



2026 SPRING NATIONAL MEETING
SAN DIEGO, CA



Draft date: 3/16/26

*2026 Spring National Meeting
San Diego, California*

CAPITAL ADEQUACY (E) TASK FORCE

Tuesday, March 24, 2026

9:00 – 10:00 a.m.

Manchester Grand Hyatt—Grand Hall B—Level 1

ROLL CALL

NAIC Member

Grace Arnold, Chair
Judith L. French, Vice Chair
Mark Fowler
Heather Carpenter
Peter M. Fuimaono
Ricardo Lara
Joshua Hershman
Karima M. Woods
Michael Yaworsky
Ann Gillespie
Holly W. Lambert
Doug Ommen
Vicki Schmidt
Sharon P. Clark
Timothy J. Temple
Michael T. Caljouw
Angela L. Nelson
Eric Dunning
Ned Gaines
Susan Ochs
Jon Godfred
Glen Mulready
Michael Humphreys
Elizabeth Kelleher Dwyer
Michael Wise
Amanda Crawford
Scott A. White
Patty Kuderer
Nathan Houdek

Representative

Ben Slutsker
Tom Botsko
Charles Hale
David Phifer
Elizabeth Perri
Thomas Reedy
Wanchin Chou
Philip Barlow
Bradley Trim
Matt Cheung
Roy Eft
Mike Yanacheak
Tish Becker
Vicki Lloyd
Tom Travis
John Turchi
John F. Rehagen
Andrea Johnson
Diana Branciforte
Susan Ochs
Matt Fischer
Andy Schallhorn
Diana Sherman
Liz Ammerman
Ryan Basnett
Jamie Walker
Doug Stolte/Dan Bumpus
Steve Drutz
Amy Malm

State/Territory

Minnesota
Ohio
Alabama
Alaska
American Samoa
California
Connecticut
District of Columbia
Florida
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Massachusetts
Missouri
Nebraska
Nevada
New Jersey
North Dakota
Oklahoma
Pennsylvania
Rhode Island
South Carolina
Texas
Virginia
Washington
Wisconsin

NAIC Committee Support: Eva Yeung/Maggie Chang



AGENDA

1. Consider Adoption of its Jan. 30, 2026, and Nov. 19, 2025, Minutes
—Ben Slutsker (MN) Attachment One
Attachment Two
2. Consider Adoption of the Reports of its Working Groups
—Ben Slutsker (MN)
 - A. Risk-Based Capital Investment Risk and Evaluation (E) Working Group—Philip Barlow (DC) Attachment Three
 - B. Life Risk-Based Capital (E) Working Group—Ben Slutsker (MN) Attachment Four
 - C. Property and Casualty Risk-Based Capital (E) Working Group
—Tom Botsko (OH) Attachment Five
 - D. Health Risk-Based Capital (E) Working Group—Steve Drutz (WA) Attachment Six
3. Consider Adoption of Proposal 2025-17-L (LR027 Scope Clarifications)
—Ben Slutsker (MN) Attachment Seven
4. Consider Adoption of Proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s)—Wanchin Chou (CT) Attachment Eight
5. Consider Adoption of Proposal 2025-20-CR (Wildfire Rcat Implementation)—Wanchin Chou (CT) Attachment Nine
6. Consider Exposure of Proposal 2025-15-CA (A&H Underwriting Risk Structure Change)—Steve Drutz (WA) Attachment Ten
7. Discuss Elimination of Investment Subsidiaries—Ben Slutsker (MN) Attachment Eleven
 - A. Referral from the Statutory Accounting Principles (E) Working Group Regarding Elimination of Investment Subsidiaries—Kevin Clark (IA)
 - B. Consider Exposure of Proposal 2026-05-CA (Remove Investment Affiliate Code 4)—Ben Slutsker (MN)
8. Hear an Update from the American Academy of Actuaries (Academy) on its Risk-Based Capital (RBC) Ratio and Impairment Risk Research Project
—*Steve Jackson (Academy)* Attachment Twelve
9. Discus Any Other Matters Brought Before the Task Force
—Ben Slutsker (MN)
10. Adjournment

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 XX-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-Spring/1/CapAdTF Email Vote 01302026.docx

Draft: 11/20/25

Capital Adequacy (E) Task Force
Virtual Meeting
November 19, 2025

The Capital Adequacy (E) Task Force met Nov. 19, 2025. The following Task Force members participated: Doug Ommen, Chair, represented by Mike Yanacheak (IA); 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 Shaowei Yang (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Carolyn Morgan (FL); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Chut Tee (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Timothy J. Temple represented by Tom Travis (LA); Grace Arnold represented by Fred Andersen (MN); Angela L. Nelson represented by John Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Tadd Wegner (NE); Justin Zimmerman represented by Paul Lupo (NJ); Elizabeth Kelleher Dwyer represented by Liz Ammerman (RI); Michael Wise represented by Thomas Baldwin (SC); Carter Lawrence represented by Trey Hancock (TN); Cassie Brown represented by Jamie Walker and Rachel Hemphill (TX); Scott A. White represented by Greg Chew (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Heard Introductory Remarks

Yanacheak reported that the Capital Adequacy (E) Task Force met Oct. 23 in joint session with the Risk-Based Capital Model Governance (EX) Task Force to address the risk-based capital (RBC) preamble issue. The Risk-Based Capital Model Governance (EX) Task Force determined that further discussion of this matter would be more appropriately handled within its own group. As a result, the Capital Adequacy (E) Task Force has been requested to postpone any action regarding the preamble at this time. Yanacheak noted that the issue remains on the working agenda in a pending status, and the Capital Adequacy (E) Task Force will refrain from further deliberation until additional guidance is received from the Risk-Based Capital Model Governance (EX) Task Force.

2. Adopted the Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force's Oct. 23 Joint Minutes and the Capital Adequacy (E) Task Force's Summer National Meeting Minutes

Yanacheak reported that the Capital Adequacy (E) Task Force met Oct. 23 in joint session with the Risk-Based Capital Model Governance (EX) Task Force and took the following action: 1) heard introductory remarks; 2) received an update on the RBC preamble issue; 3) discussed comments received on proposed preamble changes; and 4) discussed related issues at the Risk-Based Capital Model Governance (EX) Task Force.

Botsko made a motion, seconded by Kaumann, to adopt the Capital Adequacy (E) Task Force and Risk-Based Capital Model Governance (EX) Task Force's joint Oct. 23 minutes (Attachment XXX) and the Capital Adequacy (E) Task Force's Aug. 12 minutes (*see NAIC Proceedings – Summer 2025, Capital Adequacy (E) Task Force*). The motion passed unanimously.

3. Adopted the Reports of its Working Groups

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

Barlow reported that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met Nov. 4 and Sept 8. During these meetings, the Working Group took the following action: 1) adopted its Sept. 8 minutes, which included the following action: a) adopted its June 23 meeting minutes; and b) heard an update from the American Academy of Actuaries (Academy) on the structured securities project with an emphasis on collateralized loan obligations (CLOs); and 2) discussed comment letters received on proposal 2025-12-IRE (Securities Valuation Office Funds Alignment Project).

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

Barlow reported that the Life Risk-Based Capital (E) Working Group met Nov. 14; Oct. 31 in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup; and Sept. 11. During these meetings, the Working Group took the following action: 1) adopted its Sept. 11 minutes, which included the following action: a) adopted the Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup's joint July 21 minutes and the Working Group's June 18 minutes; b) heard a presentation from the Academy on C-3 alignment; and c) exposed the covariance slide deck for a 60-day public comment period ending Nov. 10; 2) adopted the Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup's joint Oct. 31 minutes, which included the following action: a) discussed comments received on the proposed changes to C3 Phase I and Phase II calculations and the life RBC instructions; b) re-exposed modified changes for a 60-day public comment period ending Jan. 5, 2026; c) adopted the proposed changes to the Valuation Manual (VM)-21, Requirements for Principle-Based Reserves for Variable Annuities, supplement blanks and instructions; d) exposed scope clarification proposals for VM-21 and life RBC for a 28-day public comment period ending Dec. 1; and e) heard updates on C3 Phase II analysis; 3) discussed comment letters received on the exposed covariance slide deck; 4) adopted its 2026 working agenda; and 5) exposed the conceptual proposal 2025-16-L (Collateral Loans) for a 60-day public comment period ending Jan. 13, 2026.

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

Botsko reported that the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup met Nov. 12 and Oct. 8 in joint session. During these meetings, the Working Group and Subgroup took the following action: 1) adopted their Oct. 8 minutes, which included the following action: a) adopted their June 30 minutes; b) discussed the catastrophe modeling wildfire review and impact analysis; c) discussed the possibility of updating the Rcat covariance formula; d) discussed the possibility of separating the earthquake and hurricane losses experience PR100s; e) discussed the Securities Valuation Office (SVO)-funded RBC alignment project; f) heard updates from the Academy regarding property/casualty (P/C) RBC premium and loss concentration factors; and g) discussed accident and health structure in the P/C RBC formula; 2) adopted proposal 2025-08-CR (Jan. 1-Oct. 15 Cat Event List); 3) exposed proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s); 4) exposed proposal 2025-20-CR (Wildfire Rcat Implementation); 5) discussed their working agenda; 6) discussed the SVO-funded RBC alignment project; 7) received an update from the Health Risk-Based Capital (E) Working Group regarding proposal 2025-15-CA (A&H Underwriting Risk Structure Change); and 8) exposed a presentation from the Academy regarding the P/C RBC premium and loss concentration factors report.

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

Drutz reported that the Health Risk-Based Capital (E) Working Group met Nov 6. During this meeting, the Working Group took the following action: 1) adopted its June 20 minutes, which included the following action: a) adopted

its April 30 and Spring National Meeting minutes; and b) discussed the 2024 health RBC statistics; 2) adopted its Sept 29 minutes, which included the following action: a) discussed comments received on the Academy's H2— Underwriting Risk Component and Managed Care Credit Calculation in the Health RBC Formula Report; b) discussed the impact analysis of the factors and structure from the Academy's H2 report; and c) exposed a referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group for a 65-day public comment period ending Dec. 3; 3) adopted its 2025 working agenda; 4) exposed proposal 2025-15-CA (A&H Underwriting Risk Structure Change) for a 75-day public comment period ending Jan. 20, 2026; and 5) exposed a conceptual draft of the managed care credit (MCC) for a 75-day public comment period ending Jan. 20, 2026.

Drutz made a motion, seconded by Botsko, to adopt the reports of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, including its Nov. 4 (Attachment XXX) and Sept. 8 (Attachment XXX) minutes; Life Risk-Based Capital (E) Working Group, including its Nov. 14 (Attachment XXX), Oct. 31 (Attachment XXX), and Sept. 11 (Attachment XXX) minutes; Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup, including their Nov. 12 (Attachment XXX) and Oct. 8 (Attachment XXX) minutes; and Health Risk-Based Capital (E) Working Group, including its Nov. 6 minutes (Attachment XXX). The motion passed unanimously.

4. Adopted Proposal 2025-08-CR (Jan. 1-Oct. 15 Cat Event List)

Chou stated that proposal 2025-08-CR consolidates both U.S. and international catastrophe event lists spanning from 2016 to 2025 for use in year-end 2025 reporting. This comprehensive list encompasses major peril types, including hurricanes, earthquakes, wildfires, and severe convective storms. The first version of the 2025 event list, covering incidents from January through October, was made available for public comment via an e-vote on Nov. 3, with no feedback received during the seven-day exposure period. Chou further noted that a revised iteration of the event list will be released for additional public comment in early January 2026, with adoption anticipated by February 2026.

Chou made a motion, seconded by Botsko, to adopt proposal 2025-08-CR (Attachment XXX). The motion passed unanimously.

5. Adopted its Working Agenda

Yanacheak listed the following edits to the health RBC section of the Task Force's 2026 working agenda: 1) line X1 was updated to reference the adoption of proposal 2025-03-CA; 2) a previous H2 working agenda item was split into lines X4, X5, and X6 to align with the three work products from the Academy report (i.e., the H2 structure, H2 factors, and MCC expansion); 3) line X8 was added to address the Statutory Accounting Principles (E) Working Group referral on moving some non-bond debt to Schedule BA as a result of the principles based bond project; and 4) line X9 was added because the Working Group decided to take up the long-term care (LTC) topic.

Yanacheak also listed the following changes to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group section of the working agenda: 1) the item regarding structured notes is proposed to be removed; 2) the item on RBC treatment of asset-backed securities (ABS) has merged with the item on tail risk of privately structured securities due to their similarity; and 3) the item on RBC treatment of residual tranches was expanded to document the adoption of a proposal to affect a 45% RBC charge for residual tranches/interests for life insurers only.

Yanacheak indicated that the following edits were included in the life section of the working agenda: 1) the item regarding the structured proposal to split Schedule D, Part 1, into two parts is proposed to be removed based on the completion of proposal 2024-24-L MOD; 2) the item regarding the Longevity Risk (E/A) Subgroup has been

expanded to include longevity reinsurance; and 3) the item on tax credit investments was added as a result of a referral from the Statutory Accounting Principle (E) Working Group.

Yanacheak noted the following updates within the P/C section of the working agenda: 1) revising expected completion dates, ongoing items, and comments for items P1, P3, P4, P5, P6, and P7; 2) removing completed items from the original P7 and P8; and 3) introducing the following three initiatives to the “New Items” section: a) evaluating the possibility of adding wildfire peril in the Rcat component; b) evaluating the possibility of separating earthquake and hurricane loss experience data in PR100s; and c) evaluating the possibility of updating the loss and premium concentration factors in PR017 and PR018.

Additionally, Yanacheak reported several changes in the general Task Force section: 1) items CA1 through CA6 have been updated to incorporate recent developments and decisions; 2) three items have been removed from the agenda, reflecting their completion; and 3) the following item has been added to the “New Items” section: a) evaluating whether to expand the instructions for LR034, LR035, PR033, PR034, and XR027 to promote consistent labeling of various company action levels across different lines of business.

