



NATIONAL MEETING FALL 2022

Draft date: 11/30/22

*2022 Fall National Meeting
Tampa, Florida*

CAPITAL ADEQUACY (E) TASK FORCE

Wednesday, December 14, 2022

4:00 – 5:00 p.m.

Marriott—Florida Ballroom Salon IV & V—Level 2

ROLL CALL

Judith L. French, Chair	Ohio	Kathleen A. Birrane	Maryland
Doug Ommen, Vice Chair	Iowa	Chloria Lindley-Myers	Missouri
Mark Fowler	Alabama	Troy Downing	Montana
Lori K. Wing-Heier	Alaska	Edward M. Deleon Guerrero	N. Mariana Islands
Peni Itula Sapini Teo	American Samoa	Eric Dunning	Nebraska
Ricardo Lara	California	Marlene Caride	New Jersey
Andrew N. Mais	Connecticut	Mike Causey	North Carolina
Trinidad Navarro	Delaware	Elizabeth Kelleher Dwyer	Rhode Island
Karima M. Woods	District of Columbia	Michael Wise	South Carolina
David Altmaier	Florida	Cassie Brown	Texas
Dana Popish Severinghaus	Illinois	Mike Kreidler	Washington
Vicki Schmidt	Kansas	Nathan Houdek	Wisconsin
Sharon P. Clark	Kentucky		

NAIC Support Staff: Eva Yeung

AGENDA

1. Consider Adoption of its Nov. 18, Sept. 22 and Summer National Meeting Minutes—*Tom Botsko (OH)*
 - A. Health Risk-Based Capital (E) Working Group—*Steve Drutz (WA)*
 - B. Life Risk-Based Capital (E) Working Group—*Philip Barlow (DC)*
 - C. Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group—*Philip Barlow (DC)*
 - D. Property and Casualty Risk-Based Capital (E) Working Group—*Tom Botsko (OH)*
2. Consider Adoption of its Working Group Reports and Minutes
3. Consider Referring Proposal 2022-09-CA (Revised Affiliated Investments Structure and Instructions) to the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group—*Tom Botsko (OH)*

Attachment One
Attachment Two
Attachment Three

Attachment Four
Attachment Five
Attachment Six

Attachment Seven

Attachment Eight

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| 4. Consider Adoption of Proposal 2022-10-H (Preferred Stock Instructions)
— <i>Steve Drutz (WA)</i> | Attachment Nine |
| 5. Consider Adoption of Proposal 2022-11-H (Underwriting Risk – Analysis of Operations)— <i>Steve Drutz (WA)</i> | Attachment Ten |
| 6. Consider Adoption of Proposal 2022-07-P (PR035 Line of Business)
— <i>Tom Botsko (OH)</i> | Attachment Eleven |
| 7. Consider Adoption of Proposal 2022-08-CR (Independent Model Review Instructions)— <i>Tom Botsko (OH)</i> | Attachment Twelve |
| 8. Consider Adoption of its Working Agenda— <i>Tom Botsko (OH)</i> | Attachment Thirteen |
| 9. Consider Exposure of Proposal 2022-13-CA (Health Premiums and Underwriting Risk Premium References)— <i>Tom Botsko (OH)</i> | Attachment Fourteen |
| 10. Discuss a Referral from the Restructuring Mechanisms (E) Subgroup
— <i>Tom Botsko (OH)</i> | Attachment Fifteen |
| 11. Discuss Any Other Matters Brought Before the Task Force
— <i>Tom Botsko (OH)</i> | |
| A. Referral on the Risk Assessment of Structured Securities – CLOs | Attachment Sixteen |
| 12. Adjournment | |

Draft: 11/22/22

Capital Adequacy (E) Task Force
E-Vote
November 18, 2022

The Capital Adequacy (E) Task Force conducted an e-vote that concluded Nov. 18, 2022. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko (OH); Doug Ommen, Vice Chair, represented by Mike Yanacheak (IA); Mark Fowler (AL); Peni Itula Sapini Teo (AS); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro represented by Adrienne Lupo (DE); David Altmaier represented by Virginia Christy (FL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy (KY); Chlora Lindley-Meyers represented by John Rehagen (MO); Mike Causey represented by Jackie Obusek (NC); Eric Dunning represented by Lindsay Crawford (NE); Elizabeth Kelleher Dwyer (RI); Michael Wise represented by Daniel Morris (SC); Cassie Brown represented by Rachel Hemphill; Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

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

The Task Force conducted an e-vote to consider adoption of the updated Jan. 1 through Sept. 30, 2022, U.S. and non-U.S. catastrophe risk event lists.

Malm made a motion, seconded by Drutz, to adopt the lists (Attachment 1). The motion passed unanimously.

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

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Draft: 9/30/22

Capital Adequacy (E) Task Force
E-Vote
September 22, 2022

The Capital Adequacy (E) Task Force conducted an e-vote that concluded Sept. 22, 2022. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko (OH); Peni Itula Sapini Teo (AS); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro represented by Adrienne Lupo (DE); David Altmaier represented by Christina Huff (FL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy (KY); Kathleen A. Birrane represented by Lynn Beckner (MD); Chlora Lindley-Myers (MO); Edward M. Deleon Guerrero (MP); Mike Causey represented by Jackie Obusek (NC); Elizabeth Kelleher Dwyer (RI); Michael Wise represented by Daniel Morris (SC); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its 2023 Proposed Charges

The Task Force conducted an e-vote to consider adoption of its 2023 proposed charges.

Ms. Becker made a motion, seconded by Mr. Lupo, to adopt the Task Force's 2023 proposed charges (Attachment A). The motion passed unanimously.

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

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Draft: 8/17/22

Capital Adequacy (E) Task Force
Portland, Oregon
August 11, 2022

The Capital Adequacy (E) Task Force met in Portland, OR, Aug. 11, 2022. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko and Dale Bruggeman (OH); Doug Ommen, Vice Chair, represented by Mike Yanacheak (IA); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Sheila Travis and Jennifer Li (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Trinidad Navarro represented by Charles Santana (DE); Karima M. Woods represented by Philip Barlow; David Altmaier represented by Jane Nelson (FL); Dana Popish Severinghaus represented by Bruce Sartain (IL); Vicki Schmidt represented by Tish Becker; Sharon P. Clark represented by Bill Clark (KY); Chlora Lindley-Myers represented by John Rehagen and Debbie Dogget (MO); Edward M. Deleon Guerrero represented by Charlette C. Borja (MP); Troy Downing represented by Kari Leonard (MT); Mike Causey represented by Jackie Obusek (NC); Eric Dunning represented by Lindsay Crawford (NE); Marlene Caride (NJ); Michael Wise represented by Tom Baldwin (SC); Cassie Brown represented by Jamie Walker (TX); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek (WI).

1. Adopted its June 30, April 28, and Spring National Meeting Minutes

Mr. Botsko said the Task Force met June 30, April 28, and March 28. During these meetings, the Task Force took the following action: 1) adopted proposals 2022-02-P, 2022-05-L, 2022-06-L, 2021-17-CR MOD, 2022-01-P, 2022-03-L; and 2) discussed affiliated investments.

Mr. Yanacheak made a motion, seconded by Mr. Chou, to adopt the Task Force's June 30 (**Attachment One**), April 28 (**Attachment Two**), and March 28 (*see NAIC Proceedings – Spring 2022, Capital Adequacy (E) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Reports of its Working Groups

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

Mr. Drutz said that the Health Risk-Based Capital (E) Working Group met July 21 and took the following action: 1) adopted its May 11, May 4, and April 20 minutes; 2) adopted its working agenda; 3) adopted its 2022 newsletter; 4) adopted the 2021 health risk-based capital (RBC) statistics; 5) referred the health affiliated investment instructions and blanks to the Capital Adequacy (E) Task Force for discussion; and 6) exposed the American Academy of Actuaries' (Academy) response letter on its recommendation and timeline for the H2 – Underwriting Risk review for a 31-day public comment period ending Aug. 22.

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

Mr. Barlow said the Life Risk-Based Capital (E) Working Group met July 27 and took the following action: 1) adopted its June 17, June 3, April 22, April 7, and Spring National Meeting minutes; 2) adopted its 2022 newsletter; 3) adopted the 2021 life and fraternal RBC statistics; and 4) adopted its working agenda.

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

Mr. Botsko said the Property and Casualty Risk-Based Capital (E) Working Group met Aug. 9 in joint sessions with the Catastrophe Risk (E) Subgroup and took the following action: 1) adopted Subgroup's June 14 and April 19

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minutes; 2) adopted the Working Group's June 24, June 7, and April 26 minutes; 3) referred the property/casualty (P/C) affiliated investment instructions and blanks to the Capital Adequacy (E) Task Force for discussion; 4) adopted proposal 2022-04-CR, which included the 2013–2021 U.S. and non-U.S. lists of wildfire events; 5) adopted its 2022 newsletter; 6) exposed proposal 2022-07-P, which modified the PR035 lines of business categories to be consistent with the Annual Statement, Underwriting and Investment Exhibit, Part 1B categories for a 30-day public comment period ending Sept. 8; 7) exposed proposal 2022-08-CR, which provided further clarification of the independent model review instructions for a 30-day public comment period ending Sept. 8; 8) heard updates from the Academy regarding current P/C RBC projects; 9) adopted the 2021 P/C RBC statistics; 10) adopted the P/C working agenda; 11) discussed other catastrophe risks for possible inclusion in the Rcat component; and 12) heard a presentation from the National Oceanic and Atmospheric Administration (NOAA) regarding forecasting and resilience of severe thunderstorms .

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

Mr. Barlow said that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met Aug. 11 and took the following action: 1) adopted its Spring National Meeting minutes; 2) adopted its working agenda; 3) received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group; and 4) discussed the Working Group's next steps.

Mr. Drutz made a motion, seconded by Mr. Yanacheak, to adopt the reports of the Health Risk-Based Capital (E) Working Group (Attachment Three), the Life Risk-Based Capital (E) Working Group (Attachment **Four**), the Catastrophe Risk (E) Subgroup (Attachment **Five**), the Property and Casualty Risk-Based Capital (E) Working Group (Attachment **Six**), and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (Attachment **Seven**). The motion passed.

3. Adopted Proposal 2022-04-CR (2013-2021 Wildfire Event Lists)

Mr. Botsko said the wildfire peril has been adopted for informational purposes only in the 2022 RBC formula. He stated that NAIC staff developed the U.S. and non-U.S. lists of wildfire events based on the variable sources of information. Mr. Botsko said the Subgroup received one comment letter from Swiss Re America during the exposure period. It believed that the insurance direct incurred losses for the Southern California Woolsey wildfires should be \$2.9 billion based on the reports from the California Department of Insurance (DOI). Mr. Botsko said the Subgroup agreed; the incurred losses amount for this event has been updated in the event list.

Mr. Chou made a motion, seconded by Mr. Rehagen, to adopt proposal 2022-04-CR (**Attachment Three**). The motion passed unanimously.

4. Exposed Proposal 2022-09-CA (Revised Affiliated Investments Structures and Instructions)

Mr. Botsko said the Property and Casualty Risk-Based Capital (E) Working Group and Health Risk-Based Capital (E) Working Group exposed the affiliated investment instructions for a 60-day and 61-day comment period, respectively. He also stated that no comments were received during the exposure period. Mr. Botsko also said the Life Risk-Based Capital (E) Working received one comment from the American Council of Life Insurers (ACLI) on issue regarding the non-admission. Brian Bayerle (ACLI) said the current exposed guidance requires reporting insurers to include the carrying values and RBC requirements for all directly owned subsidiaries even if they are non-admitted. He asked the Task Force to consider sending a referral to Statutory Accounting Principles (E) Working Group to consider aligning between the statutory accounting and the RBC. Mr. Bruggeman believed that reporting insurers should carry some liabilities on the non-admitted subsidiaries as they do not go through the audit processes. Mr. Botsko said the Task Force welcomes any comments during the exposure period.

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The Task Force agreed to expose proposal 2022-09-CA for a 60-day public comment period ending Oct. 10.

5. Adopted its Working Agenda

Mr. Drutz said the only added priority #1 item for the Health Risk-Based Capital (E) Working Group in 2022 working agenda is the evaluation of the affiliated investment changes. Mr. Barlow said the Life Risk-Based Capital (E) Working Group updated item #7 to “work with the Academy on creating guidance for the adopted C-2 mortality treatment for 2022 and next steps for 2023.” He also stated that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group added a new item to “evaluate the appropriate RBC treatment of Residual Tranches” with the expected completion date as 2023 or later. Mr. Botsko said the Catastrophe Risk (E) Subgroup changed the following items: 1) the expected completion date for items #15 and #20 to year-end 2023; 2) eliminated the items of a) “implement wildfire peril in the Rcat component”; and b) “evaluate the possibility of modifying exemption criteria for different cat perils in the PR027 interrogatories.” He also said the Working Group: 1) added a new item of “changing the RBC PR035 Line of Business categories”; and 2) eliminated the “remove the trend test footnote in PR033” items from the 2022 working agenda.

Mr. Houdek made a motion, seconded by Mr. Drutz, to adopt the revised 2022 working agenda (**Attachment Three**). The motion passed unanimously.

6. Discussed Other Matters

Mr. Botsko said the Property and Casualty Risk-Based Capital (E) Working Group received a request from the Restructuring Mechanisms (E) Subgroup earlier to ask the Working Group to take the lead in addressing the charge of “considering the need to make changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff.” He said one of the recommendations that the Working Group has is to share its findings with the other two RBC working groups as each line of business has its unique condition of runoff companies. Mr. Botsko said the referral from the RMSG and the recommendations from the Property and Casualty Risk-Based Capital (E) Working Group will be shared with the Health Risk-Based Capital (E) Working Group and the Life Risk-Based Capital (E) Working Group in the near future. Lastly, Mr. Botsko said the Task Force will have a more in-depth discussions on this issue during its upcoming meetings.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/E Cmte/CADF/2022-2-Summer

Attachment 4 – Health
Risk-Based Capital (E)
Working Group
Meeting Summary

Attachment 5 – Life
Risk-Based Capital (E)
Working Group
Meeting Summary

Attachment 6 –
Investment Risk and
Evaluation (E) Working
Group Meeting
Summary

Attachment 7 –
Property and Casualty
Risk-Based Capital (E)
Working Group
Meeting Summary

Capital Adequacy (E) Task Force

RBC Proposal Form

☒ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ Investment RBC (E) Working Group ☐ Operational Risk (E) Subgroup
☐ C3 Phase II/ AG43 (E/A) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup

DATE: <u>8/11/22</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2022-09-CA</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2023</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>Capital Adequacy (E) Task Force</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Tom Botsko</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Ohio Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>50 West Town Street, Suite 300</u>	<input checked="" type="checkbox"/> EXPOSED <u>8/11/22</u>
<u>Columbus, OH 43215</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

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

DESCRIPTION OF CHANGE(S)

The proposed change would revise the instructions and structure for the Affiliated Investments for all lines.

REASON OR JUSTIFICATION FOR CHANGE **

The proposed revisions will improve the risk-based capital formulas and provide consistency to the treatment of affiliates for all lines of business.

Additional Staff Comments:

8/11/22 - The Task Force exposed this proposal for a 60-day public comment period ending Oct, 10.

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

Revised 2-2019

AFFILIATED/SUBSIDIARY STOCKS
XR002 – XR004

There are nine categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements for common stock and preferred stock holdings. Those nine 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. Directly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
6. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
7. Investments in Upstream Affiliate (Parent)
8. 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. 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/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 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.

Line 10 of XR003 – Fair Value Excess Subsidiary Common Stock equals the total of type codes 1.a. through 2.c., Column 13 of the Subsidiary Companies Risk – Details Page. The program will automatically calculate this figure.

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 9399999 and should also equal Schedule D, Part 6, Section 1, Line 0999999 plus Line 1899999.

