CAPITAL ADEQUACY (E) TASK FORCE

Capital Adequacy (E) Task Force March 23, 2023, Minutes
- Capital Adequacy (E) Task Force, Feb. 3, 2023, Evote Minutes (Attachment One)
  - Updated 2022 U.S. and Non-U.S. Catastrophe Risk Event Lists (Attachment One-A)
- Health Risk-Based Capital (E) Working Group (RBC) March 21, 2023, Minutes (Attachment Two)
  - Health Risk-Based Capital (E) Working Group (RBC) Feb. 7, 2023, Minutes (Attachment Two-A)
    - Proposal 2022-16-CA (Attachment Two-A1)
  - Proposal 2023-01-CA (Stop Loss Instructions) (Attachment Two-B)
  - Update on the Health Test Ad Hoc Group and Health Test Language (Attachment Two-C)
- Life Risk-Based Capital (E) Working Group March 22, 2023, Minutes (Attachment Three)
  - Life Risk-Based Capital (E) Working Group Jan. 26, 2023, Minutes (Attachment Three-A)
- Property and Casualty Risk-Based Capital (E) Working Group March 22, 2023, Minutes (Attachment Four)
  - Joint Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup Jan. 30, 2023, Evote Minutes (Attachment Four-A)
  - Catastrophe Risk (E) Subgroup March 21, 2023, Minutes (Attachment Four-B)
  - Proposal 2023-02-P (Underwriting Risk Line 1 Factors) (Attachment Four-C)
  - Annual Statement Blanks Proposal 2023-01BWG (Attachment Four-D)
  - Annual Statement Blanks Proposal 2022-15BWG (Attachment Four-E)
  - Presentation on the Current P/C RBC Projects from the American Academy of Actuaries' (Academy) (Attachment Four-F)
- RBC Investment Risk and Evaluation (E) Working Group, March 23, 2023, Minutes (Attachment Five)
  - RBC Investment Risk and Evaluation (E) Working Group, Feb. 27, 2023, Minutes (Attachment Five-A)
    - American Academy of Actuaries (Academy) Follow-Up to the Presentation on CLOs (Attachment Five-A1)
    - Comment Letter from American Council of Life Insurers (ACLI) Regarding Residual Tranches - Interim Solution (Attachment Five-A2)
    - Comment Letter from a Group of Insurers Regarding "AAA Report" and "Exposures" (Attachment Five-A3)
    - Comment Letter from Equitable, MetLife, New York Life, Northwestern Mutual, Pacific Life, Prudential Financial, Inc., and Western & Southern Regarding Referral on the Risk Assessment of Structured Securities - CLOs (Attachment Five-A4)
    - Comment Letter from the Guardian Life Insurance Company of America and Massachusetts Mutual Life Insurance Company Regarding Residual Tranches - Interim Solution (Attachment Five-A5)
- Proposal 2022-09-CA (Revised Affiliated Investments Structure and Instructions) (Attachment Six)
- Proposal 2022-13-CA (Health Premiums and Underwriting Risk Premium References) (Attachment Seven)
- Proposal 2022-14-H (Attachment Eight)
- Proposal 2022-15-H (Attachment Nine)
- Working Agenda (Attachment Ten)
- Response from the Health Risk-Based Capital (E) Working Group Regarding Runoff Companies (Attachment Eleven)
- Referrals from the Valuation of Securities (E) Task Force (Attachment Twelve)

Draft Pending Adoption

Draft: 4/3/23

Capital Adequacy (E) Task Force
Louisville, Kentucky
March 23, 2023

The Capital Adequacy (E) Task Force met March 23, 2023. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko and Dale Bruggeman (OH); Grace Arnold, Vice Chair, represented by Fred Andersen (MN); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Todrick Burks (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Virginia Christy (FL); Doug Ommen represented by Carrie Mears and Mike Yanacheak (IA); Dana Popish Severinghaus represented by Vincent Tsang (IL); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Levi Nwasoria (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Kathleen A. Birrane represented by Lynn Beckner (MD); Chlora Lindley-Myers represented by John Rehagen (MO); Troy Downing represented by Steve Matthews (MT); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson and Lindsay Crawford (NE); Marlene Caride represented by David Wolf (NJ); Glen Mulready represented by Andrew Schallhorn (OK); Michael Wise represented by Daniel Morris (SC); Cassie Brown represented by Rachel Hemphill (TX); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek and Amy Malm (WI).

1. Adopted its Feb. 3 and 2022 Fall National Meeting Minutes

Botsko said the Task Force conducted an e-vote that concluded Feb. 3 to adopt proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Chou made a motion, seconded by Yanacheak, to adopt the Task Force's Feb. 3, 2023, (Attachment One) and Dec. 14, 2022, (*see NAIC Proceedings – Fall 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

Drutz said the Health Risk-Based Capital (E) Working Group met March 21 and took the following action: 1) adopted its Feb. 7 minutes, which included the following action: a) adopted its 2022 Fall National Meeting minutes; b) adopted proposal 2022-14-H (Trend Test Info Only Instruction), which the Working Group exposed for a 30-day public comment period ending Dec. 7, 2022; c) referred the runoff company response letter to the Task Force; d) exposed proposal 2022-16-CA (Underwriting Risk Factors – Investment Income Adjustment) for a 30-day public comment period ending March 9; and e) received an update from the American Academy of Actuaries (Academy) on the H2 – Underwriting Risk Review project; 2) adopted proposal 2022-15-H (Renumber XR008); 3) referred proposal 2022-16-CA to the Task Force for it to expose on a late April call; 4) adopted its working agenda; 5) exposed proposal 2023-01-CA (Stop Loss Instructions) for a 20-day public comment period ending April 10; 6) discussed the stop loss data and factors; 7) received an update on the Health Test Ad Hoc Group and the draft proposal with revisions to the health test language and general interrogatories; 8) discussed the effects of the COVID-19 pandemic and the pandemic risk on the Health Risk-Based Capital (RBC) formula; and 9) received an update that the Academy continues its work on the review of the H2 – Underwriting Risk component.

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

Barlow said the Life Risk-Based Capital (E) Working Group met March 22 and took the following action: 1) adopted its Jan. 26 minutes, which included the following action: a) exposed the Academy's C-2 Mortality Risk Work Group's proposal for a 30-day public comment period ending March 1; b) exposed proposed revisions to the CM6 and CM7 mortgage RBC factors and formula, which the Working Group exposed for a 45-day public comment period ending March 16; and c) exposed proposed revisions to remove the dual presentation of the trend test, which the Working Group exposed for a 15-day public comment period ending Feb. 14; 2) adopted its 2022 Fall National Meeting minutes; 3) discussed C-2 mortality risk; 4) discussed its 2023 working agenda; 5) discussed runoff companies and agreed that no change is needed in the Life RBC formula; and 6) heard the status on the formation of the Economic Scenarios (E/A) Subgroup.

c. RBC Investment Risk and Evaluation (E) Working Group

Barlow said the RBC Investment Risk and Evaluation (E) Working Group met March 23 and took the following action: 1) adopted its Feb. 27 minutes, which included the following action: a) discussed the Academy follow-up to the presentation on collateralized loan obligations (CLOs); and b) discussed comment letters; 2) adopted its 2022 Fall National Meeting minutes; 3) received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group; 4) continued discussion of CLOs; 5) discussed a residual tranche structure change; and 5) discussed factors and next steps.

d. Property and Casualty Risk-Based Capital (E) Working Group

Botsko said the Property and Casualty Risk-Based Capital (E) Working Group met March 22 and took the following action: 1) adopted its Jan. 30 minutes, which included the following action: a) adopted proposal 2022-12-CR, which the Working Group exposed for a seven-day public comment period ending Jan. 25; 2) adopted its 2022 Fall National Meeting minutes; 3) adopted the report of the Catastrophe Risk (E) Subgroup, which took the following action: a) adopted its Jan. 30 and 2022 Fall National Meeting minutes; b) discussed its working agenda; c) received a status update from its Catastrophe Model Technical Review Ad Hoc Group; d) heard a presentation from Travelers on the climate overview and scenario analysis; and e) discussed the wildfire peril impact analysis; 4) exposed proposal 2023-02-P (Underwriting Risk Line 1 Factors) for a 30-day public comment period ending April 21; 5) discussed the annual statement proposal 2023-01BWG, which removes pet insurance form the inland marine line of business and adds new schedule P parts to pet insurance; 6) discussed the annual statement proposal 2022-15BWG, which removes the 5% premium filing exemption (FE) on Schedule H, Part 5; 7) discussed its 2023 working agenda; 8) heard an update on current property/casualty (P/C) RBC projects from the Academy; and 9) discussed the possibility of reviewing or analyzing the P/C RBC charges that have not been reviewed since developed.

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

3. Adopted Proposal 2022-09-CA

Botsko said the Task Force referred proposal 2022-09-CA (Revised Affiliated Investments Structure and Instructions) to the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group at the 2022 Fall National Meeting. There were no comments received from either group.

Crawford made a motion, seconded by Lloyd, to adopt proposal 2022-09-CA (Attachment Six). The motion passed unanimously.

4. Adopted Proposal 2022-13-CA

Botsko said the purpose of proposal 2022-13-CA (Health Premiums and Underwriting Risk Premium References) is to modify the following line references to be consistent with the changes in the Annual Statement, Schedule H, which was adopted under Blanks proposal 2021-14BWG MOD: 1) Life RBC formula LR019 and LR020; and 2) P/C RBC formula PR019 and PR020. There were no comments received during the exposure period.

Rehagen made a motion, seconded by Andersen, to adopt proposal 2022-13-CA (Attachment Seven). The motion passed unanimously.

5. Adopted Proposal 2022-14-H

Drutz said the purpose of proposal 2022-14-H is to remove the sentence, "The calculation is informational-only until state statutes are implemented so that the trend test would trigger a Company Action Level RBC regulatory action per the statute," given that all states have adopted the trend test. He stated that the Health Risk-Based Capital (E) Working Group exposed this proposal for a 30-day comment period ending March 9, and no comments were received during the exposure period. The Working Group adopted this proposal on Feb. 7.

Drutz made a motion, seconded by Chou, to adopt proposal 2022-14-H (Attachment Eight). The motion passed unanimously.

6. Adopted Proposal 2022-15-H

Drutz said the purpose of proposal 2022-15-H is to renumber all the lines on page XR008 as the line numbers carry over from the bond page. He also stated that the renumbering of the lines on page XR008 will allow for easier updates in the future for any adjustments to the bonds. He said the Health Risk-Based Capital (E) Working Group was exposed for a 30-day comment period ending Feb. 28. There were no comments received during the exposure period. The Working Group adopted this proposal at the Spring National Meeting.

Drutz made a motion, seconded by Chou, to adopt proposal 2022-15-H (Attachment Nine). The motion passed unanimously.

7. Adopted its Working Agenda

Botsko summarized the changes to the 2023 working agenda. He said there is no change on the Life Risk-Based Capital (E) Working Group and RBC Investment Risk and Evaluation (E) Working Group sections in the working agenda. He also stated that the Property and Casualty Risk-Based Capital (E) Working Group eliminated the following items: 1) evaluate the possibility of allowing additional third-party models or adjustments to the vendor models to calculate the catastrophe model losses; and 2) evaluate the possibility of enhancing the independent model instructions. He also indicated that three new items were added to the new items section: 1) review and analyze the P/C RBC charges that have not been reviewed since developed; 2) quantify the R5 ex-catastrophe factors for wildfire peril (for informational purposes only); and 3) evaluate the impact of flood peril on the insurance market. He also said the revisions to the Health RBC working agenda items are editorial in nature: 1) Line X1 was updated to: a) remove the reference to the 0.05% factor adjustment; and b) add the related proposal to the comments column; 2) the expected completion date column was updated for Lines X4, X6, X7, X8, and X9; 3) Line X5 was updated to remove the reference to "review possible annual statement changes for reporting health business in the Life and P/C blanks"; and 4) Line X10 was removed from the "New Items" section to the

"Carryover Items Currently being Addressed" section. In addition, he stated that the Task Force working agenda was updated as follows: 1) the exposure and referral comments were added in the item CA1 "comments" column; 2) the item CA5 was moved from the "New Items" section to the "Carryover Items Currently being Addressed" section; and 3) item CA6 was added to the "New Items" section.

Nwasoria made a motion, seconded by Burks, to adopt the Task Force's revised 2023 working agenda (Attachment Ten). The motion passed unanimously.

8. Discussed the Response from the Health Risk-Based Capital (E) Working Group Regarding Runoff Companies

Drutz said the Health Risk-Based Capital (E) Working Group received a request from the Task Force last year regarding the runoff companies. He stated that a response for the request (Attachment Eleven) was sent to the Task Force on Dec. 12, 2022, which indicated the Working Group's agreement with the recommendations included in the Property and Casualty Risk-Based Capital (E) Working Group's response letter as well as the definition of a health runoff company. The letter was exposed for a 30-day public comment period, and no comments were received. Botsko said he appreciated the prompt response from the Health Risk-Based Capital (E) Working Group. He said the Task Force will forward the responses to the Restructuring Mechanisms (E) Subgroup after receiving all the responses from the working groups.

9. Discussed Referrals from the Valuation of Securities (E) Task Force

Mears said the Valuation of Securities (E) Task Force sent two referrals to the Capital Adequacy (E) Task Force last month. She stated that the first referral, which is regarding a proposed *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) amendment to define and add guidance for structured equity and funds (Attachment Twelve). She indicated that this is an informational referral, and no direct action is required by the Capital Adequacy (E) Task Force. She also said another referral is regarding additional market and analytical information for bond investments. She asked the Task Force members to review the items listed in the referral and provide responses by May 15. Botsko said the Task Force and RBC Investment Risk and Evaluation (E) Working Group exposed this referral jointly and requested comments from the interested party by March 31. He stated that discussion on this item will be continued at the next meeting.

10. Discussed The Current Turmoil in the Banking Sector, Including Fallout and Possible Implications

Ed Toy (Risk & Regulatory Consulting LLC—RRC) provided a brief overview of the current turmoil in the banking sector. He stated that the current situation continues to evolve. Also, the problems at the regional banks and Credit Suisse Group may be separated, but the current underlying issues might have led to or exacerbated what happened. This eventually may affect the insurance industry, as the current interest rates are significantly higher, and the market volatility, including risks that may be idiosyncratic across different markets, which are also much higher. Toy said he anticipated that it would affect the life industry more since the regional banks provided over 60% of lending to the commercial real estate developers, and the values of commercial real estate were already hitting a dip since the end of last year. Botsko thanked Toy for providing this useful information to the Task Force. He said the Task Force will monitor this issue closely, and it welcomes Toy to provide constant updates regarding this issue.

11. Discussed Other Matters

a. Health Test Exposure Updates

Drutz said the Health Test Ad Hoc Group has been working on drafting a proposal that would revise the premium and the reserve ratio calculation by using a net basis in the health test. He stated that this proposal will create

greater transparency in the calculation of both the numerator and denominator of the ratio formula, as the amounts in the formula will be pulling from the same schedule. He also said the Ad Hoc Group plans to: 1) implement the changes across each statement type; and 2) consider re-evaluating the data in a few years after the implementation. He said he anticipated that this proposal will be finalized and considered for exposure by the Health Risk-Based Capital (E) Working Group in April.

b. Forwarded a Statutory Accounting Principles (E) Working Group Referral for Negative IMR to the Life Risk-Based Capital (E) Working Group

Botsko said the Task Force expects to receive a referral from the Statutory Accounting Practices (E) Working Group on the potential to permit admittance of negative interest maintenance reserve (IMR) shortly after the Spring National Meeting. Since this is primarily a life RBC issue, Botsko suggested forwarding the referral to the Life Risk-Based Capital (E) Working Group after the Task Force receives it. Without hearing objection, the Task Force agreed to forward the Statutory Accounting Practices (E) Working Group referral to the Life Risk-Based Capital (E) Working Group after receiving it.

c. Revised a Proposal Form

Botsko said the 2023 RBC proposal form was modified to: 1) include working group and subgroup proposal status in the "disposition" section; 2) include each line of business formula in the "identification of source and form(s)/instructions to be changed" section; and 3) combine the description/reason or justification of changes into one section. Without hearing objection, the Task Force agreed with the modifications in the proposal form.

d. Established an Ad Hoc Group to Review and Analyze the RBC Charges that Have Not Been Reviewed Since Their Development

Botsko said some of the Task Force members may be aware that some of the RBC formulas, factors, and methodologies have never been reviewed since developed. He asked the Task Force to consider establishing an ad hoc group to: 1) re-evaluate some of the missing risks to determine if the Task Force should now include them in the RBC calculation or whether it appropriately handle those risks utilizing other regulatory methods; and 2) review those factors and instructions that have never been reviewed since developed to determine if modifications should be made. He encouraged all parties to contact NAIC staff if interested in joining the new ad hoc group.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/E Cmte/CADF/CapitalAdequacyTFmin_032323.docx

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Draft: 2/7/23

Capital Adequacy (E) Task Force
E-Vote
February 3, 2023

The Capital Adequacy (E) Task Force conducted an e-vote that concluded Feb. 3, 2023. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko (OH); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Charles Hale (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); TBD represented by Christina Huff (FL); Amy L. Beard represented by Roy Eft (IN); Doug Ommen, Vice Chair, represented by Mike Yanacheak (IA); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy (KY); Kathleen Birrane represented by Lynn Beckner (MD); Chlora Lindley-Myers represented by John Rehagen (MO); Troy Downing represented by Bob Biskupiak (MT); Eric Dunning represented by Lindsay Crawford (NE); Glen Mulready represented by Andrew Schallhorn (OK); Cassie Brown represented by Rachel Hemphill (TX); Mike Kreidler represented by Steve Drutz (WA) and Nathan Houdek represented by Amy J. Malm (WI).