Botsko made a motion, seconded by Wegner, to adopt the Task Force’s working agenda (Attachment XXX). The motion passed unanimously.

6. Discussed the Statutory Accounting Principles (E) Working Group Referral Regarding Collateral Loan Schedule BA Reporting Changes

Yanacheak stated that the Task Force received a referral from the Statutory Accounting Principles (E) Working Group on June 5, which focused on proposed changes to how collateral loans are reported under Schedule BA. To ensure transparency and gather stakeholder input, this referral was exposed for a 45-day public comment period ending Aug. 14. Notably, no comment letters were submitted during this exposure period. Yanacheak clarified several key points about collateral loans: these financial instruments are distinct from traditional securities—they are not classified as securities, are not rated by any nationally recognized statistical rating organization (NRSRO), and are not designated by the SVO. Instead, collateral loans are categorized and reported as “Other Long-Term Invested Assets” on Schedule BA. Currently, regardless of the type of assets backing these loans, all collateral loans are reported in line PR009 for P/C insurers and XR008 for health insurers. These loans are subject to a fixed RBC charge of 5%.

To provide further insight into the prevalence of collateral loans, Yanacheak referenced a report prepared by committee support that summarized collateral loan holdings as reported in the 2024 annual filings, broken down by type of business. The findings revealed that collateral loans represent a very small fraction of total cash and invested assets (specifically, only 0.04% for P/C insurers and effectively 0.00% for health insurers). This data suggests that, at present, collateral loans do not pose a significant concentration risk within these sectors.

Tee stated that the Life Risk-Based Capital (E) Working Group exposed a conceptual proposal regarding collateral loans on Nov. 14 for a 60-day public comment period ending Jan. 13, 2026. Tee inquired whether, following the receipt and review of comments, the Working Group would develop and subsequently expose a formal proposal. Additionally, Tee inquired whether the proposal would be presented again to the Task Force and the Financial Condition (E) Committee for further consideration after it is forwarded. Yanacheak responded that, unless the proposal contains controversial issues, it is not customary for the Task Force and Committee to re-expose it.

Barlow noted that the conceptual proposal on collateral loans is not yet ready for adoption. There are outstanding issues related to asset valuation reserve (AVR) that the Life Risk-Based Capital (E) Working Group has requested

further insight on from the Academy. Barlow concurred with Yanacheak that any comments received should be directed to the Working Group, where the technical discussions will take place.

7. Received an Update Regarding the RBC Treatment for SVO-Designated Investments

Botsko stated that the Property and Casualty Risk-Based Capital (E) Working Group received three comment letters during the exposure period. One comment letter strongly supported the initiative to harmonize RBC requirements for SVO-designated bond funds, which include exchange-traded funds (ETFs), mutual funds, and private funds. The authors of this letter emphasized that such harmonization would be especially beneficial for smaller insurance companies, as these organizations often lack the resources or portfolio size needed for direct investments in individual bonds. Therefore, enabling access to diversified bond funds would help them manage risk more effectively without increasing their exposure.

Botsko stated that the second letter expressed confidence in the existing regulatory framework, highlighting the strengths of the current two-step process that allows issuers and insurers to submit investment fund holdings to the SVO for designation as certain bond funds. The authors recommended that, before making any changes to RBC requirements, the Working Group should conduct a comprehensive analysis of the risks associated with these funds. They also cautioned that any changes requiring additional regulatory infrastructure or increased expenses for companies should be carefully considered to ensure they provide meaningful benefits for solvency oversight.

Botsko stated that the third comment letter suggested that the proposal could be improved by including a detailed analysis of its actual impact on RBC charges and ratios at the individual company level. This analysis should aggregate results across various scenarios, particularly those involving changes to R2 factors. The letter also pointed out that the data used in the analysis was skewed by two large P/C companies with significant equity holdings, which distorted the R2 results. Chou agreed with Botsko on the importance of conducting a thorough risk assessment to ensure the proposal's effectiveness and fairness.

Drutz stated that the Health Risk-Based Capital (E) Working Group exposed the referral for a 65-day public comment period ending Dec. 3. The Working Group will provide the status of this issue to the Task Force during the Task Force's next meeting.

8. Discussed Other Matters

Yanacheak announced that the Task Force will not convene in person at the Fall National Meeting. Instead, it plans to reconvene in spring 2026 to address outstanding agenda items.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/E CMTE/CADTF/2025-2-Summer/June 30 CADTF minutes.docx

ATTACHMENT THREE – PENDING

**RISK-BASED CAPITAL INVESTMENT RISK AND
EVALUATION (E) WORKING GROUP MEETING
SUMMARY**

ATTACHMENT FOUR – PENDING

**LIFE RISK-BASED CAPITAL (E) WORKING
GROUP MEETING SUMMARY**

ATTACHMENT FIVE – PENDING

**PROPERTY AND CASUALTY RISK-BASED
CAPITAL (E) WORKING GROUP MEETING
SUMMARY**

ATTACHMENT SIX – PENDING

HEALTH RISK-BASED CAPITAL (E) WORKING GROUP MEETING SUMMARY

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>9/24/2025</u></p> <p>CONTACT PERSON: <u>Jane Ren</u></p> <p>TELEPHONE: <u>212-386-1942</u></p> <p>EMAIL ADDRESS: <u>jren@naic.org</u></p> <p>ON BEHALF OF: <u>Variable Annuities Capital and Reserve Subgroup</u></p> <p>NAME: <u>Matt Cheung, Vice Chair</u></p> <p>TITLE: <u>Chief Life Actuary</u></p> <p>AFFILIATION: <u>Illinois</u></p> <p>ADDRESS: <u>115 S. LaSalle St, 13th Floor</u> <u>Chicago IL, 60603</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-17-L</u> Year <u>2026</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 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 type="checkbox"/> Life and Fraternal RBC Formula |
| <input type="checkbox"/> 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.

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:

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

Revised 2-2023

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.



Details Eliminated to Conserve Space



APPENDIX 1 – CASH FLOW MODELING FOR C-3 RBC

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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.

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>11/12/25</u></p> <p>CONTACT PERSON: <u>Eva Yeung</u></p> <p>TELEPHONE: <u>816-783-8407</u></p> <p>EMAIL ADDRESS: <u>eyeung@naic.org</u></p> <p>ON BEHALF OF: <u>Catastrophe Risk (E) Subgroup</u></p> <p>NAME: <u>Wanchin Chou</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Connecticut Department of Insurance</u></p> <p>ADDRESS: <u>153 Market St., Hartford CT 06103</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-19-CR</u></p> <p>Year <u>2026</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>03/23/2026</u></p> <p><input checked="" type="checkbox"/> SUBGROUP (SG) <u>03/23/2026</u></p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>11/12/2025</u></p> <p><input checked="" type="checkbox"/> SUBGROUP (SG) <u>11/12/2025</u></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 checked="" type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula | <input type="checkbox"/> Property/Casualty RBC Formula | <input type="checkbox"/> Life and Fraternal RBC Formula |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

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

SCHEDULE P PART IXX - XXXX PRI00s (Option 2)

	(3) Premiums	(24) Total Net Losses and Expenses		(28) Total Losses and Expenses	Earthquake Catastrophe Experience*				Hurricane Catastrophe Experience*				Wildfire Catastrophe Experience*				(28C) Total Losses and Expenses Incurred, Net excluding Earthquake, Hurricane and Wildfire Losses
		Earned, Net	Unpaid		Incurred, Net	(24A1) Total U.S. Net Losses Unpaid	(28A1) Total U.S. Losses Incurred, Net	(24B1) Total Non-U.S. Net Losses Unpaid	(28B1) Total Non-U.S. Losses Incurred, Net	(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	(24AIII) Total U.S. Net Losses Unpaid	(28AIII) Total U.S. Losses Incurred, Net	(24BIII) Total Non-U.S. Net Losses Unpaid	
(2) 2017	0		0	0		0		0		0		0		0		0	0
(3) 2018	0		0	0		0		0		0		0		0		0	0
(4) 2019	0		0	0		0		0		0		0		0		0	0
(5) 2020	0		0	0		0		0		0		0		0		0	0
(6) 2021	0		0	0		0		0		0		0		0		0	0
(7) 2022	0		0	0		0		0		0		0		0		0	0
(8) 2023	0		0	0		0		0		0		0		0		0	0
(9) 2024	0		0	0		0		0		0		0		0		0	0
(10) 2025	0		0	0		0		0		0		0		0		0	0
(11) 2026	0		0	0		0		0		0		0		0		0	0
(12) Totals		0			0		0		0		0		0		0		0

	Convective Storms Catastrophe Experience*				(28V) Total Losses and Expenses Incurred, Net excluding Earthquake, Hurricane, Wildfire and Convective Storms Losses
	(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	
(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		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 (24A1), (24AII), (24AIII), (28A1), (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 (24B1),(24BII), (24BIII), (28B1), (28BII) and (28BIII).

****Columns 24III through 28V are for informational purposes only.

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right; margin: 0;">DATE: <u>11/12/25</u></p> <p>CONTACT PERSON: <u>Eva Yeung</u></p> <p>TELEPHONE: <u>816-783-8407</u></p> <p>EMAIL ADDRESS: <u>eyeung@naic.org</u></p> <p>ON BEHALF OF: <u>Catastrophe Risk (E) Subgroup</u></p> <p>NAME: <u>Wanchin Chou</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Connecticut Department of Insurance</u></p> <p>ADDRESS: <u>153 Market St., Hartford CT 06103</u></p>	<p style="text-align: center; margin: 0;">FOR NAIC USE ONLY</p> <hr/> <p>Agenda Item #<u>2025-20-CR</u> Year <u>2026</u></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>03/23/2026</u></p> <p><input checked="" type="checkbox"/> SUBGROUP (SG) <u>03/23/2026</u></p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>11/12/2025</u></p> <p><input checked="" type="checkbox"/> SUBGROUP (SG) <u>11/12/2025</u></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

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Building on the precedent set by the 2021 wildfire review, an ad hoc group was re-established and began a new evaluation cycle on March 18, guided by the Actuarial Standard of Practice (ASOP) No. 38—Catastrophe Modeling for All Practice Areas. This comprehensive process included high-level analysis, confidential assessments, and detailed impact studies. In addition to the original three vendors—Moody Risk Management Solutions (RMS), Verisk Extreme Event Solutions, and KCC—CoreLogic joined as a new participant for this review cycle. Starting in early June and July, the group collaborated with all four vendors to conduct a second round of impact analysis using consistent exposure inputs. On September 25, the group reconvened to address feedback from the impact analysis presentations. A comparative review of the initial 2022 assessment and the current evaluation revealed that model outputs have become increasingly consistent. As a result, the Subgroup now has greater confidence in the models and their suitability for risk management applications.

This proposal formally recommends adding wildfire peril to the Rcat component, reflecting the enhanced reliability and applicability of the catastrophe models.

Additional Staff Comments:

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

Revised 2-2023

CALCULATION OF CATASTROPHE RISK CHARGE RCAT

PR027A, PR027B, PR027BI, PR027BII, PR027BIII, PR027BIV PR027C, PR027CI, PR027CII, PR027CIII, PR027CIV, PR027D, PR027, PR027INT, AND PR027INTA

The catastrophe risk charge for earthquake (PR027A), hurricane (PR027B), wildfire (~~PR027C~~) and convective storms for informational purposes only (~~PR027C~~ and PR027D) risks is calculated by multiplying the RBC factors by the corresponding modeled losses and reinsurance recoverables. The risk applies on a net basis with a corresponding contingent credit risk charge for certain categories of reinsurers. Data must be provided for the worst year in 50, 100, 250, and 500; however, only the worst year in 100 will be used in the calculation of the catastrophe risk charge. While projected losses modeled on an Aggregate Exceedance Probability basis is preferred, companies are permitted to report on an Occurrence Exceedance Probability basis if that is consistent with the company's internal risk management process.

The projected losses can be modeled using the following NAIC approved third-party commercial vendor catastrophe models: AIR, CoreLogic, ~~RMS, KCC~~ for earthquake, ~~and~~ hurricane, ~~and~~ wildfire only, ~~RMS, KCC~~, the ARA HurLoss Model (hurricane ~~only~~), or the Florida Public Model for hurricane ~~only~~, as well as catastrophe models that are internally developed by the insurer or that are the result of adjustments made by the insurer to vendor models to represent the own view of catastrophe risk (hereinafter "own models").

However, an insurer seeking to use an own model must first obtain written permission to do so by the domestic or lead state insurance regulator. In the situation where the model output is used to determine the catastrophe risk capital requirement for a single entity, the regulator granting permission to use the own model is the domestic state. In the situation where the model output is used to determine the catastrophe risk capital requirement for a group, the grantor is the lead state regulator. In the situation where the insurer seeking permission is a non-U.S. insurer, the grantor shall be the lead state regulator. Under all scenarios, the regulator that is granting permission should inform other domestic states that have a catastrophe risk exposure and share the results of the review.

To obtain permission to use the own model, the insurer must provide the domestic or lead state insurance regulator with written evidence of each of the following:

1. The nature, scale, and complexity of the insurer's catastrophe risk make it reasonable for the insurer to use its own model.
2. The own model is used for catastrophe risk management, capital assessment, and the capital allocation process.
3. The insurer has validated the own model(s) for each of the perils included in the RBC catastrophe risk charge. The insurer is including both U.S. and non-U.S. exposures in the calculation of the RBC charge.
4. The insurer has individuals with experience in developing, testing and validating internal models or engages third parties with such experience.
5. The own model was developed using reasonable data and assumptions.
6. The insurer must provide supporting model documentation and/or the differences from the vendor models if modified from the vendor models, supporting that the model was developed using reasonable data and assumptions. The insurer must provide a copy of the latest validation report and the insurer is solely responsible for the relevant cost. The validation report must provide a description of the scope, content, results and limitations of the validation, the individual qualifications of validation team and the date of the validation. Both the model documentation and the model validation report must be provided at a minimum once every five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer's exposure to catastrophe exposure.
7. The results of the own model for each relevant peril should be compared with the results produced by at least one of the following models: AIR, CoreLogic, ~~RMS, and KCC~~ for earthquake, ~~and~~ hurricane ~~and~~ wildfire only, ~~RMS, KCC~~, ARA HurLoss (hurricane ~~only~~), or the Florida Public Model for hurricane ~~only~~. The insurer must provide the comparison and an explanation of the drivers of differences between the results produced by the internal model vs. results produced by the selected prescribed model. Evidence that the own model produces reasonable results must be provided at a minimum once every

five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer's exposure to catastrophe exposure.