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 affiliate/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 (37)).
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (68)).
- c. For a Life affiliate/subsidiary RBC filing, the sum of
 - i. Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (67)); and
 - ii. Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (71)).

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 XXX** of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in SSAP 97, Paragraph 8b. as the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in SSAP No. 68—Business Combinations and Goodwill. For those insurance Affiliates/Subsidiaries of the reporting company that are reported under the equity method, the H_0 charge of the ownership of the common and preferred stock in these Affiliates/Subsidiaries is limited to the lesser of:

- (a) the Total RBC After Covariance of the affiliate/subsidiary times the percentage of ownership, which is the total of common stock and preferred stock; or
- (b) the common and preferred stock book/adjusted carrying value at which the affiliate/subsidiary is carried

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, Paragraph 8a.): If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The prorated portion is the percentage of ownership of total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the H_0 component of the reporting company. In the normal case, 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. In this case, the addition to the H_1 component is the larger of a) 22.5 percent 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 percent of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the reporting company's H_1 component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiary statutory surplus, there is no addition to the H_1 component.

2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries

For Indirectly Owned U.S. Insurance Affiliates/Subsidiaries, the carrying value and RBC is calculated in the same manner as for directly owned U.S. Insurance Affiliates/Subsidiaries. The RBC for the indirect affiliates/subsidiaries must be calculated prior to completing this RBC report.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned RBC filer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an RBC filer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC requirement of indirectly owned RBC filing affiliate/subsidiary companies. This involves drilling down to the first RBC filing insurance subsidiary and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both RBC and carrying value of the RBC filer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on **Line XXX** 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					
Affiliates/Subsidiaries	Affiliates/Subsidiaries Type	4	5	7	8	11	12
		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 percent 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 percent of the carrying value of the common and preferred stock.

5. 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. 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 percent ownership.

6. 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 **XXX** 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 percent shares of Holder (a holding company), and Holder owns an Alien Insurance Company, which represents 50 percent 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 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 30 percent charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

If NEWBIE Insurance Company only acquired 50 percent shares of Holder, NEWBIE Insurance Company would enter \$5,000,000 (50 percent of 1/2 of \$20,000,000) as the carrying value of the Alien 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 Column				
		4	5	7	11	12
Affiliate/Subsidiary	Affiliate/Subsidiary Type	100% RBC	Book Adjusted Carrying Value	Total Value of Affiliate/Subsidiary	% Owned	RBC Required
Alien Insurance Company	Indirect Alien Life Affiliate/Subsidiary	5,000,000	10,000,000	20,000,000	50%	5,000,000

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. If no value is reported in the Total Value of Affiliate's Common and preferred stock column.

7. Investment in Upstream Affiliate (Parent)

The risk-based capital (RBC) for an investment in an upstream parent is 30.0 percent 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 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. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC

- a. Health Insurance Companies and Health Entities Not Subject to RBC
- b. Property and Casualty Insurance Companies Not Subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
- c. Life Insurance Companies Not Subject to RBC, such as life insurance subsidiary exempted from RBC

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula is 30 percent of the book/adjusted carrying value of the common and preferred stock.

9. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC

- a. Financial entities with a capital requirement imposed by a regulatory body (e.g., a bank)
- b. Other financial entities without regulatory capital requirements
- c. Other non-financial entities

The risk-based capital for entity types a, b, and c is 30 percent of the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurer Affiliates/Subsidiaries Not Subject to RBC is "9". Reported amounts use Schedule D, Part 6, Section 1, Line 0899999, and Line 1799999 as the basis of reporting.

APPENDIX 3 – EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

To determine the value of total outstanding common stock or total outstanding preferred stock, divide the book/adjusted carrying value of the investment (found in Schedule D - Part 6 Section 1, Column 9) by the percentage of ownership (found in Schedule D – Part 6 – Section 1, Column 12). For example:

<u>Subsidiary Insurance Company</u>	<u>Owner's Book / Adjusted Carrying Value</u>	<u>Percentage Ownership</u>	<u>Total Stock Outstanding</u>
Subsidiary #1	\$1,000,000	100%	\$1,000,000
Subsidiary #2	\$1,000,000	75%	\$1,333,333
Subsidiary #3	\$1,000,000	50%	\$2,000,000
Subsidiary #4	\$1,000,000	25%	\$4,000,000
Subsidiary #5	\$1,000,000	10%	\$10,000,000

AFFILIATED COMPANIES RISK – DETAILS
DETAILS FOR AFFILIATED STOCKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Name of Affiliate	Affil Type Code	NAIC Company Code or Alien ID Number	Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (37) PR032 Line (67) LR031 Line (67) + (71)	Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Total 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 (Cols 5 + 9) / (Cols 7 + 10)	RBC Required (H0 Component)	Market Value Excess Component Affiliated Common Stock RBC Required (H1 Component)
(01)											100.000%		
(02)											100.000%		
(03)											100.000%		
(04)											100.000%		
(05)											100.000%		
(06)											100.000%		
(07)											100.000%		
(08)											100.000%		
(09)											100.000%		
(10)											100.000%		
(11)											100.000%		
(12)											100.000%		
(13)											100.000%		
(14)											100.000%		
(15)											100.000%		
(16)											100.000%		
(17)											100.000%		
(18)											100.000%		
(19)											100.000%		
(20)											100.000%		
(21)											100.000%		
(22)											100.000%		
(23)											100.000%		
(24)											100.000%		
(25)											100.000%		
(26)											100.000%		
(27)											100.000%		
(28)											100.000%		
(29)											100.000%		
(30)											100.000%		
(31)											100.000%		
(32)											100.000%		
(33)											100.000%		
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(35)											100.000%		
(36)											100.000%		
(37)											100.000%		
(38)											100.000%		
(39)											100.000%		
(40)											100.000%		
(41)											100.000%		
(42)											100.000%		
(43)											100.000%		
(44)											100.000%		
(45)											100.000%		
(46)											100.000%		
(47)											100.000%		
(48)											100.000%		
(49)											100.000%		
(50)											100.000%		
(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

If Col (2) < 5 and Col (6) = F Do Calculation

Calculation

Col (12) = Min [Col (4) x Col (11), Col (8) x Col (11)]

If Col (5) + Col (9) > Max [Col (4) x Col (11), Col (8) x Col (11)] then

Col (13) = Max {[Col (5) + Col (9) - Col (8) x Col (11)] x .225, [Col (4) - Col (8)] x Col (11)}

If Col (4) x Col (11) > Col (5) + Col (9) > Col (8) x Col (11) then

Col (13) = Col (5) + Col (9) - Col (8) x Col (11)

Otherwise

Col (13) = 0

Col (12) and (13) cannot be less than 0

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS**~~AFFILIATED COMPANIES RISK~~**

Type-of-Affiliate		Type Code	Basis	(1)	(2)
Affiliate Type				Number of Companies	Total RBC Required
(1)	Directly Owned Health Insurance Companies or Health Entities	1a	Affiliate's RBC* Sub's RBC After Covariance	0	\$0
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b	Affiliate's RBC* Sub's RBC After Covariance	0	\$0
(3)	Directly Owned Life Insurance Affiliates	1c	Affiliate's RBC* Sub's RBC After Covariance	0	\$0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a	Affiliate's RBC* 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	0.300	0	\$0
(8)	Investment Subsidiary	4	0.300	0	\$0
(9)	Directly Owned Alien Health Insurance Companies or Health Entities	5a	1.000	0	\$0
(10)	Directly Owned Alien Property and Casualty Insurance Affiliates	5b	1.000	0	\$0
(11)	Directly Owned Alien Life Insurance Affiliates	5c	1.000	0	\$0
(12)	Indirectly Owned Alien Health Insurance Companies or Health Entities	6a	1.000	0	\$0
(13)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	6b	1.000	0	\$0
(14)	Indirectly Owned Alien Life Insurance Affiliates	6c	1.000	0	\$0
(15)	Investment in Upstream Affiliate (Parent)	7	0.300	0	\$0
(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a	0.300	0	\$0
(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b	0.300	0	\$0
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	0.300	0	\$0
(19)	Non-Insurance Entities with a Capital Equirement Imposed by a Eegulatory Body	9a	0.300	0	\$0
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.300	0	\$0
(21)	Other Non-financial Entites	9c	0.300	0	\$0
(22)	Total			0	\$0

~~CROSSCHECKING FOR AFFILIATED INVESTMENTS~~**SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS FOR CROSS-CHECKING STATEMENT VALUES**

Affiliated Preferred Stock		(1)	(2)	(3)
Schedule D Part 6 Section 1 C7		<u>Total</u>	<u>Total From RBC</u>	
	Annual Statement	<u>Preferred Stock</u>	<u>Report</u>	<u>Difference</u>
	Line Number			
(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
(8)	Other Affiliates	0899999	0	0
(9)	Subtotal	0999999	0	0

Affiliated Common Stock		(1)	(2)	(3)
Schedule D Part 6 Section 1 C7		<u>Total</u>	<u>Total From RBC</u>	
	Annual Statement	<u>Common Stock</u>	<u>Report</u>	<u>Difference</u>
	Line Number			
(10)	Parent	1099999	0	0
(11)	U.S. P&C Insurer	1199999	0	0
(12)	U.S. Life Insurer	1299999	0	0
(13)	U.S. Health Insurer	1399999	0	0
(14)	Alien Insurer	1499999	0	0
(15)	Non-Insurer Which Controls Insurer	1599999	0	0
(16)	Investment Subsidiary	1699999	0	0
(17)	Other Affiliates	1799999	0	0
(18)	Subtotal	1899999	0	0

EQUITY ASSETS

			(1)		(2)
			<u>Bk/Adj Carrying Value</u>	<u>Factor</u>	<u>RBC Requirement</u>
PREFERRED STOCK - UNAFFILIATED					
(1)	NAIC 01 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.003	\$0
(2)	NAIC 02 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.010	\$0
(3)	NAIC 03 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.020	\$0
(4)	NAIC 04 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.045	\$0
(5)	NAIC 05 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.100	\$0
(6)	NAIC 06 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.300	\$0
(7)	Total - Unaffiliated Preferred Stock	Sum of Lines (1) through (6)	\$0		\$0
(Should equal Page 2, Column 3, Line 2.1 less Sch D Sum, Column 1, Line 18)					
COMMON STOCK - UNAFFILIATED					
(8)	Federal Home Loan Bank Stock	Company Records		0.023	\$0
(9)	Total Common Stock	Schedule D, Summary, Column 1, Line 25			
(10)	Affiliated Common Stock	Schedule D, Summary, Column 1, Line 24			
(11)	Other Unaffiliated Common Stock	Lines (9) - (8) - (10)	\$0	0.150	\$0
(12)	Market Value Excess Affiliated Common Stock	XR002 C(13) L(9999999)			\$0
(13)	Total Unaffiliated Common Stock	Lines (8) + (11) + (12)	\$0		\$0

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)	\$0
(2)	Directly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (1)	\$0
(3)	Directly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (2)	\$0
(4)	Directly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (3)	\$0
(5)	Indirectly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (4)	\$0
(6)	Indirectly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (5)	\$0
(7)	Indirectly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (6)	\$0
(8)	Affiliated Alien Insurers - Directly Owned	XR003, Affiliates Page, Column 2, Line (9) + (10) + (11)	\$0
(9)	Affiliated Alien Insurers - Indirectly Owned	XR003, Affiliates Page, Column 2, Line (12) + (13) + (14)	\$0
(10)	Total H0	Sum Lines (1) through (9)	\$0
H1 - ASSET RISK - OTHER			
(11)	Investment Affiliates	XR003, Affiliates Page, Line (5)	\$0
(12)	Holding Company Excess of Subsidiaries	XR003, Affiliates Page, Line (6)	\$0
(13)	Investment in Parent	XR003, Affiliates Page, Line (9)	\$0
(14)	Other Affiliates	XR003, Affiliates Page, Line (10)	\$0
(15)	Fair Value Excess Affiliate Common Stock	XR003, Affiliates Page, Line (11)	\$0
(11)	Holding Company in Excess of Indirect Subs	XR003, Affiliates Page, Column (2), Line (7)	\$0
(12)	Investment Subsidiary	XR003, Affiliates Page, Column (2), Line (8)	\$0
(13)	Investment in Upstream Affiliate (Parent)	XR003, Affiliates Page, Column (2), Line (15)	\$0
(14)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (16)	\$0
(15)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (17)	\$0
(16)	Directly Owned Life Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (18)	\$0
(17)	Affiliated Non-Insurer	XR003, Affiliates Page, Column 2, Line (19) + (20) + (21)	\$0
(18)	Fixed Income Assets	XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR008, Fixed Income Assets Page Line (51)	\$0
(19)	Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)	\$0
(20)	Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)	\$0
(21)	Unaffiliated Common Stock	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13)	\$0
(22)	Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)	\$0
(23)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)	\$0
(24)	Total H1	Sum Lines (11) through (23)	\$0
H2 - UNDERWRITING RISK			
(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)	\$0
(26)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line (25.3)	\$0
(27)	Disability Income	XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3)	\$0
(28)	Long-Term Care	XR016, Underwriting Risk Page, Line (41)	\$0
(29)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)	\$0
(30)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line (45)	\$0
(31)	Total H2	Sum Lines (25) through (30)	\$0

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

H3 - CREDIT RISK

		(1) <u>RBC Amount</u>
(32)	Total Reinsurance RBC	XR020, Credit Risk Page, Line (17)
(33)	Intermediaries Credit Risk RBC	XR020, Credit Risk Page, Line (24)
(34)	Total Other Receivables RBC	XR021, Credit Risk Page, Line (30)
(35)	Total H3	Sum Lines (32) through (34)
		\$0
		\$0
		\$0
		\$0

H4 - BUSINESS RISK

(36)	Administrative Expense RBC	XR022, Business Risk Page, Line (7)	\$0
(37)	Non-Underwritten and Limited Risk Business RBC	XR022, Business Risk Page, Line (11)	\$0
(38)	Premiums Subject to Guaranty Fund Assessments	XR022, Business Risk Page, Line (12)	\$0
(39)	Excessive Growth RBC	XR022, Business Risk Page, Line (19)	\$0
(40)	Total H4	Sum Lines (36) through (39)	\$0
(41)	RBC after Covariance Before Basic Operational Risk	$H0 + \text{Square Root of } (H1^2 + H2^2 + H3^2 + H4^2)$	\$0
(42)	Basic Operational Risk	$0.030 \times \text{Line (41)}$	\$0
(43)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(44)	Net Basic Operational Risk	$\text{Line (42)} - \text{(43)}$ (Not less than zero)	\$0
(45)	RBC After Covariance Including Basic Operational Risk	Lines (41) + (44)	\$0
(46)	Authorized Control Level RBC	$.50 \times \text{Line (45)}$	\$0

CALCULATION OF TOTAL ADJUSTED CAPITAL

	<u>Annual Statement Source</u>	<u>(1) Amount</u>	<u>Factor</u>	<u>(2) Adjusted Capital</u>
Company Amounts				
(1) Capital and Surplus	Page 3, Column 3, Line 33		1.000	\$0
Subsidiary Adjustments				
(2) AVR - Life Subs	Affiliate's Statement §		1.000	\$0
(3) Dividend Liability - Life Subsidiaries	Affiliate's Statement		0.500	\$0
(4) Tabular Discounts - P&C Subsidiaries	Affiliate's Statement		-1.000	\$0
(5) Non-Tabular Discounts - P&C Subsidiaries	Affiliate's Statement		-1.000	\$0
(6) Carrying Value of Non-Admitted Insurance Affiliates	Included in XR002 Column 5 and Column 9	0	1.000	\$0
(7) Total Adjusted Capital, Post-Deferred Tax				\$0

SENSITIVITY TEST:

(8) DTA Value for Company	Page 2, Column 3, Line 18.2		1.000	\$0
(9) DTL Value for Company	Page 3, Column 3, Line 10.2		1.000	\$0
(10) DTA Value for Insurance Subsidiaries	Company Records		1.000	\$0
(11) DTL Value for Insurance Subsidiaries	Company Records		1.000	\$0
(12) Total Adjusted Capital, Pre-Deferred Tax (Sensitivity)	Lines (7) - (8) + (9) - (10) + (11)			\$0

Ex DTA ACL RBC Ratio Sensitivity Test

(13) Deferred Tax Asset	Page 2 Column 3, Line 18.2		1.000	\$0
(14) Total Adjusted Capital Less Deferred Tax Asset	Lines (7) less (13)			\$0
(15) Authorized Control Level RBC	XR027 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)			\$0
(16) Ex DTA ACL RBC Ratio	Line (14)/(15)			0.000%

§ 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.