1. Adopted the Updated 2022 U.S. and Non-U.S. Catastrophe Risk Event Lists

The Task Force conducted an e-vote to consider adoption of proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Chou made a motion, seconded by Hemphill, to adopt the 2022 U.S. and non-U.S. catastrophe risk event lists (Attachment One-A). The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/ Member Meetings/E Cmte/CADTF/2023-1-Spring/CADTF Email Vote 020323

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Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force
[x] Catastrophe Risk (E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup
[ ] Health RBC (E) Working Group
[ ] Investment RBC (E) Working Group
[ ] P/C RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Op Risk RBC (E) Subgroup
[ ] Stress Testing (E) Subgroup

DATE: 11/1/2022

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ON BEHALF OF: Catastrophe Risk (E) Subgroup
NAME: Wanchin Chou
TITLE: Chair
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Agenda Item # 2022-12-CR
Year 2022

DISPOSITION

[x] ADOPTED 1st release: 11/18/22 2nd release: 2/3/23
[ ] REJECTED
[ ] DEFERRED TO
[ ] REFERRED TO OTHER NAIC GROUP
[x] EXPOSED 1st release:11/2/22 2nd release: 1/18/23
[ ] OTHER (SPECIFY)

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

[ ] Health RBC Blanks
[ ] Fraternal RBC Blanks
[ ] Life RBC Blanks
[ ] Property/Casualty RBC Blanks
[ ] Health RBC Instructions
[ ] Fraternal RBC Instructions
[ ] Life RBC Instructions
[ ] Property/Casualty RBC Instructions
[x] OTHER Cat Event Lists

DESCRIPTION OF CHANGE(S)

2022 U.S. and non-U.S. Catastrophe Event Lists

REASON OR JUSTIFICATION FOR CHANGE **

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

Additional Staff Comments:

11/2/22 – The Subgroup and the PC RBC WG exposed this proposal for a 7-public comment period ending 11/8/22.
11/15/22 – The Subgroup and the PC RBC WG conducted an e-vote to adopt the Jan 1 – Sept 30 U.S. and non-U.S. catastrophe event lists.
11/18/22 – The Task Force conducted an e-vote to adopt the Jan 1 – Sept 30 U.S. and non-U.S. catastrophe event lists.
1/18/23 - The Subgroup and the PC RBC WG exposed this proposal for a 7-public comment period ending 1/25/23.
1/30/23 – The Subgroup and the PC RBC WG adopted this proposal.
2/3/23 – The Task Force adopted the proposal on 2/3/23.

**** This section must be completed on all forms.** **Revised 11-2013**

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

Type of Event	Name	Date	Location	Overall losses when occurred
Wildfire	Black Forest	2013	Colorado Springs	~ 420.5 million
Wildfire	Rim	2013	Sierra Nevada, California	> 100 million
Wildfire	Texas	2014	Texas, California	> 25 million
Earthquake		2014	California	25+ million
Hurricane	Patricia	2015		25+ million
Hurricane	Joaquin	2015		25+ million
Wildfire	Butte Fire	9/9/15-10/1/15	Amador County, California	~ 300 million
Wildfire	Valley Fire	9/12/15-10/15/15	Lake, Napa and Sonoma County, California	~ 700 million
Hurricane	Matthew	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	$ 2,698,400,000
Hurricane	Hermine	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	$ 245,640,000
Wildfire	Erskine Fire	6/23/16-7/11/16	Lake Isabella, Kern County, California	~26 million
Wildfire	Soberanes Fire	7/22/16-9/30/16	Soberanes Creek, Garrapata State Park, Santa Lucia Preserve, Monterey County, California	> 200 million
Wildfire	Chimney Fire	8/13/16-9/6/16	Santa Lucia Range, San Luis Obispo County, California	> 25 million
Wildfire	Clayton Fire	8/13/16-8/26/16	Lake County, California	>25 million
Wildfire	Gatlinburg Wildfire	11/29/16-12/5/16	Sevier County, Gatlinburg, Pigeon Forge, Tennessee	~637 million
Wildfire	Northern California Wildfires	10/8/17-10/31/17	Northern California	~ 11 billion
Wildfire	Southern California Wildfires	12/4/17-12/23/17	Southern California	~ 2.2 billion
Hurricane	Harvey	2017	Texas, Lousiana	25+ million
Hurricane	Jose	2017	East Coast of the United States	25+ million
Hurricane	Irma	2017	Eastern United States	25+ million
Hurricane	Maria	2017	Southeastern United States, Mid-Atlantic States	25+ million
Hurricane	Nate	2017	Louisiana, Mississippi, Alabama, Tennessee and Eastern United States	25+ million
Tropical Storm	Alberto	2018	Southeast, Midwest	25+ million
Hurricane	Lane	2018	Hawaii	25+ million
Tropical Storm	Gordon	2018	Southeast, Gulf coast of the United States, Arkansas and Missouri	25+ million
Hurricane	Florence	2018	Southeast, Mid-Atlantic	25+ million
Hurricane	Michael	2018	Southeastern and East Coasts of United States	25+ million
Wildfire	Spring Creek Fire	6/27/18-7/11/18	Spring Creek, Colorado	< 100 million
Wildfire	Carr, Mendocino California Wildfires	7/23/18-8/15/18	Northern California	>1,000 million
Wildfire	Northern California Camp Wildfire	11/8/18-11/25/18	Butte County, California	>7.5 billion
Wildfire	Southern California Woolsey Wildfires	11/8/18-11/21/18	Los Angeles andVentura County, California	2.9 billion
Hurricane	Dorian	2019	Southeast, Mid-Atlantic	500+ million
Hurricane	Barry	2019	Southeast, Midwest, Northeast	300+ million
Tropical Storm	Imelda	2019	Plains, Southeast	25+ million
Tropical Storm	Nestor	2019	Southeast	25+ million
Hurricane	Lorenzo	2019	Louisiana, Mississippi, Texas and Arkansas	25+ million
Wildfire	Saddleridge Wildfire	10/10/19-10/23/19	Sylmar, Los Angeles, Calimesa, Riverside County, California	<1,000 million
Wildfire	Kincade Wildfire	10/23/19-11/6/19	Northeast of Geyserville, Sonoma County, California	<1,000 million
Tropical Storm	Cristobal	2020	Southeast, Plains, Midwest	150 million
Tropical Storm	Fay	2020	Southeast, Northeast	400 million
Hurricane	Hanna	2020	Texas	350 million
Hurricane	Isaias	2020	Southeast, Mid-Atlantic, Northeast	> 3 billion
Hurricane	Laura	2020	Plains, Southeast, Mid-Atlantic	> 4 billion
Hurricane	Sally	2020	Southeast (Alabama, Mississippi, Louisiana)	> 1 billion
Tropical Storm	Beta	2020	Plains, Southeast	25+ million
Hurricane	Delta	2020	Gulf Coast of United States, Southeast, Northeast (AL, GA, NC, SC, MS, LA, TX)	> 2 billion
Hurricane	Zeta	2020	Gulf coast of the United States, Southeastern United States, Mid-Atlantic	> 1.5 billion
Wildfire	Cameron Peak	08/13/20-12/02/20	Roosevelt National Forest, Larimer County, Colorado	~71 million
Wildfire	SCU Lighting Complex Wildfire	8/16/20-9/16/20	San Franciscon Bay Area, Central Valleym Santa Clara, Alameda, Contra Costa, San Joaquin, Merced, Stanislaus	<1,000 million
Wildfire	Beachie Creek Wildfire	8/16/20-10/10/20	Approx. 2 miles south of Jaw Bones flats in rugged terrain deep in the Opal Creek Wilderness.	>1,000 million
Wilfire	CZU Lightning Complex Wildfire	8/16/20-9/22/20	San Mateo and Santa Cruz Counties, California	>1,000 million

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

Wildfire	LNU Lightning Complex WildFire	8/17/20-10/2/20	Lake, Napa, Sonoma, Solano, and Yolo Counties, California	> 1,000 million
Wildfire	Carmel Fire	8/18/20-9/4/20	Carmel Valley, California	<1,000 milion
Wildfire	North Complex Fire	8/18/20-10/12/20	Plumas and Butte Counties, California	<1,000 milion
Wildfire	Creek Fire	9/4/20-10/12/20	Fresno and Madera Counties, California	<1,000 milion
Wildfire	Bobcat Fire	9/6/20-10/23/20	Central San Gabriel Mountains, in and around the Angeles National Forest California	< 1,000 million
Wildfire	Babb Road Fire	9/7/20-9/18/20	Malden and Pine City, Palouse County of Eastern Washington	<1,000 million
Wildfire	Almeda Fire	9/7/20-9/16/20	Jackson County, Oregon	<1,000 milion
Wildfire	Holiday Farm Fire	9/7/20-10/3/20	Willamette National Forest	<1,000 milion
Wildfire	Echo Mountain Complex Fire	9/7/20-9/23/20	north of Lincoln City, Oregon	<100 milion
Wildfire	Riverside FIre	9/8/20-10/3/20	Valley Drive between Misty Ridge Drive and Mitchell Avenue, Oregon	<100 milion
Wildfire	Slater Fire	9/8/20-10-9/20	Northern California and Southern Oregon	<100 million
Wildfire	Glass Fire	9/27/20-10/19/20	Napa and Sonoma Counties, California	> 1,000 million
Wildfire	East Troublesome Fire	10/14/20-11/9/20	Grand County, Colorado	~543 million
Tropical Storm	Claudette	2021	Gulf Coast of the United States, Georgia, Carolinas	> 350 million
Hurricane	Elsa	2021	East Coast of the United States	1.2 billion
Tropical Storm	Fred	2021	Eastern United States (particularly Florida and North Carolina)	1.3 billion
Hurricane	Henri	2021	Northeastern United States	550 million
Hurricane	Ida	2021	Gulf Coast of the United States (especially Louisana), East Coast of the United States (especially the Northeastern United States)	44 billion
Tropical Storm	Nicholas	2021	LA, TX	>1.1b
Tropical Storm	Wanda	2021	Southern United States, Mid-Atlantic United States, Northeastern United States	>200 million
Wildfire	Bootleg Wildfire	7/17/21-8/6/21	Northwest of Beatty, Oregon	<1,000 million
Wildfire	Dixie Wildfire	7/14/21-10/5/21	Butte, Plumas, Tehama, Lassen and Shasta Counties, California	>1,000 million
Wildfire	Caldor Fire	8/14/21-10/5/21	El Dorado National Forest and other areas of the Sierra Nevada in El Dorado, Amador, and Alpine County, Calfornia	<1,000 million
Wildfire	Corkscrew Fire	8/15/21-8/30/21	Ford, WA; Tum Tum, Springdale, City of Deer Park, Loon Lake, Clayton, H395, Scoop Mt	<100 million
Wilfire	Marshall Fire	12/30/21-1/1/22	Boulder County, Colorado	~ 2 billion
Wildfire	Calf Canyon/Hermits Peak Fire	4/6/22-8/22/22	San Miguel County, Mora County, Taos County	> 25 million
Wildfire	McKinney Fire	7/29/22-9/7/222	Siskiyou County, Northern California	> 25 million
Wildfire	Cedar Creek Fire	8/1/22-present	Central Oregon	> 25 million
Wildfire	Mosquito Fire	9/6/22- present	Northern California, Placer County, El Dorado County	> 25 million
Hurricane	Hurricane Fiona	9/18/22-9/20/22	PR	>3 billion
Hurricane	Ian	9/23/22-10/2/22	Florida and the Carolinas, FL, GA, NC, SC, VA	>110 billion
Hurricane	Hurricane Nicole	11/9/22-11/11/22	FL, GA, SC	>1 billion

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Year	Event Type	Begin	End	Event	Country	Affected Area (Detail)	Munich Re NatCATService Insured losses (in original values, US$m) Criteria: insured losses equal/greater US$ 25m. Tries to reflect non-US losses only	Swiss Re Sigma: Insured Loss Est. US$m (mid point shown if range given) Mostly reflect total US and nonUS losses combined.	
2013	Tropical Cyclone	08/11/2013	12/11/2013	Typhoon Haiyan		Phillippines, Vietnam, China	700	N/A	
2013	Wildfire	11/01/12	04/01/13	Tasmanian Bushfires	Australia	Central Higlands, East coast (Bicheno), Forestier and Tasman Peninsulas, Tasmania, Australia			~$44m
2013	Wildfire	10/17/13	10/31/13	New South Wales Bushfires	Australia	New South Wales			~$138m
2014	Earthquake	07/07/2014		Earthquake	Mexico, Guatemala		N/A	N/A	25+milion
2014	Earthquake	04/01/14		Earthquake	Chile		N/A	N/A	100+milion
2014	Earthquake	12/02/2014		Earthquake	China		N/A	N/A	350+milion
2014	Earthquake	05/04/2014		Earthquake	China		N/A	N/A	80+milion
2014	Earthquake	05/05/2014		Earthquake	Thailand		N/A	N/A	62+milion
2014	Earthquake	05/24/14		Earthquake	China		N/A	N/A	60+milion
2014	Tropical Storm	06/14/14	06/16/14	TS Hagibis	China		N/A	N/A	131+milion
2014	Super Typhoon	07/08/14	07/11/14	STY Neoguri	Japan		N/A	N/A	100+milion
2014	Super Typhoon	07/15/14	07/20/14	STY Rammasun		Philippines, China, Vietnam	N/A	N/A	570+milion
2014	Typhoon	07/22/14	07/24/14	TY Matmo		Taiwan, China, Philippines	N/A	N/A	570+milion
2014	Cyclone	01/10/14	01/12/14	CY Ian	Tonga		N/A	N/A	48+milion
2014	Cyclone	04/10/14	04/14/14	CY Ita	Australia		N/A	N/A	1+billion
2014	Wildfire	Summer 2014		Northwest Territories Fire	Canada	Northwest Territories, Canada			~$3.6b
2015	Hurricane	08/16/92	08/28/92	Hurrican Andrew	Bahamas	Bahamas			> 25 million
2015	Hurricane	10/20/15	10/24/15	Hurricane Patricia		Central America, Mexico	N/A	N/A	> 25 million
2015	Typhoon	06/26/15	07/13/15	Typhoon Chan-hom (Falcon)		Guam, Northern Mariana Islands, Philippines, Japan, Taiwan, Chian, Korea, Russian Far East	N/A	N/A	> 25 million
2015	Severe Tropical Storm	07/01/15	07/10/15	Severe Tropical Storm Linfa (Egay)		Philippines, Taiwan, China	N/A	N/A	> 25 million
2015	Typhoon	07/02/15	07/18/15	Typhoon Nangka		Marshall Islands, Mariana Islands and Japan	N/A	N/A	> 25 million
2015	Typhoon	07/29/15	08/12/15	Typhoon Soudelor (Hanna)		Mariana Islands, Japan, Philippines, Taiwan, Eastern China and South Korea	N/A	N/A	> 25 million
2015	Typhoon	08/13/15	08/30/15	Typhoon Goni (Ineng)		Mariana Islands, Japan, Philippines, Taiwan, China, Russia and Korea	N/A	N/A	> 25 million
2015	Severe Tropical Storm	09/06/15	09/11/15	Severe Tropical Storm Etau		Japan, Russian Far East	N/A	N/A	> 25 million
2015	Typhoon	09/19/15	09/30/15	Typhoon Dujuan (Jenny)		Ryukyu Islands, Taiwan, East China	N/A	N/A	> 25 million
2015	Typhoon	09/30/15	10/05/15	Typhoon Mujigae (Kabayan)		Philippines, Vietnam and China	N/A	N/A	> 25 million
2015	Typhoon	10/12/15	10/21/15	Typhoon Koppu (Lando)		Northern Mariana Islands, Philippines, Taiwan, Ryukyu Islands	N/A	N/A	> 25 million
2015	Typhoon	12/03/15	12/08/15	Storm Desmond		Ireland, Isle of Man, United Kingdom, Iceland, Norway and Sweden	N/A	N/A	> 25 million
2015	Hurricane	09/28/15	10/15/15	Hurricane Joaquin		Caribbean Islands, Portugal	N/A	N/A	> 25 million
2015	Earthquake	04/27/15		Earthquake	Nepal		N/A	N/A	> 25 million
2015	Earthquake	09/22/15		Earthquake	Chile		N/A	N/A	> 25 million
2015	Wildfire	11/25/15	12/02/15	Pinery Bushfire	Australia	Lower Mid North, Light River, West Barossa, South Australia, Australia			$75m
2015	Wildfire	12/25/15		Wye River, Separation Creek bushfires,	Australia	Great Ocean Road region of Victoria, Australia			~$110m

