (11.3)					$0
(12)	XXX/AXXX Reinsurance RBC Shortfall	LR037 XXX/AXXX Captive Reinsurance Consolidated Exhibit Column (10) Line (10)					$0
(13)	Total Adjusted Capital	Line (10) + Line (11.4) - Line (12)					$0
	Tax Sensitivity Test						
	Company Amounts						
(14)	Deferred Tax Asset (DTA) Value	Page 2 Column 3 Line 18.2	$0	X	-1.000	=	$0
(15)	Deferred Tax Liability (DTL) Value	Page 3 Column 1 Line 15.2	$0	X	1.000	=	$0
	Subsidiary Amounts						
(16)	Deferred Tax Asset (DTA) Value	Company Records	$0	X	-1.000	=	$0
(17)	Deferred Tax Liability (DTL) Value	Company Records	$0	X	1.000	=	$0
(18)	Tax Sensitivity Test: Total Adjusted Capital	Line (13)+(14)+(15)+(16)+(17)					$0
	Ex DTA ACL RBC Ratio Sensitivity Test						
(19)	Deferred Tax Asset-Company Amounts	Page 2 Column 3 Line 18.2	$0	X	1.000	=	$0
(20)	Total Adjusted Capital Less Deferred Tax Asset Amounts	Line (13) less Line (19)					$0
(21)	Authorized Control Level RBC	LR034 Risk-Based Capital Level of Action Line (4)	$0	X	1.000	=	$0
(22)	Ex DTA ACL RBC Ratio	Line (20) / Line (21)					0.000%

† Including subsidiaries owned by holding companies.
‡ Multiply statement value by percent of ownership.
§ The portion of the AVR that can be counted as capital is limited to the amount not utilized in asset adequacy testing in support of the Actuarial Opinion for reserves.

LR033

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ADDITIONAL INFORMATION REQUIRED

#REF!

			(1)
		Source	Statement Value
(1.2)	Other Affiliates: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR042 Summary for Affiliated Investments Column (1) Lines (19), (20) and (21); Property and Casualty Risk-Based Capital PR005 Summary For Subsidiary, Controlled and Affiliated Investments for Cross-Checking Statement Values Column (1) Line (7) and Line (15)	
(2.2)	Noncontrolled Assets: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR017 Off-Balance Sheet and Other Items Column (1) Line (15); Property and Casualty PR014 Miscellaneous Off-Balance Sheet Items Column (1) Line (15)	
(3.2)	Guarantees for Affiliates: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A3c1; Property and Casualty Notes to Financial Statements #14A3c1	
(4.2)	Contingent Liabilities: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A1; Property and Casualty Notes to Financial Statements #14A1	
(5.2)	Long Term Leases: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #15A2a1; Property and Casualty Notes to Financial Statements #15A2a1	
(7.11)	Total Affiliated Investments: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 49	
(7.12)	Less Affiliated Common Stock: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 46	
(7.13)	Less Affiliated Preferred Stock: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 45	
(7.14)	Net Affiliated Investments: Company	Lines (7.11) - (7.12) - (7.13)	
(7.2)	Affiliated Investments: Subsidiaries	Subsidiaries' Life Annual Statement Five-Year Historical Data Column 1 Line 49 Less Lines 45 and 46; Property and Casualty Annual Statement Five-Year Historical Data Column 1 Line 47 Less Lines 43 and 44	
(9.1)	Surplus Notes: Company	Company's Annual Statement Page 3 Column 1 Line 32	
(9.2)	Surplus Notes: Subsidiaries	Subsidiaries' Life Annual Statement Page 3 Column 1 Line 32; Property and Casualty Annual Statement Page 3 Column 1 Line 33	
(10.11)	Capital Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 50.1	
(10.12)	Surplus Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 51.1	
(10.13)	Total Current Year's Capital Contributions: Company	Line (10.11) + Line (10.12)	
(10.2)	Current Year's Capital Contributions: Subsidiaries	Subsidiaries' Life Annual Statement Page 4 Column 1 Lines 50.1 + 51.1; Property and Casualty Annual Statement Page 4 Column 1 Lines 32.1 + 33.1	
(11.1)	Total Residual Tranches or Interests	Company's Annual Statement Asset Valuation Reserve, Equity and Other Invested Asset Component, Column 1, Line I13	

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CROSS-CHECKING FOR AFFILIATED/SUBSIDIARY STOCKS

Affiliated Preferred Stock

	Schedule D Part 6 Section 1 Type	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock†	(2) Total from Life and Fraternal Risk-Based Capital Report‡	(3) Difference
(1)	Parent	0199999			
(2)	U.S. Property and Casualty Insurer	0299999			
(3)	U.S. Life Insurer	0399999			
(4)	U.S. Health Entity	0499999			
(5)	Alien Insurer	0599999			
(6)	Non-Insurer Which Controls Insurer	0699999			
(7)	~~Investment Subsidiary~~ Intentionally Left Blank	~~0799999~~ XXX	XXX	XXX	XXX
(8)	Other Affiliates	0799999			
(9)	Total (Sum of Lines (1) through (8))				

Affiliated Common Stock

	Schedule D Part 6 Section 1 Type	Annual Statement Line Number	(1) Annual Statement Total Common Stock†	(2) Total from Life and Fraternal Risk-Based Capital Report§	(3) Difference
(10)	Parent	0999999			
(11)	U.S. Property and Casualty Insurer	1099999			
(12)	U.S. Life Insurer	1199999			
(13)	U.S. Health Entity	1299999			
(14)	Alien Insurer	1399999			
(15)	Non-Insurer Which Controls Insurer	1499999			
~~(16)~~	~~Investment Subsidiary~~ Intentionally Left Blank	~~1699999~~ XXX	XXX	XXX	XXX
(17)	Other Affiliates	1599999			
(18)	Total (Sum of Lines (10) through (17))				

† Column (1) Lines (1) through (8) and (10) through (17) come from Schedule D Part 6 Section 1 Column 6 of the annual statement.
‡ Column (2) Lines (1) through (8) come from LR044 Details for Affiliated Investments Column (7).
§ Column (2) Lines (10) through (17) come from LR044 Details for Affiliated Investments Column (5).