8. If the own model has been approved or accepted by the non-U.S. lead supervisor for use in the determination of regulatory capital, the insurer must submit evidence, if available, from the non-US lead supervisor of the most recent approval/acceptance including the description of scope, content, results and limitations of the approval/acceptance process and dates of any planned future approval/acceptance, if known. The name and the contact information of a contact person at the non-US lead supervisor should also be provided for questions on the approval/acceptance process.

If the lead or domestic state determines that permission to use the own model cannot be granted, the insurer shall be required to determine the RBC Catastrophe Risk Charge through the use of one of the third-party commercial vendor models (AIR, CoreLogic, RMS, and KCC for earthquake, ~~and~~ hurricane, and wildfire only, ~~RMS, KCC,~~ ARA HurLoss (hurricane ~~only~~)), or the Florida Public Model for hurricane only, as advised by the lead state or domestic state.

If the lead or domestic state determines that permission to use the own model can be granted to determine the RBC Catastrophe Risk Charge, the model will be subject to additional review through the ongoing examination process. If, as a result of the examination, the lead or domestic state determines that permission to use the own model should be revoked, the insurer may be required to resubmit the risk-based capital filing and any past filings so impacted where own model was used, as directed by the lead state or domestic state.

If the insurer obtains permission to use the own model, it cannot revert back to using third-party commercial vendor models to determine the RBC Catastrophe Risk Charge in subsequent reporting periods, unless this is agreed with the lead or domestic state that granted permission.

The contingent credit risk charge should be calculated in a manner consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Note that no tax effect offsets or reinstatement premiums should be included in the modeled losses. Further note that the catastrophe risk charge is for earthquake, ~~and~~ hurricane, and wildfire risks only.

As per the footnote on this page, modeled losses to be entered PR027A, PR027B PR027C and PR027D in Lines (1) through (4) are to be calculated using one of the **third-party commercial vendor** models – AIR, CoreLogic, RMS, and KCC for earthquake, ~~and~~ hurricane, and wildfire only, ~~RMS, KCC,~~ ARA HurLoss (hurricane ~~only~~); or the Florida Public Model (~~for~~ hurricane only) **or the insurer's own catastrophe model**; and using the insurance company's own insured property exposure information as inputs to the model. The insurance company may elect to use the modeled results from any one of the models, or any combination of results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions but will be expected to use the same exposure data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. Any exceptions must be explained in the required *Attestation Re: Catastrophe Modeling Used in RBC Catastrophe Risk Charges* within this RBC Report.

CALCULATION OF CATASTROPHE RISK CHARGE FOR WILDFIRE PR027C
(For Informational Purposes Only)

Wildfire	Reference	Modeled Losses			
		(1) Direct and Assumed	(2) Net	(3)† Ceded Amounts Recoverable	(4)†† Ceded Amounts Recoverable with zero Credit Risk Charge
(1) Worst Year in 50	Company Records				
(2) Worst Year in 100	Company Records				
(3) Worst Year in 250	Company Records				
(4) Worst Year in 500	Company Records				
(5) Worst Year in 1000 (For Informational Purposes Only)	Company Records				
				(5) Y/N	
(6) Has the company reported above, its modeled wildfire losses using an occurrence exceedance probability (OEP) basis?					
				(6)	(7) RBC Requirement (C(6) * Factor)
	Reference			Amount	Factor
(7) Net Wildfire Risk	L(2) C(2)			0	1.000
(8) Contingent Credit Risk for Wildfire Risk	L(2)(C(3) - C(4))			0	0.018
(9) Total Wildfire Catastrophe Risk (AEP Basis)	If L(6) C(5) = "N", L(9) C(6) = L(7) C(7)+ L(8) C(7), otherwise "0"			0	1.000
(10) Total Wildfire Catastrophe Risk (OEP Basis)	If L(6) C(5) = "Y", L(10) C(6) = L(7) C(7)+ L(8) C(7), otherwise "0"			0	1.000
(11) Total Wildfire Catastrophe Risk	L(9) C(7) + L(10) C(7)				
				(8)	(9)
				Direct and Assumed	Net
(12) For a company qualifying for the exemption under PR027INT C (10), complete 12a through 12c below:					
a. Provide the company's gross and net 1-in-100-year wildfire losses on a best estimate basis in lieu of model-based reporting.					
b. Provide details on how the company estimated the amounts shown in 12a.					
c. Provide a narrative disclosure about how the company manages its wildfire risk.					

Lines (1)-(5): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, RMS, ~~or~~ KCC, Corelogic, or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

††Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

CALCULATION OF CATASTROPHE RISK CHARGE PR027

	<u>Reference</u>	(1) <u>RBC Amount</u>
(1) Total Earthquake Catastrophe Risk	PR027A L(10) C(7)	<u>0</u>
(2) Total Hurricane Catastrophe Risk	PR027B L(11) C(7)	<u>0</u>
(3) Total Wildfire Catastrophe Risk	PR027C L(11)C(7)	<u>0</u>
(4) Total Convective Storms Catastrophe Risk	PR027D L(10)C(7)	<u>0</u>
(5) Total Catastrophe Risk (R _{cat})	$\text{SQRT}(L(1)^2 + L(2)^2 + L(3)^2)$	<u>0</u>
(5a) Total Catastrophe Risk (R _{cat} For Informational Purposes Only)	$\text{SQRT}(L(1)^2 + L(2)^2 + L(3)^2 + L(4)^2)$	<u>0</u>

Lines 3, 4, and 5a are for informational purposes only

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>11/4/2025</u></p> <p>CONTACT PERSON: <u>Derek Noe</u></p> <p>TELEPHONE: <u>816-783-8973</u></p> <p>EMAIL ADDRESS: <u>dnoe@naic.org</u></p> <p>ON BEHALF OF: <u>Health Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Steve Drutz</u></p> <p>TITLE: <u>Chief Financial Analyst/Chair</u></p> <p>AFFILIATION: <u>WA Office of Insurance Commissioner</u></p> <p>ADDRESS: <u>5000 Capital Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-15-CA-MOD</u> Year <u>2026</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>2/13/2026</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

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.

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

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** 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.g., 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) 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

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.

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

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 (749) 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 (844) Underwriting Risk Incurred Claims. Line (59) minus Lines (640) and (7).

Line (942) Underwriting Risk Claims Ratio. For Columns (1) through (95), Line (844)/Line (46). If either Line (46) or Line (844) is zero or negative, Line (942) 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

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.

- ~~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.

Line (2119) Net Underwriting Risk RBC. This is the maximum of Line (16) and Line (1820) for each of columns (1) through (95). This is the amount in Line (14) **for** Column (610). The amount in Column (117) is the sum of the values in Columns (1) through (106).

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 (245.1) 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 (245.2) 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 (41), Line (35).

Lines (256) through (312) 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

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.

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.

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

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: $(500,000 \times 115\% + 300,000 \times 120\%)/(500,000 + 300,000) = 116.7\%$						

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

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.

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 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.

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 ~~(3141)~~, (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 ~~(3141)~~ 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 ~~(1826), (2836), (38)~~ or ~~(2939)~~. 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 ~~343~~ 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).

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).~~

Line (107) and Line (2347)

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 (4824). 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 (24), 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 (16+)

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

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 (204)
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 (22145)
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.

	<u>Disability Income Premium</u>	<u>Annual Statement Source</u>	(1) <u>Statement Value</u>	<u>Factor</u>	(2) <u>RBC Requirement</u>
<u>Line (274)</u>	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in <u>Schedule H, Part 1, Line 2, Health Supplement Analysis of Operations 11, Line 1 + 2</u> , in part	_____		
a)	First \$50 Million Earned Premium of Line (274)	Company Records	_____	X 0.4435 =	_____
b)	Over \$50 Million Earned Premium of Line (274)	Company Records	_____	X 0.1901 =	_____
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (274) + b) of Line (274), Column (2)	_____		=====

<u>Line</u> <u>(282)</u>	Other Disability Income - Individual Morbidity	Earned Premium included in <u>Health Supplement Analysis of Operations Column 11, Line 1 + 2, Schedule H, Part 1, Line 2</u> , in part			
a)	Earned Premium in Line (282) [up to \$50 million less premium in a) of Line (274)]	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)			
<u>Line</u> <u>(293)</u>	Disability Income - Credit Monthly Balance	Earned Premium included in <u>Health Supplement Analysis of Operations Column 11, Line 1 + 2, Schedule H, Part 1, Line 2</u> , 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)			
<u>Line</u> <u>(3024)</u>	Disability Income – Group Long-Term	Earned Premium included in <u>Health Supplement Analysis of Operations Column 11, Line 1 + 2, Schedule H, Part 1, Line 2</u> , 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)			
<u>Line</u> <u>(3125)</u>	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in <u>Health Supplement Analysis of Operations Column 11, Line 1 + 2, Schedule H, Part 1, Line 2</u> , 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)			

<u>Line (3226)</u>	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)	=====		=====
<u>Line (3327)</u>	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 (394)

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

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.

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 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 (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

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)

<u>Insured Group</u>	<u>Specific Att Point (\$)</u>	<u>Aggregate Att (%)</u>	<u>Expected Claims</u>	<u>Number of Lives</u>	<u>Include Exclude</u>	<u>Reason to Exclude</u>
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: $(500,000 \times 115\% + 300,000 \times 120\%) / (500,000 + 300,000) = 116.7\%$

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.

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 (198)

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 (52) Medicare Supplement; Column (63) ~~Dental &~~ Vision Only; Column (7) Dental Only; and Column (84) 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

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.

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 (242) 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 (45) Underwriting Risk Revenue

~~The sum of Lines (1.3) through + (24) - (3).~~

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 ~~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 (56) 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 34). 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 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)~~ Base Underwriting Risk RBC

Line ~~(45)~~ x Line (9) x Line ~~(130.3)~~.

Line (152) 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

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 (163) Base RBC After Managed Care Discount

Line (141) x Line (152).

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 (176) 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 (187) 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 (198) Net Underwriting Risk RBC

The maximum of Line (164) and Line (187).

**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 (2244), (3223)

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 (21). 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.

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 (2143)

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 (24) 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).

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).~~

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.

		<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>RBC Requirement</u>
<u>Line</u>	<u>Disability Income Premium</u>				
<u>(2315)</u>	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3 Schedule H, Part 1, Column 21, Line 2</u> , 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)	_____		=====
<u>Line</u>	Other Disability Income – Individual Morbidity	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3 Schedule H, Part 1, Column 21, Line 2</u> , in part	_____		
<u>(2416)</u>					
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)	_____		=====
<u>Line</u>	Disability Income - Credit Monthly Balance	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3 Schedule H, Part 1, Column 21, Line 2</u> , in part	_____		
<u>(2517)</u>					
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)	_____		=====
<u>Line</u>	Disability Income – Group Long Term	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3 Schedule H, Part 1, Column 21, Line 2</u> , in part	_____		
<u>(2618)</u>					
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)	_____		=====

		<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>Attachment Ten RBC Requirement</u>
	<u>Disability Income Premium</u>				
<u>Line (2749)</u>	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3Schedule H, Part 1, Column 21, Line 2</u> , in part. This amount to be reported on Health Premiums, Line (2749)	_____		
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 (2749) - a) of Line (2749) + b) of Line (2749)	=====		
d)	Earned Premium in c) [up to \$50 million less premium in a) of Line (2547) + a) of Line (2648)]	Company Records	_____	X 0.100 =	_____
e)	Earned Premium in c) of Line (2749) not included in d) of Line (2749)	Company Records	_____	X 0.030 =	_____
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (2749) + e) of Line (2749), Column (2)	=====		=====
<u>Line (280)</u>	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3Schedule H, Part 1, Column 21, Line 2</u> , in part	_____		
a)	Earned Premium in Line (280) [up to \$50 million less premium in a) of Line (2547) + a) of Line (2648) + d) of Line (2749)]	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)	=====		=====
<u>Line (294)</u>	Disability Income – Group Short Term	Earned Premium included in <u>U&I Part 1, Column 4 Line 15.3Schedule H, Part 1, Column 21, Line 2</u> , in part	_____		
a)	Earned Premium in Line (294) [up to \$50 million less premium in a) of Line (2547) + a) of Line (2648) + d) of Line (2749) + a) of Line (280)]	Company Records	_____	X 0.050 =	_____
b)	Earned Premium in Line (294) not included in a) of Line (294)	Company Records	_____	X 0.030 =	_____
c)	Total Disability Income – Group Short Term	a) of Line (294) + b) of Line (294), Column (2)	=====		=====
<u>Line (3122)</u>	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (<u>U&I Part 1, Column 4 Line 15.7Schedule H, Part 1, Column 23, Line 2</u> , 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).

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.

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

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.

