



Date: 3/4/25

*2025 Spring National Meeting
Indianapolis, Indiana*

LIFE RISK-BASED CAPITAL (E) WORKING GROUP

Monday, March 24, 2025

8:00 – 9:30 a.m. (following the Risk-Based Capital Investment Risk and Evaluation (E) Working Group)

JW Marriott Indianapolis—JW White River F–J—Level 1

ROLL CALL

Philip Barlow, Chair	District of Columbia	William Leung	Missouri
Ben Slutsker, Vice Chair	Minnesota	Michael Muldoon	Nebraska
Sheila Travis	Alabama	Jennifer Li	New Hampshire
Thomas Reedy	California	Seong-min Eom	New Jersey
Wanchin Chou	Connecticut	William B. Carmello	New York
Dalora Schafer	Florida	Andy Schallhorn	Oklahoma
Matt Cheung	Illinois	Rachel Hemphill	Texas
Mike Yanacheak	Iowa	Tomasz Serbinowski	Utah

NAIC Support Staff: Kazeem Okosun/Maggie Chang

AGENDA

1. Consider Adoption of its Feb. 21, 2025, and Oct. 23, 2024, Minutes
—*Philip Barlow (DC)* Attachment A
Attachment B
2. Receive Updates from its Subgroups—*Philip Barlow (DC)*
 - A. Generator of Economic Scenarios (GOES) (E/A) Subgroup
 - B. Longevity Risk (E/A) Subgroup
 - C. Variable Annuities Capital and Reserve (E/A) Subgroup
3. Receive a Referral from the GOES (E/A) Subgroup on Amendments to the
Life Risk-Based Capital (RBC) Blanks and Instructions—*Philip Barlow (DC)* Attachment C
4. Hear a Presentation from the American Academy of Actuaries (Academy)
on C-3—*Philip Barlow (DC)* Attachment D
5. Consider Exposure of Proposal 2025-04-L (Other Long-Term Assets)
(LR008)—*Philip Barlow (DC)* Attachment E
6. Discuss Any Other Matters Brought Before the Working Group
—*Philip Barlow (DC)*
7. Adjournment

Draft: 11/4/24

Life Risk-Based Capital (E) Working Group
Virtual Meeting
October 23, 2024

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task met Oct. 23, 2024. The following Working Group members participated: Ben Slutsker, Vice Chair (MN); Thomas Reedy (CA); Wanchin Chou (CT); Vincent Tsang (IL); Mike Yanacheak (IA); William Leung (MO); Margaret Garrison (NE); Jennifer Li (NH); Bill Carmello (NY); Andrew Schallhorn (OK); and Rachel Hemphill (TX).

1. Adopted its Summer National Meeting Minutes

Hemphill made a motion, seconded by Chou, to adopt the Working Group's Aug. 14 minutes (see *NAIC Proceedings – Summer 2024, Capital Adequacy (E) Task Force, Attachment XX*). The motion passed unanimously.

2. Received Updates from its Subgroups

A. GOES (E/A) Subgroup

Yanacheak said the Generator of Economic Scenarios (GOES) (E/A) Subgroup conducted a field test of a revised calibration of the GOES from April to July. After the results were turned in, the Subgroup held meetings in regulator-to-regulator session to discuss field test results with participants. All discussions with participants have been completed, and now the Subgroup is discussing the feedback received during the field test in public meetings.

The Subgroup's meetings will focus on building a GOES model governance framework, improving documentation, finalizing the Stochastic Exclusion Ratio Test (SERT) scenarios, and making any necessary adjustments to the GOES calibration after review of feedback from the field test. Progress has already been made, and the model governance framework has been exposed for a comment period ending Nov. 4. The Subgroup has also had initial discussions regarding feedback in the previously mentioned areas.

As a result of these discussions, the GOES (E/A) Subgroup will make a series of recommendations to the Life Actuarial (A) Task Force and the Working Group to move forward with adoption. Adoption will not be effective before 2026, but the Subgroup is pushing forward to meet the 2026 deadline.

B. Longevity Risk (E/A) Subgroup

Slutsker reported that the Longevity Risk (E/A) Subgroup has not met since the Summer National Meeting. The Subgroup will resume its meetings once the currently exposed VM-22 non-variable annuities principle-based reserving (PBR) methodology is finalized and adopted to develop and recommend longevity risk factor(s) for the product(s) that were excluded from the application of the current longevity risk factors.