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Company Name

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DETAILS FOR AFFILIATED/SUBSIDIARY STOCKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Name of Affiliate	Affiliate Code (1 to **9**)	NAIC Company Code or Alien ID† Number†	Affiliate's RBC After Covariance‡; LR031, Lines (69)+(73), PR032, Line (**59**), XR025, Line (**40**)	Book / Adjusted Carrying Value of Affiliate's Common Stock	Total Value of Affiliate's Outstanding Common Stock	Book / Adjusted Carrying Value of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned	RBC Requirement*
(00000011)				$0	$0	$0	$0	$0	100.000%	$0
(00000021)				$0	$0	$0	$0	$0	100.000%	$0
(00000031)				$0	$0	$0	$0	$0	100.000%	$0
(00000041)				$0	$0	$0	$0	$0	100.000%	$0
(00000051)				$0	$0	$0	$0	$0	100.000%	$0
(00000061)				$0	$0	$0	$0	$0	100.000%	$0
(00000071)				$0	$0	$0	$0	$0	100.000%	$0
(00000081)				$0	$0	$0	$0	$0	100.000%	$0
(00000091)				$0	$0	$0	$0	$0	100.000%	$0
(00000101)				$0	$0	$0	$0	$0	100.000%	$0
(00000111)				$0	$0	$0	$0	$0	100.000%	$0
(00000121)				$0	$0	$0	$0	$0	100.000%	$0
(00000131)				$0	$0	$0	$0	$0	100.000%	$0
(00000141)				$0	$0	$0	$0	$0	100.000%	$0
(00000151)				$0	$0	$0	$0	$0	100.000%	$0
(00000161)				$0	$0	$0	$0	$0	100.000%	$0
(00000171)				$0	$0	$0	$0	$0	100.000%	$0
(00000181)				$0	$0	$0	$0	$0	100.000%	$0
(00000191)				$0	$0	$0	$0	$0	100.000%	$0
(00000201)				$0	$0	$0	$0	$0	100.000%	$0
(00000211)				$0	$0	$0	$0	$0	100.000%	$0
(00000221)				$0	$0	$0	$0	$0	100.000%	$0
(00000231)				$0	$0	$0	$0	$0	100.000%	$0
(00000241)				$0	$0	$0	$0	$0	100.000%	$0
(00000251)				$0	$0	$0	$0	$0	100.000%	$0
(00000261)				$0	$0	$0	$0	$0	100.000%	$0
(00000271)				$0	$0	$0	$0	$0	100.000%	$0
(00000281)				$0	$0	$0	$0	$0	100.000%	$0
(00000291)				$0	$0	$0	$0	$0	100.000%	$0
(00000301)				$0	$0	$0	$0	$0	100.000%	$0
(00000311)				$0	$0	$0	$0	$0	100.000%	$0
(00000321)				$0	$0	$0	$0	$0	100.000%	$0
(00000331)				$0	$0	$0	$0	$0	100.000%	$0
(00000341)				$0	$0	$0	$0	$0	100.000%	$0
(00000351)				$0	$0	$0	$0	$0	100.000%	$0
(00000361)				$0	$0	$0	$0	$0	100.000%	$0
(00000371)				$0	$0	$0	$0	$0	100.000%	$0
(00000381)				$0	$0	$0	$0	$0	100.000%	$0
(00000391)				$0	$0	$0	$0	$0	100.000%	$0
(00000401)				$0	$0	$0	$0	$0	100.000%	$0
(00000411)				$0	$0	$0	$0	$0	100.000%	$0
(00000421)				$0	$0	$0	$0	$0	100.000%	$0
(00000431)				$0	$0	$0	$0	$0	100.000%	$0
(00000441)				$0	$0	$0	$0	$0	100.000%	$0
(00000451)				$0	$0	$0	$0	$0	100.000%	$0
(00000461)				$0	$0	$0	$0	$0	100.000%	$0
(00000471)				$0	$0	$0	$0	$0	100.000%	$0
(00000481)				$0	$0	$0	$0	$0	100.000%	$0
(00000491)				$0	$0	$0	$0	$0	100.000%	$0
(00000501)				$0	$0	$0	$0	$0	100.000%	$0
(00000511)				$0	$0	$0	$0	$0	100.000%	$0
(00000521)				$0	$0	$0	$0	$0	100.000%	$0
(00000531)				$0	$0	$0	$0	$0	100.000%	$0
(00000541)				$0	$0	$0	$0	$0	100.000%	$0
(00000551)				$0	$0	$0	$0	$0	100.000%	$0
(00000561)				$0	$0	$0	$0	$0	100.000%	$0
(00000571)				$0	$0	$0	$0	$0	100.000%	$0
(00000581)				$0	$0	$0	$0	$0	100.000%	$0
(00000591)				$0	$0	$0	$0	$0	100.000%	$0
(00000601)				$0	$0	$0	$0	$0	100.000%	$0
(00000611)				$0	$0	$0	$0	$0	100.000%	$0
(00000621)				$0	$0	$0	$0	$0	100.000%	$0
(00000631)				$0	$0	$0	$0	$0	100.000%	$0
(00000641)				$0	$0	$0	$0	$0	100.000%	$0
(00000651)				$0	$0	$0	$0	$0	100.000%	$0
(00000661)				$0	$0	$0	$0	$0	100.000%	$0
(00000671)				$0	$0	$0	$0	$0	100.000%	$0
(00000681)				$0	$0	$0	$0	$0	100.000%	$0
(00000691)				$0	$0	$0	$0	$0	100.000%	$0
(00000701)				$0	$0	$0	$0	$0	100.000%	$0
(00000711)				$0	$0	$0	$0	$0	100.000%	$0
(00000721)				$0	$0	$0	$0	$0	100.000%	$0
(00000731)				$0	$0	$0	$0	$0	100.000%	$0
(00000741)				$0	$0	$0	$0	$0	100.000%	$0
(00000751)				$0	$0	$0	$0	$0	100.000%	$0
(00000761)				$0	$0	$0	$0	$0	100.000%	$0
(00000771)				$0	$0	$0	$0	$0	100.000%	$0
(00000781)				$0	$0	$0	$0	$0	100.000%	$0
(00000791)				$0	$0	$0	$0	$0	100.000%	$0
(00000801)				$0	$0	$0	$0	$0	100.000%	$0
(00000811)				$0	$0	$0	$0	$0	100.000%	$0
(00000821)				$0	$0	$0	$0	$0	100.000%	$0
(00000831)				$0	$0	$0	$0	$0	100.000%	$0
(00000841)				$0	$0	$0	$0	$0	100.000%	$0
(00000851)				$0	$0	$0	$0	$0	100.000%	$0
(00000861)				$0	$0	$0	$0	$0	100.000%	$0
(00000871)				$0	$0	$0	$0	$0	100.000%	$0
(00000881)				$0	$0	$0	$0	$0	100.000%	$0
(00000891)				$0	$0	$0	$0	$0	100.000%	$0
(00000901)				$0	$0	$0	$0	$0	100.000%	$0
(00000911)				$0	$0	$0	$0	$0	100.000%	$0
(00000921)				$0	$0	$0	$0	$0	100.000%	$0
(00000931)				$0	$0	$0	$0	$0	100.000%	$0
(00000941)				$0	$0	$0	$0	$0	100.000%	$0
(00000951)				$0	$0	$0	$0	$0	100.000%	$0
(00000961)				$0	$0	$0	$0	$0	100.000%	$0
(00000971)				$0	$0	$0	$0	$0	100.000%	$0
(00000981)				$0	$0	$0	$0	$0	100.000%	$0
(00000991)				$0	$0	$0	$0	$0	100.000%	$0
(00001001)				$0	$0	$0	$0	$0	100.000%	$0
(9999999)	Total	xxxxx	xxxxx	$0	$0	xxxxx	$0	xxxxx	xxxxx	$0

† If applicable.
‡ If applicable. For Canadian life subsidiaries, the Minimum Continuing Capital and Surplus Requirement (MCCSR) should be used.
* The RBC Requirement column is calculated on a pre-tax basis.