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:

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 (198)

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) Medicare Supplement; Column (6) Dental & Vision; Column (7) Dental; and Column (8) 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

~~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

Comprehensive Medical Individual

Comprehensive Medical Group

Title XVIII Medicare

Title XIX Medicaid

Medicare Supplement

Vision

Dental

Stand-Alone Medicare Part D Coverage

Annual Statement Source

U&I Part 1, Column 4 Line 13.1

U&I Part 1, Column 4 Line 13.2

U&I Part 1, Column 4 Line 15.6

U&I Part 1, Column 4 Line 15.5

U&I Part 1, Column 4 Line 15.4

U&I Part 1, Column 4 Line 15.1

U&I Part 1, Column 4 Line 15.2

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

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 ColumnComprehensive Medical IndividualComprehensive Medical GroupTitle XVIII MedicareTitle XIX MedicaidMedicare SupplementVisionDentalStand-Alone Medicare Part D CoverageAnnual Statement SourceU&I Part 2, Column 7 Line 13.1U&I Part 2, Column 7 Line 13.2U&I Part 2, Column 7 Line 15.6U&I Part 2, Column 7 Line 15.5U&I Part 2, Column 7 Line 15.4U&I Part 2, Column 7 Line 15.1U&I Part 2, Column 7 Line 15.2Company 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.

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) Base Underwriting Risk RBC

Line (4) x Line (9) x Line (13).

Line (15) 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) Base RBC After Managed Care Discount

Line (14) x Line (15).

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

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 (176) 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 (187) 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 (198) Net Underwriting Risk RBC

The maximum of Line (164) and Line (187).

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UNDERWRITING RISK

Experience Fluctuation Risk

	(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 Incurred 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) Underwriting 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

		(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.

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.

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Long-Term Care (LTC) Insurance Premium		Annual Statement Source	(1) <u>Amount</u>	Factor	(2) <u>RBC Requirement</u>
(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) <u>Premiums</u>	(2) <u>Incurred Claims</u>	(3) <u>Column (2)/(1) §</u>	(4) <u>RBC Requirement</u>
(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 Noncancellable 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.

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Limited Benefit Plans (Individual and Group Combined)		Annual Statement Source	(1) <u>Amount</u>	Factor	(2) <u>RBC Requirement</u>
(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).

 Denotes items that must be manually entered on filing software.

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BUSINESS RISK

	<u>Annual Statement Source</u>	<u>(1)</u> <u>Amount</u>	<u>Factor</u>	<u>(2)</u> <u>RBC Requirement</u>
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) <i>(manual entry)</i> †			
(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) <i>(manual entry)</i> †			
(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)			
		<u>Premium</u>	<u>Weight</u>	<u>Weighted Premium</u>
(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.

Denotes items that must be manually entered on filing software.

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)	=====

Denotes items that must be manually entered on filing software.

HEALTH PREMIUMS

		(1) Statement Value	(2) RBC Requirement
<u>Annual Statement Source</u>		<u>Factor</u>	<u>Requirement</u>
<u>Medical Insurance Premiums - Individual</u>			
(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 =	
<u>Medical Insurance Premiums - Group and Credit</u>			
(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 =	
<u>Disability Income Premium</u>			
(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)		
<u>Long-Term Care</u>			
(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)		
<u>Health Premium With Limited Underwriting Risk</u>			
(38) ASC Business Reported as Revenue Premium	Earned Premium Health Supplement Analysis of Operations Column 13 Line 1 + 2 in part)	X 0.000 =	
<u>Other Health</u>			
(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	Sum of Lines (1) through (26) excluding (9) and (22); Line (34); and Line (37) through (40)		
(Column (1) should equal sum of Health Supplement Analysis of Operations Columns 2 through 13 Line 1 + 2)			
(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.

UNDERWRITING RISK

Experience Fluctuation Risk

	(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
Line of Business									
(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 Incurred Claims†									
(6) Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(7) Fee-For-Service Offset†					XXX				
(8) Underwriting 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:

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

† Annual Statement Source

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(11)
	Line of Business	Comprehensive (Hospital & Medical) Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision Only	Dental Only	Stand-Alone Medicare Part D Coverage	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		

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

LR020 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]

HEALTH CLAIMS RESERVES

	(1)	(2)	(3)	(4)
	Statement Value	Less Workers Compensation Carve Out	RBC Subtotal	RBC Requirement
<u>Individual Claim Reserves</u>				
(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 =	
<u>Group and Credit Claim Reserves</u>				
(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.

PREMIUM STABILIZATION RESERVES

		(1)		(2)
	<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>RBC Requirement</u>
<u>Group and Credit Life and Health Reported Premium Stabilization Reserves</u>				
(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)		
<u>Group & Credit Life and Health Risk-Based Capital</u>				
(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	=

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

\$0

BUSINESS RISK

	<u>Annual Statement Source</u>	(1) <u>Statement Value</u>	<u>Factor</u>	(2) <u>RBC Requirement</u>
<u>Life Insurance Premiums</u>				
(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 =	_____
<u>Annuity Considerations</u>				
(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 =	_____
<u>Accident and Health Premiums</u>				
(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).

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

\$0

BUSINESS RISK (CONTINUED)

	<u>Annual Statement Source</u>	(1) <u>Statement Value</u>	<u>Factor</u>	(2) <u>RBC Requirement</u>
<u>Separate Account Liabilities</u>				
(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)	=====		=====
<u>Administrative Expenses for Certain A&H Coverages</u>				
(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)	_____		_____
<u>Health ASO/ASC</u>				
(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.

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

	Source	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect
<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	LR004 Mortgages Column (6) Line (15)		X 0.1575	=
<u>90 Days Overdue</u>				
(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	=
<u>In Process of Foreclosure</u>				
(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)

	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 <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 <u>Schedule BA</u>	LR007 Real Estate Column (3) Line (12)		X 0.2100	=
(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 0.1575	=
(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 (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)

		(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) 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) - 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)	=		=
(135) <u>Insurance Risk</u> Disability Income Premium	LR019 Health Premiums Column (2) Lines (34)	X	0.2100	=

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

	<u>Source</u>	(1) <u>RBC Amount</u>	<u>Tax Factor</u>	(2) <u>RBC Tax Effect</u>
(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	$L(135) + L(136) + L(139) + L(140) + \text{Greatest of} [\text{Guardrail Factor} * (L(137)+L(138)), \text{Guardrail Factor} * L(138b), \text{Square Root of} [(L(137) + L(138))^2 + L(138b)^2 + 2 * (\text{Correlation Factor}) * (L(137) + L(138)) * L(138b)]]$	=====		=====
(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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HEALTH PREMIUMS PR019

	(1)	(2)
	Annual Statement Source	RBC Requirement
	Statement Value	Factor
Medical Insurance Premium - Individual		
(1) Comprehensive (Medical and Hospital)	Earned Premium (U&I Part 1, Column 4 Line 13.1)	0 †
(2) Title XVIII Medicare	Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0 †
(3) Title XIX Medicaid	Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0 †
(4) Medicare Supplement	Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0 †
(5) Vision Only	Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0 †
(6) Dental Only	Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0 †
(7.1) Stand-Alone Medicare Part D Coverage	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0 †
(7.2) Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0.500
(7.3) Medicaid Pass-Through Payments Reported as Premium	Company Records	0.020
(8) Hospital Indemnity and Specified Disease	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0.035 *
(9) AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0 ‡
(10) Other Accident	Earned Premium (U&I Part 1, Column 4 Line 15 in part)	0.050
Medical Insurance Premium - Group and Credit		
(11) Comprehensive (Medical and Hospital)	Earned Premium (U&I Part 1, Column 4 Line 13.2)	0 †
(12) Title XVIII Medicare	Earned Premium (U&I Part 1, Column 4 Line 15.6 in part)	0 †
(13) Title XIX Medicaid	Earned Premium (U&I Part 1, Column 4 Line 15.5 in part)	0 †
(14) Vision Only	Earned Premium (U&I Part 1, Column 4 Line 15.1 in part)	0 †
(15) Dental Only	Earned Premium (U&I Part 1, Column 4 Line 15.2 in part)	0 †
(16) Stop Loss and Minimum Premium	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0 ¥
(17) Medicare Supplement	Earned Premium (U&I Part 1, Column 4 Line 15.4 in part)	0 †
(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 †
(18.2) Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0.500
(18.3) Medicaid Pass-Through Payments Reported as Premium	Company Records	0.020
(19) Hospital Indemnity and Specified Disease	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0.035 *
(20) AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (U&I Part 1, Column 4 Line 15.9 in part)	0 ‡
(21) Other Accident	Earned Premium (U&I Part 1, Column 4 Line 15 in part)	0.050
(22) Federal Employee Health Benefit Plan	Earned Premium (U&I Part 1, Column 4 Line 15.8)	0.000
Disability Income Premium		
(23) Noncancellable Disability Income - Individual Morbidity	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0 ‡
(24) Other Disability Income - Individual Morbidity	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	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 ‡
(27) Disability Income - Credit Single Premium with Additional Reserve	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0 ‡
(28) Disability Income - Credit Single Premium without Additional Reserve	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	0 ‡
(29) Disability Income - Group Short-Term	Earned Premium (U&I Part 1, Column 4 Line 15.3 in part)	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)	0.100
(32) Other Long-Term Care Premium ‡ ‡	Earned Premium (U&I Part 1, Column 4 Line 15.7 in part)	0.000
(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)	0.000
Other Health		
(35) Other Health	Earned Premium (U&I Part 1, Column 4 Line 14 and 15.9 in part)	0.120
(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
(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.

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

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

(Experience Fluctuation Risk in Life RBC Formula)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Comprehensive Medical Individual	Comprehensive Medical Group	Title XVIII-Medicare	Title XIX-Medicaid	Medicare Supplement	Vision Only	Dental Only	Stand-Alone Medicare Part D Coverage	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.

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

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]

UNDERWRITING RISK - OTHER AND TOTAL NET HEALTH PREMIUM RBC PR022

		(1) Amount	Factor	(2) RBC Requirement
Rate Guarantees & Federal Employees Health Benefits				
(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).

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

PREMIUM STABILIZATION RESERVES PR025

		(1) Statement Value	Factor	(2) RBC Requirement
Group & Credit Health Premium Stabilization Reserves Reported				
(1)	Stabilization Reserves and Experience Rating Refunds	0	0.500	0
(2)	Provision for Experience Rating Refunds	0	0.500	0
(3)	Reserve for Group Rate Credits	0	0.500	0
(4)	Reserve for Credit Rate Credits	0	0.500	0
(5)	Premium Stabilization Reserves	0	0.500	0
(6)	Total of Preliminary Premium Stabilization Reserve Credit	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	0	-1.000	0

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

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

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Investment Subsidiary Classification

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared as questions have been received on the classification of investments as “investment subsidiaries” in schedule D-6-1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies and in the Life RBC formula on pages LR042, LR043 and LR044.

For background, the concept of an investment subsidiary was reflected in *SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities* as “investments in noninsurance subsidiary, controlled or affiliated (SCA) entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates.” For these SCAs, the guidance in SSAP No. 46 required an equity measurement method adjusted to the statutory basis of accounting. With this adjustment to the statutory basis of accounting, the measurement of the SCA under SSAP No. 46 was intended to be consistent to the accumulated measurement of the underlying assets if they had been held directly. SSAP No. 46 was superseded by SSAP No. 88 as of Jan. 1, 2005, and the concept of an “investment subsidiary” (or a subsidiary designed to hold assets for the entity) was eliminated from statutory accounting guidance. The investment subsidiary guidance in the annual statement instructions was not deleted when the concept was eliminated from statutory accounting guidance. This is presumably because of the different charge that RBC applies to such entities if they meet specific criteria. SSAP No. 88 was later superseded by SSAP No. 97 as of Dec. 31, 2007, and is the current authoritative guidance for SCAs. Similar to SSAP No. 88, the concept of an “investment subsidiary” (or an SCA designed just to hold assets for the benefit of the reporting entity and its affiliates) is not in SSAP No. 97.

Under current guidance in SSAP No. 97, the concept of an SCA that simply holds assets is not reflected. Unless the SCA is an insurance subsidiary or engages in specific transactions on behalf of the entity or meets the revenue test, the SCA will be captured under paragraph 8.b.iii in SSAP No. 97 and reported based on the audited US GAAP equity value. Admittance is permitted if the parameters of the SSAP are met, which includes an audited financial statement supporting the US GAAP equity value. It is noted that the concept of an investment sub is still reflected in *SSAP No. 25—Affiliates and Other Related Parties*. The example of an entity only holding assets for the benefit of the insurer is an example of a non-economic transaction, where the assets are transferred/recognized at fair value, but any gain from the transfer is deferred until permanence can be verified.

From questions received and a review of financial statement reporting, the following list identifies issues:

- Situations have been identified in which companies have reported Schedule BA items (in scope of SSAP No. 48) as “investment subs” for RBC look through although those investments should not be captured within the classification. The concept for an “investment subsidiary” is for items reported as SCAs in scope of SSAP No. 97 with common and/or preferred stock ownership.
- Questions have been raised on whether companies can utilize the concept of an “investment sub” to avoid statutory accounting provisions for underlying assets but receive favorable RBC impact as if the SSAP criteria had been met. (For example, whether a company utilizes the bond RBC factors for a debt security

held within an investment subsidiary without verifying that the debt security would qualify as a bond under SSAP No. 26 or uses CRP ratings to determine RBC when the asset may have required an SVO-assigned designation if held directly.)