AFFILIATED/SUBSIDIARY STOCKS
LR042 – LR044

There are ten categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements for common stock and preferred stock holdings. Those 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. Directly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
6. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
7. Investments in Upstream Affiliate (Parent)
8. 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. 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. 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 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 09999999 plus Line 18999999.

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 (10) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred stock and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

Insurance Affiliate/Subsidiaries that are Subject to RBC

1. Directly Owned U.S. Affiliates/Subsidiaries:

The risk-based capital requirement for the reporting company for those insurance affiliates/subsidiaries that are subject to a risk-based capital requirement is based on the Total Risk-Based Capital After Covariance of the affiliate/subsidiary, prorated for the percent of ownership of that affiliate/subsidiary.

For purposes of Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

- a. For a Health affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (XR024, Line (37));
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (68)); 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 (67)); and
 - (b) Primary Security shortfalls for all sessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (71)).

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 on **Line XXX** 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, Paragraph 8b. as the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in SSAP No. 68—Business Combinations and Goodwill. For those insurance Affiliates/Subsidiaries of the reporting company that are reported under the equity method, the C_0 charge of the ownership of the common and preferred stock in these Affiliates/Subsidiaries is limited to the lesser of:

- (a) the Total RBC After Covariance of the affiliate/subsidiary times the percentage of ownership, which is the total of common stock and preferred stock; or
- (b) the common and preferred stock book/adjusted carrying value at which the affiliate/subsidiary is carried.

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, Paragraph 8a.): See 10 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 XXX 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</u> <u>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% owns of Holder, Inc.) would report for the indirectly owned insurance subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		LR044 Column				
		4	5	6	9	10
Affiliates/Subsidiaries	Affiliates/Subsidiaries Type	100% RBC	Book Adjusted Carrying Value	Total Value of Affiliates/Subsidiaries	% Owned	RBC Required
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	25%	1,500,000

The risk-based capital charge for the parent insurer preparing the calculation is a 30.0 percent 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. 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 “5” for alien insurers.

For each affiliate/subsidiary, enter the following information:

- Company Name,
- Alien Insurer Identification Number,

- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line 1499999. 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 percent ownership.

6. 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 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 percent ownership.

7. Investment in Upstream Affiliate (Parent)

The pre-tax Risk-Based Capital (RBC) for an investment in an upstream parent is 30.0 percent 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 in Columns (1) through (6).

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. 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. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC

- a. Financial entities with a capital requirement imposed by a regulatory body (e.g. a bank)
- b. Other financial entities without regulatory capital requirements
- c. Other Non-financial entities

The risk-based capital for entity types a, b, and c. is 0.300 times the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurance Affiliates/Subsidiaries Not Subject to RBC is "9." Reported amounts use Schedule D, part 6, Schedule 1, Line 0899999, and Line 1799999 as the basis of reporting.

10. 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 percent 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-10 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 8, 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 10, 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 6, Line 591999999 plus Line 592999999. The reported book value of preferred stock should be the same as Schedule D, Part 2, Section 1, Column 8, Line 431999999 plus 432999999.

APPENDIX 3 – EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

To determine the value of total outstanding common stock or total outstanding preferred stock, divide the book/adjusted carrying value of the investment (found in Schedule D - Part 6 Section 1, Column 9) by the percentage of ownership (found in Schedule D – Part 6 – Section 1, Column 12). For example:

<u>Subsidiary Insurance Company</u>	<u>Owner's Book / Adjusted Carrying Value</u>	<u>Percentage Ownership</u>	<u>Total Stock Outstanding</u>
Subsidiary #1	\$1,000,000	100%	\$1,000,000
Subsidiary #2	\$1,000,000	75%	\$1,333,333
Subsidiary #3	\$1,000,000	50%	\$2,000,000
Subsidiary #4	\$1,000,000	25%	\$4,000,000
Subsidiary #5	\$1,000,000	10%	\$10,000,000

Company Name		Confidential when Completed	NAIC Company Code			
CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL						
		Source	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect	
ASSET RISKS						
<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	=	
↑	Denotes lines that are deducted from the total rather than added.					
	Denotes items that must be manually entered on the filing software.					

Company Name

Confidential when Completed

NAIC Company Code

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

			Source	(1)	(2)	
				RBC Amount	Tax Factor	RBC Tax Effect
(030)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (22)		X	0.1575	=
(031)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (23)		X	0.1575	=
(032)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (24)		X	0.1575	=
(033)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (25)		X	0.1575	=
(034)	Due & Unpaid Taxes Mortgages	LR004 Mortgages Column (6) Line (26)		X	0.1575	=
(035)	Due & Unpaid Taxes - Foreclosures	LR004 Mortgages Column (6) Line (27)		X	0.1575	=
(036)	Mortgage Reduction - Reinsurance	LR004 Mortgages Column (6) Line (29)		X	0.2100	=
(037)	Mortgage Increase - Reinsurance	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 GLCs	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	=
<u>Schedule BA</u>						
(058)	Sch BA Real Estate Excluding Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (16)		X	0.2100	=
(059)	Guaranteed Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (17) + Line (19)		X	0.0000	=
(060)	Non-Guaranteed and All Other Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (18) + Line (20) + Line (21)		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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Company Name

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NAIC Company Code

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

			Source	(1)		(2)	
				RBC Amount	Tax Factor	RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=	
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=	
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=	
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=	
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=	
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=	
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=	†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=	
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12.3)		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 (48.3)		X	0.2100	=	
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (50)		X	0.1575	=	
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (52.3) + 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 (54)		X	0.2100	=	†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X	0.2100	=	
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (11)		X	0.1575	=	
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (15)		X	0.1575	=	
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (19)		X	0.1575	=	
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (21)		X	0.2100	=	†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X	0.2100	=	
	<u>Miscellaneous</u>						
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page		X	0.1575	=	
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X	0.1575	=	
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X	0.1575	=	
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X	0.1575	=	
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X	0.1575	=	
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X	0.1575	=	
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X	0.1575	=	
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X	0.1575	=	
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X	0.2100	=	
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X	0.2100	=	†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X	0.2100	=	

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

			(1)		(2)
			RBC Amount	Tax Factor	RBC Tax Effect
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	X	0.1575	=
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	X	0.2100	=
(104)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	X	0.2100	=
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	X	0.2100	=
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	X	0.2100	=
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	X	0.2100	=
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	X	0.2100	=
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	X	0.2100	=
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)			
C-0 Affiliated Common Stock					
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)	X	0.1575	=
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)	X	0.2100	=
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)	X	0.2100	=
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	X	0.2100	=
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	X	0.2100	=
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	X	0.2100	=
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	X	0.2100	=
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	X	0.2100	=
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	X	0.2100	=
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	X	0.0000	=
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	X	0.0000	=
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)			
Common Stock					
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	X	0.2100	=
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)	X	0.2100	=
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)	X	0.2100	=
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)	X	0.2100	=
(127)	BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (47)	X	0.2100	=
(128)	BA Common Stock Affiliated - C-1cs	LR008 Other Long-Term Assets Column (5) Line (49.2)	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 (51.1)	X	0.1575	=
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.2)	X	0.1575	=
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	X	0.2100	=
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	X	0.2100	=
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)			
Insurance Risk					
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)	X	0.2100	=

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Company Name

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

		Source	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)	X	0.2100	=
(137)	Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (8)	X	0.2100	=
(138)	Group Insurance C-2 Risk	LR025 Life Insurance Column (2) Lines (20) and (21)	X	0.2100	=
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)	X	0.2100	=
(139)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)	X	0.2100	=
(140)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	X	0.0000	=
(141)	Total C-2 Risk	L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))² + L(138b)² + 2 * (Correlation Factor) * (L(137) + L(138)) * L(138b)]]			
(142)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)	X	0.2100	=
(143)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)	X	0.0000	=
(144)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)	X	0.2100	=
(145)	Business Risk	LR029 Business Risk Column (2) Line (40)	X	0.2100	=
(146)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)	X	0.0000	=
(147)	Total Tax Effect	Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)			

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

Company Name		Source	Requirement
<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	LR008 Other Long-Term Assets Column (5) line (47)	
(15)	Schedule BA Affiliated Common Stock - C-1cs	LR008 Other Long-Term Assets Column (5) line (49.2)	
(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	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	
(26)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	
(27)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	
(28)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	
(29)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	
(30)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	
(31)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	

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

Company Name		Source	(1) RBC Requirement
(32)	Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	
(33)	Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	
(34)	Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	
(35)	Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	
(36)	Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (56) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	
(37)	Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (23)	
(38)	Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page	
(39)	Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	
(40)	Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	
(41)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	
(42)	Total (C-1o) - Pre-Tax	Sum of Lines (22) through (41)	
(43)	(C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (110)	
(44)	Net (C-1o) - Post-Tax	Line (42) - Line (43)	
Insurance Risk (C-2)			
(45)	Individual and Industrial Life Insurance	LR025 Life Insurance Column (2) Line (8)	
(46)	Group and Credit Life Insurance and FEGI/SGLI	LR025 Life Insurance Column (2) Lines (20) and (21)	
(46b)	Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	
(47)	Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	
(48)	Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	
(49)	Total (C-2) - Pre-Tax	$L(47) + L(48) + \text{Greatest of [Guardrail Factor * (L(45)+L(46)) , Guardrail Factor * L(46b) , Square Root of [(L(45) + L(46b))^2 + L(46b)^2 + 2 * (Correlation Factor) * (L(45) + L(46)) * L(46b)]]}$	
(50)	(C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
(51)	Net (C-2) - Post-Tax	Line (49) - Line (50)	
Interest Rate Risk (C-3a)			
(52)	Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	
(53)	(C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
(54)	Net (C-3a) - Post-Tax	Line (52) - Line (53)	
Health Credit Risk (C-3b)			
(55)	Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	
(56)	(C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	
(57)	Net (C-3b) - Post-Tax	Line (55) - Line (56)	
Market Risk (C-3c)			
(58)	Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	
(59)	(C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	
(60)	Net (C-3c) - Post-Tax	Line (58) - Line (59)	

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

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

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NAIC Company Code
(1)
RBC
Requirement

	Source	
<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	

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SUMMARY FOR AFFILIATED/SUBSIDIARY INVESTMENTS STOCKS

	Affiliate Type	Affiliate Code	(1) Book / Adjusted Carrying Value	(2) Book Value †	(3) Difference Col. (1) - (2)	RBC Basis	(4) 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	4		XXX	XXX	Subsidiaries' Total Risk-Based Capital After Covariance / 0.79		
(9)	Directly Owned Alien Health Insurance Companies or Health Entities	5a		XXX	XXX	X 1.000 =		
(10)	Directly Owned Alien Property and Casualty Insurance Affiliates	5b		XXX	XXX	X 1.000 =		
(11)	Directly Owned Alien Life Insurance Affiliates	5c		XXX	XXX	X 1.000 =		
(12)	Indirectly Owned Alien Health Insurance Companies or Health Entities	6a		XXX	XXX	X 1.000 =		
(13)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	6b		XXX	XXX	X 1.000 =		
(14)	Indirectly Owned Alien Life Insurance Affiliates	6c		XXX	XXX	X 1.000 =		
(15)	Investment in Upstream Affiliate (Parent)	7		XXX	XXX	X 0.300 =		
(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a		XXX	XXX	X 0.300 =		
(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b		XXX	XXX	X 0.300 =		
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c		XXX	XXX	X 0.300 =		
(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a		XXX	XXX	X 0.300 =		
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b		XXX	XXX	X 0.300 =		
(21)	Other Non-financial Entities	9c		XXX	XXX	X 0.300 =		
(22)	Publicly Traded Insurance Affiliates	10				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.

Company Name

Confidential when Completed

NAIC Company Code

CROSSCHECKING FOR AFFILIATED/SUBSIDIARY INVESTMENTS 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	0799999		
(8)	Other Affiliates	0899999		
(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	1099999		
(11)	U.S. Property and Casualty Insurer	1199999		
(12)	U.S. Life Insurer	1299999		
(13)	U.S. Health Entity	1399999		
(14)	Alien Insurer	1499999		
(15)	Non-Insurer Which Controls Insurer	1599999		
(16)	Investment Subsidiary	1699999		
(17)	Other Affiliates	1799999		
(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 7 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

Confidential when Completed

NAIC Company Code

DETAILS FOR AFFILIATED/SUBSIDIARY INVESTMENTS STOCKS

<u>Affiliate Type</u>	<u>Affiliate Code for</u>	<u>RBC Basis</u>	<u>Affiliate Type</u>	<u>Affiliate Code for</u>	<u>RBC Basis</u>
Direct U.S. Property and Casualty Subsidiaries	1	Subs' RBC After Covariance / 0.79	Alien Insurance Subsidiaries – Canadian Life	8	Subsidiaries' MCCSR / 0.79
Direct U.S. Life Subsidiaries	2	Subs' RBC After Covariance / 0.79	Alien Insurance Subsidiaries – Other	9	1.000 x Book/Adj. Carrying Value
Direct and Indirect U.S. Health Subsidiaries	3	Subs' RBC After Covariance / 0.79	Investment in Parents	10	0.300 x Book/Adj. Carrying Value
Indirect U.S. Property and Casualty Subsidiaries	4	Subs' RBC After Covariance / 0.79	Other Affiliate – P&C Insurers not subject to RBC	11	0.300 x Book/Adj. Carrying Value
Indirect U.S. Life Subsidiaries	5	Subs' RBC After Covariance / 0.79	Other Affiliate – Life Insurers not subject to RBC	12	0.300 x Book/Adj. Carrying Value
Investment Subsidiaries	6	Subs' RBC After Covariance / 0.79	Other Affiliate – All Other	13	0.300 x Book/Adj. Carrying Value
Holding Company in Excess of Indirect Subsidiaries	7	0.300 x Book/Adj. Carrying Value			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Affiliate Code	NAIC Company Code or Alien ID	Affiliate's RBC After Covariance† LR031, Lines (67)+(71), PR032, Line (67), XR025, Line (37)	Book / Adjusted Carrying Value of Affiliate's Common Stock	Total Value of Affiliate's Outstanding Common Stock	Book / Adjusted Carrying Value of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned	RBC Requirement*
Name of Affiliate	(1 to 21)	Number†							
(0000001)									
(0000002)									
(0000003)									
(0000004)									
(0000005)									
(0000006)									
(0000007)									
(0000008)									
(0000009)									
(0000010)									
(0000011)									
(0000012)									
(0000013)									
(0000014)									
(0000015)									
(0000016)									
(0000017)									
(0000018)									
(0000019)									
(0000020)									
(9999999) Total	XXXXX	XXXXX			XXXXX		XXXXX	XXXXX	

† 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.

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

#REF!

AFFILIATED/SUBSIDIARY STOCKS

PR003 – PR005

There are nine categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirement for common stock and preferred stock holdings. Those nine 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. Directly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
6. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
7. Investments in Upstream Affiliate (Parent)
8. 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. 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/Subsidiary Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be cross-checked and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 09999999 plus Line 18999999.