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2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Tropical Cyclone	02/16/16	02/22/16	TC Winston		South Pacific Islands	N/A	N/A	> 25 million
2016	Earthquake	02/06/16		Earthquake	Taiwan	Asia	N/A	N/A	> 25 million
2016	Earthquake	01/03/16		Kaohsiung EQ	India, Bangladesh, Myanmar	Asia	N/A	N/A	> 25 million
2016	Earthquake	02/14/16		Christchurch EQ	New Zealand	Oceania	N/A	N/A	> 25 million
2016	Earthquake	04/14/16	04/16/16	Kumamoto EQs	Japan	Asia	N/A	N/A	> 25 million
2016	Earthquake	04/16/16		Ecuador EQ	Ecuador	South America	N/A	N/A	> 25 million
2016	Tropical Cyclone	05/14/16	05/23/16	CY Roanu	Sri Lanka, india, Bangladesh, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	08/24/16		Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/14/16	09/16/16	STY Meranti	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/08/16	07/12/16	STY Nepartak	China, Taiwan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/26/16	09/29/16	TY Megi	Taiwan, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	09/10/16		Kagera EQ	Tanzania, Uganda	Africa	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/29/16	09/01/16	TY Lionrock	China, Japan, South Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/19/16	09/22/16	TY Malakas	Japan, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/18/16	08/20/16	TS Dianmu	China, Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/31/16	08/03/16	TY Nidia	China, Phillippines Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/02/16	08/10/16	HU Earl	Belize, Mexico, Carribbean Islands	Caribbean Islands, Mexico and Central America	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/22/16	08/23/16	TS Mindulle	Japan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/06/16	09/08/16	HU Newton	Mexico	North America (non-U.S.)	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/04/16	10/07/16	STY Chaba	Japan, Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/16/16	10/22/16	STY Haima	Phillipines, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/14/16	10/20/16	TY Sarika	Phillipines, China, Vietanm	Asia	N/A	N/A	> 25 million
2016	Earthquake	10/26/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/27/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/21/16		Tottori	Japan	Asia	N/A	N/A	> 25 million
2016	Hurricane	09/28/16	10/10/16	Hurricane Matthew		Carribbean Islands and Eastern Canada	N/A	N/A	> 25 million
2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Wildfire	01/06/16		Waroona-Yarloop Bushfire	Western Australia				~$71.25m
2016	Wildfire	05/01/16	05/26/16	Canada Wildfire	Canada	Fort McMurray			$3.52b
2016	Wildfire	11/22/16	11/27/16	November 2016 Israel Fires	Israel	Various regions in Israel, mainly in Haifa, Judaean Mountains and the Sharon Plain			>$25m
2017	Earthquake	01/18/17		Earthquake	Italy	Europe	N/A	N/A	> 25 million
2017	Earthquake	01/28/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Earthquake	02/10/17		Earthquake	Philippines	Asia	N/A	N/A	> 25 million
2017	Earthquake	03/27/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Cyclone	03/28/17	04/05/17	CY Debbie	Australia	Queensland, New South Wales, New Zealand	N/A	N/A	> 25 million
2017	Earthquake	05/11/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	07/29/17	07/31/17	TY Nesat & TS Haitang	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/07/17	08/09/17	Typhoon Noru	Japan	Asia	N/A	N/A	> 25 million
2017	Earthquake	08/08/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/23/17	08/24/17	TY Hato	China	Macau, Hong Kong	N/A	N/A	> 25 million
2017	Typhoon	08/25/17	08/28/17	TY Pakhar	China	Asia	N/A	N/A	> 25 million
2017	Hurricane	08/25/17	09/02/17	Hurricane Harvey		Caribbean Islands and Central America	N/A	N/A	> 25 million
2017	Hurricane	08/30/17	09/16/17	Hurricane Irma		Caribbean Islands and Cape Verde	N/A	N/A	> 25 million
2017	Hurricane	09/05/17	09/26/17	Hurricane Jose		Caribbean Islands and Eastern Canada	N/A	N/A	> 25 million
2017	Hurricane	09/16/17	10/03/17	Hurricane Maria		Caribbean Islands, UK, Francs and Spain	N/A	N/A	> 25 million
2017	Earthquake	09/07/17		Earthquake		Mexico, Guatemala	N/A	N/A	> 25 million
2017	Earthquake	09/19/17		Earthquake	Mexico	Mexico City	>200	N/A	> 25 million
2017	Hurricane	10/04/17		Hurricane Nate		Central America, Cayman Islands, Cuba Yucatan Peninsula	N/A	N/A	> 25 million

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2017	Wildfire	06/06/17		Knysna Fires	South Africa	Knysna region of the Western Cape			~$146m
2017	Wildfire	07/01/17	08/01/17	British Columnbia Wildfires	Canada	British Columbia			>$78m
2017	Wildfire	10/15/17	10/16/17	Iberian Wildfires	Portugal	Northern Portugal and Northwestern Spain			~$210m
2018	Earthquake	02/06/18		Earthquake	Taiwan				> 25 million
2018	Earthquake	02/16/18		Earthquake	Mexico				> 25 million
2018	Cyclone	02/09/18	02/20/18	CY Gita	Tonga, Fiji, Samoa, New Zealand				> 25 million
2018	Earthquake	02/26/18		Earthquake	Papua New Guinea				> 25 million
2018	Earthquake	03/05/18		Earthquake	Papua New Guinea				> 25 million
2018	Cyclone	03/17/18		CY Marcus					> 25 million
2018	Tropical Storm	05/23/18	05/27/18	Tropical Storm Mekunu	Yamen, Oman , Saudi Arabia				> 25 million
2018	Tropical Storm	06/02/18	06/07/18	Tropical Storm Ewiniar	Vietnam, China, Taiwan, Philippines and Ryukyu Islands	Guangdong Province, Jiangxi, Fujian, Zhejiang Provinces, and Hainan Island.			> 25 million
2018	Earthquake	06/18/18		Earthquake	Japan				> 25 million
2018	Super Typhoon	07/10/18	07/12/18	STY Maria	China, Taiwan, Guam and Japan	Fujian province, Yantze River Basin, Japan's Ryukyu Islands			> 25 million
2018	Tropical Storm	07/17/18	07/24/18	TS Sonh-Tinh	Vietnam, China, Loas	Japan, Russian Far East			> 25 million
2018	Tropical Storm	07/22/18	07/25/15	TS Ampil	China	Jiangsu, Zhejiang, Shandong, and Hebei			> 25 million
2018	Typhoon	07/27/18	08/03/18	TY Jongdari	Japan, China				> 25 million
2018	Earthquake	08/05/15	08/09/18	Earthquake	Indonesia				> 25 million
2018	Tropical Storm	08/09/18	08/15/18	TS Yagi	Philippines, China	Zhejiang, Anhui, Jiangsu and Shandong Provinces.			> 25 million
2018	Tropical Storm	08/13/18	08/19/18	TS Bebinca	China	Hong Kong, Guangdong and Hainan			> 25 million
2018	Typhoon	08/16/18	08/18/18	TY Rumbia	China	Shanghai, Jiangsu, Zhehiang, Anhui, Shandong and Henan			> 25 million
2018	Typhoon	08/23/18	08/25/18	TY Soulik	Japan, South Korea, China and Russia	Haenam County, South Jeolla Province			> 25 million
2018	Typhoon	09/04/18	09/05/18	RY Jebi	Japan, Mariana Islands, Taiwan, Japan, Russian Far East and Artic				> 25 million
2018	Earthquake	09/06/18		Earthquake	Japan	Hokkaido			> 25 million
2018	Super Typhoon	09/15/18	0918/18	STY Mangkhut	N. Mariana Islands, Philippines, China and Hong Kong				> 25 million
2018	Hurricane	Leslie	09/23/18	Hurricane Leslie	Azores, Bermuda, Europe	Azores, Bermuda, Madeira, Iberian Peninsula, France			> 25 million
2018	Hurricane	10/07/18	10/16/18	Hurricane Michael	Central American, Yucatan Peninsula, Cayman Islands, Cuba, Atlantic, Canad				> 25 million
2018	Wildfire	May-18	Aug-18	Sweden Wildfires	Sweden	ranging from north of Arctic Circle to the sourthern County of Scania.			>$87m
2018	Wildfire	Jul-18		Greece Wildfires	Greece	Attica, Greece			~38.1m
2019	Cyclone	05/03/19	05/05/19	Cyclone Fani	India, Bangladesh				>500 million
2019	Earthquake	06/17/19		Earthquake	China				> 25 million
2019	Tropical Storm	08/01/19	08/08/19	Tropical Storm Wipha	China, Vietnam				> 25 million
2019	Typhoon	08/09/19	08/11/19	Typhoon Lekima	China				> 855 million
2019	Typhoon	08/15/19	08/16/19	Typhoon Krosa	Japan				>25 million
2019	Hurricane	08/31/19	09/07/19	Hurricane Dorian	Caribbean, Bahamas, Canada				>1 billion
2019	Typhoon	09/05/19	09/08/19	Typhoon Lingling	Japan, China, Korea				>5.78 billion
2019	Typhoon	09/08/19	09/09/19	Typhoon Faxai	Japan				> 7 billion
2019	Hurricane	09/19/19	09/22/19	Hurricane Humberto	Bermuda				>25+ million
2019	Hurricane	09/17/19	09/26/19	Hurricane Lorenzo	Portugal				>25+ million
2019	Earthquake	11/26/19		Earthquake	Albania				>25+ million
2019	Cyclone	11/08/19	11/11/19	Cyclone Matmo (Bulbul)	India, Bangladesh				>25+ million
2019	Typhoon	10/01/19	10/02/19	Typhoon Hagibis	Japan				> 7 billion
2019	Earthquake	12/18/19		Earthquake	Philippines				>25+ million
2019	Wildfire	Sep-19	Mar-20	Australian Bushfires	New South Wales, Queensland, Victoria, South Australia, Western Australia, Tasmania and Northern Territory				~910 million
2020	Earthquake	03/22/20		Earthquake	Croatia				>25+ million
2020	Cyclone	04/01/20	04/11/20	Cyclone Harold	Solomon Islands, Canuatu, Fiji, Tonga				> 25+ million

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2020	Tropical Storm	05/31/20		Tropical Storm Amanda	El Salvador, Guatemala, Honduras				> 25+ million
2020	Tropical Storm	06/01/20	06/05/20	Tropical Storm Cristobal	Mexico, Guatemala, El Salvador				150 million
2020	Hurricane	07/25/20	07/27/20	Hurricane Hanna	Mexico				350 million
2020	Hurricane	07/28/20	08/01/20	Hurricane Isaias	Caribbean, Canada				> 3 billion
2020	Hurricane	08/22/20	08/25/20	Hurricane Laura	Caribbean				> 4 billion
2020	Typhoon	05/15/20	05/22/20	Typhoon Amphan	India, Bangladesh, Sri Lanka				15 billion
2020	Tropical Storm	06/03/20	06/04/20	Tropical Storm Nisarga	India				> 25+ million
2020	Typhoon	08/03/20	08/04/20	Typhoon Hagupit	China, Taiwan				> 100+ million
2020	Hurricane	10/05/20	10/12/20	Hurricane Delta	Jamaica, Nicaragua, Cayman Island, Yucatan Peninsula				> 2 billion
2020	Hurricane	10/24/20	10/30/20	Hurricane Zeta	Cayman Islands, Jamaica, Central America, Yucatan Peninsula, Ireland, United Kingdom				> 1.5 billion
2020	Cyclone	04/01/20	04/11/20	Cyclone Harold	Solomon Islands, Canuatu, Fiji, Tonga				> 25+ million
2020	Hurricane	10/31/20	11/14/20	Hurricane Eta	Colombia, Jamaica, Central America, Cayman Islands, Cuba, The Bahamas				> 7.9 billion
2020	Hurricane	11/14/20	11/19/20	Hurricane Iota	ABC Islands, Colombia, Jamaica, Central America				> 1.4 billion
2020	Typhoon	11/22/20	11/23/20	Typhoon Goni	Philippines, Vietnam, Cambodia, Laos				> 400+ million
2020	Typhoon	11/08/20	11/15/20	Typhoon Vamco	Philippines, Vietnam, Laos, Thailand				> 400+ million
2020	Wildfire	10/04/20		Lake Ohau Fire	New Zealand	Northwest of Lake Ohau Village			~$25m
2020	Wildfire	02/05/21		Perth Hills Wildfire	Australia	Shire of Mundaring, Shire of Chittering, Shire of Northam City of Swan			~$63m
2021	Earthquake	01/14/21	01/14/21	West Sulawesi	Indonesia				> 58.1 million
2021	Earthquake	02/13/21	02/13/21	Fukushima Prefecture Offshore	Japan				1.3 billion
2021	Tropical Cyclone	05/17/21		Toropical Cyclone Tautae	India				> 25+ million
2021	Tropical Storm	06/19/21	06/23/21	Trophical Storm Claudette	Oaxaca, Veracruz, Atlantic Canada				> 25+ million
2021	Earthquake	06/21/21	06/21/21	China	Yunnan Dali				> 25+ million
2021	Earthquake	06/21/21	06/21/21	China	Southern Qinghai				> 25+ million
2021	Hurricane	07/01/21	07/14/21	Elsa	Lesser Antilles, Greater Antilles, Venezuela, Colombia, Atlantic Canada, Greenland, Iceland				50 million
2021	Typhoon	07/16/21	07/31/21	In-fa (Fabian)	Philippines, Ryukyu Islands, Taiwan, China, North Korea				> 25+ million
2021	Trophical Storm	08/11/21	08/20/21	Fred	Lesser Antilles, Greater Antilles, Southern Quebec, The Maritimes				25 million
2021	Hurricane	08/13/21	08/21/21	Grace	Lesser Antilles, Greater Antilles, Yucatan Peninsula, Central Mexico				513 million
2021	Earthquake	08/14/21	08/14/21		Haiti				1 billion
2021	Hurricane	08/26/21	09/04/21	Ida	Venezuela, Colombia, Jamaica, Cayman Islands, Cuba, Atlantic Canada				> 250 million
2021	Earthquake	09/07/21	09/07/21	Guerrero	Mexico				200 million
2021	Earthquake	09/16/21			China				> 25+ million
2021	Hurricane	09/12/21	09/18/21	Nicholas	Yucatan Peninsula, Tamaulipas				1.1 billion
2021	Hurricane	09/10/21	09/11/21	Larry	Canada				80 million
2021	Cyclone	10/02/21	10/04/21	Cyclone Shaheen	Oman, Iran, India, Pakistan, United Arab Emirates, Saudi Arabia, Yemen				> 25+ million
2021	Earthquake	10/07/21	10/07/21		Japan				> 25+ million
2021	Tropical Storm	10/10/21	10/14/21	Tropical Storm Kompasu	Philippines, Hong Kong, China				245 million
2021	Earthquake	10/16/21	10/16/21		Indonesia				> 25+ million
2021	Tropical Cyclone	10/24/21	11/02/21	Apollo	Italy, Malta, Tunisia, Algeria, Libya, Turkey				> 25+ million
2021	Tropical Storm	10/31/21	11/07/21	Wanda	Atlantic Canada, Bermuda, Azores				> 25+ million
2021	Earthquake	11/14/21	11/14/21		Iran				> 25+ million
2021	Tropical Cyclone	12/14/21	12/18/21	Rai (Odette)	Caroline Islands, Palau, Philippines				> 25+ million
2022	Wildfire	01/15/22	02/28/22	Corrientes	Corrientes Province, Argentina				> 25+ million
2022	Earthquake	03/16/22		Fukushima Earthquake	Japan				2.8 billion
2022	Tropical Storm	04/08/22	04/12/22	Megi	Philippines				>25+ million

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2022	Typhoon	08/28/22	09/07/22	Hinnamnor	Japan, Taiwan, Philippines, South Korea, Russian, Far East				>25+ million
2022	Earthquake	09/05/22		Luding Earthquake	Luding County in Sichuan province				>25+ million
2022	Hurricane	09/14/22	09/28/22	Fiona	Leeward Islands, Puerto Rico, Dominican Republic, Lucayan Archipelago, Bermuda, Eastern Canada, Saint Pierre and Miquelon, Greenland				660 million
2022	Hurricane	09/23/22	10/02/22	Ian	Trinidad and Tobago, Venezuela, Colombia, ABC Islands, Jamaica, Cayman Islands, Cuba				> 110 billion
2022	Hurricane	10/07/22	10/10/22	Julia	Trinidad and Tobago, Venezuela, ABC islands, Colombia, Nicaragua, El Salvador, Honduras, Guatemala, Panama, Mexico				>400 million

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Draft: 3/28/23

Health Risk-Based Capital (E) Working Group
Louisville, Kentucky
March 21, 2023

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in Louisville, KY, March 21, 2023. The following Working Group members participated: Steve Drutz, Chair, and David Hippen (WA); Matthew Richard, Vice Chair, Aaron Hodges, Allison Eberhart, Caroline Choi, R. Michael Markham, and Vicki Wang (TX); Wanchin Chou, Jennifer Dowty, and Philip Barrett (CT); Carolyn Morgan, Kyle Collins, Leean Chojnowski, and Margaret McCrary (FL); Tish Becker (KS); Danielle Smith (MO); Michael Muldoon (NE); Tom Dudek, Gail Ross, Richard Ramos, Shing Yuen, and Sylvia Lawson (NY); and Lorraine Badarzynski (PA). Also participating were: David Wolf (NJ); Tom Botsko (OH); and Andrew Schallhorn (OK).