- Questions have been received on how companies comply with Life RBC LR044 instruction for Affiliate Type 4 *“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.”* Specifically, the measurement method for the SCA pursuant to SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities* (audited U.S. GAAP equity) would not be consistent with the measurement of the assets if the assets were held directly (statutory basis). Questions arise whether the underlying assets within the investment subsidiary are converted to statutory basis of accounting prior to computation of RBC charge. In addition, there were questions as to how the RBC after covariance for the underlying assets owned is calculated for investment subsidiaries.
- According to Annual Statement instructions, investment subsidiaries also need to apply a “look-through” approach in Asset Valuation Reserve (AVR) calculation. However, diversity in practice has been observed and for companies that utilize Lines 5 – 14 of the AVR Equity and Other Invested Asset Component table to calculate AVR, the computation is not transparent.
- Questions have been raised on the current annual statement instructions for D-6-1 regarding the “imputed value on a statutory basis” and the direction for nonadmittance of the excess or reclassification in the “all other affiliates” category. Schedule D-6-1 does not determine the amount reported on balance sheet, as that amount is pulled from *Schedule D-2-2, Common Stocks*. Further, the A/S instructions for D-6-1 would not override the SSAP guidance that prescribes the measurement and admittance requirement as that is governed by SSAP No. 97, which is higher in the statutory hierarchy. These A/S instructions regarding the “imputed statutory value” appear to come from historical RBC guidance, and it is assumed that the calculation of the “imputed statutory value” was intended to be a pre-requisite for classifying as an investment sub. However, as the A/S guidance does not override SSAP, and what is captured would seemingly create a disconnect from what is reported on balance sheet, it seems to be causing confusion on application, as companies are not consistently reporting “investment subsidiaries” throughout the schedule, AVR and the RBC formula.
- From a review of the financial statements, the amounts reported for “investment subsidiaries” vary between D-6-1, AVR and RBC. From the 2023 filing, the amount reported in the RBC formula (which allows company RBC calculation based on the underlying assets) is significantly greater than the amount reported on D-6-1 and what is reported through the equity component of AVR.

The RBC background was noted from the 1995 “Raising the Safety Net” publication for RBC for P/C Insurance Companies is included as follows:

The general principle in determining the RBC of ... investment affiliates is to do so as if the affiliate were fully consolidated with the insurer. The committee recognizes that there is not necessarily any legal obligation for a parent to assist a subsidiary nor maintain adequate capital in the subsidiary; vice versa, a parent which wishes to remove excess capital from a subsidiary might sometimes face barriers in doing so. Nonetheless, the committee believes that the consolidation approach is the best way to measure the RBC of the parent, particularly when both the parent and the affiliate are going concerns. One particular advantage of this approach is that where there is a choice of whether to have ownership of an asset or placement of particular insurance business in either the parent or the subsidiary, the RBC calculation for

the parent remains the same whichever choice is made. The committee believes that this makes the RBC calculation less manipulable with respect to affiliate transactions.

D. Investment Affiliates - Investment affiliates are investment conduits whose function it is to hold and invest assets of the insurance company.* Note that money management subsidiaries are not investment affiliates for this purpose. The RBC for an investment conduit is determined on a consolidated or "see through" basis by applying the appropriate asset factors to the assets owned by the affiliate.

* An affiliate qualifies as an investment conduit if the following criteria are met:

- i. 95 percent or more of the affiliate's assets would qualify as admitted assets if directly owned by the insurer.
- ii. 95 percent or more of the affiliate's liabilities are paid-in capital, retained earnings or debt.
- iii. Combining the prorata ownership share of the asset so fall the investment conduit affiliates with the owning insurer's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity.
- iv. The investment conduit's statement value does not exceed the imputed value of the investment conduit using statutory accounting methodology admit the excess or move the affiliate to the "All Other Affiliated Common Stock" category.

Although the RBC calculation is within the purview of the Capital Adequacy (E) Task Force and its related RBC Working Groups, with the questions received for "investment subsidiaries," as well as the current lack of detail on the underlying assets used to determine RBC, this agenda item proposes the following potential actions:

- 1) Revisions to SSAP No. 97 to incorporate statutory accounting guidance for SCAs that hold assets on behalf of the reporting entity and affiliate (investment subsidiaries). By incorporating in SSAP, consideration can be given as to prescribing the measurement method and potential nonadmittance thresholds if the assets within the investment subsidiary would be nonadmitted if held directly. (As detailed within, the existing reference to measurement and nonadmittance in the instructions for D-6-1 would not overrule the guidance in SSAP No. 97. If the revisions to SSAP No. 97 are not supported, then the Working Group could consider sponsoring a blanks proposal to clarify the instructions in D-6-1 to prescribe allocation of the underlying investments in a manner that coincides with the SCA measurement and admittance under SSAP No. 97. (For example, if the equity measurement reported on balance sheet per SSAP No. 97 is \$100, but the imputed statutory value would be lower at \$80 (or higher at \$120), what should be reported on D-6-1 and how should that flow to RBC?)
- 2) Sponsor blanks proposals to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held within an investment subsidiary. As the RBC and AVR calculations require reporting entities to calculate RBC and AVR based on the underlying assets, this information should be readily available. If revisions are not incorporated into SSAP No. 97, these proposals can also clarify requirements for reporting as an investment subsidiary.
- 3) Referrals to the Capital Adequacy (E) Task Force and related RBC Working Groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets in investment subsidiaries. If blanks reporting revisions are incorporated that provide this detail, then the RBC formula can likely pull from those sources. If reporting revisions are not incorporated, then additional schedules or reporting lines would be necessary within the RBC formula.

Existing Authoritative Literature:

**SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities –
Superseded by SSAP No. 88 as of Jan. 1, 2005.**

7.b.ii Investments in noninsurance SCA entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates, shall be recorded based on the underlying equity of the respective entity’s financial statements adjusted to a statutory basis of accounting and the resultant proportionate share of the subsidiary’s adjusted surplus, adjusted for unamortized goodwill as provided for in SSAP No. 68. Examples include but are not limited to: (i) an insurer and a SCA entity that leases autos, furniture, office equipment, or computer equipment to the insurer; (ii) an insurer and a SCA entity that owns real estate property that is leased to the insurer for office space; and (iii) an insurer and an SCA entity that holds investments that an insurer could acquire directly (i.e., “look through” investment subsidiary);

SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities –

The current guidance requirement prescribes measurement based on the market value approach (8a) or an equity method (8b). The following guidance is divided as follows: 8bi: insurance subsidiaries, 8.b.ii: non-insurance subsidiaries that meet the activity and revenue test, 8bii: non-insurance subsidiaries not captured in 8a or 8bii, and 8biv: foreign insurance subsidiaries. There is no current guidance for an “investment subsidiary” and those SCAs would be captured under 8.b.iii and measured at the audited US GAAP equity.

8. The admitted investments in SCA entities shall be valued using either the market valuation approach (as described in paragraph 8.a.), or one of the equity methods (as described in paragraph 8.b.) adjusted as appropriate in accordance with the guidance in *SSAP No. 25—Affiliates and Other Related Parties*, paragraph 18.d.

- a. In order to use the market valuation approach for SCA entities, the following requirements apply:
 - i. The subsidiary must be traded on one of the following major exchanges: (1) the New York Stock Exchange, (2) the NASDAQ, or (3) the Japan Exchange Group;
 - ii. The reporting entity must submit subsidiary information to the NAIC SCA analysts for calculation of the subsidiary’s market value. Such calculation could result in further discounts in market value above the established base discounts based on ownership percentages detailed below;
 - iii. Ownership percentages for determining the discount rate shall be measured at the holding company level;
 - iv. If an investment in a SCA results in an ownership percentage between 10% and 50%, a base discount percentage between 0% and 20% on a sliding scale basis is required;
 - v. If an investment in a SCA results in an ownership percentage greater than 50% up to and including 80%, a base discount percentage between 20% and 30% on a sliding scale basis is required;
 - vi. If an investment in a SCA results in an ownership percentage greater than 80% up to and including 85%, a minimum base discount percentage of 30% is required.
 - vii. Further, the SCA must have at least two million shares outstanding, with a total market value of at least \$50 million in the public’s control; and
 - viii. Any ownership percentages exceeding 85% will result in the SCA being recorded on an equity method.

- b. If an SCA investment does not meet the requirements for the market valuation approach in paragraph 8.a. or, if the requirements are met but a reporting entity elects not to use that approach, the reporting entity's proportionate share of its investments in SCAs shall be recorded as follows:
- i. Investments in U.S. insurance SCA entities shall be recorded based on either 1) 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 or 2) the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill, modified to remove the impact of any permitted or prescribed accounting practices that depart from the NAIC Accounting Practices and Procedures Manual. Reporting entities shall record investments in U.S. insurance SCA entities on at least a quarterly basis and shall base the investment value on the most recent quarterly information available from the SCA. Entities may recognize their investment in U.S. insurance SCA entities based on the unaudited statutory equity in the SCAs year-end annual statement if the annual SCA audited financial statements are not complete as of the filing deadline. The recorded statutory equity shall be adjusted for audit adjustments, if any, as soon as the annual audited financial statements have been completed. Annual consolidated or combined audits are allowed if completed in accordance with the Model Regulation Requiring Annual Audited Financial Reports as adopted by the SCA's domiciliary state;
 - ii. Investments in both U.S. and foreign noninsurance SCA entities that are engaged in the following transactions or activities:
 - (a) Collection of balances as described in *SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers*
 - (b) Sale/lease or rental of EDP Equipment and Software as described in *SSAP No. 16—Electronic Data Processing Equipment and Software*
 - (c) Sale/lease or rental of furniture, fixtures, equipment or leasehold improvements as described in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements*
 - (d) Loans to employees, agents, brokers, representatives of the reporting entity or SCA as described in *SSAP No. 20—Nonadmitted Assets*
 - (e) Sale/lease or rental of automobiles, airplanes and other vehicles as described in *SSAP No. 20—Nonadmitted Assets*
 - (f) Providing insurance services on behalf of the reporting entity including but not limited to accounting, actuarial, auditing, data processing, underwriting, collection of premiums, payment of claims and benefits, policyowner services
 - (g) Acting as an insurance or administrative agent or an agent for a government instrumentality performing an insurance function (e.g. processing of state workers compensations plans, managing assigned risk plans, Medicaid processing etc).
 - (h) Purchase or securitization of acquisition costs

¹ If the insurance SCA employs accounting practices that depart from the NAIC accounting practices and procedures, and the reporting insurance entity has not adjusted the valuation of the insurance SCA to be consistent with the NAIC accounting practices and procedures, (i.e., retains the effect of the permitted or prescribed practice in its valuation), disclosure about those accounting practices that affect the insurance SCA's net income and surplus shall be made pursuant to paragraph 37. If the reporting entity has adjusted the investment in the insurance SCA with the resulting valuation being consistent with the accounting principles of the AP&P Manual, the disclosures in paragraph 37 are not required.

and if 20% or more of the SCA’s revenue is generated from the reporting entity and its affiliates, then the underlying equity of the respective entity’s audited U.S. Generally Accepted Accounting Principles (GAAP) financial statements shall be adjusted to a limited statutory basis of accounting in accordance with paragraph 9. For purposes of this section, revenue means GAAP revenue reported in the audited U.S. GAAP financial statements excluding realized and unrealized capital gains/losses. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Paragraphs 22-27 provide guidance for investments in holding companies;

- iii. Investments in both U.S. and foreign noninsurance SCA entities that do not qualify under paragraph 8.b.ii., shall be recorded based on the audited U.S. GAAP equity of the investee. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Additional guidance on investments in downstream holding companies is included in paragraphs 22-27. Additional guidance on the use of audited foreign GAAP basis financial statements for the U.S. GAAP equity valuation amount is included in paragraph 23.b.
- iv. Investments in foreign insurance SCA entities shall be recorded based on the underlying U.S. GAAP equity from the audited U.S. GAAP basis financial statements, adjusted to a limited statutory basis of accounting in accordance with paragraph 9, if available. If the audited U.S. GAAP basis financial statements are not available, the investment can be recorded on the audited foreign statutory basis financial statements of the respective entity adjusted to a limited statutory basis of accounting in accordance with paragraph 9 and adjusted for reserves of the foreign insurance SCA with respect to the business it assumes directly and indirectly from a U.S. insurer using the statutory accounting principles promulgated by the NAIC in the *Accounting Practices and Procedures Manual*. The audited foreign statutory basis financial statements must include an audited footnote that reconciles net income and equity on the foreign statutory basis of accounting to the U.S. GAAP basis. Foreign insurance SCA entities are defined as alien insurers formed according to the legal requirements of a foreign country.

2024 Annual Statement Instructions – Schedule D-6-1

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent.....	0199999
U.S. Property & Casualty Insurer.....	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #.....	0499999
Alien Insurer	0599999
Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	0899999
Subtotals – Preferred Stocks	0999999
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer.....	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #.....	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999
Subtotals – Common Stocks	1899999
Totals – Preferred and Common Stocks	1999999

*NOTE: Investment Subsidiary shall mean any subsidiary, other than a holding company, engaged or organized primarily in the ownership and management of investments for the reporting entity. An investment subsidiary shall not include any broker dealer or a money management fund managing funds other than those of the parent company. The following criteria are applicable:

1. 95% or more of the investment subsidiary's assets would qualify as admitted assets;
2. The investment subsidiary's total liabilities are 5% or less of total assets;
3. Combining the pro-rata ownership shares of the assets of all the investment subsidiaries with the owning reporting entity's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity; and
4. **The investment subsidiary's book/adjusted carrying value does not exceed the imputed value on a statutory accounting basis. If the book/adjusted carrying value does exceed the imputed statutory value, the reporting entity may either nonadmit the excess or categorize such subsidiary in the "All Other Affiliates" category.**

2023 RBC Forecasting and Instructions:

AFFILIATED/SUBSIDIARY STOCKS – LR042, LR043, and LR044

(Only key excerpts included – bolded for emphasis.)

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.

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.

Investments of Insurers Model Act (Model 280)

<https://content.naic.org/sites/default/files/model-law-280.pdf>

Section 2. Definitions For purposes of this Act:

TT. "Investment subsidiary" means a subsidiary of an insurer engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer if each subsidiary agrees to limit its investment in any asset so that its investments will not cause the amount of the total investment of the insurer to exceed any of the investment limitations or avoid any other provisions of this Act applicable to the insurer. As used in this subsection, the total investment of the insurer shall include: (1) Direct investment by the insurer in an asset; and (2) The insurer's proportionate share of an investment in an asset by an investment subsidiary of the insurer, which shall be calculated by multiplying the amount of the subsidiary's investment by the percentage of the insurer's ownership interest in the subsidiary

Note that the act contains multiple references to investment subsidiaries on limitations and diversification etc.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation – 2024 Fall National Meeting:

NAIC staff recommend that the Working Group move this item to the active listing and expose this agenda item with a request for comments on the options offered to clarify statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries. As noted, with the exception of possible revisions to SSAP No. 97, the other possible actions are to sponsor blanks proposals or send referrals to the Capital Adequacy (E) Task Force and related RBC groups with a request for revisions. (Determination on whether this is a SAP classification or a new SAP concept will be based on the action directed.)