LR044

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Company Name | Confidential when Completed | NAIC Company Code

SUMMARY FOR AFFILIATED/SUBSIDIARY STOCKS

			(1)	(2)	(3)			(4)	
	Affiliate Type	Affiliate Code	Book / Adjusted Carrying Value	Book Value †	Difference Col. (1) - (2)	RBC Basis		RBC Requirement	Number of Companies
(1)	Directly Owned Health Insurance Companies or Health Entities	1a		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79			
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79			
(3)	Directly Owned Life Insurance Affiliates	1c		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79			
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79			
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	2b		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79			
(6)	Indirectly Owned Life Insurance Affiliates	2c		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79			
(7)	Holding Company in Excess of Indirect Subs	3		XXX	XXX	X	0.300 =		
(8)	~~Investment Subsidiary~~ Intentionally Left Blank	~~4~~ XXX	XXX	XXX	XXX	~~Subsidiaries' Total Risk-Based Capital After Covariance / 0.79~~ XXX		XXX	XXX
(9)	Directly Owned Alien Health Insurance Companies or Health Entities	4a		XXX	XXX	X	1.000 =		
(10)	Directly Owned Alien Property and Casualty Insurance Affiliates	4b		XXX	XXX	X	1.000 =		
(11)	Directly Owned Alien Life Insurance Affiliates	4c		XXX	XXX	X	1.000 =		
(12)	Indirectly Owned Alien Health Insurance Companies or Health Entities	5a		XXX	XXX	X	1.000 =		
(13)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	5b		XXX	XXX	X	1.000 =		
(14)	Indirectly Owned Alien Life Insurance Affiliates	5c		XXX	XXX	X	1.000 =		
(15)	Investment in Upstream Affiliate (Parent)	6		XXX	XXX	X	0.300 =		
(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	7a		XXX	XXX	X	0.300 =		
(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	7b		XXX	XXX	X	0.300 =		
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	7c		XXX	XXX	X	0.300 =		
(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	8a		XXX	XXX	X	0.300 =		
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	8b		XXX	XXX	X	0.300 =		
(21)	Other Non-financial Entities	8c		XXX	XXX	X	0.300 =		
(22)	Publicly Traded Insurance Affiliates	9				X	0.346 =		
(23)	Total (Sum of Lines (1) through (22))	XXX		XXX		XXX			

† If different than book / adjusted carrying value.

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

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DETAILS FOR AFFILIATED STOCKS

	(1) Name of Affiliate	(2) Affil Type	(3) NAIC Company Code or Alien ID Number	(4) Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (40) PR032 Line (59) LR031 Line (69) + (73)	(5) Book/Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	(6) Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	(7) Total Value of Affiliate's Outstanding Common Stock	(8) Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	(9) Book/Adjusted Carrying Value (Statement Value) of Affiliate's Preferred Stock	(10) Total Value of Affiliate's Outstanding Preferred Stock	(11) Percent Owned *	(12) RBC Required	(13) Market Value Excess Component Affiliated Stocks RBC Required (H1 Component)
(01)													
(02)													
(03)													
(04)													
(05)													
(06)													
(07)													
(08)													
(09)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													
(9999999)	Total	XXX	XXX			XXX					XXX		

Denotes items that must be manually entered on filing software.

Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through
Indirectly owned insurance affiliate not subject to RBC will be included Category 4

* Only applies to Affiliate Type 1 and 2

Column 12 Formula

```
=ROUND(MAX(0,IF(OR(D6="",D6=3,D6=6,D6="7a",D6="7b",D6="7c",D6="8a",D6="8b",D6="8c"),0.3*(G6+K6),IF(OR(D6="4a",D6="4b",D6="4c",D6="5a",D6="5b",D6="5c"),1*(G6+K6),IF(OR(D6="1a",D6="1b",D6="1c",D6="2a",D6="2b",D6="2c"),IF(H6="M",MAX(0,MIN(J6,F6*M6)),MIN(F6*M6,G6+K6))))))
```


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SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS

	Affiliate Type	Type Code	Basis	(1) Number of Companies	(2) Total RBC Required
(1)	Directly Owned Health Insurance Companies or Health Entities	1a	Sub's RBC After Covariance		
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b	Sub's RBC After Covariance		
(3)	Directly Owned Life Insurance Affiliates	1c	Sub's RBC After Covariance		
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a	Sub's RBC After Covariance		
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	2b	Sub's RBC After Covariance		
(6)	Indirectly Owned Life Insurance Affiliates	2c	Sub's RBC After Covariance		
(7)	Holding Company in Excess of Indirect Subs	3	0.300		
~~(8)~~	~~Investment Subsidiary~~	~~4~~	~~0.300~~		
(8)	Directly Owned Alien Health Insurance Companies or Health Entities	**4a**	1.000		
(9)	Directly Owned Alien Property and Casualty Insurance Affiliates	**4b**	1.000		
(10)	Directly Owned Alien Life Insurance Affiliates	**4c**	1.000		
(11)	Indirectly Owned Alien Health Insurance Companies or Health Entities	**5a**	1.000		
(12)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	**5b**	1.000		
(13)	Indirectly Owned Alien Life Insurance Affiliates	**5c**	1.000		
(14)	Investment in Upstream Affiliate (Parent)	**6**	0.300		
(15)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	**7a**	0.300		
(16)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	**7b**	0.300		
(17)	Directly Owned Life Insurance Companies Not Subject to RBC	**7c**	0.300		
(18)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	**8a**	0.300		
(19)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	**8b**	0.300		
(20)	Other Non-Financial Entities	**8c**	0.300		
(21)	Total				

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SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS FOR CROSS-CHECKING STATEMENT VALUES