C. Variable Annuities Capital and Reserve (E/A) Subgroup

Weber said the Variable Annuities Capital and Reserve (E/A) Subgroup met Oct. 18 in open session, which was its only meeting since the Summer National Meeting. It will not meet again prior to the Fall National Meeting. The purpose of the Oct. 18 meeting was to discuss the changes that needed to be made to the variable annuity (VA) supplement in the annual statement and was in response to the work being done at the Valuation Manual (VM)-

22 (A) Subgroup, which is working on non-VA PBR. The VM-22 (A) Subgroup developed a VM-22 supplement that breaks the non-VA products into VM-22 reserve components and then groups them by various product type categories like traditional fixed annuities with and without guaranteed benefits, fixed index annuities with and without guaranteed benefits, and immediate annuity contracts and other combinations of products that make sense for monitoring non-VAs.

Weber added that a document was shared during the meeting to solicit feedback on generating a comparable supplement for the VA contracts. He said there seems to be support for pursuing a VA supplement, and, therefore, he is working on incorporating comments into the next version. Particularly, he is working to incorporate ideas for the product categories and how state insurance regulators want the VA products broken out for monitoring and analysis. He concluded that the second version would be chair-exposed before the end of the week.

In response to a question from Tip Tipton (Thrivent), Weber stated that the VA supplement would not be in effect for 2025. He stated that 2026 is likely the soonest year it will be in effect.

3. Exposed Proposal 2024-21-L (Tax Credit Investments)

The Working Group discussed proposal 2024-21-L (Tax Credit Investments) based on the referral from the Statutory Accounting Principles (E) Working Group for investments in tax credit structures (Attachment XX and Attachment XX) and noted the following: 1) the proposal is to accommodate the adopted changes in the life risk-based capital (RBC) instructions and blanks; 2) the proposal is not to address any potential factor(s) changes; and 3) the changes would result in corresponding changes in the life RBC instructions and blanks, namely, LR007, LR010, LR030 and LR031.

The Working Group agreed to expose proposal 2024-21-L for a 75-day public comment period ending Jan. 6, 2025.

4. Exposed Proposal 2024-24-L (Principle-Based Bond Definition Project)

The Working Group discussed proposal 2024-24-L (Principle-based Bond Definition Project) (Attachment XX) and noted the following: 1) the proposal incorporates changes adopted by the Blanks (E) Working Group, namely #2023-06BWG MOD, #2023-07BWG MOD, and #2023-12BWG MOD; 2) these changes resulted from the adoption of the principle-based bond definition by Statutory Accounting Principles (E) Working Group; and 3) certain editorial changes proposed herein only provide clarifying edits to life and fraternal RBC instructions and/or blanks and that these clarifying edits are not necessarily related to the principle-based bond definition project.

The Working Group agreed to expose the proposal for a 75-day public comment period ending Jan. 6, 2025.

In response to Chou's question as to whether the life RBC proposal was peer-reviewed based on what Tsang pointed out which appeared to be an editorial error of 5% instead of 75% on page 32 (Appendix A3 page, Subsidiary #2) of the proposal, the Working Group reiterated that the proposals were subject to peer review and that the exposure period also provides an avenue for the peer review process, where both interested parties and state insurance regulators are free to make contributions and suggestions during the exposure periods.

5. Discussed Other Matters

The Working Group heard the following updates from the American Academy of Actuaries (Academy):

A. Covariance

Paul Navratil (Academy) provided an update on how correlation is handled in Europe, Bermuda, and Canada, as well as some of the key observations that the team took from the review and how it would be applied to the work his team is doing with regard to RBC. He pointed out that the nested structure the team is contemplating is common and aligns with the proposal the team is working on. Navratil said the nested structure is a high-level correlation matrix between major risk categories that are then appropriately nested by correlation, such as the insurance risk and the various components of insurance risk. The other observation Navratil highlighted was the impact that time horizon and statistical safety level have on the correlation assumptions and the fact that those differ across regulatory frameworks. Specifically, the time horizon considered in the RBC formula is complex, with different horizons considered for different risks. In the case of C-3, the time frame considered can vary by the scenario tested.