Potential Actions:

- 1) **Revisions to SSAP No. 97 to incorporate statutory accounting guidance for SCAs that hold assets on behalf of the reporting entity and affiliate (investment subsidiaries).** By incorporating in SSAP, consideration can be given as to prescribing the measurement method and potential nonadmittance thresholds if the assets within the investment subsidiary would be nonadmitted if held directly. (As detailed within, the existing reference to measurement and nonadmittance in the instructions for D-6-1 would not overrule the guidance in SSAP No. 97. If the revisions to SSAP No. 97 are not supported, then the Working Group could consider sponsoring a blanks proposal to clarify the instructions in D-6-1 to prescribe allocation of the underlying investments in a manner that coincides with the SCA measurement and admittance under SSAP No. 97.)
- 2) **Sponsor blanks proposals to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held within an investment subsidiary.** As the RBC and AVR calculations require reporting entities to calculate RBC and AVR based on the underlying assets, this information should be readily available. If revisions are not incorporated into SSAP No. 97, these proposals can also clarify requirements for reporting as an investment subsidiary.
- 3) **Referrals to the Capital Adequacy (E) Task Force and related RBC Working Groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets in investment subsidiaries.** If blanks reporting revisions are incorporated that provide this detail, then the RBC formula can likely pull from those sources. If reporting revisions are not incorporated, then additional schedules or reporting lines would be necessary within the RBC formula.

Staff Review Completed by: Julie Gann, NAIC Staff—November 2024

Status:

On November 17, 2024, the Statutory Accounting Principles (E) Working Group moved this item to the active listing and exposed this concept agenda item requesting comments on options to clarify accounting guidelines and resulting reporting impacts for investment subsidiaries.

On March 24, 2025, the Statutory Accounting Principles (E) Working Group deferred agenda item for investment subsidiaries and directed NAIC staff to develop an agenda item for consideration of Delaware Statutory Trusts (DSTs) holding residential mortgage loans.

Staff Recommendation – 2025 Summer National Meeting:

Based on discussions with regulators, NAIC staff recommend revisions to eliminate the investment subsidiary concept from the instructions, effective December 31, 2026. As such, NAIC staff recommend exposure of proposed edits to D-6-1 and AVR along with Working Group direction to sponsor a corresponding Blanks proposal. These edits do not result in SSAP revisions as the concept of an investment subsidiary does not exist in SSAP No. 97. Upon adoption of the proposed blanks changes, NAIC staff recommends a referral to the Life Risk-Based Capital (E) Working Group to eliminate the corresponding RBC instructions. The edits that would be proposed in this referral are also illustrated below. NAIC staff also requests additional industry comments on any other investment classes currently reported as investment subsidiaries that may warrant separate consideration. At present, residential mortgage loans held within statutory trusts, as outlined in agenda item 2025-13, are under discussion for potential inclusion in *SSAP No. 37—Mortgage Loans*.

It is important to note that this change does not prohibit insurers from owning investment subsidiaries. As discussed, the Investments of Insurers Model Act (Model 280; see Authoritative Literature section) permits insurers to hold investments through such subsidiaries. However, Model 280 only authorizes the structure and does not provide accounting or reporting guidance. Accounting and reporting guidance is primarily established by the SSAPs and, secondarily per the statutory hierarchy, the Annual Statement Instructions.

The SSAPs previously contained specified guidance for investment subsidiaries but it was ultimately removed due to persistent challenges in distinguishing investment subsidiaries from operating subsidiaries. Although a dual test based on revenue and activity was originally used for making this determination, regulators observed that the dual test was being creatively interpreted to gain favorable RBC treatment. The current issue stems from the fact that while SSAP No. 97 guidance for investment subsidiaries was eliminated, the corresponding Annual Statement Instructions for Schedule D-6-1 and AVR regarding investment subsidiaries were not updated accordingly. As a result, insurers have continued to be able to report investment subsidiaries under that framework, which effectively allows look-through RBC treatment to be circumvented for investments held in investment subsidiaries. Because investment subsidiaries are no longer recognized under SSAPs, there is no applicable statutory accounting or measurement guidance for investments held through them. This also means there are no mechanisms to ensure compliance with SSAP requirements, state investment limitations, or the RBC calculation. Reporting of the imputed SAP valuation for RBC relies solely on company-provided records. Furthermore, Schedule D-6-1's instruction requires reporting entities to measure investment subsidiaries using "imputed statutory value" which is an undefined term and conflicts with SSAP No. 97 which requires measurement based on audited U.S. GAAP. It is anticipated that SCAs previously reported as investment subsidiaries would be subject to the guidance stipulated for *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, paragraphs 8.b.ii or 8.b.iii depending on whether the investment meets the activity test.

The removal of investment subsidiaries from the Annual Statement Instructions aligns with their prior elimination from the SSAPs. While reintroducing the investment subsidiary concept under SSAP No. 97 was considered, ongoing concerns remain regarding the difficulty in distinguishing operating subsidiaries from investment subsidiaries, as well as concerns over the complexity of changes which would be required to clarify look-through accounting treatment, RBC validation, and transparency of reporting.

August 2025 Exposed changes to Annual Statement Instructions – For a SAPWG Sponsored Blanks Proposal:

2024 Annual Statement Instructions – Schedule D-6-1

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent.....	0199999
U.S. Property & Casualty Insurer.....	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #.....	0499999
Alien Insurer	0599999
Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	0899999 <u>0799999</u>
Subtotals – Preferred Stocks	0999999 <u>0899999</u>
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer.....	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #.....	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999 <u>1699999</u>
Subtotals – Common Stocks	1899999 <u>1799999</u>
Totals – Preferred and Common Stocks	1999999 <u>1899999</u>

~~*NOTE: Investment Subsidiary shall mean any subsidiary, other than a holding company, engaged or organized primarily in the ownership and management of investments for the reporting entity. An investment subsidiary shall not include any broker dealer or a money management fund managing funds other than those of the parent company. The following criteria are applicable:~~

- ~~1.—95% or more of the investment subsidiary’s assets would qualify as admitted assets;~~
- ~~2.—The investment subsidiary’s total liabilities are 5% or less of total assets;~~
- ~~3.—Combining the pro-rata ownership shares of the assets of all the investment subsidiaries with the owning reporting entity’s assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity; and~~
- ~~4.—The investment subsidiary’s book/adjusted carrying value does not exceed the imputed value on a statutory accounting basis. If the book/adjusted carrying value does exceed the imputed statutory value, the reporting entity may either nonadmit the excess or categorize such subsidiary in the “All Other Affiliates” category.~~

Proposed changes to RBC/AVR Instructions – To be Referred to LRBCWG:

2024 RBC Instructions:

AFFILIATED/SUBSIDIARY STOCKS – LR042, LR043, and LR044

(Only key excerpts included – bolded for emphasis.)

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.

~~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.

2024 AVR Instructions:

~~Lines 5~~

~~through 14 — Subsidiary, Controlled or Affiliated Common Stock — Investment Subsidiaries~~

~~Report the book/adjusted carrying value of all common stocks owned in an investment subsidiary or that portion of the book/adjusted carrying value of holding company subsidiaries that represents investments in investment subsidiaries in Column 1, any related party encumbrances on these common stocks in Column 2, and any third party encumbrances on these common stocks in Column 3. If a portion of the book/adjusted carrying value of a holding company subsidiary is reflected in Column 1, the debt of that holding company subsidiary should be reflected in Columns 2 and 3. However, the total holding company debt to be reflected in Columns 2 and 3 should not exceed the aggregate book/adjusted carrying value of any investment subsidiaries on the holding company subsidiary books. (An investment subsidiary is any subsidiary, other than a holding company subsidiary, engaged or organized to engage primarily in the ownership and management of investments authorized as investments for the reporting entity. A broker-dealer or money management firm that manages outside funds is not an investment subsidiary. This definition is intended to be identical to the investment subsidiary definition for Risk-Based Capital (RBC) purposes and will be amended if the RBC definition is changed.) Allocate the common stock value in Column 1 and the encumbrances in Columns 2 and 3 among Lines 5 through 14 based on the nature of the underlying investment held by the investment subsidiary. Follow the Securities Valuation Office guidelines and categorize these assets as if the SVO had assigned a NAIC designation of 1 through 6, P1 through P6, or RP1 through RP6. Report the sum of Columns 1, 2, and 3 in Column 4.~~

~~For Lines 5 through 11, multiply the amount in Column 4 by the appropriate bond, preferred stock, or other fixed income instrument (excluding mortgage loans) reserve factors (as listed in Columns 5, 7 and 9 of the various sections of the Equity Component schedule) and report the products in Columns 6, 8 and 10, respectively.~~

~~For Line 12, multiply the amount in Column 4 by the reserve factors calculated for Columns 5, 7 and 9 (see instructions for Line 1 of this schedule) and report the products in Columns 6, 8 and 10, respectively.~~

~~For Line 13, multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.~~

~~For Line 14, multiply the amounts included in Column 4 by the reserve factors and breakdowns used for directly owned real estate and report the products in Columns 6, 8 and 10, respectively.~~

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions described in the August 2025 exposed changes to eliminate the investment subsidiary concept from the annual statement instructions, effective December 31, 2026, and directed NAIC staff to sponsor a corresponding Blanks proposal. The intent to send a referral to the Life Risk-Based Capital (E) Working Group upon adoption of the agenda item, along with suggested RBC instruction changes, was also exposed.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted this agenda item supporting revisions to eliminate the investment subsidiary concept from the annual statement instructions, effective December 31, 2026, and directed a referral to the Capital Adequacy (E) Task Force with the recommended RBC instruction changes. This agenda item did not result in SSAP revisions.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2025/12-9-25FallNationalMeeting/Adoptions/24-21-InvestmentSubsidiaries.docx>

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>3/24/26</u></p> <p>CONTACT PERSON: <u>Eva Yeung</u></p> <p>TELEPHONE: <u>816-783-8407</u></p> <p>EMAIL ADDRESS: <u>eyeung@naic.org</u></p> <p>ON BEHALF OF: <u>Capital Adequacy (E) Task Force</u></p> <p>NAME: <u>Ben Slutsker</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Minnesota Department of Commerce</u></p> <p>ADDRESS: <u>85 7th Place East, Suite 280, St. Paul, MN 55101</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <hr/> <p>Agenda Item # <u>2026-05-CA</u> Year <u>2026</u></p> <hr/> <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 checked="" type="checkbox"/> Health RBC Blanks | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks | <input checked="" type="checkbox"/> Life and Fraternal RBC Blanks |
| <input checked="" type="checkbox"/> Health RBC Instructions | <input checked="" type="checkbox"/> Property/Casualty RBC Instructions | <input checked="" type="checkbox"/> Life and Fraternal RBC Instructions |
| <input checked="" type="checkbox"/> Health RBC Formula | <input checked="" 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 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

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.

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 ~~18999991699999~~.

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 ~~(4140)~~).
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line ~~(6059)~~).
- 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 H₀ 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 H₀ 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 H₁. The additional charge to the H₁ 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 H₁ 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 H₁ 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.

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:

<u>Company</u>	<u>Stat. Book Value</u>	<u>Source:</u>
Holder, Inc.	50,000,000	MEGA Health Sch D - Part 6, Section 1
<i>Holder, Inc. aff/subs subject to RBC</i>		
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	<u>3,000,000</u>	Holder, Inc. Stat. balance sheet
Subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	<i>(amount subject to the 30.0% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)</i>

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

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,

- 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

- Health Insurance Companies and Health Entities Not Subject to RBC
- Property and Casualty Insurance Companies Not Subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
- 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

- Financial entities with a capital requirement imposed by a regulatory body (e.g., a bank)
- Other financial entities without regulatory capital requirements
- 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 “98”. Reported amounts use Schedule D, Part 6, Section 1, Line ~~0899999~~0799999, and Line ~~1799999~~1599999 as the basis of reporting.



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 (4140) 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 (4241) using a percentage of RBC or “add-on” approach that will apply a risk factor of 3.00% to the amount reported in Line (4140) - 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 (4342), and the Net Basic Operational Risk charge will be reported in Line (4443), but not to produce a charge that is less than zero.

Total RBC After Covariance including Operational Risk will be reported in Line (4544) as the sum of lines (4140) and (4443).

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.

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).

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:

$$\text{RBC after Covariance Before Operational Risk} = C0 + C4a + \text{Square Root of } [(C1o + C3a)^2 + (C-1cs + C-3c)^2 + (C2)^2 + (C3b)^2 + C4b)^2]$$

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

“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.

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.

XXX/AXX REINSURANCE PRIMARY SECURITY SHORTFALL BY CESSION
LR036



Detail Eliminated To Conserve Space

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.



Detail Eliminated To Conserve Space

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).

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.

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

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 440999999 plus Schedule D, Part 2, Section 2, Line 597999999 and should also equal Schedule D, Part 6, Section 1, Line ~~0999999-0899999~~ plus Line ~~18999991699999~~.

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 (~~XR024XR025~~, Line ~~(4140)~~);
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line ~~(6059)~~); 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.

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 C₀ 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 ~~10-9~~ below.

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.