	Affiliated Preferred Stock Schedule D Part 6 Section 1 C6	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock	(2) Total From RBC Report	(3) Difference
(1)	Parent	0199999			
(2)	U.S. P&C Insurer	0299999			
(3)	U.S. Life Insurer	0399999			
(4)	U.S. Health Insurer	0499999			
(5)	Alien Insurer	0599999			
(6)	Non-Insurer Which Controls Insurer	0699999			
~~(7)~~	~~Investment Subsidiary~~	~~0799999~~			
(7)	Other Affiliates	**0799999**			
(8)	Subtotal	**0899999**			

	Affiliated Common Stock Schedule D Part 6 Section 1 C6	Annual Statement Line Number	(1) Annual Statement Total Common Stock	(2) Total From RBC Report	(3) Difference
(9)	Parent	**0999999**			
(10)	U.S. P&C Insurer	**1099999**			
(11)	U.S. Life Insurer	**1199999**			
(12)	U.S.Health Insurer	**1299999**			
(13)	Alien Insurer	**1399999**			
(14)	Non-Insurer Which Controls Insurer	**1499999**			
~~(16)~~	~~Investment Subsidiary~~	~~1699999~~			
(15)	Other Affiliates	**1599999**			
(16)	Subtotal	**1699999**			

XR004

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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 **(8) + (9) + (10)**	
(9)	Affiliated Alien Insurers - Indirectly Owned	XR003, Affiliates Page, Column (2), Line **(11) + (12) + (13)**	
(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)~~	
(12)	Investment in Upstream Affiliate (Parent)	XR003, Affiliates Page, Column (2), Line **(14)**	
(13)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	XR003, Affiliates Page, Column (2), Line **(15)**	
(14)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line **(16)**	
(15)	Directly Owned Life Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line **(17)**	
(16)	Affiliated Non-Insurer	XR003, Affiliates Page, Column (2), Line **(18) + (19) + (20)**	
(17)	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 **(26)**	
(18)	Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)	
(19)	Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)	
(20)	Unaffiliated Common Stock & Market Value Excess Affiliated Stocks	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13)	
(21)	Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)	
(22)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line **(26)**	
(23)	Total H1	Sum Lines (11) through **(22)**	
H2 - UNDERWRITING RISK			
(24)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)	
(25)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line (25.3)	
(26)	Disability Income	XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3)	
(27)	Long-Term Care	XR016, Underwriting Risk Page, Line (41)	
(28)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)	
(29)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line (45)	
(30)	Total H2	Sum Lines **(24)** through **(29)**	

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

XR024

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CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) RBC Amount
H3 - CREDIT RISK			
(31)	Total Reinsurance RBC	XR020, Credit Risk Page, Line (17)	
(32)	Intermediaries Credit Risk RBC	XR020, Credit Risk Page, Line (24)	
(33)	Total Other Receivables RBC	XR021, Credit Risk Page, Line (30)	
(34)	Total H3	Sum Lines **(31)** through **(33)**	
H4 - BUSINESS RISK			
(35)	Administrative Expense RBC	XR022, Business Risk Page, Line (7)	
(36)	Non-Underwritten and Limited Risk Business RBC	XR022, Business Risk Page, Line (11)	
(37)	Premiums Subject to Guaranty Fund Assessments	XR022, Business Risk Page, Line (12)	
(38)	Excessive Growth RBC	XR022, Business Risk Page, Line (19)	
(39)	Total H4	Sum Lines **(35)** through **(38)**	
(40)	RBC after Covariance Before Basic Operational Risk	H0 + Square Root of ($H1^2 + H2^2 + H3^2 + H4^2$)	
(41)	Basic Operational Risk	0.030 x Line **(40)**	
(42)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(43)	Net Basic Operational Risk	Line **(41)** - **(42)** (not less than zero)	
(44)	RBC After Covariance Including Basic Operational Risk	Lines **(40)** + **(43)**	
(45)	Authorized Control Level RBC	.50 x Line **(44)**	

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=ROUND(MAX(0,IF(OR(D8="",D8=3,D8=6,D8="7a",D8="7b",D8="7c",D8="8a",D8="8b",D8="8c"),0.225*(G8+K8),IF(OR(D8="4a",D8="4b",D8="4c",D8="5a",D8="5b",D8="5c"),0.5*(G8+K8),IF(OR(D8="1a",D8="1b",D8="1c",D8="2a",D8="2b",D8="2c"),IF(H8="M",MAX(0,MIN(J8,F8*M8)),MIN(F8*M8,G8+K8))))),0)

DETAILS FOR AFFILIATED STOCKS PR003

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Name of Affiliate	Affil Type	NAIC Company Code or Alien ID Number	Affiliate's RBC After Covariance before Basic Operational Risk LR031 L(69) + L(73) PR032 L(59) XR025 L(40)	Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	Valuation Basis of Column (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned*	RBC Required	Market Value Excess Component Affiliate Stocks RBC Required (R2 Component)
0000001											0.000%	0	0
0000002											0.000%	0	0
0000003											0.000%	0	0
0000004											0.000%	0	0
0000005											0.000%	0	0
0000006											0.000%	0	0
0000007											0.000%	0	0
0000008											0.000%	0	0
0000009											0.000%	0	0
0000010											0.000%	0	0
0000011											0.000%	0	0
0000012											0.000%	0	0
0000013											0.000%	0	0
0000014											0.000%	0	0
0000015											0.000%	0	0
0000016											0.000%	0	0
0000017											0.000%	0	0
0000018											0.000%	0	0
0000019											0.000%	0	0
0000020											0.000%	0	0
0000021											0.000%	0	0
0000022											0.000%	0	0
0000023											0.000%	0	0
0000024											0.000%	0	0
0000025											0.000%	0	0
0000026											0.000%	0	0
0000027											0.000%	0	0
0000028											0.000%	0	0
0000029											0.000%	0	0
0000030											0.000%	0	0
0000031											0.000%	0	0
0000032											0.000%	0	0
0000033											0.000%	0	0
0000034											0.000%	0	0
0000035											0.000%	0	0
0000036											0.000%	0	0
0000037											0.000%	0	0
0000038											0.000%	0	0
0000039											0.000%	0	0
0000040											0.000%	0	0
0000041											0.000%	0	0
0000042											0.000%	0	0
0000043											0.000%	0	0
0000044											0.000%	0	0
0000045											0.000%	0	0
0000046											0.000%	0	0
0000047											0.000%	0	0
0000048											0.000%	0	0
0000049											0.000%	0	0
0000050											0.000%	0	0
(9999999)	Total	XXX	XXX	0	0	XXX	0	0	0	0	XXX	0	0

Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through
Indirectly owned insurance affiliate not subject to RBC will be included Category 4

* Only applies to Affiliate Type 1 and 2.