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 (37)).
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (68)).
- c. For a Life affiliate/subsidiary RBC filing, the sum of
 - i. Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (67)); and
 - ii. Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (71)).

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 XXX** of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in SSAP 97, Paragraph 8b. 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 8a.): 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. In the normal case, 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. In this case, the addition to the R_2 component is the larger of a) 22.5 percent 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 percent 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 R_2 component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiaries' s statutory surplus, there is no addition to the R_2 component.

2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries

For Indirectly Owned U.S. Insurance Affiliates/Subsidiaries, the carrying value and RBC is calculated in the same manner as for directly owned U.S. Insurance Affiliates/Subsidiaries. The RBC for the indirect affiliates/subsidiaries must be calculated prior to completing this RBC report.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned RBC filer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an RBC filer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC requirement of indirectly owned RBC filing affiliate/subsidiary companies. This involves drilling down to the first RBC filing insurance affiliate/subsidiary and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both RBC and carrying value of the RBC filer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line **XXX** 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</u>	<u>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 percent 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 percent of the carrying value of the common and preferred stock.

5. 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. If no value is reported in the Total Value of Affiliate's common and preferred stock columns (7) and (11), the program will assume 100 percent ownership.

6. 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 **XXX** 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 percent shares of Holder (a holding company), and Holder owns an Alien Insurance Company, which represents 50 percent 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 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 percent charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

If NEWBIE Insurance Company only acquired 50 percent shares of Holder, NEWBIE Insurance Company would enter \$5,000,000 (50 percent of 1/2 of \$20,000,000) as the carrying value of the Alien 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 Column				
		4	5	7	9	13
Affiliates/Subsidiaries	Affiliates/Subsidiaries Type	100% RBC	Book Adjusted Carrying Value	Total Value of Affiliates/Subsidiaries	% Owned	RBC Required
Alien Insurance Company	Indirect Alien Life Aff/Sub	5,000,000	10,000,000	20,000,000	50%	2,500,000

For each affiliate/subsidiary enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- 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. If no value is reported in the Total Value of Affiliate's Common and preferred stock column.

7. Investment in Upstream Affiliate (Parent)

The Risk-Based Capital (RBC) for an investment in an upstream parent is 22.5 percent 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 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. 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 percent of the book/adjusted carrying value of the common and preferred stock.

9. 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 percent of the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurance Affiliates/Subsidiaries Not Subject to RBC is “9”. Reported amounts use Schedule D, part 6, Schedule 1, Line 0899999, and Line 1799999 as the basis of reporting.

APPENDIX 3 – EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

To determine the value of total outstanding common stock or total outstanding preferred stock, divide the book/adjusted carrying value of the investment (found in Schedule D - Part 6 Section 1, Column 9) by the percentage of ownership (found in Schedule D – Part 6 – Section 1, Column 12). For example:

<u>Subsidiary Insurance Company</u>	<u>Owner's Book / Adjusted Carrying Value</u>	<u>Percentage Ownership</u>	<u>Total Stock Outstanding</u>
Subsidiary #1	\$1,000,000	100%	\$1,000,000
Subsidiary #2	\$1,000,000	75%	\$1,333,333
Subsidiary #3	\$1,000,000	50%	\$2,000,000
Subsidiary #4	\$1,000,000	25%	\$4,000,000
Subsidiary #5	\$1,000,000	10%	\$10,000,000

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 L67 + L71 PR032 L67 XR025 L37	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 (R0 Component)	Market Value Excess Component Affiliate Common Stock RBC Required (R2 Component)
0000001										100.000%	0	0
0000002										100.000%	0	0
0000003										100.000%	0	0
0000004										100.000%	0	0
0000005										100.000%	0	0
0000006										100.000%	0	0
0000007										100.000%	0	0
0000008										100.000%	0	0
0000009										100.000%	0	0
0000010										100.000%	0	0
0000011										100.000%	0	0
0000012										100.000%	0	0
0000013										100.000%	0	0
0000014										100.000%	0	0
0000015										100.000%	0	0
0000016										100.000%	0	0
0000017										100.000%	0	0
0000018										100.000%	0	0
0000019										100.000%	0	0
0000020										100.000%	0	0
0000021										100.000%	0	0
0000022										100.000%	0	0
0000023										100.000%	0	0
0000024										100.000%	0	0
0000025										100.000%	0	0
0000026										100.000%	0	0
0000027										100.000%	0	0
0000028										100.000%	0	0
0000029										100.000%	0	0
0000030										100.000%	0	0
0000031										100.000%	0	0
0000032										100.000%	0	0
0000033										100.000%	0	0
0000034										100.000%	0	0
0000035										100.000%	0	0
0000036										100.000%	0	0
0000037										100.000%	0	0
0000038										100.000%	0	0
0000039										100.000%	0	0
0000040										100.000%	0	0
0000041										100.000%	0	0
0000042										100.000%	0	0
0000043										100.000%	0	0
0000044										100.000%	0	0
0000045										100.000%	0	0
0000046										100.000%	0	0
0000047										100.000%	0	0
0000048										100.000%	0	0
0000049										100.000%	0	0
0000050										100.000%	0	0
(9999999)										100.000%	0	0
Total	XXX	XXX	0	0	XXX	XXX	XXX		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

Note: PR007 L12 should now refers to PR003 C(13) L9999999

#REF!

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

				(1)	(2)
				<u>Number of</u>	<u>Total RBC Required</u>
				<u>Companies</u>	
Affiliate Types	Affil Code	RBC Basis			
(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
(9) Directly Owned Alien Health Insurance Companies or Health Entities	5a	0.5		0	0
(10) Directly Owned Alien Property and Casualty Insurance Affiliates	5b	0.5		0	0
(11) Directly Owned Alien Life Insurance Affiliates	5c	0.5		0	0
(12) Indirectly Owned Alien Health Insurance Companies or Health Entities	6a	0.5		0	0
(13) Indirectly Owned Alien Property and Casualty Insurance Affiliates	6b	0.5		0	0
(14) Indirectly Owned Alien Life Insurance Affiliates	6c	0.5		0	0
(15) Investment in Upstream Affiliate (Parent)	7	0.225		0	0
(16) Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a	0.225		0	0
(17) Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b	0.225		0	0
(18) Directly Owned Life Insurance Companies Not Subject to RBC	8c	0.225		0	0
(19) Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	0.225		0	0
(20) Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.225		0	0
(21) Other Non-financial Entities	9c	0.225		0	0
(22) 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 C7		<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
(8)	Other Affiliates	0899999	0	0
(9)	Subtotal	0999999	0	0

Affiliated Common Stock		(1)	(2)	(3)
Schedule D Part 6 Section 1 C7		<u>Annual Statement Total</u>	<u>Total From RBC Report</u>	<u>Difference</u>
Annual Statement Line Number		<u>Common Stock</u>		
(10)	Parent	1099999	0	0
(11)	U.S. P&C Insurer	1199999	0	0
(12)	U.S. Life Insurer	1299999	0	0
(13)	U.S. Health Insurer	1399999	0	0
(14)	Alien Insurer	1499999	0	0
(15)	Non-Insurer Which Controls Insurer	1599999	0	0
(16)	Investment Subsidiary	1699999	0	0
(17)	Other Affiliates	1799999	0	0
(18)	Subtotal	1899999	0	0

UNAFFILIATED PREFERRED AND COMMON STOCK PR007

		(1) Book/Adjusted Carrying Value	Factor	(2) RBC Requirement
Unaffiliated Preferred Stock				
(1)	NAIC 01 Preferred Stock	Sch D Pt 2 Sn 1	0.003	0
(2)	NAIC 02 Preferred Stock	Sch D Pt 2 Sn 1	0.010	0
(3)	NAIC 03 Preferred Stock	Sch D Pt 2 Sn 1	0.020	0
(4)	NAIC 04 Preferred Stock	Sch D Pt 2 Sn 1	0.045	0
(5)	NAIC 05 Preferred Stock	Sch D Pt 2 Sn 1	0.100	0
(6)	NAIC 06 Preferred Stock	Sch D Pt 2 Sn 1	0.300	0
(7)	TOTAL - UNAFFILIATED PREFERRED STOCK (should equal P2 L2.1 C3 less Sch D-Sum C1 L18)	Sum of Ls (1) through (6)		0
Unaffiliated Common Stock				
(8)	Total Common Stock	Sch D - Summary C1 L25	0	
(9)	Affiliated Common Stock	Sch D - Summary C1 L24	0	
(10)	Non-Admitted Unaffiliated Common Stock	P2 C2 L2.2 - Sch D Pt6 Sn1 C9 L1899999	0	
(11)	Admitted Unaffiliated Common Stock	L(8) - L(9) - L(10)	0.150	0
(12)	Market Value Excess Affiliated Common Stock	PR003 C(13) L(9999999)		0
(13)	Total Unaffiliated Common Stock	L(11) + L(12)		0

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

#####

CALCULATION OF TOTAL ADJUSTED CAPITAL

PR029

	Annual Statement Reference	(1) Statement Value*	Factor	(2) Adjusted Capital
(1) Capital and Surplus	P3 C1 L37	0	1.000	0
(2) Non-Tabular Discount - Losses	Sch P P1-Sum C32 L12	0	1.000	0
(3) Non-Tabular Discount - Expense	Sch P P1-Sum C33 L12	0	1.000	0
(4) Discount on Medical Loss Reserves Reported as Tabular in Schedule P	Company Records	0	1.000	0
(5) Discount on Medical Expense Reserves Reported as Tabular in Schedule P	Company Records	0	1.000	0
(6) P&C Subs Non-Tabular Discount - Losses	Subs' Sch P Pt1-Sum C32 L12	0	1.000	0
(7) P&C Subs Non-Tabular Discount - Expense	Subs' Sch P Pt1-Sum C33 L12	0	1.000	0
(8) P&C Subs Discount on Medical Loss Reserves Reported as Tabular in Schedule P	Subs' Company Records	0	1.000	0
(9) P&C Subs Discount on Medical Expense Reserves Reported as Tabular in Schedule P	Subs' Company Records	0	1.000	0
(10) AVR - Life Subs §	Subs P3 C1 L24.01 §	0	1.000	0
(11) Dividend Liability - Life Subs	Subs P3 C1 L6.1 + L6.2	0	0.500	0
(12) Carrying Value of Non-Admitted Insurance Affiliates	Included in PR003 Column 5 and Column 9	0	1.000	0
(13) Total Adjusted Capital Before Capital Notes	L(1)-L(2)-L(3)-L(4)-L(5)-L(6)-L(7)-L(8)-L(9)+L(10)+L(11)+L(12)			0
Credit for Capital Notes				
(14.1) Surplus Notes	Page 3 Column 1 Line 33	0		
(14.2) Limitation on Capital Notes	0.5x[Line(13)-Line(14.1)]-Line 14.1, but not less than zero	0		
(14.3) Capital Notes Before Limitation	PR028 Column (4) Line (18)	#REF!		#REF!
(14.4) Credit for Capital Notes	Lesser of Column (1) Line(14.2) or Line(14.3)			#REF!
(15) Total Adjusted Capital (Post-Deferred Tax)	Line (13) + Line (14.4)			#REF!
Sensitivity Test :				
(16) Deferred Tax Assets	Page 2, Column 3, Line 18.2	0	1.000	0
(16.1) Deferred Tax Liabilities	Page 3, Column 1, Line 7.2	0	1.000	0
(17) Deferred Tax Assets for Subsidiary	Company Record	0	1.000	0
(17.1) Deferred Tax Liabilities for Subsidiary	Company Record	0	1.000	0
(18) Total Adjusted Capital For Sensitivity Test	Line (15) - Line (16)+(16.1)-(17)+(17.1)			#REF!
Ex DTA ACL RBC Ratio Sensitivity Test				
(19) Deferred Tax Asset	Page 2 Column 3 Line 18.2	0	1.000	0
(20) Total Adjusted Capital Less Deferred Tax Asset	Line (15) less Line (19)			#REF!
(21) Authorized Control Level RBC	PR034 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)			#REF!
(22) Ex DTA ACL RBC Ratio	Line (20) / Line (21)			#REF!

* Report amounts in this column as whole dollars.

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

§ 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.

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)	Affiliated US P&C Insurers - Directly Owned	PR004 L(2)C(2)	0
(2)	Affiliated US P&C Insurers - Indirectly Owned	PR004 L(5)C(2)	0
(3)	Affiliated US Life Insurers - Directly Owned	PR004 L(3)C(2)	0
(4)	Affiliated US Life Insurers - Indirectly Owned	PR004 L(6)C(2)	0
(5)	Affiliated US Health Insurer - Directly Owned	PR004 L(1)C(2)	0
(6)	Affiliated US Health Insurer - Indirectly Owned	PR004 L(4)C(2)	0
(7)	Affiliated Alien Insurers - Directly Owned	PR004 L(9)+L(10)+L(11)C(2)	0
(8)	Affiliated Alien Insurers - Indirectly Owned	PR004 L(12)+L(13)+L(14)C(2)	0
(9)	Misc Off-Balance Sheet - Non-Controlled Assets	PR014 L(15) C(3)	0
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	0
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	0
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	0
(14)	Total R0	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)	0
R1 - Asset Risk - Fixed Income			
(15)	Bonds Subject to Size Factor	PR006 L(27)C(5)	0
(16)	Bond Size Factor RBC	PR006 L(30)C(5)	0
(17)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(27)C(4)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	0
(19)	Other Long- Term Assets - Mortgage Loans, LIHTC & WCFI	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+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(21)C(3) Grand Total Page	0
(26)	Total R1	L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)	0

#REF!

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR031 R2-R3

R2 - Asset Risk - Equity		PRBC O&I Reference	RBC Amount
(27)	Common & Preferred- Affiliate Investment Subsidiary	PR004 L(8)C(2)	0
(28)	Common & Preferred- Affiliate Hold. Company. in excess of Ins. Subs.	PR004 L(7)C(2)	0
(29)	Common & Preferred- Investment in Parent	PR004 L(15)C(2)	0
(30)	Common & Preferred- Aff'd US P&C Not Subj to RBC	PR004 L(17)C(2)	0
(31)	Common & Preferred- Affil US Life Not Subj to RBC	PR004 L(18)C(2)	0
(32)	Common & Preferred- Affil US Health Insurer Not Subj to RBC	PR004 L(16)C(2)	0
(33)	Common & Preferred- Aff'd Non-insurer	PR004 L(19)+L(20)+L(21)C(2)	0
(34)	Preferred - Aff'd Invest Sub	PR004 L(7)C(3)	0
(35)	Preferred - Aff'd Hold. Co. in excess of Ins. Subs.	PR004 L(10)C(3)	0
(36)	Preferred - Investment in Parent	PR004 L(11)C(3)	0
(37)	Preferred - Affil US P&C Not Subj to RBC	PR004 L(12)C(3)	0
(38)	Preferred - Affil US Life Not Subj to RBC	PR004 L(13)C(3)	0
(39)	Preferred - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(3)	0
(40)	Preferred - Affil Non-insurer	PR004 L(15)C(3)	0
(34)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	0
(35)	Unaffiliated Common Stock	PR007 L(13)C(2)+PR015 L(35)C(4)	0
(36)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(37)	Other Long-Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	0
(38)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(39)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(40)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(41)	Replication - Synthetic Asset: One Half	PR010 L(9999999)(7)	0
(42)	Asset Concentration RBC - Equity	PR011 L(33)C(3) Grand Total Page	0
(43)	Total R2	L(27)+L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34) +L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42) +L(43)+L(44)+L(45)+L(46)+L(47)+L(48)+L(49)	0
R3 - Asset Risk - Credit			
(44)	Other Credit RBC	PR012 L(8))-L(1)-L(2)C(2)	0
(45)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(46)	Other half of Rein Recoverables	If R4 L(51)>(R3 L(45) + R3 L(46)), 0, otherwise, R3 L(46)	0
(47)	Health Credit Risk	PR013 L(12)C(2)	0
(48)	Total R3	L(45) + L(46) + L(47) + L(48)	0

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR032 R4-Rcat

(1)

R4 - Underwriting Risk - Reserves		PRBC O&I Reference	RBC Amount
(49)	One half of Reinsurance RBC	If R4 L(51)>(R3 L(45) + R3 L(46)), R3 L(46), otherwise, 0	0
(50)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR0017 L(15)C(20)	0
(51)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	0
(52)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	0
(53)	Total R4	L(50)+L(51)+L(52)+L(53)	0
R5 - Underwriting Risk - Net Written Premium			
(54)	Total Adjusted NWP RBC	PR018 L(15)C(20)	0
(55)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	0
(56)	Total Net Health Premium RBC	PR022 L(21)C(2)	0
(57)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	0
(58)	Total R5	L(55)+L(56)+L(57)+L(58)	0
Rcat- Catastrophe Risk			
(59)	Total Rcat	PR027 L(3) C(1)	0
(60)	Total RBC After Covariance Before Basic Operational Risk = $R0 + \text{SQRT}(R1^2 + R2^2 + R3^2 + R4^2 + R5^2 + Rcat^2)$		0
(61)	BasicOperational Risk = $0.030 \times L(61)$		0
(62)	C-4a of U.S. Life Insurance Subsidiaries (from Company records)		0
(63)	Net Basic Operational Risk = Line (62) - Line (63) (Not less than zero)		0
(64)	Total RBC After Covariance including Basic Operational Risk = L(61)+ L(64)		0
(65)	Authorized Control Level RBC including Basic Operational Risk = $.5 \times L(65)$		0



Brian Bayerle
Senior Actuary

Mike Monahan
Senior Director, Accounting Policy

Colin Masterson
Policy Analyst

September 23, 2022

Mr. Tom Botsko
Chair, NAIC Capital Adequacy (E) Task Force

Re: Capital Adequacy (E) Task Force Exposure on Affiliated Investments
Instructions and Structure

Dear Mr. Botsko:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit the following comments on the Capital Adequacy (E) Task Force's Exposure on Affiliated Investments Instruction and Structure.