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:

<u>Company</u>	<u>Stat. Book Value</u>	<u>Source:</u>
Holder, Inc.	50,000,000	MEGA Life Sch D - Part 6, Section 1
<i>Holder, Inc. aff/subs subject to RBC</i>		
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	<u>3,000,000</u>	Holder, Inc. Stat. balance sheet
Subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	<i>(amount subject to the 30.0% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)</i>

The following table shows the LR044 entries that MEGA Life Insurance Company (which owns 100% 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

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 “45” 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,

- 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 (610).

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

- Health Insurance Companies and Health Entities Not Subject to RBC
- Property and Casualty Insurance Companies Not Subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
- 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

- Financial entities with a capital requirement imposed by a regulatory body (e.g. a bank)
- Other financial entities without regulatory capital requirements
- 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 "98." 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 591999999 plus Line 592999999. The market value of preferred stock should be the same as shown in Schedule D, Part 2, Section 1, Column 8,

line 431999999 plus 432999999. The reported book value of common stock should be the same as shown in Schedule D, Part 2, Section 2, Column 5, Line 591999999 plus Line 592999999. The reported book value of preferred stock should be the same as Schedule D, Part 2, Section 1, Column 6, Line 431999999 plus 432999999.

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 440999999 plus Schedule D, Part 2, Section 2, Line 597999999 and should also equal Schedule D, Part 6, Section 1, Line ~~0999999-0899999~~ plus Line ~~18999991699999~~.

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 (4140)).
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (6059)).
- 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

reporting company's R₂ component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiaries' statutory surplus, there is no addition to the R₂ 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):

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:

<u>Company</u>	<u>Stat. Book value</u>	<u>Source:</u>
Holder, Inc.	50,000,000	MEGA P&C Sch D - Part 6, Section 1
<i>Holder, Inc. Aff/subs subject to RBC</i>		
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	<u>3,000,000</u>	Holder, Inc. Stat. balance sheet
subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	<i>(amount subject to the 22.5% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)</i>

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

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.

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.

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 "98". Reported amounts use Schedule D, Part 6, Section 1, Line ~~08999990799999~~, 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 (~~6059~~), the following formula is used:

$$R0 + \text{SQRT}(R1^2 + R2^2 + R3^2 + R4^2 + R5^2 + R_{\text{cat}}^2) = \text{Total RBC After Covariance Before Basic Operational Risk}$$

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 (6460) using a percentage of RBC or “add-on” approach that will apply a risk factor of 3.000% to Line (6059) - 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 (6361), and the net Basic Operational Risk charge will be reported on Page PR032 in Line (6462), but not to produce a charge that is less than zero.

Total RBC After Covariance including Basic Operational Risk will be reported in Line (6463) as the sum of lines (6059) and (6362).

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)		(2)	
				RBC Amount	Tax Factor	RBC Tax Effect	
<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 <u>In Process of Foreclosure</u>	LR004 Mortgages Column (6) Line (20)		_____	X 0.1575	=	_____
(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)

#REF!

	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	LR004 Mortgages Column (6) Line (30)		X 0.2100	=	
<u>Preferred Stock</u>					
(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	=	
<u>Separate Accounts</u>					
(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	=	
<u>Real Estate</u>					
(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 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	=	

† 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)

#REF!

	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)		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 0.1575	=	
(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 (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.

Company Name

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

				#REF!	
		(1)		(2)	
		RBC Amount	Tax Factor	RBC Tax Effect	
(102)	Replications		X 0.1575	=	
(103)	Reinsurance		X 0.2100	=	
(104)	Investment Affiliates-Intentionally Left Blank	XXX	X 0.21-XXX	=	XXX
(105)	Investment in Upstream Affiliate (Parent)		X 0.2100	=	
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC		X 0.2100	=	
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC		X 0.2100	=	
(108)	Directly Owned Life Insurance Companies Not Subject to RBC		X 0.2100	=	
(109)	Publicly Traded Insurance Affiliates		X 0.2100	=	
(110)	Subtotal for C-1o Assets			=	
<u>C-0 Affiliated Common Stock</u>					
(111)	Off-Balance Sheet and Other Items		X 0.1575	=	
(112)	Off-Balance Sheet Items Reduction - Reinsurance		X 0.2100	=	
(113)	Off-Balance Sheet Items Increase - Reinsurance		X 0.2100	=	
(114)	Directly Owned Health Insurance Companies or Health Entities		X 0.2100	=	
(115)	Directly Owned Property and Casualty Insurance Affiliates		X 0.2100	=	
(116)	Directly Owned Life Insurance Affiliates		X 0.2100	=	
(117)	Indirectly Owned Health Insurance Companies or Health Entities		X 0.2100	=	
(118)	Indirectly Owned Property and Casualty Insurance Affiliates		X 0.2100	=	
(119)	Indirectly Owned Life Insurance Affiliates		X 0.2100	=	
(120)	Affiliated Alien Insurers - Directly Owned		X 0.0000	=	
(121)	Affiliated Alien Insurers - Indirectly Owned		X 0.0000	=	
(122)	Subtotal for C-0 Affiliated Common Stock			=	
<u>Common Stock</u>					
(123)	Unaffiliated Common Stock		X 0.2100	=	
(124)	Credit for Hedging - Common Stock		X 0.2100	=	
(125)	Stock Reduction - Reinsurance		X 0.2100	=	
(126)	Stock Increase - Reinsurance		X 0.2100	=	
Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-Cs), excluding Residual					
(127)	Tranches or Interests		X 0.2100	=	
(128)	Total Residual Tranches or Interests		X 0.2100	=	
(129)	Common Stock Concentration Factor		X 0.2100	=	
(130)	NAIC 01 Working Capital Finance Notes		X 0.1575	=	
(131)	NAIC 02 Working Capital Finance Notes		X 0.1575	=	
(132)	Holding Company in Excess of Indirect Subs		X 0.2100	=	
(133)	Affiliated Non-Insurers		X 0.2100	=	
(134)	Total for C-1es Assets			=	
<u>Insurance Risk</u>					
(135)	Disability Income Premium		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)

		(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	$L(135) + L(136) + L(139) + L(140) + \text{Greatest of}[\text{Guardrail Factor} * (L(137)+L(138)), \text{Guardrail Factor} * L(138b), \text{Square Root of}[(L(137) + L(138))^2 + L(138b)^2 + 2 * (\text{Correlation Factor}) * (L(137) + L(138)) * L(138b)]]$			
(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)			

† 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 AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

	<u>Source</u>	<u>(1) RBC 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)	_____
(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)	=====
<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 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)	_____

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

Company Name

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

	<u>Source</u>	(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)	=====
<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 FEGLI/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	$L(47) + L(48) + \text{Greatest of } [\text{Guardrail Factor} * (L(45)+L(46)), \text{Guardrail Factor} * L(46b), \text{Square Root of } [(L(45) + L(46))^2 + L(46b)^2 + 2 * (\text{Correlation Factor}) * (L(45) + L(46)) * L(46b)]]$	_____
(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)	=====

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

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

	Source	(1) RBC Requirement
<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) $C-0 + C-4a + \text{Square Root of } [(C-1o + C-3a)^2 + (C-1cs + C-3c)^2 + (C-2)^2 + (C-3b)^2 + (C-4b)^2]$	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE $L(12)+L(65) + \text{Square Root of } [(L(44) + L(54))^2 + (L(21) + L(60))^2 + L(51)^2 + L(57)^2 + L(68)^2]$	=====
(70) Gross Basic Operational Risk	$0.03 \times L(69)$	_____
(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	$L(10)+L(63) + \text{Square Root of } [(L(42) + L(52))^2 + (L(19) + L(58))^2 + L(49)^2 + L(55)^2 + L(66)^2]$	_____
(77) Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (76) x 0.50	_____

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

Company Name

Cocode: 00000

CALCULATION OF TOTAL ADJUSTED CAPITAL
(Including Total Adjusted Capital Tax Sensitivity Test)

	Annual Statement Source	(1) Statement Value	Factor	(2) Adjusted Capital
<u>Company Amounts</u>				
(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
<u>Life Subsidiary Company Amounts†</u>				
(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
<u>Property and Casualty and Other Non-U.S. Affiliated Amounts</u>				
(9) 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
<u>Credit for Capital Notes</u>				
(11.1) Surplus Notes	Page 3 Column 1 Line 32	\$0		\$0
(11.2) Limitation on Capital Notes	0.5 x [Line (10) - Line (11.1)] - Line (11.1), but not less than 0	\$0		\$0
(11.3) Capital Notes Before Limitation	LR032 Capital Notes Before Limitation Column (4) Line (18)	\$0		\$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
<u>Tax Sensitivity Test</u>				
<u>Company Amounts</u>				
(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
<u>Subsidiary Amounts</u>				
(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
<u>Ex DTA ACL RBC Ratio Sensitivity Test</u>				
(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.

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ADDITIONAL INFORMATION REQUIRED

#REF!

(1)

	<u>Source</u>	<u>Statement Value</u>
(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 113	

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

CROSS-CHECKING FOR AFFILIATED/SUBSIDIARY STOCKS

Affiliated Preferred Stock

		(1)	(2)	(3)
	Schedule D Part 6 Section 1 Type	Annual Statement Line Number	Annual Statement Total Preferred Stock†	Total from Life and Fraternal Risk-Based Capital Report‡
				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
(8)	Other Affiliates	0799999		
(9)	Total (Sum of Lines (1) through (8))			

Affiliated Common Stock

		(1)	(2)	(3)
	Schedule D Part 6 Section 1 Type	Annual Statement Line Number	Annual Statement Total Common Stock†	Total from Life and Fraternal Risk-Based Capital Report§
				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
(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).

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

Company Name

Cocode: 00000

DETAILS FOR AFFILIATED/SUBSIDIARY STOCKS

=MAX(0,ROUND(IF(OR(C10="1a",C10="1b",C10="1c",C10="2a",C10="2b",C10="2c",C10="9"),(J10*E10)/0.79,IF(OR(C10="4a",C10="4b",C10="4c",C10="5a",C10="5b",C10="5c"),(H10+F10),IF(OR(C10="6",C10="7a",C10="7b",C10="7c",C10="8a",C10="8b",C10="8c"),0.3*(H10+F10)),0))

(1)	(2)	(3)	(4)	(5)		(6)		(7)		(8)	(9)	(10)
	Affiliate Code	NAIC Company Code or Alien ID	Affiliate's RBC After Covariance‡	Book / Adjusted Carrying Value of Affiliate's	Total Value of Affiliate's Outstanding	Book / Adjusted Carrying Value of Affiliate's	Total Value of Affiliate's Outstanding	Percent Owned	RBC Requirement*			
Name of Affiliate	(1 to 9)	Number†	LR031, Lines (69)+(73), PR032, Line (59), XR025, Line (40)	Common Stock	Common Stock	Preferred Stock	Preferred Stock					
(0000001)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000002)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000003)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000004)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000005)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000006)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000007)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000008)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000009)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000010)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000011)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000012)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000013)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000014)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000015)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000016)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000017)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000018)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000019)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000020)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000021)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000022)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000023)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000024)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000025)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000026)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000027)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000028)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000029)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000030)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000031)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000032)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000033)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000034)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000035)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000036)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000037)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000038)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000039)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000040)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000041)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000042)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000043)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000044)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000045)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000046)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000047)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000048)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000049)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$0
(0000050)			\$0	\$0	\$0	\$0	\$0	100.000%	\$0			\$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.

Company Name

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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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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			(1)	(2)	(3)
		Annual Statement Line	<u>Annual Statement</u>	<u>Total From RBC</u>	
Schedule D Part 6 Section 1 C6		Number	<u>Total</u>	<u>Report</u>	<u>Difference</u>
			<u>Preferred Stock</u>		
(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			(1)	(2)	(3)
		Annual Statement Line	<u>Annual Statement</u>	<u>Total From RBC</u>	
Schedule D Part 6 Section 1 C6		Number	<u>Total</u>	<u>Report</u>	<u>Difference</u>
			<u>Common Stock</u>		
(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			

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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 Fixed Income Assets	XR003, Affiliates Page, Column (2), Line (18) + (19) + (20) XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR007, Fixed Income Assets - Bonds, Line (27) + XR008, Fixed Income Assets - Miscellaneous, Line (26)	_____
(17)	XR009, Replication/MCS Page, Line (9999999)	_____
(18) Replication & Mandatory Convertible Securities Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)	_____
(19) Unaffiliated Common Stock & Market Value Excess Affiliated Stocks	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13)	_____
(20) Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)	_____
(21) Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (26)	_____
(22) 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.

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CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

		(1)
		<u>RBC Amount</u>
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	$H0 + \text{Square Root of } (H1^2 + H2^2 + H3^2 + H4^2)$
(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)

 Denotes items that must be manually entered on filing software.

=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.