Navratil added that the team has spent a lot of time collecting data and working on getting formal approval to use the data collected on corporate bond default by credit rating, a key data element for C-1 risk. He said that the team has started some analysis using the data but awaits formal approval before any of the results can be shared. Navratil said the team will look at the average correlations across the sets of data and explicitly consider the distribution of observed correlations over different time periods to ensure that the possibility of tail correlations is captured appropriately in bad scenarios over short periods of time. He added that he was optimistic that the data approval issues would be resolved. Navratil mentioned an additional material item comparing jurisdiction treatment for required capital covariance that would be forwarded to the Working Group for exposure purposes or public comments.

Tsang asked whether the U.S. regulatory framework considered risks more or less correlated than other jurisdictions. Navratil responded that it is not easy to compare because the correlation of risk within the life RBC framework is either 0% or 100%, with the exception of mortality and longevity risks. However, compared to the other jurisdictions' regulatory frameworks, there are more correlations in the 25%, 50%, and 75% range. Navratil observed that in certain areas where the RBC has a correlation of 100%, that could be too conservative compared with other frameworks, whereas in areas where RBC uses zero correlation or provides a lot of correlation benefit, a higher 25% or 50% correlation could be seen. He concluded that the net result probably depends on the distribution of risks within a particular company.

Navratil cautioned that apple-to-apple comparisons among jurisdictions may be difficult because the granularity with which risks are defined among jurisdictions varies. For instance, insurance risk is more granularly defined in the other three frameworks into seven different components, whereas the U.S. framework only defines insurance risk in two components: longevity and mortality risks.

Tsang said that knowing how the U.S. framework compares to the other jurisdictions helps validate the new covariance framework that the Academy will propose. Navratil agreed and said it would be one of the data points.

B. C-3 Risk

The Working Group heard an update from Jason Kehrberg (Academy.) on C-3 risk. He reported that his team is ready to embark on a project to put together a proposal for a revised set of RBC instructions for C-3 and is in the process of setting up a standing group that is expected to begin meeting within the next month.

He stated that one of the first things his team would probably bring back to the Working Group is a game plan or high-level project outline. He requested the Working Group's thoughts on related items that could be in scope, including: 1) what to recommend in the scope of the principles-based capital project; 2) guiding principles; 3) a

high-level timeline, which could be an acceptable agreement; and 4) a work plan that would form the basis of what his team works with.

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

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Draft: 3/3/2025

Life Risk-Based Capital (E) Working Group
Virtual Meeting
February 21, 2025

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Feb. 21, 2025. The following Working Group members participated: Philip Barlow, Chair (DC); Ben Slutsker, Vice Chair (MN); Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Dalora Schafer (FL); Mike Yanacheak (IA); Vincent Tsang (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. Re-Exposed Proposal 2024-21-L MOD (Tax Credit Investments)

The Working Group discussed the modified proposal 2024-21-L (Tax Credit Investments) based on the comment letters received from the American Council of Life Insurers (ACLI) and Capital Advantage on the earlier exposed tax credit investments proposal (Attachment XX, Attachment XX, and Attachment XX) and noted the following: 1) this modified proposal incorporated changes in response to the comment letters received from interested parties; and 2) the comment letter received from Capital Advantage addresses potential factor(s) changes outside the scope of this proposal.

The Working Group agreed to add the Capital Advantage comment letter to its working agenda for further consideration. The Working Group further agreed to expose the modified proposal 2024-21-L for a 30-day public comment period ending March 23.

2. Re-Exposed Proposal 2024-24-L MOD (Principle-Based Bond Definition Project)

The Working Group discussed the modified proposal 2024-24-L (Principle-based Bond Definition Project) based on the comment letters received from the ACLI and Pacific Life (Attachment XX, Attachment XX, and Attachment XX) and noted the following: 1) the modified proposal incorporated changes in response to comment letters received from interested parties; 2) some of the proposed edits are subject to changes based on corresponding adoption(s) or action(s) on #2024-19BWG by both the Statutory Accounting Principles (E) Working Group and Blanks (E) Working Group; and 3) the ACLI requested potential referral(s) to the Health Risk-Based Capital (E) Working Group and Property and Casualty Risk-Based Capital (E) Working Group so as to facilitate modifications to health and property and casualty (P/C) risk-based capital (RBC) blanks.