After reviewing the proposal, we have no objections. We are appreciative of the multiyear effort by the NAIC to bring better alignment between the various lines of business and we are looking forward to continued discussions in the future as we move towards implementation.

Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read 'B Bayerle'.

A handwritten signature in dark ink, appearing to read 'M Monahan'.

Colin Masterson

cc: Eva Yeung, NAIC

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

acll.com

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>8-19-22</u></p> <p>CONTACT PERSON: <u>Crystal Brown</u></p> <p>TELEPHONE: <u>816-783-8146</u></p> <p>EMAIL ADDRESS: <u>cbrown@naic.org</u></p> <p>ON BEHALF OF: <u>Health Risk-Based Capital (E) Working Grp</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 Capitol Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2022-10-H</u></p> <p>Year <u>2023</u></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p><input type="checkbox"/> ADOPTED _____</p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> EXPOSED _____</p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
---	---

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

DESCRIPTION OF CHANGE(S)

Update preferred stock instructions to delete reference to bond factors and revised for consistency with P/C RBC preferred stock instructions.

REASON OR JUSTIFICATION FOR CHANGE **

The purpose of the change is to add clarity to the preferred stock instructions with regard to the bond factors changes for increased granularity.

Additional Staff Comments:

** This section must be completed on all forms.

Revised 7-2022

EQUITY ASSETS

XR010

Unaffiliated Preferred Stocks

~~Experience data to develop preferred stock factors is not readily available; however, it is believed that preferred stocks are somewhat more likely to default than bonds. The loss on default would be somewhat higher than that experienced on bonds; however, formula factors are equal to bond factors.~~

~~The RBC requirements for unaffiliated preferred stocks are based on the NAIC designation. Detailed information on unaffiliated preferred stock is found in~~ Column (1) amounts ~~are~~ from Schedule D, Part 2, Section 1 not including affiliated preferred stock. The preferred stocks must be broken out by asset designation (NAIC 01 through NAIC 06) and these individual groups are to be entered in the appropriate lines. The total amount of unaffiliated preferred stock reported should equal annual statement Page 2, Column 3, Line 2.1, less any affiliated preferred stock in Schedule D Summary by Country, Column 1, Line 18.

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>8-19-22</u></p> <p>CONTACT PERSON: <u>Crystal Brown</u></p> <p>TELEPHONE: <u>816-783-8146</u></p> <p>EMAIL ADDRESS: <u>cbrown@naic.org</u></p> <p>ON BEHALF OF: <u>Health Risk-Based Capital (E) Working Grp</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 Capitol Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2022-11-H</u></p> <p>Year <u>2023</u></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p><input type="checkbox"/> ADOPTED _____</p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> EXPOSED _____</p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
---	---

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

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

DESCRIPTION OF CHANGE(S)

Update the annual statement source descriptions and align the lines of business to the changes in the Analysis of Operations based on Blanks proposal 2021-17BWGMOD on page XR013, XR014.

REASON OR JUSTIFICATION FOR CHANGE **

Align the Health RBC formula with Annual Statement changes to the Analysis of Operations.

Additional Staff Comments:

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

Revised 7-2022

UNDERWRITING RISK - L(1) THROUGH L(21)

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 alternative 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 maximum retained risk (level of potential claim exposure) is capped at \$750,000 per individual and \$1,500,000 total for medical coverage; \$25,000 per individual and \$50,000 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 (e.g., writing more than one coverage type), the alternative risk charge 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(21)

There are six lines of business used in the formula for calculating the RBC requirement for this risk: (1) Comprehensive ~~Medical and~~ (Hospital & Medical) individual & group; (2) Medicare Supplement; (3) Dental/Vision; (4) Stand-Alone Medicare Part D Coverage; and (5) Other Health; and (6) 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. The descriptions of the items are described as follows:

Column (1) – Comprehensive ~~Medical &~~ (Hospital & Medical) Individual & Group. Includes policies providing for medical coverages including hospital, surgical, 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 include Federal Employees Health Benefit Plan (FEHBP) or TRICARE, which are handled in Line 24 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) – 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 ~~medical and~~ (hospital & medical) individual & group.

Column (3) – Dental & Vision. 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 (4) – 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 (5) – Other Health Coverages. This includes other health coverages such as other stand-alone prescription drug benefit plans, **NOT INCLUDED ABOVE** that have not been specifically addressed in the other columns listed above.

Column (6) – 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 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 (4) 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 (5) 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 (6) Underwriting Risk Revenue. The sum of Lines (1) through (4) minus Line (5).

Line (7) 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 benefit 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 (25.1) of page XR015.

Line (8) 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 (10) Fee-for-Service Offset. Report fee for service revenue that is directly related to medical expense payments. The fee for service line does not include revenue where there is no associated claim payment (e.g., fees from non-member patients where the provider receives no additional compensation from the reporting entity) and when such revenue was excluded from the pricing of medical benefits. The amounts reported in the individual columns should come directly from Page 7, Line 3 of the annual statement.

Line (11) Underwriting Risk Incurred Claims. Line (9) minus Line (10).

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

Line (13) Underwriting Risk Factor. A weighted average factor based on the amount reported in Line (6), Underwriting Risk Revenue. The factors for Column (1) through (3) have incorporated an investment income yield of 0.5%.

	\$0 – \$3 Million	\$3 – \$25 Million	Over \$25 Million
Comprehensive Medical & (Hospital & Medical) <u>Individual & group</u>	0.1493	0.1493	0.0893
Medicare Supplement	0.1043	0.0663	0.0663
Dental & Vision	0.1195	0.0755	0.0755
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 ~~Medical & (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 US Treasury Bond. Each year, the Working Group will identify the yield of the 6-month Treasury bond ([U.S. Department of the Treasury](#)) on each Monday through the month of January and determine if further modifications to the 0.5% adjustment are needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (14) Base Underwriting Risk RBC. Line (6) x Line (12) x Line (13).

Line (15) Managed Care Discount. For Comprehensive ~~Medical & (Hospital & Medical) individual & group~~, 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 =	$ \begin{aligned} & \$100,000 \quad \text{deductible} \\ & + \$150,000 \quad (\$750,000 - \$600,000) \\ & + \$50,000 \quad (10\% \text{ of } (\$600,000 - \$100,000) \text{ coverage layer}) \\ & = \$300,000 \end{aligned} $

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 =	$ \begin{array}{r} \$ 75,000 \text{ deductible} \\ + \quad 0 \text{ } (\$750,000 - \$1,075,000) \\ + \$ 67,500 \text{ } (10\% \text{ of } (\$750,000 - \$75,000)) \text{ coverage layer} \\ \hline = \$142,500 \end{array} $

Line (18) 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.

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 (20) 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.

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

OTHER UNDERWRITING RISK – L(22) THROUGH L(45) 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 two percent 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. 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 (Hospital & Medical) individual & group. A factor of 35 percent will be applied to the first \$25,000,000 in premium and a factor of 25 percent will be applied to premium in excess of \$25,000,000.

Line (25.1) 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 (25.2) 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 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 percent factor charge to those Medicaid Pass-Through Payments reported as premiums. This amount should be equal to the amount reported on page XR013, Column (1), Line (5).

Lines (26) through (32) 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.

UNDERWRITING RISK**Experience Fluctuation Risk**

		(1) Comprehensive (Hospital & Medical) - Individual & Group	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) Other Health	(6) Other Non-Health	(7) Total
	Line of Business							
(1) †	Premium							
(2) †	Title XVIII-Medicare		XXX	XXX	XXX	XXX	XXX	
(3) †	Title XIX-Medicaid		XXX	XXX	XXX	XXX	XXX	
(4) †	Other Health Risk Revenue		XXX				XXX	
(5)	Medicaid Pass-Through Payments Reported as Premiums		XXX	XXX	XXX	XXX	XXX	
(6)	Underwriting Risk Revenue = Lines (1) + (2) + (3) + (4) - (5)							
(7) †	Net Incurred Claims						XXX	
(8)	Medicaid Pass-Through Payments Reported as Claims		XXX	XXX	XXX	XXX	XXX	
(9)	Total Net Incurred Claims Less Medicaid Pass-Through Payments Reported as Claims = Lines (7) - (8)						XXX	
(10) †	Fee-For-Service Offset		XXX				XXX	
(11)	Underwriting Risk Incurred Claims = Lines (9) - (10)						XXX	
(12)	Underwriting Risk Claims Ratio = For Column (1) through (5), Line (11)/(6)						1.000	XXX
(13)	Underwriting Risk Factor*					0.130	0.130	XXX
(14)	Base Underwriting Risk RBC = Lines (6) x (12) x (13)							
(15)	Managed Care Discount Factor						XXX	XXX
(16)	RBC After Managed Care Discount = Lines (14) x (15)						XXX	
(17) †	Maximum Per-Individual Risk After Reinsurance						XXX	XXX
(18)	Alternate Risk Charge **						XXX	XXX
(19)	Alternate Risk Adjustment						XXX	XXX
(20)	Net Alternate Risk Charge***						XXX	
(21)	Net Underwriting Risk RBC (MAX{Line (16), Line (20)}) for Columns (1) through (5), Column (6), Line (14)							

TIERED RBC FACTORS*						
	Comprehensive (Hospital & Medical) - Individual & Group	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
\$0 - \$3 Million	0.1493	0.1043	0.1195	0.251	0.130	0.130
\$3 - \$25 Million	0.1493	0.0663	0.0755	0.251	0.130	0.130
Over \$25 Million	0.0893	0.0663	0.0755	0.151	0.130	0.130

ALTERNATE RISK CHARGE**

** The Line (15) Alternate Risk Charge is calculated as follows:						
LESSER OF:	\$1,500,000 or 2 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	\$150,000 or 6 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	N/A

Denotes items that must be manually entered on filing software.


† The Annual Statement Sources are found on page XR014.

* This column is for a single result for the Comprehensive Medical & Hospital, Medicare Supplement and Dental/Vision managed care discount factor.

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

† Annual Statement Source

	Line of Business	(1) Comprehensive (Hospital & Medical) - Individual & Group	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) Other Health	(6) Other Non- Health	(7) Total
(1)	Premium	Page 7, Columns 2 & 3, Lines 1 + 2	Page 7, Column 4, Line 1 + 2	Page 7, Columns 5 & 6, Line 1 + 2			Page 7, Column 14, Lines 1 + 2	
(2)	Title XVIII-Medicare	Page 7, Column 8, Lines 1 + 2	XXX	XXX	XXX	XXX	XXX	Page 7, Column 7, Lines 1 + 2
(3)	Title XIX-Medicaid	Page 7, Column 9, Lines 1 + 2	XXX	XXX	XXX	XXX	XXX	Page 7, Column 8, Lines 1 + 2
(4)	Other Health Risk Revenue	Page 7, Columns 2 & 3, Line 4	XXX	Page 7, Columns 5 & 6, Line 4			XXX	
(7)	Net Incurred Claims	Page 7, Columns 2 + 3 + 7 + 8, Line 17	Page 7, Column 4, Line 17	Page 7, Columns 5 & 6, Line 17			XXX	
(10)	Fee-For-Service Offset	Page 7, Columns 2 & 3, Line 3	XXX	Page 7, Columns 5 & 6, Line 3			XXX	
(17)	Maximum Per-Individual Risk After Reinsurance	Gen Int Part 2 Lines 5.31 + 5.32	Gen Int Part 2 Line 5.33	Gen Int Part 2 Line 5.34			XXX	XXX

 Denotes items that must be manually entered on filing software.

Limited Benefit Plans (Individual and Group Combined)			(1) <u>Amount</u>	<u>Factor</u>	(2) <u>RBC Requirement</u>
(42)	Hospital Indemnity and Specified Disease	Included in Page 7, Column 13 , Line 1 and 2, in part		0.035	
(42.1)	\$50,000 if Line (42) is Greater Than Zero				
(42.2)	Total Hospital Indemnity and Specified Disease	Lines (42) + (42.1)			
(43)	Accidental Death & Dismemberment	Included in Page 7, Column 13 , Line 1 and 2, in part			
(43.1)	First \$10 Million Earned Premium of Line (43)			0.055	
(43.2)	Over \$10 Million Earned Premium of Line (43)			0.015	
(43.3)	Maximum Retained Risk for Any Single Claim	Company Records			
(43.4)	Three Times Line (43.3)				
(43.5)	Lesser of Line (43.4) or \$300,000				
(43.6)	Total AD&D	Lines (43.1) + (43.2) + (43.5)			
(44)	Other Accident	Included in Page 7, Column 13 , Line 1 and 2, in part		0.050	
(45)	Premium Stabilization Reserves	Included in U&I, Part 2D, Column 1, Line 4		-0.500	Φ
(46)	Total Other Underwriting Risk	Lines (25.3) + (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3) + (41) + (42.2) + (43.6) + (44) + (45)			

Φ This is limited to the Total Net Underwriting RBC on XR013, Column (7), Line (21) Less Column (4), and XR015, Column (2), Lines (25.3), (26.3), (27.3), (28.3), (29.3), (30.6), (31.3), (32.3), XR016 Column (2), Line (36) and XR017 Column (2), Lines (42.2), (43.6), and (44).

Denotes items that must be manually entered on filing software.

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ Investment RBC (E) Working Group ☐ Operational Risk (E) Subgroup
☐ C3 Phase II/ AG43 (E/A) Subgroup ☒ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup

DATE: <u>7/8/22</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2022-07-P</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2023</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>P/C RBC (E) Working Group</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Tom Botsko</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Ohio Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>50 West Town Street, Suite 300</u>	<input checked="" type="checkbox"/> EXPOSED <u>8/9/22</u>
<u>Columbus, OH 43215</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

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

DESCRIPTION OF CHANGE(S)

The proposed change would modify the lines of business categories in PR035.