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

Affiliate Types		Affil Code	RBC Basis	(1) <u>Number of Companies</u>	(2) <u>Total RBC Required</u>
(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

SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS FOR CROSS-CHECKING STATEMENT VALUES PR005

Affiliated Preferred Stock		(1)	(2)	(3)
Schedule D Part 6 Section 1 C6		<u>Annual Statement Total</u>	<u>Total From RBC Report</u>	<u>Difference</u>
	Annual Statement Line Number	<u>Preferred Stock</u>		
(1)	Parent	0199999	0	0
(2)	U.S. P&C Insurer	0299999	0	0
(3)	U.S. Life Insurer	0399999	0	0
(4)	U.S. Health Insurer	0499999	0	0
(5)	Alien Insurer	0599999	0	0
(6)	Non-Insurer Which Controls Insurer	0699999	0	0
(7)	Investment Subsidiary	0799999	0	0
(7)	Other Affiliates	0799999	0	0
(8)	Subtotal	0899999	0	0

Affiliated Common Stock		(1)	(2)	(3)
Schedule D Part 6 Section 1 C6		<u>Annual Statement Total</u>	<u>Total From RBC Report</u>	<u>Difference</u>
	Annual Statement Line Number	<u>Common Stock</u>		
(9)	Parent	0999999	0	0
(10)	U.S. P&C Insurer	1099999	0	0
(11)	U.S. Life Insurer	1199999	0	0
(12)	U.S. Health Insurer	1299999	0	0
(13)	Alien Insurer	1399999	0	0
(14)	Non-Insurer Which Controls Insurer	1499999	0	0
(15)	Investment Subsidiary	1699999	0	0
(15)	Other Affiliates	1599999	0	0
(16)	Subtotal	1699999	0	0

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR030 R0-R1

(1)

R0 - Subsidiary Insurance Companies and Misc. Other Amounts		PRBC O&I Reference	RBC Amount
(1)	Directly Owned Property and Casualty Insurance Affiliates	PR004 L(2)C(2)	0
(2)	Indirectly Owned Property and Casualty Insurance Affiliates	PR004 L(5)C(2)	0
(3)	Directly Owned Life Insurance Affiliates	PR004 L(3)C(2)	0
(4)	Indirectly Owned Life Insurance Affiliates	PR004 L(6)C(2)	0
(5)	Directly Owned Health Insurance Companies or Health Entities	PR004 L(1)C(2)	0
(6)	Indirectly Owned Health Insurance Companies or Health Entities	PR004 L(4)C(2)	0
(7)	Directly Owned Alien Insurance Companies or Health Entities	PR004 L(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

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

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 = $R0 + \text{SQRT}(R1^2 + R2^2 + R3^2 + R4^2 + R5^2 + Rcat^2)$		0
(60)	Basic Operational Risk = $0.030 \times L(59)$		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 = $.5 \times L(63)$		0

TREND TEST PR033

	<u>Annual Statement Source</u>	(1) <u>Amount</u>	(2) <u>Result</u>
<u>Original RBC % Before Applying Trend Test</u>			
(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%	
<u>Combined Ratio Data</u>			
(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	
<u>Combined Ratio Calculation</u>			
(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.

RBC Ratios and Impairment Risk: Are They Related and, if so, When?

NAIC Capital Adequacy (E) Task Force

March 24, 2026

About the Academy

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BACKGROUND

Key Highlights From Previous Research

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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

Observations About Previous Studies

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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

Other Relevant Research

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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.

Definition of Impairment, from AM Best

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"[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.

Data

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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

Methods

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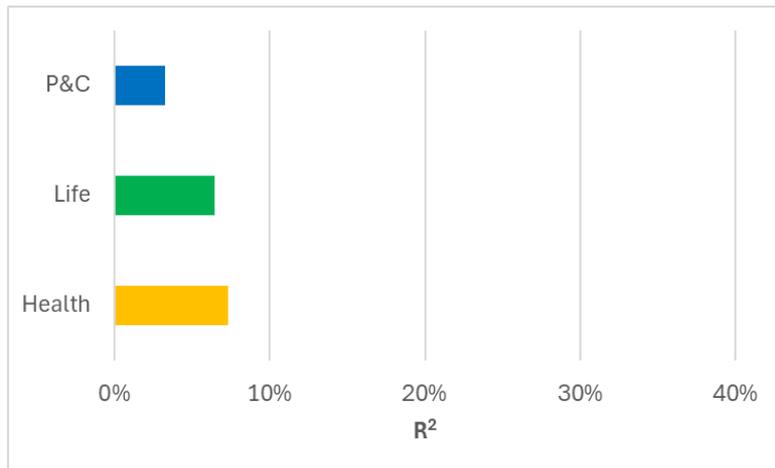
- We assessed whether a meaningful relationship exists by looking at how closely differences in RBC ratios align with differences in the likelihood of impairment. This was done by analyzing max rescaled R-squared (RSQ) values from logistic regressions as an indicator of goodness of fit.
- We selected 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.

RESULTS

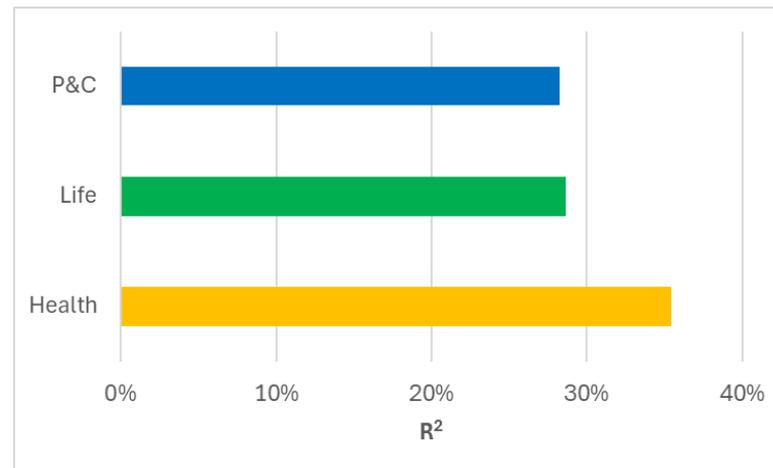
Extent of Variation in Impairments Accounted For by ACL RBC Ratios (R^2), by Line of Business (2011-2023)

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**All Insurers Included:
Little correlation**

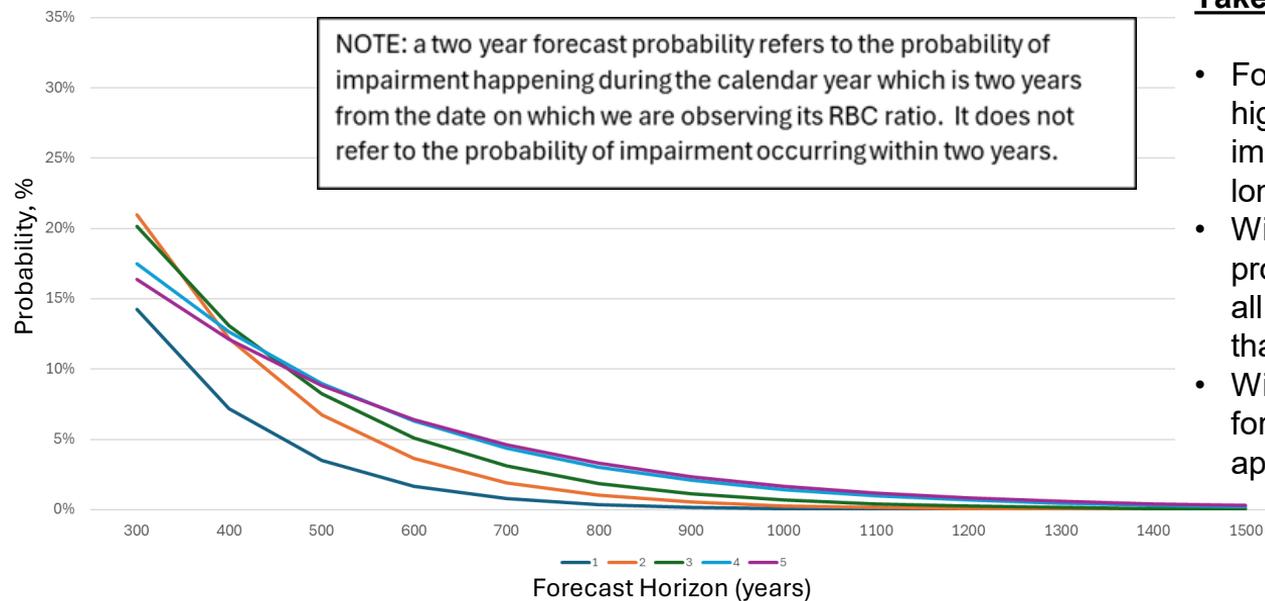


**Large RBC ratios (> 1000%-1500%) and
Small size (smallest 10%)
Insurers Excluded: More correlation**



P&C Probability of Impairment (2011-2023)

12

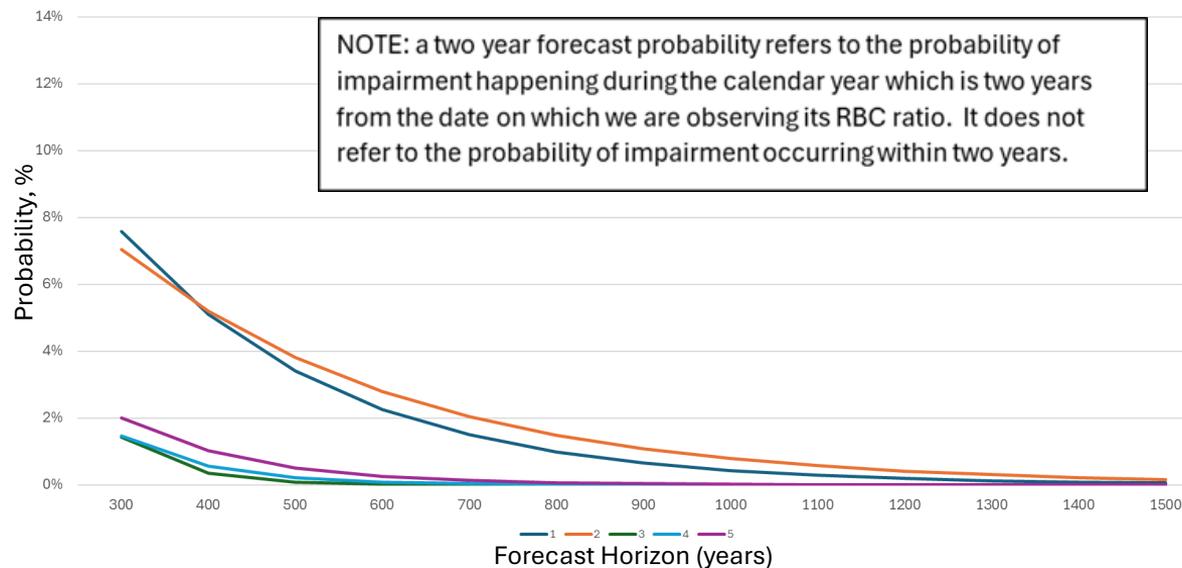


Takeaways

- 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

Life Probability of Impairment (2011-2023)

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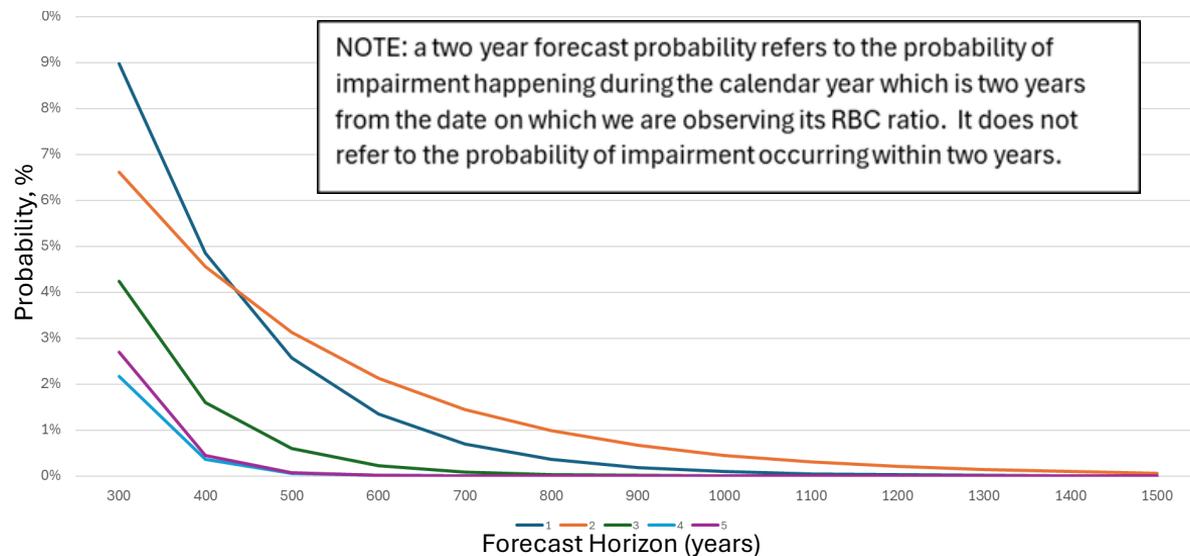


Takeaways

- 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

Health Probability of Impairment (2011-2023)

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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

Probability of Impairment by RBC level and Forecast Horizon (years)

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ACL RBC	P&C					Life					Health					
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	
1500	0%	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%	0%
1300	0%	0%	0%	0%	1%	0%	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%	0%
1100	0%	0%	0%	1%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1000	0%	0%	1%	1%	2%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
900	0%	1%	1%	2%	2%	1%	1%	0%	0%	0%	0%	1%	0%	0%	0%	0%
800	0%	1%	2%	3%	3%	1%	1%	0%	0%	0%	0%	1%	0%	0%	0%	0%
700	1%	2%	3%	4%	5%	1%	2%	0%	0%	0%	1%	1%	0%	0%	0%	0%
600	2%	4%	5%	6%	6%	2%	3%	0%	0%	0%	1%	2%	0%	0%	0%	0%
500	3%	7%	8%	9%	9%	3%	4%	0%	0%	1%	3%	3%	1%	0%	0%	0%
400	7%	12%	13%	13%	12%	5%	5%	0%	1%	1%	5%	5%	2%	0%	0%	0%
300	14%	21%	20%	18%	16%	8%	7%	1%	1%	2%	9%	7%	4%	2%	3%	3%

Forecast Horizon (years)

Key Takeaways

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- 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%.

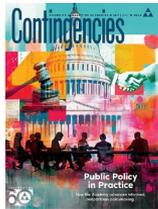
Next steps: In addition to sensitivity testing of the results presented here, the relationship between the RBC ratios and impairment risk, when accounting for other factors that are very likely to be also related, will be evaluated.

Other Academy Resources

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Access the Following Resources:



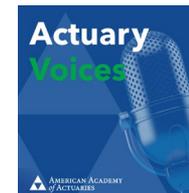
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Questions?

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For more information, please contact
Steve Jackson
Director of Research (Public Policy)
sjackson@actuary.org