The Working Group agreed to expose the modified proposal for a 30-day public comment period ending March 23.

3. Exposed Proposal 2025-01-L (C-2 Mortality Risk)

The Working Group next considered the American Academy of Actuaries (Academy) proposal 2025-01-L (C-2 Mortality Risk) (Attachment XX) and noted the following: 1) the proposal adds a new general interrogatory to provide the required information for completing LR025 (Life Insurance) page; and 2) the proposal updates the RBC instructions and blanks to allow for direct pulls of information between the annual statement and the RBC blank.

The Working Group agreed to expose the proposal 2025-01-L for a 30-day public comment period ending March 23.

4. Exposed and Referred Proposal 2025-05-L (Asset Concentration -LR010)

The Working Group considered the ACLI proposal 2025-05-L (Asset Concentration - LR010) (Attachment XX) and noted the proposal seeks to clarify LR010 instruction such that certain “SVO-designated non-bond debt securities” can obtain asset concentration factor treatment akin to bonds in LR002.

The Working Group agreed to expose the proposal for a 30-day public comment period ending March 23. The Working Group further decided to refer the proposal to the Statutory Accounting Principles (E) Working Group for comments.

Chou made a motion, seconded by Slutsker, to refer proposal 2025-05-L to the Statutory Accounting Principles (E) Working Group. The motion passed.

5. Discussed Other Matters

Barlow reminded Working Group members that the Working Group plans to meet in person March 24 at the Spring National Meeting.

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

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MEMORANDUM

TO: Philip Barlow, Chair, Life Risk-Based Capital (E) Working Group
Ben Slutsker, Vice Chair, Life Risk-Based Capital (E) Working Group

FROM: Mike Yanacheak, Chair, Generator of Economic Scenarios (GOES) (E/A) Subgroup
Peter Weber, Vice Chair, GOES (E/A) Subgroup

RE: GOES Amendments to Life RBC Blanks and Instructions

DATE: February 26, 2025

The GOES (E/A) Subgroup has been working to implement a new economic scenario generator for use in statutory reserve and capital calculations for life insurance and annuities. It is planned that the new economic scenario generator will be effective for C3 Phase I and C3 Phase II for year-end 2026. To facilitate the implementation of the new economic scenario generator, the GOES (E/A) Subgroup requests that the Life Risk-Based Capital (E) Working Group:

1. Implement the necessary changes to the Life Risk-Based Capital Blanks and Instructions,
2. Coordinate with the Variable Annuities Capital and Reserve (E/A) Subgroup on recommended changes to the C3 Phase II calculation,
3. Consider changes to the required number of scenarios for the C3 Phase I calculation, if necessary, and,
4. Consider changes to the capital metric for the C3 Phase I calculation, if necessary.

The Subgroup appreciates the Working Group's assistance on this issue and looks forward to the response.

C-3 Alignment

Life Risk-Based Capital (E) Working Group

March 24, 2025

About the Academy

2



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.

For more information, please visit:

[actuary.org](https://www.actuary.org)