1. Adopted is Feb. 7 Minutes

The Working Group met Feb. 7 and took the following action: 1) adopted its 2022 Fall National Meeting minutes; 2) adopted proposal 2022-14-H (Trend Test Instructions); 3) referred the Runoff Company Response letter to the Capital Adequacy (E) Task Force; 4) exposed proposal 2022-16-CA (Underwriting Risk – Experience Fluctuation Risk – Investment Income Adjustment); and 5) received an update from the American Academy of Actuaries (Academy) on the H2 – Underwriting Risk review.

Muldoon made a motion, seconded by Chou, to adopt the Working Group's Feb. 7 minutes (Attachment Two-A). The motion passed unanimously.

2. Adopted Proposal 2022-15-H

Drutz said the purpose of proposal 2022-15-H (XR008 Renumbering) is to renumber all the lines on page XR008. The line numbers on page XR008 currently carry over from the bond page (XR007). Drutz said renumbering the lines will allow for easier updates in the future. The proposal was exposed for a 30-day public comment period that ended Feb. 28, and no comments were received.

Chou made a motion, seconded by Muldoon, to adopt proposal 2022-15-H. The motion passed unanimously.

3. Referred Proposal 2022-16-CA

Drutz said the purpose of proposal 2022-16-CA is to update the underwriting risk factors for the annual investment income adjustment to the comprehensive medical, Medicare supplement, and dental and vision factors. The proposal was originally exposed for a 30-day public comment period that ended March 9, and no comments were received. Drutz said this proposal affects all three lines of business, and it will need to be referred to the Capital Adequacy (E) Task Force for exposure. He said the $0–3 million tier factors will decrease by 4–6%, and Medicare supplement will decrease by approximately 9% in the $3–25 million tier. He said overall, the changes will result in a decrease of 4–9% for comprehensive medical, Medicare supplement, and dental and vision.

Hearing no objections, the Working Group referred proposal 2022-16-CA to the Capital Adequacy (E) Task Force for exposure during its late April call.

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4. Adopted its 2023 Working Agenda

Drutz said the 2023 working agenda was updated for the following editorial changes: 1) Line X1 was updated to remove the reference to the 0.5% factor adjustment and add the related proposal to the Comments column; 2) the expected completion date column was updated for Lines X4, X6, X7, X8, and X9; 3) Line X5 was updated to remove the reference to "review possible annual statement changes for reporting health business in the Life and P/C blanks"; and 4) Line X10 was moved from the New Items section to the Carryover Items Currently being Addressed section.

Becker made a motion, seconded by Chou, to adopt the Working Group's 2023 working agenda. The motion passed unanimously.

5. Exposed Proposal 2023-01-CA

Drutz said NAIC staff received several questions during the year-end reporting period related to the reporting of stop loss premiums and the stop loss electronic-only interrogatories. He said the purpose of proposal 2023-01-CA (Stop Loss Instructions) is to clarify the instructions for stop loss business in the risk-based capital (RBC) formulas; i.e., health, life, and property/casualty (P/C). The health RBC instructions were clarified for: 1) Other Health Coverages reported in Column 5 on page XR013; 2) reporting stop loss premiums on a net basis on Line 25 on page XR015; and 3) calendar year reporting on the stop loss electronic Table 1 if the contract year does not follow a calendar year. Drutz said this proposal will affect all three lines of business, and he suggested first exposing it at the Working Group level and then referring it to the Capital Adequacy (E) Task Force for exposure during its late April call for all lines of business.

Hearing no objections, the Working Group exposed proposal 2023-01-CA (Attachment Two-B) for a 20-day public comment period ending April 10.

6. Discussed Stop Loss Data and Factors

Drutz said the stop loss factors were updated in 2017 based on 1998–2008 data, and a tiered risk factor was applied to stop loss premium. The electronic-only stop loss tables proposal was adopted in 2018 and added three tables for stop loss data to each of the RBC formulas. The purpose of these interrogatories was to collect this information for six years and then re-evaluate the stop loss factors with more current data that would reflect the implementation of the federal Affordable Care Act (ACA). Drutz said the 2022 year-end filing period marks year five of the data collection. He said the Working Group has reached out to the Academy to begin discussions on the review and analysis process for evaluating the stop loss data.

Drutz said stop loss business has evolved quite a bit in just the last five years, and he noted that stop loss is not broken out by type in the annual statement, whereas RBC breaks it out by type in the RBC electronic-only tables. He said the Working Group will continue to work with the Academy on this project.

7. Received an Update on the Health Test Ad Hoc Group and Health Test Language

Drutz said the Health Test Ad Hoc Group is reaching a completion point on its work on the health test language and instructions. He said the Ad Hoc Group last met March 8 to review the final draft of the proposed changes, which includes revisions to the General Interrogatories, Part 2, Health Test Premium and Reserve Ratio calculations for life, property, and health. (Attachment Two-C) He said the changes clarify and create greater

transparency in the calculation of both the numerator and the denominator in both the premium and reserve calculation. For both the premium and reserve ratios, the numerator and the denominator were calculated using separate schedules. These changes align the denominator to pull from the same schedules as the numerator when possible. For example, the denominator of the reserve ratio for the life general interrogatories is calculated using the Liabilities page, but the numerator utilizes Exhibits 6 and 8. He said the proposed change creates greater transparency by utilizing Exhibits 5, 6, and 8 to now calculate the denominator.

Drutz said the Ad Hoc Group found that the current calculation of the life reserve ratio utilizes both gross and net amounts, creating inconsistencies in the calculation. He said the Ad Hoc Group performed a thorough analysis and comparison to refine the calculation to be on an all-net or all-gross basis. He said the Ad Hoc Group concluded that the net basis is the best way to move forward, thus allowing the premium and reserve ratio to be calculated on a net basis.

Drutz said the Ad Hoc Group also discussed whether the 95% ratio should be lowered, but it determined that there should be no change at this time due to extensive changes to the life and property annual statement filings for capturing health data. The Ad Hoc Group concluded that all health data and proposed health test changes should be fully implemented and then the ratios re-evaluated in a few years.

Drutz said the Ad Hoc Group will meet again April 12, and it plans to complete its final review of the proposal and consider asking the Working Group to expose it, with the intent to also include the Life Risk-Based Capital (E) Working Group and Property and Casualty Risk-Based Capital (E) Working Group in that exposure.

8. Discussed the Effect of the COVID-19 Pandemic and Pandemic Risk on the Health RBC Formula

Drutz said the the working agenda item on the effect of the COVID-19 pandemic and the pandemic risk was added to the health RBC formula in 2020 at the height of the pandemic. He said the Working Group has touched on it briefly over the course of the last few years; however, it has not discussed it in detail due to the limited information available.

Drutz said the Working Group was previously tasked with looking at catastrophic risks, such as pandemic and biological risks, back in 2011. He said at that time, the Working Group added interrogatory questions for informational purposes only. The interrogatories were included in the formula for several years; however, the Working Group found that only a handful of companies indicated that they allocated a component of surplus for pandemic and biological risks; therefore, the interrogatories were removed. Drutz suggested that the Working Group begin discussing how to address pandemic risk in the health RBC formula.

9. Discussed Other Matters

Drutz said the Academy continues to work on the H2 – Underwriting Risk review. Botsko asked if there is a timeframe for its completion. Crystal Brown (NAIC) said it will likely be at least 2024.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/

Draft: 2/14/23

Health Risk-Based Capital (E) Working Group
Virtual Meeting
February 7, 2023

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Feb. 7, 2023. The following Working Group members participated: Steve Drutz, Chair (WA); Matthew Richard, Vice Chair, and Aaron Hodges (TX); Wanchin Chou and Jack Broccoli (CT); Carolyn Morgan and Benjamin Ben (FL); Tish Becker (KS); Danielle Smith and Debbie Doggett (MO); Michael Muldoon and Margaret Garrison (NE); and Tom Dudek (NY).

1. Adopted is Fall National Meeting Minutes

Muldoon made a motion, seconded by Chou, to adopt the Working Group's Dec. 12 minutes (*see NAIC Proceedings – Fall 2022, Capital Adequacy (E) Task Force, Attachment Three*). The motion passed unanimously.

2. Adopted Proposal 2022-14-H

Drutz said the purpose of proposal 2022-14-H is to remove the sentence, "The calculation is informational-only until state statutes are implemented so that the trend test would trigger a Company Action Level RBC regulatory action per the statute," given that all states have adopted the trend test. The proposal was exposed for a 30-day public comment period that ended on Dec. 7, 2022, and no comments were received.

Muldoon made a motion, seconded by Chou, to adopt proposal 2022-14-H (Trend Test Instructions). The motion passed unanimously.

3. Referred a Runoff Company Response Letter to the Capital Adequacy (E) Task Force

Drutz said the Working Group previously exposed its response letter to the Capital Adequacy (E) Task Force on health companies in runoff. The letter outlined the Working Group's agreement with the recommendations included in Property and Casualty Risk-Based Capital (E) Working Group's response letter, as well as a definition of a health runoff company. The letter was exposed for a 30-day public comment period, and no comments were received.

Muldoon made a motion, seconded by Dudek, to refer the letter to the Capital Adequacy (E) Task Force. The motion passed unanimously.

4. Exposed Proposal 2022-16-CA

Drutz said the investment yield for the six-month U.S. Treasury bond in January 2023 ranged from 4.77% to 4.83% (Attachment Two-A1). Given the increase in the investment yield, the Working Group reached out to the American Academy of Actuaries (Academy) to get updated factors that would reflect an adjustment up to a 6% yield on a 0.5% incremental basis. The health risk-based capital (RBC) instructions round the factors up to the nearest 0.5%.

Drutz said proposal 2022-16-CA reflects the updated factors for comprehensive medical, Medicare Supplement, and dental and vision, and they would apply to all lines of business to reflect the 5% investment adjustment. He said the change from the prior year to this year is interesting, given that the investment yield in 2021 was less than a 0.5 percentage point. Muldoon asked if there is an expected impact on RBC. Drutz said it would probably be about a 5-10% reduction in the underwriting risk charge for the comprehensive line where the charge goes

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from 15% to 14.34% in the higher tier. Ray Nelson (America's Health Insurance Plans—AHIP) said the reduction would be closer to 3-4%. Drutz said ultimately, with a decrease in the underwriting risk charge, and all other components held constant, one would see the RBC ratios improving. The idea is that the higher investment income being earned helps to offset the underwriting charges. Derek Skoog (Academy) said the operative number that is probably worth looking at the most is the adjustment of the 9% factor to 8.38% for comprehensive medical. He said this is where the majority of the premium in the industry lies; therefore, regarding impact, that is probably the most important comparison. He said the base factor is about 9% for the lower tier compared to the 8.38%; therefore, there may be a slightly larger impact on those premiums in the lower tier than in the higher tier.

Hearing no objections, proposal 2022-16-CA (Underwriting Risk Factors – Investment Income Adjustment) was exposed at the Working Group level for a 30-day public comment period ending March 9.

5. Received an Update from the Academy on the H2 – Underwriting Risk Review

Skoog said the Academy is beginning to imagine and mockup how the actual underwriting risk tabs and formula will look and work. He said they are also working to articulate their key questions, as well as the subsequent or related data analysis that would be needed to answer those questions. Some questions identified to date include "to what extent does diversification help or hurt from a risk perspective," "what are the relevant size points," and "where does the risk seem to change based on company size." Skoog said the Academy is continuing to work through the analysis, data, and structure, and he would be able to provide an update to the Working Group at the Spring National Meeting.

6. Discussed Other Matters

Drutz said proposal 2022-15-H (XR008 Renumbering) was exposed for a 30-day public comment period ending Feb. 28.

Drutz said the Working Group is tentatively scheduled to meet at the Spring National Meeting in Louisville, KY, on March 21.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/

Capital Adequacy (E) Task Force

RBC Proposal Form

[x] Capital Adequacy (E) Task Force
[ ] Catastrophe Risk (E) Subgroup
[ ] Variable Annuities Capital. & Reserve (E/A) Subgroup
[ ] Health RBC (E) Working Group
[ ] Investment RBC (E) Working Group
[ ] P/C RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Longevity Risk (A/E) Subgroup
[ ] RBC Investment Risk & Evaluation (E) Working Group

	DATE: 01-30-23	**FOR NAIC USE ONLY**
CONTACT PERSON:	Crystal Brown	Agenda Item # 2022-16-CA
TELEPHONE:	816-783-8146	Year 2023
EMAIL ADDRESS:	cbrown@naic.org	**DISPOSITION**
ON BEHALF OF:	Health Risk-Based Capital (E) Working Grp	[ ] ADOPTED
NAME:	Steve Drutz	[ ] REJECTED
TITLE:	Chief Financial Analyst/Chair	[ ] DEFERRED TO
AFFILIATION:	WA Office of Insurance Commissioner	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	5000 Capitol Blvd SE	[x] EXPOSED 2-7-23
	Tumwater, WA 98501	[ ] OTHER (SPECIFY)

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

[x] Health RBC Blanks [x] Property/Casualty RBC Blanks [x] Life and Fraternal RBC Instructions
[x] Health RBC Instructions [x] Property/Casualty RBC Instructions [x] Life and Fraternal RBC Blanks
[ ] OTHER _____

DESCRIPTION OF CHANGE(S)

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

REASON OR JUSTIFICATION FOR CHANGE **

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

Additional Staff Comments:

2-7-23 cgb Exposed for 30-day comment period ending on March 9.
2-28-23 cgb EDITORIAL CHANGE: An editorial correction was made to the Health portion of the instructions to change the investment income adjustment reference from 0.5% to 5.0%.
3-9-23 cgb No comments received.

**** This section must be completed on all forms.** **Revised 7-2022**

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UNDERWRITING RISK

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) Other Health	(6) Other Non-Health	(7) Total
(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 Medical	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
$0 - $3 Million	~~0.1493~~ 0.1434	~~0.1043~~ 0.0980	~~0.1195~~ 0.1148	0.251	0.130	0.130
$3 - $25 Million	~~0.1493~~ 0.1434	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	0.251	0.130	0.130
Over $25 Million	~~0.0893~~ 0.0838	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	0.151	0.130	0.130

ALTERNATE RISK CHARGE**						
** The Line (18) 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.

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UNDERWRITING RISK

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) Total
(1.1)	Premium – Individual					
(1.2)	Premium – Group					
(1.3)	Premium – Total = Line (1.1) + Line (1.2)					
(2)	Title XVIII-Medicare†		XXX			
(3)	Title XIX-Medicaid†		XXX			
(4)	Other Health Risk Revenue†		XXX			
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)					
(6)	Net Incurred Claims					
(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~~ 0.1434	~~0.1043~~ 0.0980	~~0.1195~~ 0.1148	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	~~0.0893~~ 0.0838	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	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.

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) TOTAL
(1.1)	Premium – Individual	0	0	0	0	0
(1.2)	Premium – Group	0	0	0	0	0
(1.3)	Premium – Total = Line (1.1) + Line (1.2)	0	0	0	0	0
(2)	Title XVIII-Medicare†	0	XXX	XXX	XXX	0
(3)	Title XIX-Medicaid†	0	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	0	0	0	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~~ 0.1434	~~0.1043~~ 0.0980	~~0.1195~~ 0.1148	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	~~0.0893~~ 0.0838	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	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	0	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.