REASON OR JUSTIFICATION FOR CHANGE **

The proposed PR035 changes would provide consistency of the lines of business categories used in the Annual Statement, Underwriting and Investment Exhibit, Part 1B.

Additional Staff Comments:

8/9/22 - The Working Group agreed to expose this proposal for a 30-public comment period ending Sept. 8.

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

Revised 2-2019

UNDERWRITING AND INVESTMENT EXHIBIT - PREMIUMS WRITTEN PR035

(1) Did your company write Accident and Health Insurance in **2022**?If answer is yes, please complete Column 2, **2022** Net Premiums Written.(2) Did your company write Accident and Health Insurance in **2021**?If answer is yes, please complete Column 3, **2021** Net Premiums Written.(3) Were the total net Premiums written zero in **2022**?(4) Were the total net Premiums written zero in **2021**?

For all companies, enter net premiums written in all Columns, Line 1 through Line 34.

Line of Business	(1) 2023 Net Premiums Written	(2) 2022 Net Premiums Written	(3) 2021 Net Premiums Written
1. Fire	0	xxx	xxx
2.1 Allied Lines	0	xxx	xxx
2.2 Multiple Peril Crop	0	xxx	xxx
2.3 Federal Flood	0	xxx	xxx
2.4 Private Crop	0	xxx	xxx
2.5 Private Flood	0	xxx	xxx
3. Farmowners Multiple Peril	0	xxx	xxx
4. Homeowners Multiple Peril	0	xxx	xxx
5.1 Commercial Multiple Peril (Non-Liability Portion)	0	xxx	xxx
5.2 Commercial Multiple Peril (Liability Portion)			
6. Mortgage Guaranty	0	xxx	xxx
8. Ocean Marine	0	xxx	xxx
9. Inland Marine	0	xxx	xxx
10. Financial Guaranty	0	xxx	xxx
11.1 Medical Professional Liability - Occurrence	0	xxx	xxx
11.2 Medical Professional Liability - Claims-Made	0	xxx	xxx
12. Earthquake	0	xxx	xxx
13.1 Comprehensive (Hospital and Medical) Individual			
13.2 Comprehensive (Hospital and Medical) Group-Accident and Health	0	0	0
14. Credit Accident and Health (group and individual)	0	0	0
15.1 Vision Only Other-Accident and Health	0	0	0
15.2 Dental Only			
15.3 Disability Income			
15.4 Medicare Supplement			
15.5 Medicaid Title XIX			
15.6 Medicare Title XVIII			
15.7 Long-Term Care			
15.8 Federal Employees Health Benefits Plan Premium			
15.9 Other Health			
16. Workers' Compensation	0	xxx	xxx
17.1 Other Liability - Occurrence	0	xxx	xxx
17.2 Other Liability - Claims-Made	0	xxx	xxx
17.3 Excess Workers' Compensation	0	xxx	xxx
18.1 Products Liability - Occurrence	0	xxx	xxx
18.2 Products Liability - Claims-Made	0	xxx	xxx
19.1-19.2 Private Passenger Auto Liability-No-Fault (Personal Injury Protection)	0	xxx	xxx
19.2 Other Private Passenger Auto Liability			
19.3-19.4 Commercial Auto Liability-No-Fault (Personal Injury Protection)	0	xxx	xxx
19.4 Other Commercial Auto Liability			
21.1 Private Passenger Auto Physical Damage	0	xxx	xxx
21.2 Commercial Auto Physical Damage			
22. Aircraft (all perils)	0	xxx	xxx
23. Fidelity	0	xxx	xxx
24. Surety	0	xxx	xxx
26. Burglary and Theft	0	xxx	xxx
27. Boiler and Machinery	0	xxx	xxx
28. Credit	0	xxx	xxx
29. International	0	xxx	xxx
30. Warranty	0	xxx	xxx
31. Reinsurance Property	0	xxx	xxx
32. Reinsurance Liability	0	xxx	xxx
33. Reinsurance Financial Lines	0	xxx	xxx
34. Aggregate Write-Ins for Other Lines of Business	0	xxx	xxx
35. TOTALS	0	0	0

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

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

<p style="text-align: right;">DATE: <u>7/13/2022</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 Street</u> <u>Hartford, CT 06103</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2022-08-CR</u></p> <p>Year <u>2023</u></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p><input type="checkbox"/> ADOPTED _____</p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input checked="" type="checkbox"/> EXPOSED <u>8/9/22</u></p> <p><input type="checkbox"/> OTHER (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 Instructions |
| <input type="checkbox"/> Health RBC Instructions | <input checked="" type="checkbox"/> Property/Casualty RBC Instructions | <input type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION OF CHANGE(S)

Instructions to obtain permission to use the own model on PR027A, PR027B, PR027C, PR027, AND PR027INT are revised.

REASON OR JUSTIFICATION FOR CHANGE **

The instructions were implemented in 2019 and there are confusions in the instructions which need to be clarified. The revised instructions proposed is to capture the spirit of the own model permission review and clarify the requirements expected from the company who submits its own model for permission.

Additional Staff Comments:

8/9/22 - The Subgroup agreed to expose this proposal for a 30-public comment period ending Sept. 8.

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

Revised 7-2022

CALCULATION OF CATASTROPHE RISK CHARGE RCAT PR027A, PR027B, PR027C, PR027, AND PR027INT

Detail Eliminated To Conserve Space

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 use of the own model is reasonable considering the nature, scale, and complexity of the insurer's catastrophe risk; 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 ~~and the model has been used for at least the last 3 years;~~
3. ~~The perils included in the RBC Catastrophe Risk Charge have been validated by the insurer and that these perils include both US and global exposures, where applicable; 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.~~
45. The own model ~~has been was~~ developed using reasonable data and assumptions ~~and that model results used in determining the RBC Catastrophe Risk Charge reflect exposure data that is no older than six months;~~
56. ~~The insurer has individuals with experience in developing, testing and validating internal models or engages third parties with such experience.~~ 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. ~~For each peril included in the RBC Catastrophe Risk Charge, the validation report should attest that the projected losses are a reasonable quantification of the exposure of the reporting entity.~~ 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.
67. 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 for earthquake and hurricane only, RMS, KCC, ARA HurLoss (hurricane only), or the Florida Public Model for hurricane. 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.
78. If the own model has been approved or accepted by the non-U.S. ~~group~~lead supervisor for use in the determination of regulatory capital, the insurer must submit evidence, if available, from the non-US ~~group-wide~~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 ~~group-wide~~lead supervisor should also be provided for questions on the approval/acceptance process.

If the lead 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~~third-party commercial vendor models (AIR, CoreLogic for earthquake and hurricane only, RMS, KCC, ARA HurLoss (hurricane only)), or the Florida Public Model for hurricane, as advised by the lead domestic state.

Detail Eliminated To Conserve Space

Priority 1 – High Priority
 Priority 2 – Medium Priority
 Priority 3 – Low Priority

CAPITAL ADEQUACY (E) TASK FORCE
WORKING AGENDA ITEMS FOR CALENDAR YEAR 2023

2023 #	Owner	2023 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – Life RBC							
1	Life RBC WG	Ongoing	Ongoing	Make technical corrections to Life RBC instructions, blank and /or methods to provide for consistent treatment among asset types and among the various components of the RBC calculations for a single asset type.			
2	Life RBC WG	1	2022 or later	1. Monitor the impact of the changes to the variable annuities reserve framework and risk-based capital (RBC) calculation and determine if additional revisions need to be made. 2. Develop and recommend appropriate changes including those to improve accuracy and clarity of variable annuity (VA) capital and reserve requirements.	CADTF	Being addressed by the Variable Annuities Capital and Reserve (E/A) Subgroup	
3	Life RBC WG	1	2022 or later	Provide recommendations for the appropriate treatment of longevity risk transfers by the new longevity factors.	New Jersey	Being addressed by the Longevity (E/A) Subgroup	
Carryover Items Currently being Addressed – Life RBC							
4	Life RBC WG	1	2022 or later	Update the current C-3 Phase I or C-3 Phase II methodology to include indexed annuities with consideration of contingent deferred annuities as well	AAA		
5	Life RBC WG	1	2022 or later	Work with the Life Actuarial (A) Task Force and Conning to develop the economic scenario generator for implementation.			
6	Life RBC WG	1	2022	Review companies at action levels, including previous years, to determine what drivers of the events are and consider whether changes to the RBC statistics are warranted.			
7	Life RBC WG	1	2022	Work with the Academy on creating guidance for the adopted C-2 mortality treatment for 2022 and next steps for 2023.			
2023 #	Owner	2023 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – RBC IR & E							
Carryover Items Currently being Addressed – RBC IR & E							
8	RBC IRE	2	2022 or later	Supplementary Investment Risks Interrogatories (SIRI)	Referred from CADTF Referral from Blackrock and IL DOI	The Task Force received the referral on Oct. 27. This referral will be tabled until the bond factors have been adopted and the TF will conduct a holistic review all investment referrals.	1/12/2022 11/19/2020
9	RBC IRE	2	2022 or later	NAIC Designation for Schedule D, Part 2 Section 2 - Common Stocks	Referred from CADTF	10/8/19 - Exposed for a 30-day Comment period ending 11/8/2019	1/12/2022 10/11/2018

				Equity investments that have an underlying bond characteristic should have a lower RBC charge? Similar to existing guidance for SVO-identified ETFs reported on Schedule D-1, are treated as bonds.	Referral from SAPWG 8/13/2018	3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	
10	RBC IRE	2	2022 or later	Structured Notes - defined as an investment that is structured to resemble a debt instrument, where the contractual amount of the instrument to be paid at maturity is at risk for other than the failure of the borrower to pay the contractual amount due. Structured notes reflect derivative instruments (i.e. put option or forward contract) that are wrapped by a debt structure.	Referred from CADTF Referral from SAPWG April 16, 2019	10/8/19 - Exposed for a 30-day Comment period ending 11/8/2019 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	1/12/2022 8/4/2019
11	RBC IRE	2	2022 or later	Comprehensive Fund Review for investments reported on Schedule D Pt 2 Sn2	Referred from CADTF Referral from VOSTF 9/21/2018	Discussed during Spring Mtg. NAIC staff to do analysis. 10/8/19 - Exposed for a 30-day comment period ending 11/8/19 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	1/12/2022 11/16/2018
New Items – RBC IR & E							
12			2023 or later	Evaluate the appropriate RBC treatment of Asset-Backed Securites (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securites carrying similar types of tail risk (Complex Assets).	Request from E Committee, SAPWG, VOSTF	Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework.	1/12/2022
13			2023 or later	Evaluate the appropriate RBC treatment of Residual Tranches.	Request from E Committee, SAPWG, VOSTF	Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework.	1/12/2022
14			2025 or later	Phase 2 Bond analysis - evaluate and develop an approach to map other ABS to current bond factors following the established principles from Phase I where the collateral has an assigned RBC. This project will likely require an outside consultant and the timeline could exceed 2-3 years.	Request from E Committee	Per the request of E Committee comments were solicited requesting the need for outside review.	1/12/2022
15	RBC IRE		2023 or later	Address the tail risk concerns not captured by reserves for privately structured securities.	Referral from the Macropprudential (E) Working Group		8/11/2022
2023 #	Owner	2023 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – P&C RBC							
Carryover Items Currently being Addressed – P&C RBC							

165	Cat Risk SG	1		Continue development of RBC formula revisions to include a risk charge based on catastrophe model output:			
			Year-end 2023 or later	a) Evaluate other catastrophe risks for possible inclusion in the charge - determine whether to recommend developing charges for any additional perils, and which perils or perils those should be.	Referral from the Climate and Resiliency Task Force. March 2021	4/26/21 - The SG exposed the referral for a 30-day period. 6/1/21 - The SG forwarded the response to the Climate and Resiliency Task Force. 2/22/22 - The SG adopted proposal 2021-17-CR (adding the wildfire peril for informational purposes only). The SG continues reviewing other perils for possible inclusion in the Rcat. 8/11/22 - The TF adopted Proposal 2022-04-CR (2013-2021 Wildfire Event Lists) 9/26/22 - The SG formed an ad hoc group to conduct review on different convective storm models. 8/11/22 - The TF adopted Proposal 2022-04-CR (2013-2021 Wildfire Event Lists) 9/26/22 - The SG formed an ad hoc group to conduct review on different convective storm models.	4/26/2021
176	P&C RBC WG	1	Year-end 2020 or later	Evaluate a) the current growth risk methodology whether it is adequately reflects both operational risk and underwriting risk; b) the premium and reserve based growth risk factors either as a stand-alone task or in conjunction with the ongoing underwriting risk factor review with consideration of the operational risk component of excessive growth; c) whether the application of the growth factors to NET proxies adequately accounts for growth risk that is ceded to reinsures that do not trigger growth risk in their own right.	Refer from Operational Risk Subgroup	1) Sent a referral to the Academy on 6/14/18 conference call.	1/25/2018
17	P&C RBC WG	1	2020 Summer Meeting or later	Continue development of RBC formula revisions based on the Covered Agreement; consider whether the factor for uncollateralized, unrated reinsurers, runoff and captive companies should be adjusted	-	12/5/19 - The WG exposed Proposal 2018-19-P (Vulnerable-6 or unrated risk charge) for a 30-day exposure period. 2/3/20 - The WG adopted Proposal 2018-19-P. However, the WG intended to evaluate the data annually until reaching any agreed upon change to the factor and the structure. 3/15/21 - The WG exposed	8/4/2018

						Proposal 2021-03-P (Credit Risk Instruction Modification) for a 30-day exposure period. 4/27/21 – The WG adopted proposal 2021-03-P. 6/30/21 – The CADTF adopted this proposal.	
18	P&C RBC WG	1	Year-end 2022 or later	Evaluate the proposed changes from the Affiliated Investment Ad Hoc Group related to P/C RBC Affiliated Investments	-	-	6/10/2019
187	P&C RBC WG	1	2023 Summer Meeting or later	Continue working with the Academy to review the methodology and revise the underwriting (Investment Income Adjustment, Loss Concentration, LOB UW risk) charges in the PRBC formula as appropriate.			6/10/2019
198	Cat Risk SG	1	Year-end 2023 or later	Evaluate the possibility of allowing additional third party models or adjustments to the vendor models to calculate the cat model losses		7/15/21 - The SG is continue evaluating this item. 10/27/21 - The SG exposed the proposal 2021-15-CR (adding KCC model). 12/16/21 - The SG adopted the proposal 2021-15-CR. 3/23/22 - The WG adopted this proposal.	12/6/2019
21	P&C RBC WG	1	2023 Spring Meeting	Evaluate if changes should be made to the P/C formula to better assess companies in runoff.	-	1/29/20 – received a referral from the Restructuring Mechanisms (E) WG 4/27/21 – The WG forwarded a response to the Restructuring Mechanism (E) WG.	2/3/2020
2019	P&C RBC WG	1	2023 Summer Meeting or later	Evaluate the Underwriting Risk Line 1 Factors in the P/C formula.			7/30/2020
210	Cat Risk SG	2	2023 Spring Meeting or later	Evaluate the possibility of enhancing the Independent Model Instructions.		8/9/22 – The SG and WG exposed proposal 2022-07-P for a 30-day public comment period. 9/26/22 – The SG adopted proposal 2022-08-CR.8/9/22 – The SG and WG exposed proposal 2022-07-P for a 30-day public comment period. 9/26/22 – The SG adopted proposal 2022-08-CR.	3/22/2022