Background

3

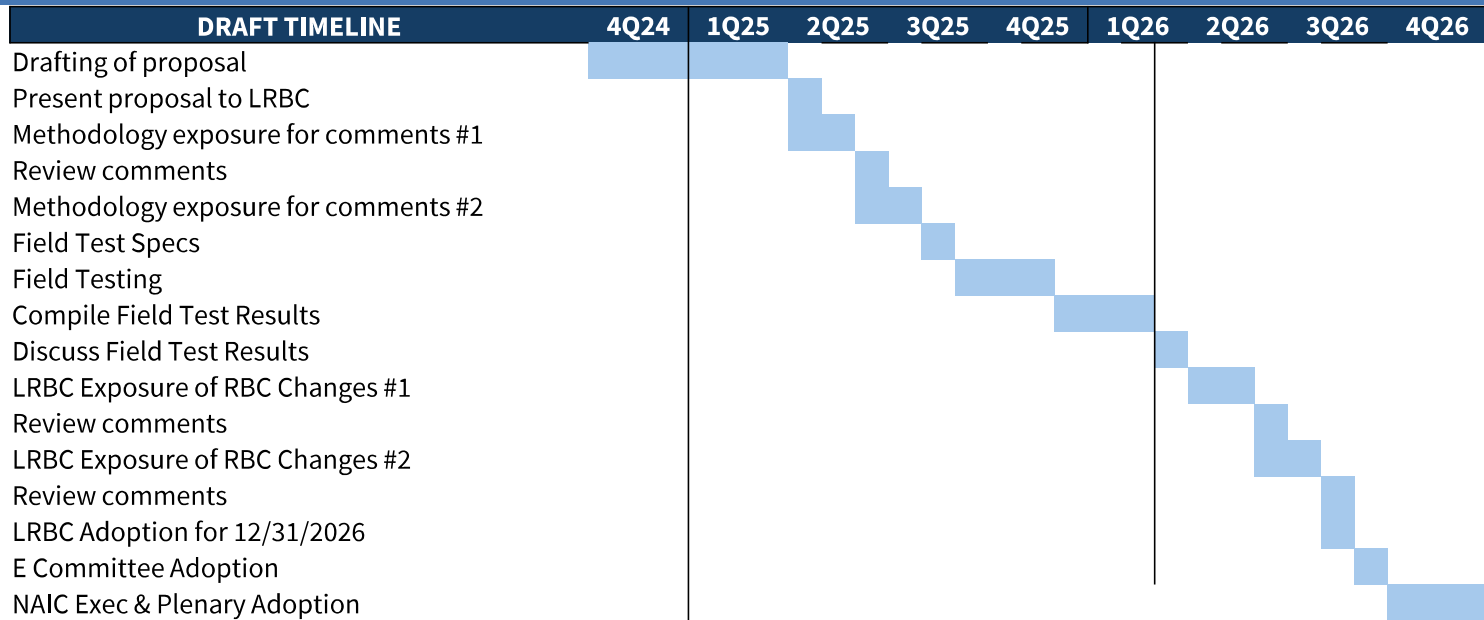
- C-3 Phase 1 applies to Single Premium Life and Non-Variable Annuities (excluding Fixed Index Annuities – FIA) and has not been updated in decades.
- C-3 Phase 2, which applies to Variable Annuities including Registered Index Linked Annuities, was recently updated and tested.
- Our purpose is to propose how to harmonize C-3 Phase 1 and C-3 Phase 2 methodology.

Approach to C-3 Alignment

4

- 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 be 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.

Timeline, Adoption, Phase In Period



Timeline, Adoption, Phase In Period

6

- 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

Scenarios

Economic Scenarios

8

- 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.

Product Scope

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	C3P2	C3P2	C3P2	C3P2
	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

Discounting

Discounting

12

- **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.

Assumptions and Models

Current Assumptions and Models

14

- 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.

Short-Term Solution Starting Year-End 2026 (Recommended)

15

- **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.

Default Costs

C-3 Default Costs

17

Current			Recommended		
	Non-PBR	PBR		Non-PBR	PBR
Reserves	Moderately adverse (approach varies)	CTE70	Reserves	Moderately adverse (approach varies)	CTE70
Reserves (assumed in C-1 RBC)	Mean + ½ standard deviation	Mean + ½ standard deviation	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 1	CTE70	CTE70
C-3 Phase 2	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.

C-1 Risk Capital Credit

18

- 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.

Stochastic Equity Risk

Stochastic Equity

20

- **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

Aggregation of C3P1 and C3P2

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.

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?

Factor Based C-3 Floor

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

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.

Metric, Scalar, Working Reserves, Time Horizon

Metric and Scalar

28

- 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.

Metric and Scalar

29

- 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.

Next Steps

Next Steps

31

- Provide recommendation on remaining topics:
 - Metric and Scalar
 - Working Reserves and Interim Measurement
 - Time Horizon
 - Stochastic Equity Risk
- Design field test

Questions?

32

For more information, please contact
Amanda Barry-Moilanen, Policy Project Manager, Life
barrymoilanen@actuary.org

Capital Adequacy (E) Task Force RBC Proposal Form

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

<p style="text-align: right;">DATE: _____</p> <p>CONTACT PERSON: <u>Kazeem Okosun</u></p> <p>TELEPHONE: <u>816-783-8981</u></p> <p>EMAIL ADDRESS: <u>kokosun@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Philip Barlow, Chair</u></p> <p>TITLE: <u>Associate Commissioner of Insurance</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-04-L</u> Year <u>2025</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal supersedes deferred Proposal 2024-07-L. This proposal seeks to reorganize LR008 – Other Long-Term Assets page to ensure BA assets of the same risk components (C-1o vs. C1-cs) are grouped, so as to facilitate proper MODCO/ Funds Withheld Reinsurance Agreement adjustments within LR008.