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HEALTH

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

XR013

Detail Eliminated to Conserve Space

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 5.0~~0.5~~%.

	$0 – $3 Million	$3 – $25 Million	Over $25 Million
Comprehensive Medical & Hospital	0.1434~~93~~	0.1434~~93~~	0.0838~~93~~
Medicare Supplement	0.0980~~1043~~	0.0603~~63~~	0.0603~~63~~
Dental & Vision	0.1148~~95~~	0.0711~~55~~	0.0711~~55~~
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, 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 5.0~~0.5~~% adjustment is~~are~~ needed. Any adjustments will be rounded up to the nearest 0.5%.

Detail Eliminated to Conserve Space

LIFE

Underwriting Risk – Experience Fluctuation Risk

LR020

Detail Eliminated to Conserve Space

Line (10) Underwriting Risk Factor
A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue. The factors for Column 1-3 have incorporated investment income.

	$0 - $3 Million	$3 - $25 Million	Over $25 Million
Comprehensive Medical	0.1434~~93~~	0.1434~~93~~	0.0838~~93~~
Medicare Supplement	0.0980~~1043~~	0.0603~~63~~	0.0603~~63~~
Dental	0.1148~~95~~	0.0711~~55~~	0.0711~~55~~
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151

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Detail Eliminated to Conserve Space

PROPERTY/CASUALTY

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

Detail Eliminated to Conserve Space

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

	$0 - $3 Million	$3-$25 Million	Over $25 Million
Comprehensive Medical	0.143~~493~~	0.143~~493~~	0.0838~~93~~
Medicare Supplement	0.0980~~1043~~	0.0603~~33~~	0.0603~~63~~
Dental & Vision	0.1148~~95~~	0.0711~~55~~	0.0711~~55~~
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151

Detail Eliminated to Conserve Space

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Capital Adequacy (E) Task Force

RBC Proposal Form

[x] Capital Adequacy (E) Task Force
[ ] Catastrophe Risk (E) Subgroup
[ ] Variable Annuities Capital. & Reserve (E/A) Subgroup
[ ] Health RBC (E) Working Group
[ ] Investment RBC (E) Working Group
[ ] P/C RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Longevity Risk (A/E) Subgroup
[ ] RBC Investment Risk & Evaluation (E) Working Group

	DATE: 03-03-23	**FOR NAIC USE ONLY**
CONTACT PERSON:	Crystal Brown	Agenda Item # 2022-17-CA
TELEPHONE:	816-783-8146	Year 2023
EMAIL ADDRESS:	cbrown@naic.org	**DISPOSITION**
ON BEHALF OF:	Health Risk-Based Capital (E) Working Grp	[ ] ADOPTED
NAME:	Steve Drutz	[ ] REJECTED
TITLE:	Chief Financial Analyst/Chair	[ ] DEFERRED TO
AFFILIATION:	WA Office of Insurance Commissioner	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	5000 Capitol Blvd SE	[ ] EXPOSED
	Tumwater, WA 98501	[ ] OTHER (SPECIFY)

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

[ ] Health RBC Blanks [ ] Property/Casualty RBC Blanks [ ] Life and Fraternal RBC Instructions
[x] Health RBC Instructions [x] Property/Casualty RBC Instructions [x] Life and Fraternal RBC Blanks
[ ] OTHER _____

DESCRIPTION OF CHANGE(S)

Clarify the instructions for stop loss premiums in the Underwriting Risk – Experience Fluctuation Risk, Other Underwriting Risk and Stop Loss Interrogatories.

REASON OR JUSTIFICATION FOR CHANGE **

Provide clarity on reporting stop loss premiums in the RBC formula.

Additional Staff Comments:

**** This section must be completed on all forms.** **Revised 7-2022**

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Detail Eliminated to Conserve Space

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 medical (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.

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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; (2) Medicare Supplement; (3) Dental/Vision; (4) Stand-Alone Medicare Part D Coverage; (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. 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.

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, that have not been specifically addressed in Columns (1) through (4) listed above and those lines of business addressed separately on page XR015, such as stop loss. Stop loss premiums are addressed separately in Line (25) on page XR015.

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

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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.

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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	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, 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, 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).

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

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

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

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

Examples of the calculation are presented below:

EXAMPLE 1 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$100,000
Reinsurance Coverage	90% of $500,000 in excess of $100,000
Maximum reinsured coverage	$600,000 ($100,000 + $500,000)
Maximum Ret. Risk =	$100,000 deductible
	+ $150,000 ($750,000 – $600,000)
	+ $ 50,000 (10% of ($600,000 – $100,000) coverage layer)
	= $300,000

EXAMPLE 2 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$75,000
Reinsurance Coverage	90% of $1,000,000 in excess of $75,000
Maximum reinsured coverage	$1,075,000 ($75,000 + $1,000,000)
Maximum Ret. Risk =	$ 75,000 deductible
	+ 0 ($750,000 – $1,075,000)
	+ $ 67,500 (10% of ($750,000 –$75,000)) coverage layer)
	= $142,500

Line (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.

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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 Medical, 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 Medical or Other Health Coverages (Page XR013) It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35 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. Stop loss premiums should be reported on a net basis.

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.

STOP LOSS ELECTRONIC ONLY TABLES

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

Electronic Table 1 – Stop Loss Interrogatories

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

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

The categories used in the interrogatories are separated as follows:

Product Type

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

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

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed, e.g., the RBC report filed for 2019 should provide experience information for calendar year 2018 with run-out through December 31, 2019. If the contract year does not follow a calendar year (i.e. 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Treaty 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.
Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses =

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

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

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

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

Total Net Claims – These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.
+
Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

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

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

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

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

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

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

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

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

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

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

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4	$120,000	N/A	50	Include
Calculation:	(200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50) = $150,000			

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

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =

(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

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

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

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

APPENDIX 1 – COMMONLY USED TERMS

The Definitions of Commonly Used Terms are frequently duplicates from the main body of the text. If there are any inconsistencies between the definitions in this section and the definitions in the main body of the instructions, the main body definition should be used.

Stop-Loss Coverage – Coverage for a self-insured group plan, a provider/provider group or non-proportional reinsurance of a medical insurance product. Coverage may apply on a specific basis, an aggregate basis or both. Specific coverage means that the stop-loss carrier's risk begins after a minimum of at least $5,000 of claims for any

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one covered Life has been covered by the group plan, provider/provider group or direct writer. Aggregate coverage means that the stop-loss carrier's risk begins after the group plan, provider/provider group or direct writer has retained at least 90 percent of expected claims, or the economic equivalent.

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HEALTH PREMIUMS and HEALTH CLAIMS RESERVES

LR019, LR023 and LR024

Line (12)

The American Academy of Actuaries submitted a report to the Health Risk-Based Capital Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (32)). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35 percent will be applied to the first $25,000,000 in premium and a factor of 25 percent will be applied to the premium in excess of $25,000,000. Stop loss premiums should be reported on a net basis.

Line (32)

It is anticipated that most health premium will have been included in one of the other lines. In the event that some coverage does not fit into any of these categories, the "Other Health" category continues the RBC factor from the 1998 and prior formula for Other Limited Benefits Anticipating Rate Increases. Stop loss premiums are addressed separately in Line (12).

Stop Loss Electronic Only Tables

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

Electronic Table 1 – Stop Loss Interrogatories

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

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

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.

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

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

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

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

Total Gross Claims + Expenses =

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

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

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

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

Total Net Claims + Expenses =

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	$ 500,000	90	Include	
2	$ 100,000	120%	$ 300,000	60	Include	

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3	$	50,000	140%	$	200,000	40	Exclude	Not in Group Size Band
4	$	120,000	N/A	$	400,000	50	Exclude	Aggregate not purchased by group

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

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

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

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

PR019 - Health Premiums

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

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. Stop loss premiums are addressed separately in Line (9).

Stop Loss Electronic Only Tables

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

Electronic Table 1 – Stop Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end **18**, will reflect the incurred data for calendar year **2017** run-out through December 31, **2018**.

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

The categories used in the interrogatories are separated as follows:

Product Type

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

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

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

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

Total Gross Claims + Expenses =

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

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

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

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

Total Net Claims + Expenses =

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insured	Specific	Aggregate	Expected	Number	Include

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

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

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

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

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 1-26-23	Agenda Item #_____
CONTACT PERSON:	Crystal Brown	Year 2024
TELEPHONE:	816-783-8146	Changes to Existing Reporting [ ]
		New Reporting Requirement [ ]
EMAIL ADDRESS:	cbrown@naic.org	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
ON BEHALF OF:	Health Risk-Based Capital (E) Working Group	No Impact [ ] Modifies Required Disclosure [ ]
NAME:	Steve Drutz	DISPOSITION
TITLE:	Chair	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group
AFFILIATION:	WA Office of Insurance Commissioner	[ ] Received For Public Comment [ ] Adopted Date _____
ADDRESS:		[ ] Rejected Date _____ [ ] Deferred Date _____
		[ ] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

[x] **ANNUAL STATEMENT**
[ ] **QUARTERLY STATEMENT**
[x] **INSTRUCTIONS**
[ ] **BLANK**
[ ] **CROSSCHECKS**

[x] Life, Accident & Health/Fraternal
[x] Property/Casualty
[x] Health
[ ] Separate Accounts
[ ] Protected Cell
[ ] Health (Life Supplement)
[ ] Title
[ ] Other _____

Anticipated Effective Date:_____

IDENTIFICATION OF ITEM(S) TO CHANGE

Revise the Health Test Language and General Interrogatories.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this change is to clarify and create better transparency in the calculation of the premium and reserve ratios in the health test.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:_____

Other Comments:

** **This section must be completed on all forms.** **Revised 7/18/202**

DRAFT

INSTRUCTIONS

For Completing Health Annual Statement Blank

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the health annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

1. **Health Statement Test:**

If a reporting entity completes the health annual statement for the reporting year, the reporting entity must complete the Health Statement Test.

The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

Passing the Test:

A reporting entity is deemed to have passed the Health Statement Test if the values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year and will continue to report on the Health Statement

Failing the Test:

If a reporting entity, licensed as a life, accident and health or property and casualty insurer in its domiciliary state, is required to file the health annual statement for the reporting year and does not pass the Health Statement Test in the reporting year, it will revert to the annual statement form and risk-based capital report associated with the type of license held in its domestic state in the first quarter of the second year following the reporting year. If a reporting entity, licensed as a health insurer in its domiciliary state, is required to file the health annual statement for the reporting year and does not pass the Health Statement Test in the reporting year, it should continue to file the health annual statement.

Variances from following these instructions:

If a reporting entity's domestic regulator requires the reporting entity to complete an annual statement form and risk-based capital report that differs from these instructions, the domestic regulator shall notify the reporting entity in writing by June 1 of the year following the reporting year in which a Health Statement Test is submitted.

DRAFT

INSTRUCTIONS

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the life, accident and health annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

1. **Health Statement Test:**

   If a reporting entity is licensed as a life and health insurer and completes the life, accident and health annual statement for the reporting year, the reporting entity must complete the Health Statement Test. However, a reporting entity that is required to also file the Separate Accounts Statement is not subject to the results of the Health Statement Test, and should continue to complete the life, accident and health/fraternal blank.

   The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

   Passing the Test:

   A reporting entity is deemed to have passed the Health Statement Test if:

   The values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year.

   If a reporting entity is a) licensed as a life and health insurer; b) completes the Life, Accident and Health annual statement for the reporting year; and c) passes the Health Statement Test (as described above), the reporting entity must complete the health statement beginning with the first quarter's statement for the second year following the reporting year in which the reporting entity passes the Health Statement Test and must also file the corresponding risk-based capital report and the life supplements for that year-end.

   Variances from following these instructions:

   If a reporting entity's domestic regulator requires the reporting entity to complete an annual statement form and risk-based capital report that differs from these instructions, the domestic regulator shall notify the reporting entity in writing by June 1 of the year following the reporting year in which a Health Statement Test is submitted.

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INSTRUCTIONS

For Completing Property and Casualty Annual Statement Blank

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the property and casualty annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

1. **Health Statement Test:**

If a reporting entity is licensed as a property and casualty insurer and completes the property and casualty annual statement for the reporting year, the reporting entity must complete the Health Statement Test. However, a reporting entity that is required to also file the Protected Cell Statement is not subject to the results of the Health Statement Test and should continue to complete the property blank.

The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

Passing the Test:

A reporting entity is deemed to have passed the Health Statement Test if:

The values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year.

If a reporting entity is a) licensed as a property and casualty insurer; b) completes the property and casualty annual statement for the reporting year; and c) passes the Health Statement Test (as described above), the reporting entity must complete the health statement beginning with the first quarter's statement for the second year following the reporting year in which the reporting entity passes the Health Statement Test and must also file the corresponding risk-based capital report and the property/casualty supplements for that year-end.

Variances from following these instructions:

If a reporting entity's domestic regulator requires the reporting entity to complete an annual statement form and risk-based capital report that differs from these instructions, the domestic regulator shall notify the reporting entity in writing by June 1 of the year following the reporting year in which a Health Statement Test is submitted.

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PART 2 – HEALTH INTERROGATORIES

2. This General Interrogatory is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

   All reporting entities should file the test.

   Premium and reserve information is obtained from the annual statement sources referenced on the form ~~or from the related risk-based capital report for the corresponding premium descriptions~~ relating to the current and prior reporting periods. The premium and reserve ratios are calculated on the net basis reporting.

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Item	Description	Reporting Year Annual Statement Data	Prior Year Annual Statement Data
2.1	Premium Numerator	Health Premium values listed in the Analysis of Operations by Lines of Business, Line 1 plus Line 2, Column 2 through Column ~~8~~9 plus Line 1 plus Line 2, Column ~~9~~13 in part (excluding credit A&H and dread disease coverage, LTC, Disability Income) of the reporting year's annual statement.	Health Premium values listed in the Analysis of Operations by Line of Business, Line 1 plus Line 2, Column 1 through Column 9 plus Line 1 plus Line 2, Column 13~~9~~ ~~(~~in part (excluding ~~for~~ credit A&H and dread disease coverage, LTC, Disability Income) ~~Column 10~~ of the ~~reporting~~ prior year's annual statement.
2.2	Premium Denominator	Analysis of Operations by Lines of Business~~Net Premium Income (Page 4, Line 2, Column 2)~~ Column 1, Line 1 plus Line 2 of the reporting year's annual statement.	~~Net Premium Income (Page 4, Line 2, Column 2)~~Analysis of Operations by Lines of Business, Column 1, Line 1 plus Line 2 of the prior year's annual statement.
2.3	Premium Ratio	**2.1/2.2**	**2.1/2.2**
2.4 (a)	Reserve Numerator	Health Reserve – Underwriting and Investment Exhibit, Part 2B (Column 3 + 4, Line 13 minus (Lines 9, 10, 11 and any dread disease coverage reported in Line 12) plus Line 16)~~13 minus Line 11) exclude Line 10 health care receivables, dread disease coverage, and credit A&H)~~ + Part 2D (Line 8+14, Column 1 minus (Columns ~~9~~10, 11, 12 and any dread disease coverage reported in Column 13) ~~) include stand-alone health care related plans only (i.e. stand-alone prescription drug plans, etc.), exclude dread disease coverage, credit A&H, LTC, Disability Income, etc.~~ of the reporting year's annual statement.	Health Reserve – Underwriting and Investment Exhibit, Part 2B (Column 3 + 4, Line 13 minus (Lines 9, 10, 11 and any dread disease coverage reported in Line 12) plus Line 16) ~~13 minus Line 11) exclude Line 10 health care receivables, dread disease coverage, and credit A&H~~ + Part 2D (Line 8+14, Column 1 minus Columns 10, 11, 12 and any dread disease coverage reported in Column 13~~9~~) ~~include stand-alone health care related plans only (i.e. stand-alone prescription drug plans, etc.), exclude dread disease coverage, credit A&H, LTC, Disability Income, etc.~~ of the reporting year's annual statement.
2.5	Reserve Denominator	Underwriting and Investment Exhibit, Part 2A, Col. 1, Line 4.4 plus Underwriting and Investment Exhibit, Part 2, Column 1, Line 5 plus Underwriting and Investment Exhibit, Part 2D, Col. 1, Lines 8+14 plus Page 3, Column 3, Lines 5 + 6 ~~Claims Unpaid and Aggregate Reserves (Page 3, Column 3, Lines 1 + 2 + 4 + 7)~~ of the reporting year's annual statement.	Underwriting and Investment Exhibit, Part 2A, Col. 1, Line 4.4 plus Underwriting and Investment Exhibit, Part 2, Column 1, Line 5 plus Underwriting and Investment Exhibit, Part 2D, Col. 1, Lines 8+14 plus Page 3, Column 3, Lines 5 + 6~~Claims Unpaid and Aggregate Reserves (Page 3, Column 3, Lines 1 + 2 + 4 + 7)~~ of the prior year's annual statement.
2.6	Reserve Ratio	**2.4/2.5**	**2.4/2.5**

(a) Alternative Reserve Numerator – Alternative Reserve Numerator – Company records may be used to adjust the reserve numerator to provide consistency between the values reported in the reserve numerator (2.4) and the premium numerator (2.1).