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

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SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

	Affiliate Types	Affil Code	RBC Basis	(1) Number of Companies	(2) Total RBC Required
(1)	Directly Owned Health Insurance Companies or Health Entities	1a	Sub's RBC After Covariance	0	0
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b	Sub's RBC After Covariance	0	0
(3)	Directly Owned Life Insurance Affiliates	1c	Sub's RBC After Covariance	0	0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a	Sub's RBC After Covariance	0	0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	2b	Sub's RBC After Covariance	0	0
(6)	Indirectly Owned Life Insurance Affiliates	2c	Sub's RBC After Covariance	0	0
(7)	Holding Company in Excess of Indirect Subs	3	0.225	0	0
~~(8)~~	~~Investment Subsidiary~~	~~4~~	~~0.225~~	~~0~~	~~0~~
(8)	Directly Owned Alien Health Insurance Companies or Health Entities	**4a**	0.5	0	0
(9)	Directly Owned Alien Property and Casualty Insurance Affiliates	**4b**	0.5	0	0
(10)	Directly Owned Alien Life Insurance Affiliates	**4c**	0.5	0	0
(11)	Indirectly Owned Alien Health Insurance Companies or Health Entities	**5a**	0.5	0	0
(12)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	**5b**	0.5	0	0
(13)	Indirectly Owned Alien Life Insurance Affiliates	**5c**	0.5	0	0
(14)	Investment in Upstream Affiliate (Parent)	~~6~~	0.225	0	0
(15)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	**7a**	0.225	0	0
(16)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	**7b**	0.225	0	0
(17)	Directly Owned Life Insurance Companies Not Subject to RBC	**7c**	0.225	0	0
(18)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	**8a**	0.225	0	0
(19)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	**8b**	0.225	0	0
(20)	Other Non-financial Entities	**8c**	0.225	0	0
(21)	Total			0	0

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SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS FOR CROSS-CHECKING STATEMENT VALUES PR005

	Affiliated Preferred Stock Schedule D Part 6 Section 1 C6	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock	(2) Total From RBC Report	(3) Difference
(1)	Parent	0199999	0	0	0
(2)	U.S. P&C Insurer	0299999	0	0	0
(3)	U.S. Life Insurer	0399999	0	0	0
(4)	U.S. Health Insurer	0499999	0	0	0
(5)	Alien Insurer	0599999	0	0	0
(6)	Non-Insurer Which Controls Insurer	0699999	0	0	0
~~(7)~~	~~Investment Subsidiary~~	~~0799999~~	~~0~~	~~0~~	~~0~~
(7)	Other Affiliates	**0799999**	0	0	0
(8)	Subtotal	**0899999**	0	0	0

	Affiliated Common Stock Schedule D Part 6 Section 1 C6	Annual Statement Line Number	(1) Annual Statement Total Common Stock	(2) Total From RBC Report	(3) Difference
(9)	Parent	**0999999**	0	0	0
(10)	U.S. P&C Insurer	**1099999**	0	0	0
(11)	U.S. Life Insurer	**1199999**	0	0	0
(12)	U.S. Health Insurer	**1299999**	0	0	0
(13)	Alien Insurer	**1399999**	0	0	0
(14)	Non-Insurer Which Controls Insurer	**1499999**	0	0	0
~~(15)~~	~~Investment Subsidiary~~	~~1699999~~	~~0~~	~~0~~	~~0~~
(15)	Other Affiliates	**1599999**	0	0	0
(16)	Subtotal	**1699999**	0	0	0

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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(8)+L(9)+L(10)C(2)**	0
(8)	Indirectly Owned Alien Insurance Companies or Health Entities	PR004 **L(11)+L(12)+L(13)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(6)	0
(16)	Bond Size Factor RBC	PR006 L(30)C(6)	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, WCFI, & Residual Tranches or Interests	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(18)+L(20)+L(21)C(2)	**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)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

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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~~
(27)	Common & Preferred- Affiliate Holding Company in excess of Indirect Subs	PR004 L(7)C(2)	0
(28)	Common & Preferred- Investment in **Upstream Affiliate** (Parent)	PR004 **L(14)C(2)**	0
(29)	Common & Preferred- **Directly Owned** P&C **Companies** Not Subj to RBC	PR004 **L(16)C(2)**	0
(30)	Common & Preferred- **Directly Owned** Life **Companies** Not Subj to RBC	PR004 **L(17)C(2)**	0
(31)	Common & Preferred- **Directly Owned** Health **Entities** Not Subj to RBC	PR004 **L(15)C(2)**	0
(32)	Common & Preferred- Aff'd Non-insurer	PR004 **L(18)+L(19)+L(20)C(2)**	0
(33)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	0
(34)	Total Unaffiliated Common Stock and Fair Value Excess Affiliated Stocks	PR007 L(13)C(2)+PR015 L(35)C(4)	0
(35)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(36)	Other Long -Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	0
(37)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(38)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(39)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(40)	Replication - Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(41)	Asset Concentration RBC - Equity	PR011 L(32)C(3) Grand Total Page	0
(42)	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)**	0
R3 - Asset Risk - Credit			
(43)	Other Credit RBC	PR012 L(8)-L(1)-L(2)C(2)	0
(44)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(45)	Other half of Rein Recoverables	If R4 L(**49**)>(R3 L(**43**) + R3 L(**44**)), 0, otherwise, R3 L(**44**)	0
(46)	Health Credit Risk	PR013 L(12)C(2)	0
(47)	Total R3	**L(43) + L(44) + L(45) + L(46)**	0

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Calculation of Total Risk-Based Capital After Covariance PR032 R4-Rcat

			(1)
R4 - Underwriting Risk - Reserves		**PRBC O&I Reference**	RBC Amount
(48)	One half of Reinsurance RBC	**If R4 L(49)>(R3 L(43) + R3 L(44)), R3 L(44), otherwise, 0**	0
(49)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR017 L(15)C(20)	0
(50)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	0
(51)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	0
(52)	Total R4	**L(48)+(49)+L(50)+L(51)**	0
R5 - Underwriting Risk - Net Written Premium			
(53)	Total Adjusted NWP RBC	PR018 L(15)C(20)	0
(54)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	0
(55)	Total Net Health Premium RBC	PR022 L(21)C(2)	0
(56)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	0
(57)	Total R5	**L(53)+(54)+L(55)+L(56)**	0
Rcat - Catastrophe Risk			
(58)	Total Rcat	PR027 L(5) C(1)	0
(59)	Total RBC After Covariance Before Basic Operational Risk = R0+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2+Rcat^2)		0
(60)	Basic Operational Risk = 0.030 x **L(59)**		**0**
(61)	C-4a of U.S. Life Insurance Subsidiaries (from Company records)		**0**
(62)	Net Basic Operational Risk = **Line (60) - Line (61)** (Not less than zero)		**0**
(63)	Total RBC After Covariance including Basic Operational Risk = **L(59)+ L(62)**		**0**
(64)	Authorized Control Level RBC including Basic Operational Risk = .5 x **L(63)**		0