Should changes proposed for LR008 be adopted, there would be corresponding changes to LR030 and LR031 instructions and/or blanks. Such changes are also incorporated into this proposal.

Additional Staff Comments:

Staff Note: The areas highlighted in gray within the Blank pages are subject to the adoption of Proposals 2024-21-L MOD and 2024-24-L MOD.

** This section must be completed on all forms.

Revised 2 2023

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

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

Specific Instructions for Application of the Formula

Line (44 49.1)

Schedule BA affiliated common stock – all others should ~~be included in C-1es. Specifically this means that~~ all subs with an affiliate code ~~9 13~~ in the current life-based framework and “holding company in excess of indirect subsidiaries” or subsidiaries with affiliate code ~~3 7~~. ~~are to be included in C-1es.~~

Line (49.2)

~~New lines were added for yearend 2022 reporting to Schedule BA and the AVR Equity Component to capture amounts related to residual tranches or interest. For yearend 2022 life RBC reporting, AVR Equity Component, Column 1, Line 93 will be included in Line (49.2).~~

Line (51 50)

Exclude: any collateral loan amounts which have been included elsewhere in the RBC formula, e.g., BA mortgages.

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 24) 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.

Company Name

Confidential when Completed

NAIC Company Code

OTHER LONG-TERM ASSETS

	Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †	(4) Factor	(5) RBC Requirement
<u>Schedule BA - Fixed Income - Bonds</u>						
(1) Exempt Obligations	AVR Equity Component Column 1 Line 22				X 0.0000	=
(2) Asset NAIC 1	AVR Equity Component Column 1 Line 23				X 0.0039	=
(3) Asset NAIC 2	AVR Equity Component Column 1 Line 24				X 0.0126	=
(4) Asset NAIC 3	AVR Equity Component Column 1 Line 25				X 0.0446	=
(5) Asset NAIC 4	AVR Equity Component Column 1 Line 26				X 0.0970	=
(6) Asset NAIC 5	AVR Equity Component Column 1 Line 27				X 0.2231	=
(7) Asset NAIC 6	AVR Equity Component Column 1 Line 28				X 0.3000	=
(8) Total Schedule BA Bonds (pre-MODCO/Funds Withheld)	Sum of Lines (1) through (7)					
(9) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(10) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(11) Total Schedule BA Bonds (including MODCO/Funds Withheld.)	Lines (8) - (9) + (10)					
<u>Schedule BA - Fixed Income - Preferred Stock</u>						
(12.1) Asset NAIC 1	AVR Equity Component Column 1 Line 30					
(12.2) Less Rated/Designated NAIC 1 Surplus Notes and Capital Notes	Column (1) Line (22) + Column (1) Line (32)					
(12)						
(12.3) Net Asset NAIC 1	AVR Equity Component Column 1 Line 30 Line (12.1) - (12.2)				X 0.0039	=
(13) Asset NAIC 2	AVR Equity Component Column 1 Line 31				X 0.0126	=
(14) Asset NAIC 3	AVR Equity Component Column 1 Line 32				X 0.0446	=
(15) Asset NAIC 4	AVR Equity Component Column 1 Line 33				X 0.0970	=
(16) Asset NAIC 5	AVR Equity Component Column 1 Line 34				X 0.2231	=
(17) Asset NAIC 6	AVR Equity Component Column 1 Line 35				X 0.3000	=
(18) Total Schedule BA Preferred Stock (pre-MODCO/Funds Withheld)	Sum of Lines (12.3) through (17)					
(19) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(20) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(21) Total Schedule BA Preferred Stock (including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)					

† 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).

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

Company Name

Confidential when Completed

OTHER LONG-TERM ASSETS (CONTINUED)

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

† 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).