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PART 2 – LIFE ACCIDENT HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES INTERROGATORIES

Life and Accident Health Companies/Fraternal Benefit Societies:

2. This General Interrogatory is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers compensation, accidental death and dismemberment policies and long-term care policies.

   All reporting entities should file the test; however, a reporting entity that is required to also file the Separate Accounts Statement is not subject to the results of the Health Statement Test, and should continue to complete the life, accident and health/fraternal blank.

   Premium and reserve information is obtained from the annual statement sources referenced on the form ~~or from the related risk-based capital report for the corresponding premium descriptions~~ relating to the current and prior reporting periods. The premium and reserve ratios are calculated on the net basis reporting.

Item	Description	Reporting Year Annual Statement Data	Prior Year Annual Statement Data
2.1	Premium Numerator	Health Premium values listed in the Analysis of Operations by Lines of Business – Accident and Health: The sum of Line 1, Columns 2-9 (Column 9 Medicaid should include Medicaid Pass-Through Payments Reported as Premium) plus Line 1, Column 13 in part (include only Medicare Part D and Stop Loss and Minimum Premium) of the reporting year's annual statement.	Health Premium values listed in the Analysis of Operations by Lines of Business – Accident and Health: The sum of Line 1, Columns 2-9 (Column 9 Medicaid should include Medicaid Pass-Through Payments Reported as Premium) plus Line 1, Column 13 in part (include only Medicare Part D and Stop Loss and Minimum Premium) of the prior year's annual statement. ~~**Health Premium** values listed in the statement value column (Column 1) of the reporting year's Life RBC report:~~ ~~Individual Lines:~~ ~~Usual and Customary Major Medical and Hospital~~ ~~Medicare Supplement~~ ~~Medicare Part D~~ ~~Dental and Vision~~ ~~Group Lines:~~ ~~Usual and Customary Major Medical and Hospital~~ ~~Medicare Supplement~~ ~~Medicare Part D~~ ~~Stop Loss and Minimum Premium~~ ~~Dental and Vision~~ ~~Federal Employee Health and Benefit Plan~~
2.2	Premium Denominator	~~Premium and Annuity Considerations (Page 4, Line 1) of the reporting year's annual statement~~Analysis of Operations – Summary, Column 1, Line 1 of the reporting year's annual statement.	Analysis of Operations – Summary, Column 1, Line 1~~Premium and Annuity Considerations (Page 4, Line 1)~~ of the prior year's annual statement
2.3	Premium Ratio	**2.1/2.2**	**2.1/2.2**
2.4(a)	Reserve Numerator	Net A&H Policy and Contract Claims without Credit Health (Exhibit 8, Part 1, Line 4.4, Column 9 and Column 11 (excluding Dread Disease, Disability Income and Long-Term Care)) plus	Net A&H Policy and Contract Claims without Credit Health (Exhibit 8, Part 1, Line 4.4, Columns 9 and 11 (excluding Dread Disease, Disability Income and Long-Term Care)) plus Aggregate Reserves

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		Aggregate Reserves for A&H Policies without Credit Health (Exhibit 6, Column 1 less Columns 10, 11, 12 and Dread Disease included in Column 13) for Total (Net) ~~Unearned Premiums~~ (Line 17). ~~and Future Contingent Benefits (Line 4)~~	for A&H Policies without Credit Health (Exhibit 6, Column 1 less Columns 10, 11, 12 and Dread Disease included in Column 13) for ~~Unearned Premiums~~ Total (Net) (Line 17). ~~and Future Contingent Benefits (Line 4)~~
2.5	Reserve Denominator	Aggregate Reserve (~~Page 3, Column 1, Lines 1+2+4.1+4.2~~Exhibit 5, Column 2, Line 9999999 plus Exhibit 6, Column 1, Line 17 plus Exhibit 8, Part 1, Column 1, Line 4.4) ~~minus additional actuarial reserves (Exhibit 6, Column 1, Lines 3+11 plus Exhibit 5, Misc. Reserves Section, Line 0799999)~~	Aggregate Reserve (Exhibit 5, Column 2, Line 9999999 plus Exhibit 6, Column 1, Line 17 plus Exhibit 8, Part 1, Column 1, Line 4.4~~Page 3, Column 1, Lines 1+2+4.1+4.2~~) ~~minus additional actuarial reserves (Exhibit 6, Column 1, Lines 3+11 plus Exhibit 5, Misc. Reserves Section, Line 0799999)~~
2.6	Reserve Ratio	**2.4/2.5**	**2.4/2.5**

(a) Alternative Reserve Numerator – Company records may be used to adjust the reserve numerator to provide consistency between the values reported in the reserve numerator (2.4) and the premium numerator (2.1).

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PART 2 – PROPERTY AND CASUALTY INTERROGATORIES

2. This General Interrogatory is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers compensation, accidental death and dismemberment policies and long-term care policies.

   All reporting entities should file the test; however, a reporting entity that is required to also file the Protected Cell Statement is not subject to the results of the Health Statement Test and should continue to complete the property blank.

   Premium and reserve information is obtained from the annual statement sources referenced on the form ~~or from the related risk-based capital report for the corresponding premium descriptions~~ relating to the current and prior reporting periods. The premium and reserve ratios are calculated on the net basis reporting.

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Item	Description	Reporting Year Annual Statement Data	Prior Year Annual Statement Data
2.1	Premium Numerator	**Health Premium** values listed in the ~~Net~~ Premiums ~~Written~~Earned During Year ~~column~~ (Column 4~~6~~) of the reporting year's U&I Part 1~~B~~: Lines 13.1 and 13.2 Lines 15.1, 15.2, 15.4, 15.6, and 15.8 Line 15.5 (should include Medicare Pass-Through Payments Reported as Premium) Line 15.9 in part (include only Medicare Part D and Stop Loss and Minimum Premium)	**Health Premium** values listed in the Premiums Earned During Year (Column 4) of the reporting year's U&I Part 1: Lines 13.1 and 13.2 Lines 15.1, 15.2, 15.4, 15.6, and 15.8 Line 15.5 (should include Medicare Pass-Through Payments Reported as Premium) Line 15.9 in part (include only Medicare Part D and Stop Loss and Minimum Premium) ~~**Health Premium** values as listed in the statement value column (Column 1) of the prior year's P&C RBC report:~~ ~~Individual Lines~~ ~~Usual and Customary Major Medical and Hospital~~ ~~Medicare Supplement~~ ~~Medicare Part D~~ ~~Dental and Vision~~ ~~Group Lines~~ ~~Usual and Customary Major Medical and Hospital~~ ~~Medicare Supplement~~ ~~Medicare Part D~~ ~~Stop Loss and Minimum Premium~~ ~~Dental and Vision~~ ~~Federal Employee Health and Benefit Plan~~
2.2	Premium Denominator	~~Premiums Earned (Page 4, Line 1) of the reporting year's annual statement~~Underwriting and Investment Exhibit, Part 1, Column 4, Line 35	Underwriting and Investment Exhibit, Part 1, Column 4, Line 35~~Premium Earned (Page 4, Line 1) of the prior year's annual statement~~
2.3	Premium Ratio	**2.1/2.2**	**2.1/2.2**
2.4(a)	Reserve Numerator	Part 2A, Unpaid Losses and Loss Adjustment Expenses (Columns 8+9, Lines 13+15 (excluding Line 15.3 Disability Income, Line 15.7 Long-Term Care), Line 15.9 in part (include only Medicare Part D and Stop Loss and Minimum Premium)) plus Part 1A, Recapitulation of all Premiums (Columns 1+2, Lines 13+15 (excluding Line 15.3 Disability Income, Line 15.7 Long-Term Care), Line 15.9 in part (include only Medicare Part D and Stop Loss and Minimum Premium)) of the reporting year's annual statement.	Part 2A, Unpaid Losses and Loss Adjustment Expenses (Columns 8+9, Lines 13+15) (excluding Line 15.3 Disability Income, Line 15.7 Long-Term Care), Line 15.9 in part (include only Medicare Part D and Stop Loss and Minimum Premium)) plus Part 1A, Recapitulation of all Premiums (Columns 1+2, Lines 13+15 (excluding Line 15.3 Disability Income, Line 15.7 Long-Term Care), Line 15.9 in part (include only Medicare Part D and Stop Loss and Minimum Premium)) of the prior year's annual statement.
2.5	Reserve Denominator	~~Unpaid Loss and LAE (Page 3, Column 1, Lines 1+2+3)~~ Part 2A, Unpaid	Part 2A, Unpaid Losses and Loss Adjustment Expenses, (Line 35, Columns

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		Losses and Loss Adjustment Expenses, (Line 35, Columns 8+9) plus Part 1A, Recapitulation of all Premiums (Line 35, Columns 1+2) of the reporting year's annual statement.	8+9)~~Unpaid Loss and LAE (Page 3, Column 1, Lines 1+2+3)~~ plus Part 1A, Recapitulation of all Premiums (Line 35, Columns 1+2) of the prior year's annual statement.
2.6	Reserve Ratio	**2.4/2.5**	**2.4/2.5**

(a) Alternative Reserve Numerator – Company records may be used to adjust the reserve numerator to provide consistency between the values reported in the reserve numerator (2.4) and the premium numerator (2.1).

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Draft: 4/3/23

Life Risk-Based Capital (E) Working Group
Louisville, Kentucky
March 22, 2023

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met March 22, 2023. The following Working Group members participated: Philip Barlow, Chair (DC); Sanjeev Chaudhuri (AL); Thomas Reedy (CA); Lei Rao-Knight (CT); Carolyn Morgan (FL); Mike Yanacheak (IA); Vincent Tsang and Bruce Sartain (IL); Fred Andersen and Ben Slutsker (MN); William Leung (MO); Michael Muldoon (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andy Schallhorn (OK); Aaron Hodges (TX); and Tomasz Serbinowski (UT). Also participating was: Tom Botsko (OH).

1. Adopted its Jan. 26, 2023, and 2022 Fall National Meeting Minutes

The Working Group met Jan. 26, 2023, and took the following action: 1) exposed the American Academy of Actuaries (Academy) C2 Mortality Risk Work Group's proposal for a 30-day public comment period ending March 1; 2) exposed proposed revisions to the CM6 and CM7 mortgage risk-based capital (RBC) factors and formula for a 45-day public comment period ending March 16; and 3) exposed proposed revisions to remove the dual presentation of the trend test for a 15-day public comment period ending Feb. 14.

Yanacheak made a motion, seconded by Schallhorn, to adopt the Working Group's Jan. 26, 2023 (Attachment Three-A), and Dec. 13, 2022 (*see NAIC Proceedings – Fall 2022, Capital Adequacy (E) Task Force*) minutes. The motion passed unanimously.

2. Discussed C-2 Mortality Risk

Chris Trost (American Academy of Actuaries—Academy), chair of the Academy's C2 Mortality Risk Work Group, reminded the Working Group that the updates that the Academy proposed were to add a new category for group permanent life and to add a new financial statement note that would include the information necessary to populate the risk-based capital (RBC) schedule. Dave Fleming (NAIC) said the proposed structural change will be considered for adoption in a meeting to be scheduled in April. He said the Blanks (E) Working Group has exposed the new financial note for a public comment period.

2. Discussed its Working Agenda and Priorities

Nancy Bennett (Academy) said her comments would be at a higher level as opposed to discussing specific changes on where some formula enhancements could be put in place with the purpose of getting feedback from the Working Group on its priorities. She discussed the individual risk components and the current status of work being done on them. With respect to the C1 risk component, she noted the recent updating of the bond factors along with the current discussion of updating other asset factors by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group and asked about the interest in having a similar discussion in this Working Group. Noting the update on the work being done on C2, Bennett discussed the C3 risk component. She said this has been a carryover item on the working agenda for several years, and the Academy is looking to see when the Working Group is interested in restarting the project and discussing possible convergence among the different phases, which involve different methods that have been implemented over different time periods. She said there was a field study conducted in 2014, which, ultimately, had no action taken on it. While work in this area may be

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somewhat stalled due to the current work on the economic scenario generator (ESG), she said there are other concepts that have to be worked through irrespective of the generator that is used in the calculations. With the current interest rate environment, she said it is probably a good time to start looking at this area again to ensure that the methodology is capturing the interest rate risk as intended, so the Academy would appreciate the Working Group's input.

Bennett said another possible area of work is the covariance adjustment, and apart from a change made to separate the common stock component, there really has not been any update to the adjustment made to reflect the correlation of risks. She said things to consider could include the correlation of risks within a component, such as mortality and longevity, and whether the original square root formula still makes sense or if there is a reason to make a change to that. This would be a large project, and she said it could have a material impact, so the Academy would like to see if there is interest in moving forward in this area.

Bennett said there may be an opportunity to have a discussion on the aggregate effectiveness of the life RBC formula in actually identifying weakly capitalized companies. While that is its often-stated purpose, she said it is well known that the actual purposes extend far beyond that and include use by rating agencies and use in the investment decisions made by insurers. She suggested it might be useful to have analysis to provide insight as to where the formula is, or more importantly, is not working, which would then drive the appropriate enhancements. She said it is known that there are inconsistencies that exist within the formula, as well as inconsistencies between RBC and statutory reserves and other parts of the balance sheet. In looking at the effectiveness of the formula or the overarching solvency framework, she said the Academy is looking to see if there is an appetite in trying to eliminate those inconsistencies or move some of these topics onto the Working Group's priority list.

Barlow said the work being done by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group would eventually come to the individual RBC working groups but asked the Working Group how much update it believes is needed. Slutsker said the Working Group has many initiatives to focus on while that work is ongoing and believes some brief updates would be adequate until something comes to the Working Group. With respect to C-3, Barlow asked how much of this work can be done solely through this Working Group and how much has ramifications for the Life Actuarial (A) Task Force on the reserve side. Slutsker said he chairs the Valuation Manual (VM)-22 (A) Subgroup, and there is a lot of work on the principle-based reserve methodology for non-variable annuities that would potentially connect to any update for C-3 Phase I. He said he is not necessarily concerned about pursuing any specific C-3 projects right now but believes it would be good to get things in motion as it is likely a multiyear process, and there is probably enough progress on the reserve side that there can be some work done on the RBC side.

Slutsker and Eom noted different field tests, and Barlow asked if these would assist with the C-3 working agenda item, which he believes is more comprehensive. Bennett said she believes so and said she believes there are some basic threshold decisions that need to be made based upon the Working Group's discussion of the various aspects. She said she agrees that it is a good time to get this work started.

Brian Bayerle (American Council of Life Insurers—ACLI) agreed that it is critical to determine what questions there are and let the Working Group determine what direction it wishes to pursue. He suggested approaching this work as holistically as possible because there are so many inter-dependencies. If possible, Barlow said he would like to have an all-encompassing approach.

With respect to the covariance adjustment, Barlow said this is something he has been in favor of reviewing for a long time. He said he believes the ability to properly reflect covariance, and the understanding of how to do that

in the RBC calculation has probably improved significantly since the inception of the formula. He asked if this was an item for the Capital Adequacy (E) Task Force as each of the RBC formulas has a covariance adjustment. Botsko said the Task Force is going to recommend starting ad hoc groups to look at different aspects of RBC, and this could be one. Barlow asked if the Academy has a group looking at this and if there is input from the Working Group it would like. Bennett said the Academy has formed a group that is developing some conceptual ideas about correlation and higher-level considerations. Barlow said it would be helpful for the Academy to provide something for consideration whether it be for this Working Group or the Task Force.

With respect to reviewing the overall effectiveness of the formula, Barlow said several Working Group members have been working on reviewing the RBC statistics to attempt to determine better ways to evaluate formula results. He said there has been some good work done in this area, and while it has stalled a bit due to other projects, he would like to see that work continue.

3. Discussed Runoff Companies

Barlow said the Working Group discussed this previously, and he believes the consensus of the Working Group is that nothing specific to life insurance companies is needed for RBC. The Working Group agreed that no changes were needed to the life formula specific to runoff companies.

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

SharePoint/NAIC Support Staff Hub/Committees/CADTF/2023-1-Spring/LRBCWG/Life RBC 3-22-23.docx

Draft: 3/15/23

Life Risk-Based Capital (E) Working Group
Virtual Meeting
January 26, 2023

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Jan. 26, 2023. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Vincent Tsang (IL); Mike Yanacheak and Carrie Mears (IA); Laura Rickbell (MN); William Leung (MO); Michael Muldoon (NE); Seong-min Eom (NJ); Bill Carmello (NY); Jennifer Li (TX); and Tomasz Serbinowski (UT).