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TREND TEST PR033

		Annual Statement Source	(1) Amount	(2) Result
	Original RBC % Before Applying Trend Test			
(1)	Authorized Control Level Risk-Based Capital Including Basic Operational Risk	**PR032, C(1) L(64)**	0	
(2)	Total Adjusted Capital	PR029, C(2) L(15)	0	
(3)	RBC %	L(2)C(1) / L(1)C(1)	0.000%	
	Combined Ratio Data			
(4)	Premiums Earned	Pg 4, Col 1, L 1	0	
(5)	Losses Incurred	Pg 4, Col 1, L 2	0	
(6)	Loss Expenses Incurred	Pg 4, Col 1, L 3	0	
(7)	Other Underwriting Expenses Incurred	Pg 4, Col 1, L 4	0	
(8)	Aggregate Write-ins for Underwriting Deductions	Pg 4, Col 1, L 5	0	
(9)	Dividends to Policyholders	Pg 4, Col 1, L 17	0	
(10)	Net Written Premiums	Pg 8, Col 6, L 35	0	
	Combined Ratio Calculation			
(11)	Loss Ratio	[Pg 4, Col 1, L 2 + Pg 4, Col 1, L 3] / Pg 4, Col 1, L 1	0.000%	
(12)	Dividend Ratio	Pg 4, Col 1, L 17 / Pg 4, Col 1, L 1	0.000%	
(13)	Expenses Ratio	[Pg 4, Col 1, L 4 + Pg 4, Col 1, L 5] / Pg 8, Col 6, L 35	0.000%	
(14)	Combined Ratio	L(11) + L(12) + L(13)	0.000%	
(15)	Trend Test Result †	If L(3) Between 200% & 300% & L(14) >120%, L(15), YES, Otherwise, NO		

†The Trend Test applies only if L(15) = YES
‡If result = YES, the company triggers regulatory attention at the Company Action Level based on the trend test.

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RBC Ratios and Impairment Risk: Are They Related and, if so, When?

NAIC Capital Adequacy (E) Task Force

March 24, 2026

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BACKGROUND

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Key Highlights From Previous Research

AUTHOR	YEAR	Title	Main Drivers of Impairment
Academy	2010	Property/Casualty Insurance Company Insolvencies	Inadequate loss reserves; inadequate pricing; rapid growth; mismanagement
CAS	2012	A Review of Historical Insurance Company Impairments	Middle-sized companies show highest impairment rates
SOA/CAS/ CIA	2018	Actuarial Review of Insurer Insolvencies and Future Preventions	Premium growth; profitability; liquidity; investment mix; leverage; RBC ratio

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Observations About Previous Studies

1. Academy and CAS studies included only P&C firms
2. SOA/CAS/CIA study included 76 firms across Life, Health, and P&C
3. None of the studies provided quantitative impacts for RBC ratios on the probability of impairment or insolvency
4. None of the studies examined all of the drivers in a multivariate analysis

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Other Relevant Research

Canadian Property and Casualty Insurance Compensation Corporation (PACICC):

- Global Failed Insurer Catalog (including Life, P&C, Composite, and Reinsurance)
- Research on Why P&C Insurers Fail

Board of Governors of the Federal Reserve System. Comparing Capital Requirements in Different Regulatory Frameworks (2019). Including a careful analysis of the relationship between RBC ratios and defaults for U.S. Life and P&C insurers.

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Definition of Impairment, from AM Best

"[S]ituations in which a company has been placed, via court order, into conservation, rehabilitation, or insolvent liquidation. Supervisory actions undertaken by state insurance department regulators without court order are not considered impairments, unless there are clear indications that policyholder payments may be delayed or otherwise limited in some manner through the regulatory oversight process."

- AM Best, 2023 U.S. Property/Casualty Impairments Update, Jan. 31, 2025, p1.

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Data

Results of matching impairment data with RBC ratio data				
	Companies with RBC data (S&P)	**Companies with impairment data (AM Best)**	**% Matched**	**% Impaired (total)**
P&C	4218	433	87%	10%
Health	2147	105	82%	5%
Life	1805	88	82%	5%
Total	**8170**	**626**	**86%**	**8%**

1. Downloaded ACL RBC ratios from 1996 to 2023 from S&P Capital IQ Pro for all life, health, and P&C insurance companies that had data for those years
2. Downloaded impairment data from AM Best Impairment Reports for all life, health, and P&C insurance companies that experienced an impairment between 2000 to 2023
3. Matched impairment and ACL RBC ratios using state of domicile and the name of the company because AM Best does not use NAIC codes
4. Results only reflect 2011-2023

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Methods

- We assessed whether a meaningful relationship exists by looking at how closely differences in RBC ratios align with differences in the likelihood of impairment. This was done by analyzing max rescaled R-squared (RSQ) values from logistic regressions as an indicator of goodness of fit.
- We selected the "best" sample for each line of insurance by optimizing RSQ and the number of impaired companies in the filtered sample.
- We calculated the estimated probability of impairment by applying the parameters estimated in the logistic regression on the "best" sample to various levels of RBC ratios.

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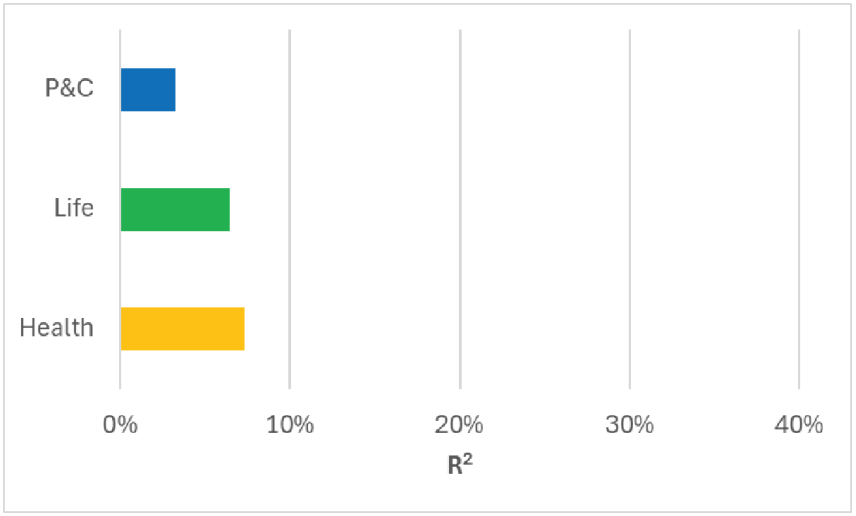
RESULTS