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

Company Name	Confidential when Completed	(1)	(2)	(3)	(4)	(5)
		Book / Adjusted	Unrated Items ‡	RBC Subtotal †	Factor	RBC
		Carrying Value				Requirement
OTHER LONG-TERM ASSETS (CONTINUED)						
Annual Statement Source						
<u>Schedule BA - Unaffiliated Common Stock/ equity interests and Affiliated Non-Insurance Stock (C1-cs)</u>						
(42)	Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line 65			X	\$ =
(43)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line 66			X	0.3000 =
(44)	Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69			X	0.3000 =
(45)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92			X	0.4500 =
Total Schedule BA Unaffiliated Common Stock/ equity interests and						
(46)	(44) Affiliated Non-Insurance Stock (C1-cs)	Line (42) + (43) + (44) + (45)				
(pre-MODCO/Funds Withheld)						
(47)	(45) Reduction in RBC for MODCO/Funds Withheld					
Reinsurance Ceded Agreements		Company Records (enter a pre-tax amount)				
(48)	(46) Increase in RBC for MODCO/Funds Withheld					
Reinsurance Assumed Agreements		Company Records (enter a pre-tax amount)				
Total Schedule BA Unaffiliated Common Stock/ equity interests and						
(49)	(47) Affiliated Non-Insurance Stock (C1-cs)	Lines (46) - (47) + (48)-(44)-(45)+(46)				
(including MODCO/Funds Withheld.)						
<u>Schedule BA - All Other (C-1o)</u>						
(50.1)						
(48.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67				
(50.2)						
(48.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68				
(50.3)						
(48.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (50.1) + (50.2)-(48.1)+(48.2)-			X	0.3000 =
(49.1)	BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69				
(49.2)	Total Sch. BA Affiliated Common Stock - C-1es	Line (49.1)			X	0.3000 =
(51)	(50) Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 2999999 + Line 3099999, in part			X	0.0680 =
(51)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92			X	0.4500 =
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 100			X	0.0050 =
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line 101			X	0.0163 =
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)				
(53.1)	Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line 99 + 102				
(53.2)	Less NAIC 1 2 thru 6 Rated/Designated Surplus	Column (1) Lines (22) (23) through (27) + Column (1)				
Notes and Capital Notes		Lines (32) (33) through (37)				
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)			X	0.3000 =
(54)	Total Schedule BA Assets C-1o	Lines (11) + (21) + (31) + (41) + (50.3) (48.3) + (51)-(50) + (52.3) + (53.3)				
(pre-MODCO/Funds Withheld)						
(55)	Reduction in RBC for MODCO/Funds Withheld					
Reinsurance Ceded Agreements		Company Records (enter a pre-tax amount)				
(56)	Increase in RBC for MODCO/Funds Withheld					
Reinsurance Assumed Agreements		Company Records (enter a pre-tax amount)				
(57)	Total Schedule BA Assets C-1o					
(including MODCO/Funds Withheld.)		Lines (54) - (55) + (56)				
(58)	Total Schedule BA Assets Excluding Mortgages					
and Real Estate		Line (49) (47) + (49.2) + (51) + (57)				

† 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

Company Name

Confidential when Completed

Attachment E
NAIC Company Code

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.

Company Name

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

	<u>Source</u>	(1) <u>RBC Amount</u>	Tax Factor	(2) <u>RBC Tax Effect</u>	
<u>ASSET RISKS</u>					
<u>Bonds</u>					
(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	=	_____
 <u>Mortgages</u>					
<u>In Good Standing</u>					
(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 <u>90 Days Overdue</u>	LR004 Mortgages Column (6) Line (15)	_____	X 0.1575	=	_____
(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	=	_____
(029) <u>In Process of Foreclosure</u> 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.

Company Name

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

	Source	(1)		(2)	
		RBC Amount	Tax Factor	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 <u>Preferred Stock</u>	LR004 Mortgages Column (6) Line (30)		X 0.2100	=	
(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 <u>Separate Accounts</u>	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9)		X 0.2100	=	
(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 <u>Real Estate</u>	LR006 Separate Accounts Column (3) Line (13)		X 0.1575	=	
(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	=	
(058) Sch BA Real Estate Excluding Low-Income Housing-Tax Credits Investments	LR007 Real Estate Column (3) Line (16)		X 0.2100	=	
(059) Guaranteed-Low-Income Housing-Tax-Credits-Yield Guaranteed State Tax Credit Investments	LR007 Real Estate Column (3) Line (17) + Line (14)		X 0.0000	=	
(060) Non-Guaranteed-and-All-Other-Low-Income-Housing-Tax-Credits-Qualifying and Other Tax Credit Investments	LR007 Real Estate Column (3) Line (18) + Line (19) + Line (20) + Line (24)		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	=	