1. Exposed the Academy's C2 Mortality Risk Work Group's Proposal

Chris Trost (American Academy of Actuaries—Academy), chair of the Academy's C2 Mortality Risk Work Group, said there are two updates identified as additional items needed as part of the implementation of the Academy's work. The first relates to structural changes and instruction updates to address the treatment of group permanent life policies, as well as some additional instructional changes to provide clarity. The second relates to a new financial statement note that will develop the net amounts at risk (NAR) in the categories needed for the Life C-2 schedule to create a direct link to a financial statement source. Ryan Fleming (Academy) detailed the changes. He noted one of the changes to the instructions is to remove what was labeled as the permanent and term flexibility factors as they may have created some confusion with the actual capital factors when they were intended to represent the difference between categories. The Working Group discussed how to coordinate with other NAIC groups with respect to the financial statement note for 2023 implementation.

The Working Group agreed to expose the Academy's proposal for a 30-day public comment period ending March 1.

2. Exposed Proposed Revisions to CM6 and CM7 Mortgage RBC Factors and Formula

John Waldeck (Pacific Life) presented an update from the Mortgage Bankers Association (MBA) and the American Council of Life Insurers (ACLI) in response to the questions that the Working Group raised with respect to the proposed revisions.

The Working Group agreed to expose the proposal for a 45-day public comment period ending March 16.

3. Exposed Proposed Revisions to Remove the Dual Presentation of the Trend Test

Dave Fleming (NAIC) said the dual presentation was no longer needed as all states have adopted the higher trend test threshold.

The Working Group agreed to expose the proposal for a 15-day public comment period ending Feb. 14.

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

SharePoint/NAIC Support Staff Hub/Meetings/E CMTE/CADTF/2023-1-Spring/LRBCWG/Att Life RBC 1-26-23 Minutes.docx

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Draft: 3/23/23

Property and Casualty Risk-Based Capital (E) Working Group
Louisville, Kentucky
March 22, 2023

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in Louisville, KY, March 22, 2023. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Rolf Kaumann (CO); Virginia Christy (FL); Judy Mottar and Bruce Sartain (IL); Sandra Darby (ME); Will Davis (SC); Miriam Fisk (TX); and Amy Malm (WI). Also participating were: Kevin Dyke (MI); Michael Muldoon (NE); and Michael McKenney (PA).

1. Adopted its Jan. 30, 2023, and 2022 Fall National Meeting Minutes

Botsko said the Working Group conducted an e-vote that concluded Jan. 30, 2023, to adopt proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists), which the Working Group had exposed for a seven-day public comment period ending Jan. 25, 2023.

Chou made a motion, seconded by Darby, to adopt the Working Group's Jan. 30, 2023, (Attachment Four-A) and Dec. 13, 2022, (*see NAIC Proceedings – Fall 2022, Capital Adequacy (E) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Report of the Catastrophe Risk (E) Subgroup

Chou said the Catastrophe Risk (E) Subgroup met March 21, 2023, and took the following action: 1) adopted its Jan. 30, 2023, and 2022 Fall National Meeting minutes; 2) discussed its working agenda; 3) received a status update from its Catastrophe Model Technical Review Ad Hoc Group; 4) heard a presentation from Travelers on climate overview and scenario analysis; and 5) discussed the wildfire peril impact analysis.

Chou made a motion, seconded by Christy, to adopt the report of the Catastrophe Risk (E) Subgroup (Attachment Four-B). The motion passed unanimously.

3. Exposed Proposal 2023-02-P (Underwriting Risk Line 1 Factors)

Botsko said proposal 2022-02-P (Attachment Four-C) provided a routine annual update to the Line 1 premium and reserve industry underwriting factors in the property/casualty (P/C) risk-based capital (RBC) formula. He indicated that, as the Working Group discussed during the last April 2022 meeting, in some lines of business with smaller populations, such as the international line of business, both reserve and premium are driven by a handful of companies and could fluctuate or be biased due to different factors. Botsko also stated that the American Academy of Actuaries (Academy) is in the process of reviewing the Line 1 calculation methodology. Based on the Working Group's last discussion, the new methodology may not completely fix this issue entirely. He encouraged all the interested parties to participate in the discussion after receiving recommendations from the Academy in the near future.

The Working Group agreed to expose proposal 2023-02-P for a 30-day public comment period ending April 21.

4. Discussed Annual Statement Blanks Proposal 2023-01BWG

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Botsko said this proposal (Attachment Four-D) removes pet insurance from the inland marine line of business and adds a pet insurance line within the existing P/C Annual Statement Blank for the Underwriting and Investment Exhibits, Exhibit of Premiums and Losses (State Page), and Insurance Expense Exhibit. It also adds new Schedule P, Parts 1 through 4, specific to pet insurance for 2024 reporting. He also stated that the primary reason for this proposal is that the pet insurance industry has grown rapidly, and there is currently no public or regulatory visibility into the vast amount of pet insurance industry financial reporting. Botsko indicated that the Blanks (E) Working Group is currently exposing this proposal for a 52-day public comment period ending April 28. He encouraged the industry to: 1) review the proposal and provide feedback to the Blanks (E) Working Group; and 2) determine how to quantify this line of business in the RBC formula. Kaumann suggested that the Working Group may want to reach out to the Property and Casualty (C) Committee and the Market Regulation and Consumer Affairs (D) Committee to gain more information related to this proposal before the next meeting. Botsko said the Working Group will continue this discussion during its upcoming meeting.

5. Discussed Annual Statement Blanks Proposal 2022-15BWG

Botsko said the Blanks (E) Working Group adopted proposal 2022-15BWG (Attachment Four-E) during its March 7 meeting. He stated that the proposal's purpose is to remove the current 5% of premium filing exemption on the Schedule H, Part 5 for P/C annual statement filing to be consistent with the life annual statement since the life annual statement does not have 5% of premium file exemption in the Schedule H, Part 5. Botsko raised a question on whether the 5% rule should be removed in the P/C RBC formula to be consistent with the change in the annual statement, Schedule H, Part 5. He urged the interested parties to review this proposal and provide comments to the Working Group during its upcoming meeting.

6. Discussed its Working Agenda

Botsko summarized the changes to the Working Group's 2023 working agenda. He said the Working Group eliminated the following items: 1) evaluate the possibility of allowing additional third-party models or adjustments to the vendor models to calculate the catastrophe (CAT) model losses; and 2) evaluate the possibility of enhancing the independent model instructions. He also indicated that the following three items were added to the new items section: 1) review and analyze the P/C RBC charges that have not been reviewed since being developed; 2) quantify the R5 Ex-CAT factors for wildfire peril (for informational purposes only); and 3) evaluate the impact of flood peril to the insurance market.

Chou made a motion, seconded by Kaumann, to adopt the revised 2023 working agenda. The motion passed unanimously.

7. Heard Updates on Current P/C RBC Projects from the Academy

Botsko said the American Academy of Actuaries' (Academy's) Property and Casualty Risk-Based Capital Committee (Academy Committee) continues its effort to recalibrate portions of the reserve and premium risk of the R4 and R5 components. Ronald Wilkins (Academy) said this presentation (Attachment Four-F) includes the following items: 1) background of the components of the P/C RBC formula; 2) the need for the new present value methodology due to the 2022 interest rate increases; 3) investment income offset and adjustment for loss runoff risk horizon;4) safety level for the reserve and premium charges of the formula; and 5) year-over-year capping approaches. Wilkins stated that the Academy Committee would like to receive feedback from the Working Group regarding: 1) present value methodology; 2) adjustment to match loss runoff horizon to risk horizon; 3) statistical

safety level; and 4) minimum risk charge and year-over-year capping approaches. Botsko said he agrees with the assumption that the Academy provided in this presentation, and the Working Group will provide further evaluation after final reports become available. He also said the Working Group appreciates Wilkins providing updates on their projects and is looking forward to reviewing the detailed report for each project.

8. Discussed the Possibility of Reviewing or Analyzing the P/C RBC Charges

Botsko said the P/C RBC formula, factors, and methodology have been in development for almost 30 years. He stated that some of the risks, such as underwriting risks and some of the investment risks, have been continuously evaluated over the years. However, some of them have never been reviewed since being developed. Botsko said the Capital Adequacy (E) Task Force is considering establishing an ad hoc group to: 1) re-evaluate some of the missing risks to determine if it should now include them in the RBC calculation, or whether it appropriately handles those risks utilizing other regulatory methods; and 2) review those factors and instructions that have never been reviewed since development to determine if modifications should be made. Botsko encouraged all the parties to contact NAIC staff if anyone interested is in joining the new ad hoc group.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2023 National Meeting/Task Forces/CapAdequacy/PCRBCWG/03-22propertyrbcwg.docx

Draft: 1/31/23

Property and Casualty Risk-Based Capital (E) Working Group
and Catastrophe Risk (E) Subgroup
E-Vote
January 30, 2023

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force conducted an e-vote with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force that concluded Jan. 30, 2023. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Rolf Kaumann (CO); Judy Mottar (IL); Sandra Darby (ME); Anna Krylova (NM); Alexander Vajda (NY); Miriam Fisk (TX); and Adrian Jaramillo (WI). The following Subgroup members participated: Wanchin Chou, Chair (CT); Laura Clements (CA); Rolf Kaumann (CO); Travis Grassel (IA); Judy Mottar (IL); Sandra Darby (ME); Anna Krylova (NM); Alexandra Vajda (NY); Tom Botsko (OH); Andrew Schallhorn (OK); Will Davis (SC) and Miriam Fisk (TX).

1. Adopted the Updated 2022 U.S. and Non-U.S. Catastrophe Risk Event Lists

The Working Group and the Subgroup conducted an e-vote to consider adoption of proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Darby made a motion, seconded by Mottar, to adopt the 2022 U.S. and Non-U.S. Catastrophe Risk Event Lists (Attachment One-A). The motion passed unanimously.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and the Catastrophe Risk (E) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/ Member Meetings/E Cmte/CADTF/2023-1-Spring/Cat Risk Email Vote 013023

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Draft: 3/22/23

Catastrophe Risk (E) Subgroup
Louisville, Kentucky
March 21, 2023

The Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met March 21, 2023. The following Subgroup members participated: Wanchin Chou, Chair (CT); Virginia Christy, Vice Chair (FL); Rolf Kaumann (CO); Susan Berry and Judy Mottar (IL); Sandra Darby (ME); Tom Botsko (OH); Andrew Schallhorn (OK); and Miriam Fisk (TX). Also participating were: Travis Grassel (IA); Julie Lederer (MO); Liz Ammerman (RI); and Steve Drutz (WA).

1. Adopted its Jan. 30, 2023, 2022 Fall National Meeting Minutes

Chou said the Subgroup conducted an e-vote that concluded Jan. 30, 2023, to adopt proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists), which the Subgroup had exposed for a seven-day public comment period ending Jan. 25, 2023.

Schallhorn made a motion, seconded by Botsko, to adopt the Subgroup's Jan. 30, 2023, (Attachment Four-A) and Dec. 12, 2022, (*see NAIC Proceedings – Fall 2022, Capital Adequacy (E) Task Force*) minutes. The motion passed unanimously.

2. Received an Update from its Catastrophe Model Technical Review Ad Hoc Group

Chou said that the Catastrophe Model Technical Review Ad Hoc Group met once a month with different modeling vendors to gain a better understanding of different vendor models. He invited Shaveta Gupta (NAIC) to provide an update for the Ad Hoc Group at the meeting. Gupta said the Ad Hoc Group was re-established in late 2022 to conduct a more in-depth review of various severe convective storm catastrophe (CAT) vendor model assumptions, limitations, and impact analysis. Ultimately, recommendations will be provided to the Subgroup for consideration. She stated that so far, four model vendors have given presentations to the ad hoc group on their respective severe convective storm models. She said the ad hoc group is in the process of collecting technical questions from its members based on the materials that modeling vendors presented. Also, she anticipated that follow-up meetings with each modeling vendor to provide further responses and explanations would be scheduled after the Spring National Meeting.

3. Discussed the Wildfire Peril Impact Analysis

Chou said in order to ease the CAT modelers' concerns regarding their proprietary information while evaluating the impacts and determining the appropriate risk-based capital (RBC) catastrophe risk charge for wildfire peril, the Subgroup members will be required to sign nondisclosure agreements (NDAs) with the vendor modeling companies. He encouraged all the Subgroup members to sign the NDAs, which will be distributed shortly after the Spring National Meeting. Chou said he will continue providing updates during the Subgroup's next meeting.

4. Discussed its Working Agenda

Chou summarized the changes to the Working Group's 2023 working agenda, which included the following substantial changes: 1) moving item 1 from the "carryover items currently being addressed" section to the

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"ongoing items" section; 2) eliminating "evaluate the possibility of allowing additional third-party models or adjustments to the vendor models to calculate the CAT model losses" and "evaluate the possibility of enhancing the independent model instructions"; and 3) adding "quantify the R5 ex-cat factors for wildfire peril (for informational purposes only)" and "evaluate the impact of flood peril to the insurance market." Chou said the working agenda will be forwarded to the Property and Casualty Risk-Based Capital (E) Working Group for consideration.

5. Heard a Presentation from Travelers on the Climate Overview and Scenario Analysis

Chou said the Subgroup appreciates Travelers Insurance providing a climate overview and scenario analysis presentation to the Subgroup. Eric Nelson (Travelers) said this presentation includes the following items: 1) industry loss trends; 2) catastrophe risk management; 3) climate change overview; 4) market disclosure landscape; 5) vendor capabilities; 6) climate scenario analysis; 7) mitigation and resiliency; and 8) observations. Chou urged the interested parties to review the materials and provide feedback to the Subgroup during its next meeting.

Having no further business, the Catastrophe Risk (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2023National Meeting/Task Forces/CapAdequacy/Cat Risk SG/03-21propertycatsg.docx

Capital Adequacy (E) Task Force
RBC Proposal Form

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

DATE: 3/22/23

CONTACT PERSON: Eva Yeung
TELEPHONE: 816-783-8407
EMAIL ADDRESS: eyeung@naic.org
ON BEHALF OF: P/C RBC (E) Working Group
NAME: Tom Botsko
TITLE: Chair
AFFILIATION: Ohio Department of Insurance
ADDRESS: 50 West Town Street, Suite 300
Columbus, OH 43215

FOR NAIC USE ONLY

Agenda Item # 2023-02-P
Year _____

DISPOSITION

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

EXPOSED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) 3/22/23
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

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

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

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The proposed change would provide routine annual update of the industry underwriting factors (premium and reserve) in the PCRBC formula.