224	PCRBCWG	1	2023 Spring Meeting	Changing the RBC PR035 Line of Business categories to match the Lines of Business categories in the Annual Statement, Underwriting and Investment Exhibit, Part 1B.		8/9/22 - The WG exposed proposal 2022-07-P for a 30-day comment period.	7/7/2022
New Items – P&C RBC							
2023 #	Owner	2023 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – Health RBC							
235	Health RBC WG	Yearly	Yearly	Evaluate the yield of the 6-month U.S. Treasury Bond as of Jan. 1 each year to determine if further modification to the 0.5% adjustment to the Comprehensive Medical, Medicare Supplement and Dental and Vision underwriting risk factors is required. Any adjustments will be rounded up to the nearest 0.5%.	HRBCWG		11/4/2021
246	Health RBC WG	3	Ongoing	Continue to monitor the Federal Health Care Law or any other development of federal level programs and actions (e.g. state reinsurance programs, association health plans, mandated benefits, and cross-border) for future changes that may have an impact on the Health RBC Formula.	4/13/2010 CATF Call	Adopted 2014-01H Adopted 2014-02H Adopted 2014-05H Adopted 2014-06H Adopted 2014-24H Adopted 2014-25H Adopted 2016-01-H Adopted 2017-09-CA Adopted 2017-10-H The Working Group will continually evaluate any changes to the health formula as a result of ongoing federal discussions and legislation. Discuss and monitor the development of federal level programs and the potential impact on the HRBC formula.	1/11/2018
Carryover Items Currently being Addressed – Health RBC							
257	Health RBC WG	2	Year-End 2024 RBC or Later	Consider changes for stop-loss insurance or reinsurance.	AAA Report at Dec. 2006 Meeting	(Based on Academy report expected to be received at YE-2016) 2016-17-CA	
286	Health RBC WG	2	Year-end 2023 RBC or later	Review the individual factors for each health care receivables line within the Credit Risk H3 component of the RBC formula.	HRBC WG	Adopted 2016-06-H Rejected 2019-04-H Annual Statement Guidance (Year-End 2020) and Annual Statement Blanks Proposal (Year-	

						End 2021) referred to the Blanks (E) Working Group	
297	Health RBC WG	1	Year-end 2023 or later	Conitnue to review the: premium and reserve ratio in the Health Test Ad Hoc Group in the Health Test and review possible annual statement changes for reporting health business in the Life and P/C Blanks.	HRBCWG	Evaluate the applicability of the current Health Test in the Annual Statement instructions in today's health insurance market. Discuss ways to gather additional information for health business reported in other blanks. Referred Proposal 2022-06BWG to Blanks Woriking Group for exposure and consideration.	8/4/2018 2/25/2022
2830	Health RBC WG	1	Year-end 2023 RBC or later	Work with the Academy to perform a comprehensive review of the H2 - Underwriting Risk component of the Health RBC formula including the Managed Care Credit review (Item 18 above) Review the Managed Care Credit calculation in the Health RBC formula - specifically Category 2a and 2b. Review Managed Care Credit across formulas. As part of the H2 - Underwriting Risk review, determine if other lines of business should include investment income and how investment income would be incorporated to the exsiting lines if there are changes to the structure.	HRBCWG	Review the Managed Care Category and the credit calculated, more specifically the credit calculated when moving from Category 0 & 1 to 2a and 2b.	4/23/2021 12/3/2018
2934	Health RBC WG	1	Year-end 2023 or later	Review referral letter from the Operational Risk (E) Subgroup on the excessive growth charge and the development of an Ad Hoc group to charge.	HRBCWG	Review if changes are required to the Health RBC Formula	4/7/2019
302	Health RBC WG	2	Year-End 2023 or later	Consider impact of COVID-19 and pandemic risk in the Health RBC formula.	HRBCWG		7/30/2020
313	Health RBC WG	3	Year-End 2023 or later	Discuss and determine the re-evaluation of the bond factors for the 20 designations.	Referral from Investment RBC July/2020	Working Group will use two- and five-year time horizon factors in 2020 impact analysis. Proposal 2021-09-H - Adopted 5/25/21 by the WG	9/11/2020
New Items – Health RBC							
32	Health RBC WG	1	Year-End 2023 or later	Review and respond to the request from the Capital Adequacy (E) Task Force on the referral from the Restructuring Mechanisms (E) Subgroup for input regarding health runoff companies.	Capital Adequacy (E) Task Force		8/11/2022
2023 #	Owner	2023 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda

Ongoing Items – Task Force								
335	CADTF	2	2023	Affiliated Investment Subsidiaries Referral Ad Hoc group formed Sept. 2016	Ad Hoc Group	Structural and instructions changes will be exposed by each individual working group for comment in 2022 with an anticipated effective date of 2023.		
Carryover Items Currently being Addressed – Task Force								
346				All investment related items referred to the RBC Investment Risk & Evaluation (E) Working Group				1/12/2022
357	CADTF	3	2021	Receivable for Securities factor		Consider evaluating the factor every 3 years. (2021, 2024, 2027, etc.) Factors are exposed for comment. Comments due May 28, 2021 for consideration on June 30th. Factors Adopted for 2021.		
New Items –Task Force								
368	CADTF	1	2023	Evaluate if changes should be made to RBC formulas to better assess companies in runoff <u>Evaluate if changes should be made to RBC formulas to better assess companies in runoff</u>	PCRBCWG	TF shared the referral to the Life and Health RBC WGs at the summer meeting.		8/11/2022
379	CADTF	1	2023	Update the Health Premiums and Underwriting Risk Premium References to match the Annual Statement Schedule H, Part 1, and Part 5 references <u>Update the Health Premiums and Underwriting Risk Premium References to match the Annual Statement Schedule H, Part 1 and Part 5 references</u>	2021-14-BWG			11/30/2022

Capital Adequacy (E) Task Force

RBC Proposal Form

☒ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
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☐ C3 Phase II/ AG43 (E/A) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup

DATE: <u>11/10/22</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2022-13-CA</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2023</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>Capital Adequacy (E) Task Force</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Tom Botsko</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Ohio Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>50 West Town Street, Suite 300</u>	<input type="checkbox"/> EXPOSED _____
<u>Columbus, OH 43215</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

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

DESCRIPTION OF CHANGE(S)

The proposed changes would modify the line references in LR019, 020, PR019 and 020 .

REASON OR JUSTIFICATION FOR CHANGE **

The proposed changes in Health Premiums and Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision pages would update the references to provide consistency categories used in the Annual Statement, Schedule H, Part 1.

Additional Staff Comments:

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

Revised 2-2019

HEALTH PREMIUMS PR019

		(1)		(2)
		Annual Statement Source	Statement Value	RBC Requirement
<u>Medical Insurance Premium - Individual Morbidity</u>				
(1)	Usual and Customary Major Comprehensive (Medical and Hospital)	Earned Premium (Schedule H Part 1 Column 3 Line 2 in part)	0	XXX
(2)	Medicare Supplement	Earned Premium (Schedule H Part 1 Column 7 Line 2 in part)	0	XXX
(3)	Dental & Vision	Earned Premium (Schedule H Part 1 Columns 9 + 11 Line 2 in part)	0	XXX
(3.1)	Stand-Alone Medicare Part D Coverage	Earned Premium (Schedule H Part 1 Line 2 in part)	0	XXX
(3.2)	Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0.500	0
(3.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0.020	0
(4)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0.035	0
(5)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0
(6)	Other Accident	Earned Premium (Schedule H Part 1 Line 2 in part)	0.050	0
<u>Medical Insurance Premium - Group and Credit Morbidity</u>				
(7)	Usual and Customary Major Comprehensive (Medical and Hospital)	Earned Premium (Schedule H Part 1 Column 3 Line 2 in part)	0	XXX
(8)	Dental & Vision	Earned Premium (Schedule H Part 1 Columns 9 + 11 Line 2 in part)	0	XXX
(9)	Stop Loss and Minimum Premium	Earned Premium (Schedule H Part 1 Line 2 in part)	¥	0
(10)	Medicare Supplement	Earned Premium (Schedule H Part 1 Column 7 Line 2 in part)	0	XXX
(10.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	XXX
(10.2)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0.500	0
(10.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0.020	0
(11)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0.035	0
(12)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0
(13)	Other Accident	Earned Premium (Schedule H Part 1 Line 2 in part)	0.050	0
(14)	Federal Employee Health Benefit Plan	Earned Premium (Schedule H Part 1 Line 2 in part Column 13, Line 2)	0.000	0
<u>Disability Income Premium</u>				
(15)	Noncancellable Disability Income - Individual Morbidity	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
(16)	Other Disability Income - Individual Morbidity	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
(17)	Disability Income - Credit Monthly Balance Plans	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
(18)	Disability Income - Group Long-Term	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
(19)	Disability Income - Credit Single Premium with Additional Reserve	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
(20)	Disability Income - Credit Single Premium without Additional Reserve	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
(21)	Disability Income - Group Short-Term	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0	0
<u>Long-Term Care</u>				
(22)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium (Schedule H Part 1 Column 23 Line 2 in part)	0.100	0
(23)	Other Long-Term Care Premium ‡ ‡	Earned Premium (Schedule H Part 1 Column 23 Line 2 in part)	0.000	0 ‡ ‡
<u>Health Premium with Limited Underwriting Risk</u>				
(24)	ASC Business with Premium Revenue	Earned Premium (Schedule H Part 1 Line 2 in part)	0.000	0
<u>Other Health</u>				
(25)	Other Health	Earned Premium (Schedule H Part 1 Column 25 Line 2 in part)	0.120	0
(26)	Total Earned Premiums	Sum of Lines (1) through (25)	0	0
C(1), L(26) should equal Schedule H Part 1 Column 1 Line 2				
(27)	Additional Reserves for Credit Disability Plans	Company records	0	§
(28)	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 PR012 Health Credit Risk in the formula. If there are amounts in any of lines (1), (2), (3), (7), (8) or (10) 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 Schedule H.			
*	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 (9) 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.			
	Vendor Links			

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)
	Comprehensive Medical	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	TOTAL
(1.1) Premium – Individual	=PR019!F8	=PR019!F9	=PR019!F10	=PR019!F11	0
(1.2) Premium – Group	=PR019!F19	=PR019!F22	=PR019!F20	=PR019!F23	0
(1.3) Premium – Total = Line (1.1) + Line (1.2)	=schpt1C3+5L2	=schpt1C7L2	=schpt1C9+11L2	0	0
(2) Title XVIII-Medicare†	=schpt1C15L2	XXX	XXX	XXX	0
(3) Title XIX-Medicaid†	=schpt1C17L3	XXX	XXX	XXX	0
(4) Other Health Risk Revenue‡	0	XXX	0	0	0
(5) Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)	0	0	0	0	0
(6) Net Incurred Claims	=schpt5C1+2+7+8LD1	=schpt5C3LD1	=schpt5C4+5LD1	0	0
(7) Fee-for-Service Offset†	0	XXX	0	0	0
(8) Underwriting Risk Incurred Claims = Line (6) – Line (7)	0	0	0	0	0
(9) Underwriting Risk Claims Ratio = Line (8) / Line (5)	0.0000	0.0000	0.0000	0.000	XXX
(10.1) Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1493	0.1043	0.1195	0.251	XXX
(10.2) Underwriting Risk Factor for Excess of Initial Amount‡	0.0893	0.0663	0.0755	0.151	XXX
(10.3) Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.000	XXX
(11) Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)	0	0	0	Unde	0
(12) Managed Care Discount Factor = PR021 Line (12)	0.0000	0.0000	0.0000	0.000	XXX
(13) Base RBC After Managed Care Discount = Line (11) x Line (12)	0	0	0	0	0
(14) RBC Adjustment For Individual = [{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§	0	0	0	0	0
(15) Maximum Per-Individual Risk After Reinsurance†	0	0	0	0	XXX
(16) Alternate Risk Charge*	0	0	0	0	0
(17) Net Alternate Risk Charge£	0	0	0	0	0
(18) Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))	0	0	0	0	0

† Source is company records unless already included in premiums.

‡ For Comprehensive Medical the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller. For Medicare Supplement and Dental & Vision the Initial Premium Amount is \$3,000,000 or the amount in Line (1.3) if smaller. For Stand-Alone Medicare Part D the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller.

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

* The Line (16) Alternate Risk Charge is calculated as follows:

LESSER OF:	\$1,500,000 or 2 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	\$150,000 or 6 x Maximum Individual Risk	Maximum of Columns (1), (2) (3) and (4)
------------	---	--	--	---	--

£ 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.

Company Name

Confidential when Completed

NAIC Company Code

UNDERWRITING RISK

#REF!

Experience Fluctuation Risk

		(1)	(2)	(3)	(4)	(5)
	Line of Business	Comprehensive Medical	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	Total
(1.1)	Premium – Individual	= 'LR019'!F7	= 'LR019'!F8	= 'LR019'!F9	= 'LR019'!F10	
(1.2)	Premium – Group	= 'LR019'!F17	= 'LR019'!F20	= 'LR019'!F18	= 'LR019'!F21	
(1.3)	Premium – Total = Line (1.1) + Line (1.2)	=schpt1C3+5L2	=schpt1C7L2	=schpt1C9+11L2		
(2)	Title XVIII-Medicare†		XXX			=schpt1C15L2
(3)	Title XIX-Medicaid†		XXX			=schpt1C17L3
(4)	Other Health Risk Revenue†		XXX			
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)					
(6)	Net Incurred Claims	=schpt5C1+2+7+8LD1	=schpt5C3LD1	=schpt5C4+5LD1		
(7)	Fee-for-Service Offset†		XXX			
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)					
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)					XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1493	0.1043	0.1195	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0893	0.0663	0.0755	0.151	XXX
(10.3)	Composite Underwriting Risk Factor					XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)					
(12)	Managed Care Discount Factor = LR022 Line (17)					XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)					
(14)	RBC Adjustment For Individual = [{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§					
(15)	Maximum Per-Individual Risk After Reinsurance†					XXX
(16)	Alternate Risk Charge*					
(17)	Net Alternate Risk Charge£					
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))					

† Source is company records unless already included in premiums.

‡ For Comprehensive Medical, the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller. For Medicare Supplement and Dental & Vision, the Initial Premium Amount is \$3,000,000 or the amount in Line (1.3) if smaller. For Stand-Alone Medicare Part D, the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller.

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

* The Line (16) Alternate Risk Charge is calculated as follows:

LESSER OF:	\$1,500,000 or 2 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	\$50,000 or 2 x Maximum Individual Risk	\$150,000 or 6 x Maximum Individual Risk	Maximum of Columns (1), (2), (3) and (4)
------------	---	--	--	---	---

£ 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.

#REF!

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

Detail Eliminated to Conserve Space

Line (1)

Health premiums for ~~usual and customary major~~comprehensive (medical and hospital), ~~which –(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 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 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 (2) Line (1.1).

Line (3)

Health premiums for dental or vision 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 (3) Line (1.1).

Line (3.1)

~~Health incurred claims for 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 (1). No RBC requirement is calculated in Column (2). The premium is carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (4) Line (1.1).

Detail Eliminated to Conserve Space

Line (7)

Health premiums for ~~usual and customary major~~comprehensive (medical and hospital), ~~which –(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 page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (1) Line (1.2).

Detail Eliminated to Conserve Space

Line (10.3)

Medicaid pass-through payments reported as premium and excluded from Line (47) should be reported in Line (10.3).

**Detail Eliminated to Conserve Space**Lines (15) through (24)

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 15) 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.