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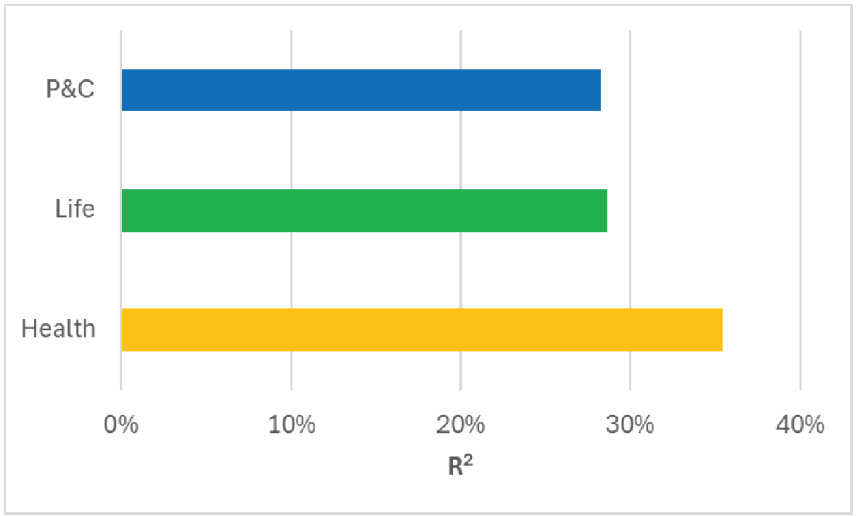
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Extent of Variation in Impairments Accounted For by ACL RBC Ratios (R^2), by Line of Business (2011-2023)

All Insurers Included:
Little correlation



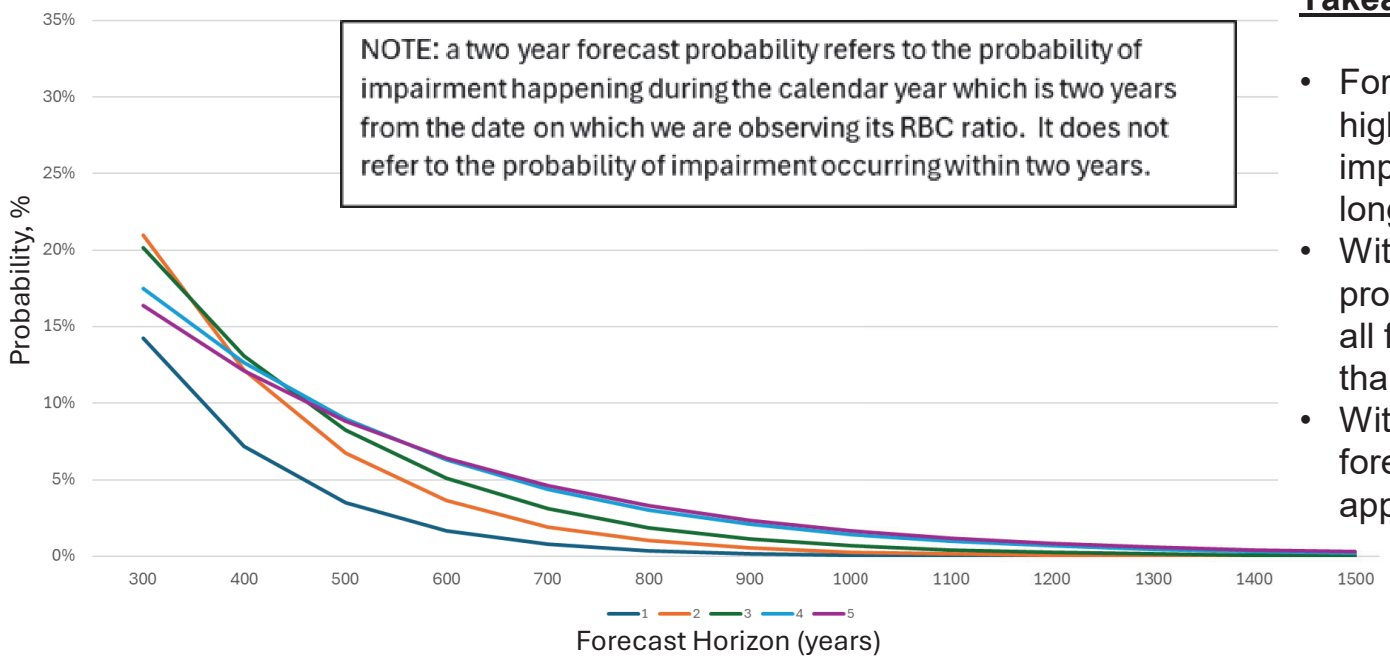
Large RBC ratios (> 1000%-1500%) and
Small size (smallest 10%)
Insurers Excluded: More correlation



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P&C Probability of Impairment (2011-2023)