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

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

Company Name

Confidential when Completed

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

	Source	(1)		(2)	
		RBC Amount	Tax Factor	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) (48.3)		X 0.2100	=	
(082) BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (51 54)		X 0.1575	=	
(083) Other Schedule 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 0.1575	=	
(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	=	
<u>Miscellaneous</u>					
(091) Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) 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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Company Name

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

		(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)	=		=
<u>C-0 Affiliated Common Stock</u>				
(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)	=		=
<u>Common Stock</u>				
(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	=
(127) Residual Tranches or Interests BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (49) (47) - Line (45)	X	0.2100	=
(128) Total Residual Tranches or Interests Schedule BA Common Stock Affiliated - C-1es	LR008 Other Long-Term Assets Column (5) Lines (49,2) + (54) (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-1es Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)	=		=
(135) <u>Insurance Risk</u> Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)	X	0.2100	=

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Company Name

Confidential when Completed

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

	<u>Source</u>	(1)	Tax Factor	(2)
		<u>RBC Amount</u>		<u>RBC Tax Effect</u>
(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	$L(135) + L(136) + L(139) + L(140) + \text{Greatest of} [\text{Guardrail Factor} * (L(137)+L(138)), \text{Guardrail Factor} * L(138b), \text{Square Root of} [(L(137) + L(138))^2 + L(138b)^2 + 2 * (\text{Correlation Factor}) * (L(137) + L(138)) * L(138b)]]$	=====		=====
(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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Company Name

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

	<u>Source</u>	(1) RBC <u>Requirement</u>
<u>Insurance Affiliates and Misc. Other Amounts (C-0)</u>		
(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)	=====
<u>Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)</u>		
(13) Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	_____
Schedule BA Unaffiliated Common Stock/ equity interests and Affiliated Non-Insurance Stock (C1-es), excluding Residual Tranches or Interests Schedule BA Unaffiliated Common Stock		
(14) Total Residual Tranches or Interests Schedule BA Affiliated Common Stock – C-1cs	LR008 Other Long-Term Assets Column (5) line (49) (47) - (45)	_____
(15) Common Stock Concentration Factor	LR008 Other Long-Term Assets Column (5) lines (-49.2) + (-51) (45)	_____
(16) Holding Company in Excess of Indirect Subs	LR011 Common Stock Concentration Factor Column (6) Line (6)	_____
(17) Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	_____
(18) Total (C-1cs) - Pre-Tax	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	_____
(19) (C-1cs) Tax Effect	Sum of Lines (13) through (18)	_____
(20) Net (C-1cs) - Post-Tax	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (134)	_____
	Line (19) - Line (20)	=====
<u>Asset Risk - All Other (C-1o)</u>		
(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	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	_____
(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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Company Name

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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) (62) -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)	=====
<u>Insurance Risk (C-2)</u>		
(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	$L(47) + L(48) + \text{Greatest of [Guardrail Factor } * (L(45)+L(46)), \text{ Guardrail Factor } * L(46b), \text{ Square Root of [} (L(45) + L(46))^2 + L(46b)^2 + 2 * (\text{Correlation Factor}) * (L(45) + L(46)) * L(46b)]]$	_____
(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)	=====
<u>Interest Rate Risk (C-3a)</u>		
(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)	=====
<u>Health Credit Risk (C-3b)</u>		
(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)	=====
<u>Market Risk (C-3c)</u>		
(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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Company Name

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL (CONTINUED)

	<u>Source</u>	(1) RBC <u>Requirement</u>
<u>Business Risk (C-4a)</u>		
(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)	=====
 <u>Business Risk (C-4b)</u>		
(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)	=====
 <u>Total Risk-Based Capital After Covariance Before Basic Operational Risk</u>		
(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)	=====
 <u>Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)</u>		
(75) Total Risk-Based Capital After Covariance Times Fifty Percent	Line (74) x 0.50	=====
 <u>Tax Sensitivity Test</u>		
(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]	_____
(77) Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (76) x 0.50	_____

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