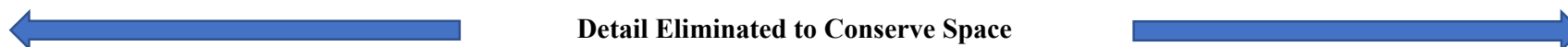
		<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>RBC Requirement</u>
	<u>Disability Income Premium</u>				
<u>Line (15)</u>	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
a)	First \$50 Million Earned Premium of Line (15)	Company Records	_____	X 0.350 =	_____
b)	Over \$50 Million Earned Premium of Line (15)	Company Records	_____	X 0.150 =	_____
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (15) + b) of Line (15), Column (2)	_____		=====
<u>Line (16)</u>	Other Disability Income – Individual Morbidity	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
a)	Earned Premium in Line (16) [up to \$50 million less premium in a) of Line (15)]	Company Records	_____	X 0.250 =	_____
b)	Earned Premium in Line (16) not included in a) of Line (16)	Company Records	_____	X 0.070 =	_____
c)	Total Other Disability Income - Individual Morbidity	a) of Line (16) + b) of Line (16), Column (2)			=====

		<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>RBC Requirement</u>
	<u>Disability Income Premium</u>				
<u>Line (17)</u>	Disability Income - Credit Monthly Balance	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
	a) First \$50 Million Earned Premium of Line (17)	Company Records	_____	X 0.200 =	_____
	b) Over \$50 Million Earned Premium of Line (17)	Company Records	_____	X 0.030 =	_____
	c) Total Disability Income - Credit Monthly Balance	a) of Line (17) + b) of Line (17), Column (2)	=====		=====
<u>Line (18)</u>	Disability Income – Group Long Term	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
	a) Earned Premium in Line (18) [up to \$50 million less premium in a) of Line (17)]	Company Records	_____	X 0.150 =	_____
	b) Earned Premium in Line (18) not included in a) of Line (18)	Company Records	_____	X 0.030 =	_____
	c) Total Disability Income – Group Long Term	a) of Line (18) + b) of Line (18), Column (2)	=====		
<u>Line (19)</u>	Disability Income – Credit Single Premium with Additional Reserves	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part. This amount to be reported on Health Premiums, Line (19)	_____		
	a) Additional Reserves for Credit Disability Plans	PR019 Health Premiums Column (1) Line (27)	_____		
	b) Additional Reserves for Credit Disability Plans, Prior Year	PR019 Health Premiums Column (1) Line (28)	_____		
	c) Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (19) - a) of Line (19) + b) of Line (19)	=====		
	d) Earned Premium in c) [up to \$50 million less premium in a) of Line (17) + a) of Line (18)]	Company Records	_____	X 0.100 =	_____
	e) Earned Premium in c) of Line (19) not included in d) of Line (19)	Company Records	_____	X 0.030 =	_____
	f) Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (19) + e) of Line (19), Column (2)	=====		=====
<u>Line (20)</u>	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
	a) Earned Premium in Line (20) [up to \$50 million less premium in a) of Line (17) + a) of Line (18) + d) of Line (19)]	Company Records	_____	X 0.150 =	_____
	b) Earned Premium in Line (20) not included in a) of Line (20)	Company Records	_____	X 0.030 =	_____

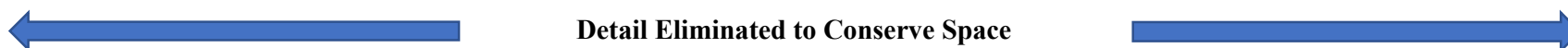
		<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>RBC Requirement</u>
	<u>Disability Income Premium</u>				
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (20) + b) of Line (20), Column (2)	=====		=====
<u>Line (21)</u>	Disability Income – Group Short Term	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	=====		
a)	Earned Premium in Line (21) [up to \$50 million less premium in a) of Line (17) + a) of Line (18) + d) of Line (19) + a) of Line (20)]	Company Records	=====	X 0.050 =	=====
b)	Earned Premium in Line (21) not included in a) of Line (21)	Company Records	=====	X 0.030 =	=====
c)	Total Disability Income – Group Short Term	a) of Line (21) + b) of Line (21), Column (2)	=====		=====
<u>Line (22)</u>	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (Schedule H, Part 1, <u>Column 23</u> , Line 2, in part)	=====	X 0.100 =	=====

Line (25)

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.




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

Line (6) Net Incurred Claims


Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims 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.

Column (1) claims come from Annual Statement, Schedule H, Part 5 Column 1+2+7+8, Line D13, 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. ~~(Note that Medicare supplement claims could be double-counted if included in Column 1 of Schedule H, Part 5 rather than Column (3)).~~ Column (2) claims come from ~~General Interrogatories Part 2, Line 1.5~~ Schedule H, Part 5, Column 3, Line D1. Column (3) dental and vision claims come from Schedule H, Part 5, Columns 4+52, Line D1 13.)

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.




Detail Eliminated to Conserve Space




PR021 - Underwriting Risk – Managed Care Credit

Line (10.6)

Total Paid Claims – The total of Column (1) paid claims should equal the total claims paid for the year as reported in Schedule H, Part 5, Columns 1+2+3+4+5 ~~and 2~~, Line ~~D16~~ D4 of the annual statement.



Detail Eliminated to Conserve Space



HEALTH PREMIUMS and HEALTH CLAIMS RESERVES

LR019, LR023 and LR024

Detail Eliminated to Conserve Space

Line (1)

Health premiums for ~~usual and customary major comprehensive~~ (medical and hospital) ~~which, (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).

Detail Eliminated to Conserve Space

Line (10)

Health premiums for ~~usual and customary major comprehensive~~ (medical and hospital) ~~(which, 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 (1), Line (1.2).

Detail Eliminated to Conserve Space

Lines (21) through (27)

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 (21)</u>	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part			
a)	First \$50 Million Earned Premium of Line (21)	Company Records			

b)	Over \$50 Million Earned Premium of Line (21)	Company Records	_____	X 0.4435 =	_____
c)	Total Noncancellable Disability Income - Individual Morbidity	a) of Line (21) + b) of Line (21), Column (2)	_____	X 0.1901 =	=====
<u>Line (22)</u>	Other Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> Line 2, in part	_____		
a)	Earned Premium in Line (22) [up to \$50 million less premium in a) of Line (21)]	Company Records	_____	X 0.3168 =	_____
b)	Earned Premium in Line (22) not included in a) of Line (22)	Company Records	_____	X 0.0889 =	_____
c)	Total Other Disability Income - Individual Morbidity	a) of Line (22) + b) of Line (22), Column (2)	_____		=====
<u>Line (23)</u>	Disability Income - Credit Monthly Balance	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
a)	First \$50 Million Earned Premium of Line (23)	Company Records	_____	X 0.2534 =	_____
b)	Over \$50 Million Earned Premium of Line (23)	Company Records	_____	X 0.0378 =	_____
c)	Total Disability Income - Credit Monthly Balance	a) of Line (23) + b) of Line (23), Column (2)	=====		=====
<u>Line (24)</u>	Disability Income – Group Long-Term	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part	_____		
a)	Earned Premium in Line (24) [up to \$50 million less premium in a) of Line (23)]	Company Records	_____	X 0.1901 =	_____
b)	Earned Premium in Line (24) not included in a) of Line (24)	Company Records	_____	X 0.0378=	_____
c)	Total Disability Income – Group Long-Term	a) of Line (24) + b) of Line (24), Column (2)	=====		=====
<u>Line (25)</u>	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part. This amount to be reported on LR019 Health Premiums, Line (25)	_____		
a)	Additional Reserves for Credit Disability Plans	LR019 Health Premiums Column (1) Line (34)	_____		
b)	Additional Reserves for Credit Disability Plans, Prior Year	LR019 Health Premiums Column (1) Line (35)	_____		
c)	Subtotal Disability Income - Credit Single Premium with Additional Reserves	Line (25) - a) of Line (25) + b) of Line (25)	=====		
d)	Earned Premium in c) [up to \$50 million less	Company Records	_____		

	premium in a) of Line (23) + a) of Line (24)]				
e)	Earned Premium in c) of Line (25) not included in d) of Line (25)	Company Records		X 0.1901=	
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (25) + e) of Line (25), Column (2)		X 0.0378 =	

Line (26)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part			
a)	Earned Premium in Line (26) [up to \$50 million less premium in a) of Line (23) + a) of Line (24) + d) of Line (25)]	Company Records			
b)	Earned Premium in Line (26) not included in a) of Line (26)	Company Records		X 0.1267=	
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (26) + b) of Line (26), Column (2)		X 0.0378 =	

Line (27)	Disability Income – Group Short-Term	Earned Premium included in Schedule H, Part 1, <u>Column 21</u> , Line 2, in part			
a)	Earned Premium in Line (27) [up to \$50 million less premium in a) of Line (23) + a) of Line (24) + d) of Line (25) + a) of Line (26)]	Company Records			
b)	Earned Premium in Line (27) not included in a) of Line (27)	Company Records		X 0.0634 =	
c)	Total Disability Income – Group Short-Term	a) of Line (27) + b) of Line (27), Column (2)		X 0.0378 =	

Detail Eliminated to Conserve Space

UNDERWRITING RISK – EXPERIENCE FLUCTUATION RISK

LR020

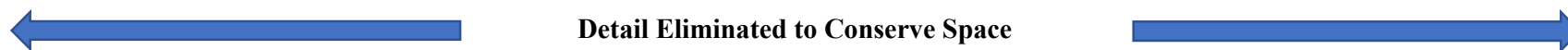
Detail Eliminated to Conserve Space

Line (6) Net Incurred Claims

Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the insurer. Paid claims includes 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 (6) does not include ASC payments or Federal Employees Health Benefit Program (FEHBP) claims.

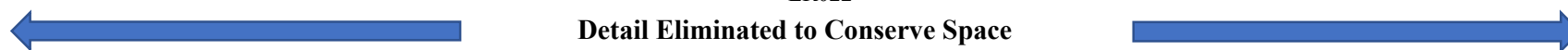
Column (1) claims come from Schedule H, Part 5, Columns 1-~~and~~~~2~~~~7~~~~8~~ Line ~~13~~~~D1~~ less the amounts reported as incurred claims for administrative services contracts (ASC) in Line (54) of LR029 Business Risk and Federal Employee Health Benefit Program (FEHBP) in Line (3) of LR021 Underwriting 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~~ comes 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 ~~4~~~~5~~~~D1~~.

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in Appendix 3). 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.



UNDERWRITING RISK - MANAGED CARE CREDIT

LR022



Line (9)

Subtotal Paid Claims – The total of Column (2) paid claims should equal the total claims paid for the year as reported in Schedule H, Part 5, Columns 1, 2, 3, 4 and 5, Line DA.4 of the annual statement.



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: David Smith (VA) and Doug Stolte (VA), Co-Chairs of the Restructuring Mechanisms (E) Subgroup
Judith L. French (OH), Chair of the Capital Adequacy (E) Task Force

FROM: Tom Botsko (OH), Chair of the Property and Casualty Risk-Based Capital (E) Working Group

DATE: Oct. 25, 2021

RE: Response to Request for Input Regarding Runoff Companies

The Property and Casualty Risk-Based Capital (E) Working Group formed a small ad hoc group to discuss this topic and try to determine the best course of action. The Restructuring Mechanisms (E) Subgroup requested that the Working Group take the lead in addressing the charge to “consider the need to make changes to the RBC formula to better assess the minimum surplus requirements for companies in runoff.”

After several discussions about what adjustments should be made to the risk-based capital (RBC) formula, the ad hoc group concluded that the best course of action is to monitor these companies through the state analysis and exam team functions. The characteristics and financial conditions of these runoff companies are very diverse, and it would be difficult to incorporate these varied characteristics into one adjusted formula. Many international countries monitor these companies through the analysis and exam processes and do not have a separate RBC formula.

Of the 2020 RBC filers, we identified 111 companies out of 2,477 that have the characteristics of a runoff company. Most of these companies have an RBC ratio greater than 300%. Five are below 200%.

During a series of discussions, the ad hoc group agreed that a runoff company, voluntary or involuntary, should include the following characteristics: 1) no renewing of policies for at least 12 months; 2) no new direct or new assumed business; and 3) no additional runoff blocks of business. In addition, the amount of renewal premium to reserves has also been identified as a characteristic of these types of companies when this ratio is de minimis.

The ad hoc group also recommends that a general and RBC interrogatory be added for the purpose of identifying a runoff company. The domiciliary state shall have the ability to verify the interrogatory response during the annual company financial analysis process.

As the ad hoc group considered various types and conditions of runoff companies, it became apparent that while many of these companies share the characteristic of very long tail liabilities, there are other characteristics of these companies that are so diverse that it made it difficult to summarize them into their own RBC formula.

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The ad hoc group reviewed several international perspectives of runoff companies. The international treatment of runoff companies is handled through the Analysis and Exam Teams. The ad hoc group agrees that a similar treatment of runoff companies is warranted.

The ad hoc group has some recommendations for the Working Group regarding the RBC instructions, specifically to the runoff companies. These include the following:

- Remove the Trend Test from the RBC calculation. These are runoff companies, and the possible retrospective premium should not complicate the already diverse situation.
- Remove the charge for premium growth if the company is no longer writing business.
- Remove R_{cat} from the formula. Because one of the characteristics of a runoff company is to not have written any new business for at least 12 months, we believe this short-term liability risk is not warranted.

As the ad hoc group shares its findings with the other two RBC working groups, we expect to hear other perspectives regarding the unique conditions of runoff companies from the Life Risk-Based Capital (E) Working Group and the Health Risk-Based Capital (E) Working Group.

Please contact Eva Yeung, NAIC staff support for the Property and Casualty Risk-Based Capital (E) Working Group, at eyeung@naic.org with any questions.

Cc: Robin Marcotte; Dan Daveline; Jane Barr; Eva Yeung

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TO: Thomas Botsko, Chair, Capital Adequacy (E) Task Force
 Members of the Capital Adequacy (E) Task Force
 Phillip Barlow, Chair, Risk-based Capital Investment Risk and Evaluation (E) Working Group
 Members of the Risk-based Capital Investment Risk and Evaluation (E) Working Group

FROM: Carrie Mears, Chair, Valuation of Securities (E) Task Force
 Members of the Valuation of Securities (E) Task Force

CC: Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
 Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
 Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)

RE: Referral on the Risk Assessment of Structured Securities - CLOs

DATE: August 30, 2022

Summary – The Investment Analysis Office (IAO) staff have recommended to the Valuation of Securities (E) Task Force to direct the modeling of collateralized loan obligations (CLO) to the Structured Securities Group (SSG). SSG is already responsible for the modeling of residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). Included in their recommendation was a request to refer to the Capital Adequacy (E) Task Force and Risk-based Capital Investment Risk and Evaluation (E) Working Group a request that your groups consider creating or breaking out risk-based capital factors for three new NAIC 6 designation categories; i.e. 6.A, 6.B, and 6.C.

Rationale - A collateralized loan obligation (CLO) is type of structured security backed by a pool of debt, typically corporate loans with low credit ratings. Each tranche of a CLO differs based on the order in which the investors will be paid when the underlying loan payments are made. As a result, they also differ with respect to the risk associated with the investment since investors who are paid last have a higher risk of default from the underlying loans. The aggregate risk of owning all the underlying corporate loans held by a CLO structure should be the same as owning all of the CLOs tranches. Therefore, the RBC impact of both should be equivalent if it is free from any risk-based capital (RBC) arbitrage.

Regulatory Issue – As the attached memorandum reflects, there is currently the potential to materially (and artificially) reduce C1 capital requirements just by securitizing a pool of assets into a CLO. SSG can model CLO investments and evaluate all tranche level losses across all debt and equity tranches under a

series of calibrated and weighted collateral stress scenarios to assign NAIC Designations that eliminate this RBC arbitrage.

Recommendation – The Valuation of Securities (E) Task Force has requested NAIC staff to draft an amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* permitting SSG to model CLO investments for the assignment of NAIC Designations. The Task Force also requests that the Capital Adequacy (E) Task Force and its Risk-Based Capital Investment Risk and Evaluation (E) Working Group contemporaneously consider NAIC staff’s recommendation to add new RBC factors to account for the tail risk in any structured finance security. Staff suggests adding new NAIC Designation Categories (e.g. 6.A, 6.B and 6.C) with recommended RBC factors of 30%, 75% and 100%, respectively. The Task Force understands that the recommended new RBC factors may only be an interim step until structured finance securities can be studied more fully by your groups, but the Task Force believes there is a pressing regulatory need to take timely action to eliminate this RBC arbitrage and potential financial solvency risk.

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