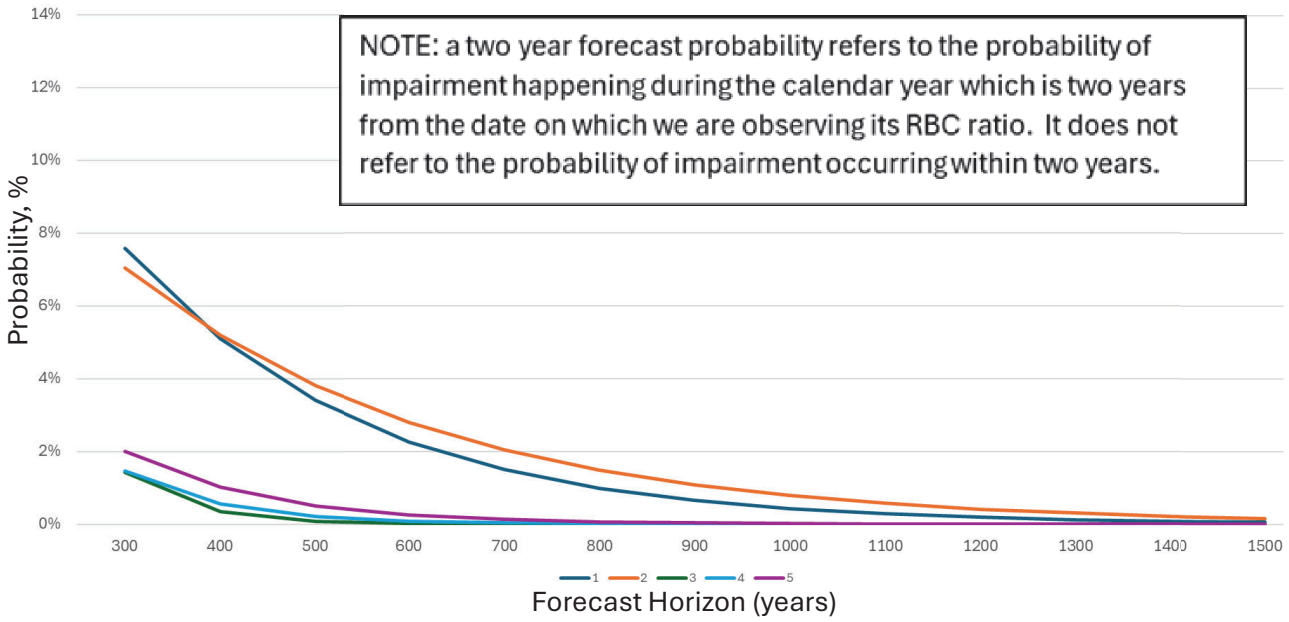
Takeaways

- For RBC ratios of 400 or higher, the probability of impairment increases the longer the forecast period
- With RBC ratios of 700, the probability of impairment for all forecast periods is less than 5%
- With RBC ratios of 1200, all forecast probabilities approach 0

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Life Probability of Impairment (2011-2023)



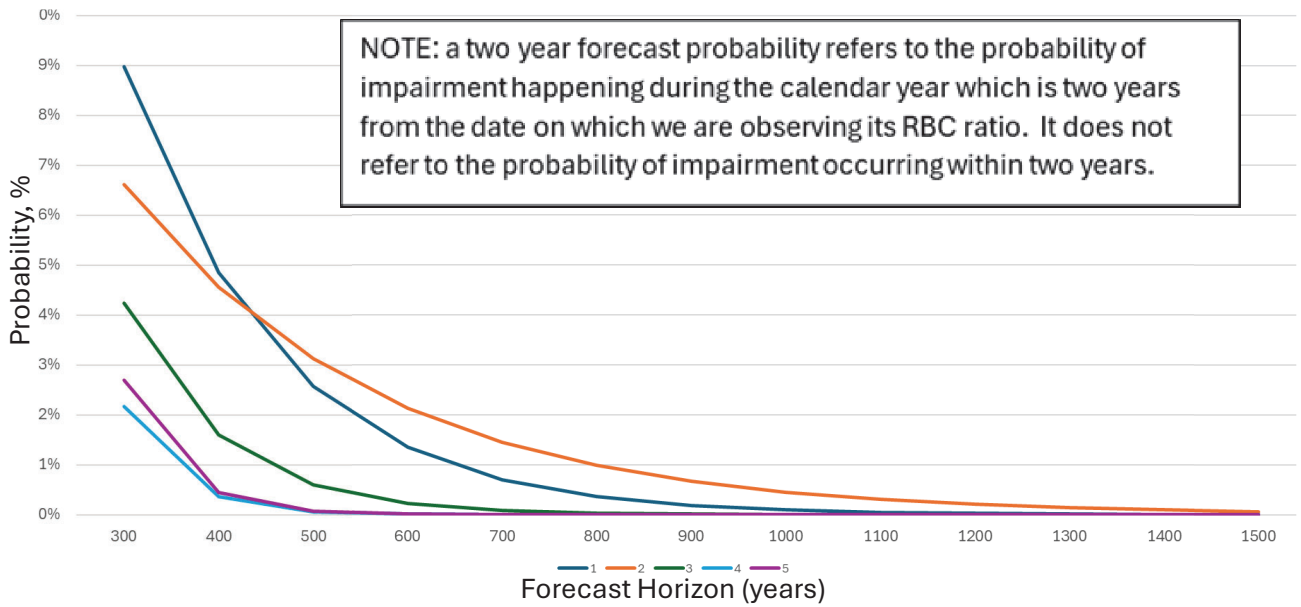
Takeaways

- Probabilities of impairment forecast are much higher in years 1-2 than 3-5
- For RBC ratios of 700+, the probability of impairment is approximately 2% or less for all forecast periods
- With RBC ratios of 1100, all forecast probabilities approach 0

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Health Probability of Impairment (2011-2023)



Takeaways

- Probabilities of impairment forecast are much higher in years 1-2 than 3-5
- For RBC ratios of 600+, the probability of impairment is approximately 2% or less for all forecast periods
- With RBC ratios of 1000, all forecast probabilities approach 0

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Probability of Impairment by RBC level and Forecast Horizon (years)

ACL RBC	P&C					Life					Health				
1500	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1400	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1300	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1200	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1100	0%	0%	0%	1%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
1000	0%	0%	1%	1%	2%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
900	0%	1%	1%	2%	2%	1%	1%	0%	0%	0%	0%	1%	0%	0%	0%
800	0%	1%	2%	3%	3%	1%	1%	0%	0%	0%	0%	1%	0%	0%	0%
700	1%	2%	3%	4%	5%	1%	2%	0%	0%	0%	1%	1%	0%	0%	0%
600	2%	4%	5%	6%	6%	2%	3%	0%	0%	0%	1%	2%	0%	0%	0%
500	3%	7%	8%	9%	9%	3%	4%	0%	0%	1%	3%	3%	1%	0%	0%
400	7%	12%	13%	13%	12%	5%	5%	0%	1%	1%	5%	5%	2%	0%	0%
300	14%	21%	20%	18%	16%	8%	7%	1%	1%	2%	9%	7%	4%	2%	3%
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5

Forecast Horizon (years)

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Key Takeaways

- RBC ratios, on their own and across all lines of insurance (P&C, Life and Health) show little meaningful relationship with impairment experience.
- Once we remove very small insurers and companies with extremely high capital levels, a much clearer and more stable predictive pattern emerges.
- In these filtered samples, RBC levels become materially less informative of impairment risk when ACL RBC ratios exceed 1000% - 1500%.

Next steps: In addition to sensitivity testing of the results presented here, the relationship between the RBC ratios and impairment risk, when accounting for other factors that are very likely to be also related, will be evaluated.

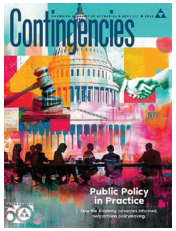
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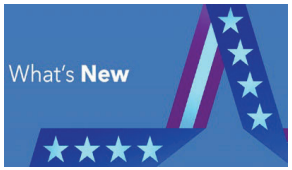
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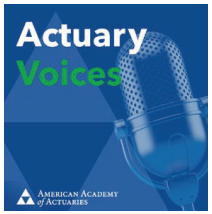
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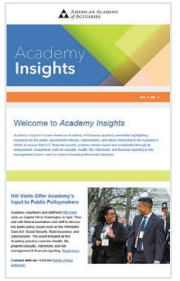
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