Additional Staff Comments:

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

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PR017 Line 1 Reserves

Schedule P Line of Business	LOB	Proposed for adoption - 2023 Industry Average Development Ratio	2022 Industry Average Development	2021 Industry Average Development	2020 Industry Average Development	2019 Industry Average Development	2018 Industry Average Development	2017 Industry Average Development	2016 Industry Average Development	2015 Industry Average Development	2014 Industry Average Development
H/F	A	**1.004**	1.001	0.998	0.993	0.989	0.989	0.984	0.972	0.962	0.967
PPA	B	**1.047**	1.022	1.025	1.035	1.026	1.022	1.012	1.002	1.002	0.994
CA	C	**1.106**	1.082	1.083	1.078	1.087	1.060	1.034	1.015	0.987	0.979
WC	D	**0.834**	0.906	0.912	0.916	0.955	0.952	0.971	0.971	0.961	0.986
CMP	E	**0.991**	1.037	0.999	1.016	0.992	0.967	0.956	0.942	0.938	0.941
MM Occurrence	F1	**0.906**	0.887	0.874	0.861	0.864	0.871	0.868	0.841	0.966	0.966
MM Clms Made	F2	**0.984**	0.983	0.973	0.940	0.907	0.886	0.854	0.822	0.839	0.808
SL	G	**0.994**	0.990	0.976	0.963	0.938	0.933	0.926	0.919	0.975	0.990
OL	H	**0.969**	0.995	0.964	0.968	0.971	0.966	0.952	0.929	0.923	0.916
Fidelity / Surety	K	**0.852**	0.842	0.915	0.907	0.995	0.996	1.016	1.035	1.016	1.050
Special Property	I	**0.983**	0.993	0.978	0.977	0.972	0.971	0.982	0.973	0.991	0.992
Auto Physical Damage	J	**1.016**	1.011	0.989	0.993	0.996	1.000	1.001	0.995	0.995	1.005
Other (Credut, A&H)	L	**0.946**	0.955	0.965	0.971	0.973	0.976	0.981	0.986	1.041	1.061
Financial / Mortgage Guaranty	S	**0.674**	0.694	0.723	0.682	0.788	0.870	0.820	0.853	1.185	1.444
Intl	M	**2.414**	3.041	1.104	1.162	1.037	0.851	0.855	0.897	1.350	0.742
Rein. Property & Financial Lines	NP	**0.924**	0.917	0.893	0.886	0.872	0.834	0.814	0.814	1.002	0.976
Rein. Liability	O	**1.024**	1.008	0.989	0.985	0.955	0.945	0.914	0.896	0.938	0.905
PL	R	**0.874**	0.867	0.879	0.900	0.913	0.921	0.935	0.937	1.072	1.018
Warranty	T	**0.995**	0.998	1.007	1.013	1.017	1.015	0.989	0.977	0.994	1.040

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PR018 Line 1 Premiums

Schedule P Line of Business	LOB	Proposed 2023 Industry Average Loss & Expense	2022 Industry Average Loss & Expense Ratio	2021 Industry Average Loss & Expense Ratio	2020 Industry Average Loss & Expense Ratio	2019 Industry Average Loss & Expense Ratio	2018 Industry Average Loss & Expense Ratio	2017 Industry Average Loss & Expense Ratio	2016 Industry Average Loss & Expense Ratio	2015 Industry Average Loss & Expense Ratio	2014 Industry Average Loss & Expense Ratio
H/F	A	**0.679**	0.665	0.681	0.678	0.681	0.687	0.688	0.701	0.701	0.713
PPA	B	**0.791**	0.793	0.795	0.810	0.810	0.806	0.800	0.792	0.786	0.780
CA	C	**0.777**	0.761	0.761	0.759	0.737	0.724	0.706	0.689	0.684	0.676
WC	D	**0.651**	0.664	0.682	0.705	0.726	0.744	0.751	0.752	0.751	0.749
CMP	E	**0.671**	0.661	0.673	0.672	0.666	0.664	0.647	0.648	0.655	0.652
MM Occurrence	F1	**0.767**	0.750	0.731	0.726	0.730	0.780	0.777	0.767	0.880	0.883
MM Clms Made	F2	**0.815**	0.829	0.821	0.797	0.768	0.747	0.722	0.691	0.697	0.680
SL	G	**0.578**	0.585	0.593	0.603	0.593	0.569	0.567	0.572	0.630	0.645
OL	H	**0.641**	0.637	0.635	0.639	0.638	0.633	0.629	0.618	0.616	0.617
Fidelity / Surety	K	**0.363**	0.366	0.394	0.384	0.399	0.417	0.430	0.464	0.462	0.473
Special Property	I	**0.550**	0.547	0.559	0.553	0.554	0.563	0.555	0.559	0.571	0.572
Auto Physical Damage	J	**0.727**	0.718	0.726	0.732	0.730	0.732	0.727	0.711	0.703	0.686
Other (Credit, A&H)	L	**0.702**	0.698	0.693	0.684	0.682	0.709	0.712	0.699	0.706	0.754
Financial / Mortgage Guaranty	S	**0.209**	0.203	0.252	0.513	0.811	1.099	1.175	1.293	1.096	1.242
Intl	M	**1.136**	1.166	0.769	0.758	0.795	0.584	0.565	0.607	1.150	1.131
Rein. Property & Financial Lines	NP	**0.578**	0.566	0.558	0.534	0.522	0.486	0.459	0.512	0.723	0.764
Rein. Liability	O	**0.743**	0.725	0.713	0.708	0.679	0.666	0.609	0.600	0.749	0.748
PL	R	**0.597**	0.601	0.617	0.645	0.656	0.671	0.670	0.684	0.715	0.716
Warranty	T	**0.652**	0.665	0.681	0.691	0.695	0.732	0.645	0.611	0.799	0.789

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 11/4/2022	Agenda Item # 2023-01BWG Year 2024 Changes to Existing Reporting [X] New Reporting Requirement [ ]
CONTACT PERSON:	Debbie Doggett (MO DCI) & Gavin Friedman (American Pet Ins Co; ZPIC Ins Co)	
TELEPHONE:	Debbie (573) 526-2944 / Gavin (310) 254-5256	**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
EMAIL ADDRESS:	debbie.doggett@insurance.mo.gov / gavin.friedman@trupanion.com	No Impact [X] Modifies Required Disclosure [ ]
ON BEHALF OF:	Joint submission by (i) the MO Dept of Commerce and Insurance and (ii) American Pet Ins Co and ZPIC Ins Co	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ****If Yes, complete question below****
NAME:	Debbie Doggett	
TITLE:	Chief Financial Analyst	**DISPOSITION**
AFFILIATION:	Missouri DCI	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment
ADDRESS:	301 W Hight St. #530, Jefferson City, MO 65101	[ ] Adopted Date _____ [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[X] **QUARTERLY STATEMENT**	[X] **BLANK**	
[ ] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other _____
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: January 1, 2024

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove Pet Insurance from Inland Marine line of business and add a new line of business to Appendix – P/C Lines of Business. Add Pet Insurance line within the existing P/C Blank for the Underwriting and Investment Exhibits, Exhibit of Premiums and Losses (State Page), and Insurance Expense Exhibit. Add new Schedule P Parts 1 through 4 specific to Pet Insurance.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

See Page 2 for detailed reason and justification for change.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

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REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE

Pet insurance is reported today as an Inland Marine product. Separating Pet Insurance from Inland Marine for financial reporting purposes within the existing Blank is warranted for a number of reasons, including:

- There is no public or regulator visibility into the vast majority of the pet insurance industry's financial reporting. Other than for a monoline insurer that writes only pet insurance, the rest of the industry's pet insurance business financial reporting is included in Inland Marine, along with anything else in that broadly-defined line that the respective insurer has written. In short, regulators do not have clear visibility into even the most basic information about pet insurers and the pet insurance market, such as who is underwriting pet coverage, the volume being sold, losses, and who is selling it.

- The pet insurance industry has grown rapidly, and this high growth rate continues. The industry's self-reported data shows growth in annual gross written premium from $836.5 M in 2016 to $2.59 B in 2021, including more than 30% annual growth from 2020 to 2021. This growth rate makes the absence of visibility into each participating company's financial information more an acute challenge with each passing year.

- Relying on regulator data calls to gather basic information such as premium written and loss information is time-consuming for all involved, and prone to inconsistencies and errors.

- The NAIC's D Committee is proceeding with MCAS for pet insurance. It would be inapposite and have potential for inconsistent data, to require MCAS reporting while not requiring dedicated pet insurance financial reporting. In addition, separate financial reporting will be a useful complement to MCAS reporting, both to supplement the MCAS information and to validate it.

- Dedicated financial reporting of pet insurance will be helpful to state regulators' assessment of the appropriate amount of surplus insurers writing this business should hold. It is anticipated that once sufficient history is obtained, a separate RBC factor for pet insurance can be established.

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ANNUAL STATEMENT INSTRUCTIONS – PROPERTY/CASUALTY

APPENDIX

PROPERTY AND CASUALTY LINES OF BUSINESS

These definitions should be applied when reporting all applicable amounts for the following schedules: Underwriting and Investment Exhibit Parts 1, 1A, 1B, 2, and 2A; Exhibit of Premiums and Losses (Statutory Page 14); and the Insurance Expense Exhibit. Policy fees, service charges or membership charges are to be included with the line of business or in Other Income, as determined by *SSAP No. 53—Property and Casualty Contracts – Premiums*.

Detail Eliminated to Conserve Space

Line 9.1 – Inland Marine

Coverage for property that may be in transit, held by a bailee, at a fixed location, a movable good that is often at different locations (e.g., off-road construction equipment) or scheduled property (e.g., Homeowners Personal Property Floater), including items such as live animals, property with antique or collector's value, etc. This line also includes instrumentalities of transportation and communication, such as bridges, tunnels, piers, wharves, docks, pipelines, power and phone lines, and radio and television towers.

Animal Mortality

Coverage that provides a death benefit to the owner of a policy in the event of the death of the insured livestock.

EDP Policies

Coverage to protect against losses arising out of damage to or destruction of electronic data processing equipment and its software.

Communication Equipment (Cellular Telephones)

Provides insured subscribers of Communications Equipment Service Provider replacement coverage for loss of and damage, theft or mechanical breakdown to communications equipment. Communications equipment means wireless telephones and pagers, and any other devices incorporating wireless phone and pager capabilities, including but not limited to personal digital assistants (PDA) and wireless aircards.

Line 9.2 – Pet Insurance Plans

Veterinary care plan insurance policy providing care for a pet animal (e.g., dog or cat) of the insured owner in the event of its illness or accident.

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SCHEDULE P

SCHEDULE P – PART 1

Part 1 – Summary is the total of the Schedule P lines. For the property lines, it is necessary to supplement the data in the individual sections of Schedule P in order to complete the Part 1 – Summary for all lines for all years. Non-proportional assumed reinsurance – Property, Liability and Financial Lines can be summed together as reported.

Detail Eliminated to Conserve Space

Non-proportional assumed reinsurance –Property Reinsurance

Includes all the following lines: Fire, Allied Lines, Ocean Marine, Inland Marine, Pet Insurance Plans, Earthquake, Group Accident and Health, Credit Accident and Health, Other Accident and Health, Auto Physical Damage, Boiler and Machinery, Burglary and Theft and International (of the foregoing).

Detail Eliminated to Conserve Space

SCHEDULE P – PARTS 1A THROUGH 1U

Reporting entities should complete Schedule P in thousands only but must report all claim counts in whole numbers.

Detail Eliminated to Conserve Space

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ANNUAL STATEMENT BLANKS – PROPERTY/CASUALTY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

	Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire				
2.1	Allied lines				
2.2	Multiple peril crop				
2.3	Federal flood				
2.4	Private crop				
2.5	Private flood				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril				
5.1	Commercial multiple peril (non-liability portion)				
5.2	Commercial multiple peril (liability portion)				
6.	Mortgage guaranty				
8.	Ocean marine				
9.1	Inland marine				
9.2.	Pet Insurance Plans				
10.	Financial guaranty				
11.1	Medical professional liability—occurrence				
11.2	Medical professional liability—claims-made				
12.	Earthquake				
13.1	Comprehensive (hospital and medical) individual				
13.2	Comprehensive (hospital and medical) group				
14.	Credit accident and health (group and individual)				
15.1	Vision only				
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				
15.9	Other health				
16.	Workers' compensation				
17.1	Other liability—occurrence				
17.2	Other liability—claims-made				
17.3	Excess workers' compensation				
18.1	Products liability—occurrence				
18.2	Products liability—claims-made				
19.1	Private passenger auto no-fault (personal injury protection)				
19.2	Other private passenger auto liability				
19.3	Commercial auto no-fault (personal injury protection)				
19.4	Other commercial auto liability				
21.1	Private passenger auto physical damage				
21.2	Commercial auto physical damage				
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance-nonproportional assumed property				
32.	Reinsurance-nonproportional assumed liability				
33.	Reinsurance-nonproportional assumed financial lines				
34.	Aggregate write-ins for other lines of business				
35.	TOTALS				
DETAILS OF WRITE-INS					
3401.					
3402.					
3403.					
3498.	Sum. of remaining write-ins for Line 34 from overflow page				
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1+2+3+4
1. Fire					
2.1 Allied lines					
2.2 Multiple peril crop					
2.3 Federal flood					
2.4 Private crop					
2.5 Private flood					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5.1 Commercial multiple peril (non-liability portion)					
5.2 Commercial multiple peril (liability portion)					
6. Mortgage guaranty					
8. Ocean marine					
9.1 Inland marine					
9.2 Pet Insurance Plans					
10. Financial guaranty					
11.1 Medical professional liability—occurrence					
11.2 Medical professional liability—claims-made					
12. Earthquake					
13.1 Comprehensive (hospital and medical) individual					
13.2 Comprehensive (hospital and medical) group					
14. Credit accident and health (group and individual)					
15.1 Vision only					
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					
15.9 Other health					
16. Workers' compensation					
17.1 Other liability—occurrence					
17.2 Other liability—claims-made					
17.3 Excess workers' compensation					
18.1 Products liability—occurrence					
18.2 Products liability—claims-made					
19.1 Private passenger auto no-fault (personal injury protection)					
19.2 Other private passenger auto liability					
19.3 Commercial auto no-fault (personal injury protection)					
19.4 Other commercial auto liability					
21.1 Private passenger auto physical damage					
21.2 Commercial auto physical damage					
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property					
32. Reinsurance-nonproportional assumed liability					
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS					
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					
DETAILS OF WRITE-INS					
3401.					
3402.					
3403.					
3498. Sum. of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

(a) State here basis of computation used in each case

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1+2+3-4-5
1. Fire						
2.1 Allied lines						
2.2 Multiple peril crop						
2.3 Federal flood						
2.4 Private crop						
2.5 Private flood						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5.1 Commercial multiple peril (non-liability portion)						
5.2 Commercial multiple peril (liability portion)						
6. Mortgage guaranty						
8. Ocean marine						
9.1 Inland marine						
9.2 Pet Insurance Plans						
10. Financial guaranty						
11.1 Medical professional liability—occurrence						
11.2 Medical professional liability—claims-made						
12. Earthquake						
13.1 Comprehensive (hospital and medical) individual						
13.2 Comprehensive (hospital and medical) group						
14. Credit accident and health (group and individual)						
15.1 Vision only						
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						
15.9 Other Health						
16. Workers' compensation						
17.1 Other liability—occurrence						
17.2 Other liability—claims-made						
17.3 Excess workers' compensation						
18.1 Products liability—occurrence						
18.2 Products liability—claims-made						
19.1 Private passenger auto no-fault (personal injury protection)						
19.2 Other private passenger auto liability						
19.3 Commercial auto no-fault (personal injury protection)						
19.4 Other commercial auto liability						
21.1 Private passenger auto physical damage						
21.2 Commercial auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	XXX					
32. Reinsurance-nonproportional assumed liability	XXX					
33. Reinsurance-nonproportional assumed financial lines	XXX					
34. Aggregate write-ins for other lines of business						
35. TOTALS						
DETAILS OF WRITE-INS						
3401.						
3402.						
3403.						
3498. Sum. of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [ ]
If yes: 1. The amount of such installment premiums $.....
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $.....

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire								
2.1 Allied lines								
2.2 Multiple peril crop								
2.3 Federal flood								
2.4 Private crop								
2.5 Private flood								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5.1 Commercial multiple peril (non-liability portion)								
5.2 Commercial multiple peril (liability portion)								
6. Mortgage guaranty								
8. Ocean marine								
9.1 Inland marine								
9.2 Pet Insurance Plans								
10. Financial guaranty								
11.1 Medical professional liability—occurrence								
11.2 Medical professional liability—claims-made								
12. Earthquake								
13.1 Comprehensive (hospital and medical) individual								
13.2 Comprehensive (hospital and medical) group								
14. Credit accident and health (group and individual)								
15.1 Vision only								
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								
15.9 Other health								
16. Workers' compensation								
17.1 Other liability—occurrence								
17.2 Other liability—claims-made								
17.3 Excess workers' compensation								
18.1 Products liability—occurrence								
18.2 Products liability—claims-made								
19.1 Private passenger auto no-fault (personal injury protection)								
19.2 Other private passenger auto liability								
19.3 Commercial auto no-fault (personal injury protection)								
19.4 Other commercial auto liability								
21.1 Private passenger auto physical damage								
21.2 Commercial auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX							
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS								
DETAILS OF WRITE-INS								
3401.								
3402.								
3403.								
3498. Sum. of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)								

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable	Net Losses Excl. Incurred But Not Reported (Cols. 1+2-3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire									
2.1 Allied lines									
2.2 Multiple peril crop									
2.3 Federal flood									
2.4 Private crop									
2.5 Private flood									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5.1 Commercial multiple peril (non-liability portion)									
5.2 Commercial multiple peril (liability portion)									
6. Mortgage guaranty									
8. Ocean marine									
9.1 Inland marine									
9.2 Pet Insurance Plans									
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made									
12. Earthquake									
13.1 Comprehensive (hospital and medical) individual								(a)	
13.2 Comprehensive (hospital and medical) group								(a)	
14. Credit accident and health (group and individual)									
15.1 Vision only								(a)	
15.2 Dental only								(a)	
15.3 Disability income								(a)	
15.4 Medicare supplement								(a)	
15.5 Medicaid Title XIX								(a)	
15.6 Medicare Title XVIII								(a)	
15.7 Long-term care								(a)	
15.8 Federal employees health benefits plan								(a)	
15.9 Other health								(a)	
16. Workers' compensation									
17.1 Other liability—occurrence									
17.2 Other liability—claims-made									
17.3 Excess workers' compensation									
18.1 Products liability—occurrence									
18.2 Products liability—claims-made									
19.1 Private passenger auto no-fault (personal injury protection)									
19.2 Other private passenger auto liability									
19.3 Commercial auto no-fault (personal injury protection)									
19.4 Other commercial auto liability									
21.1 Private passenger auto physical damage									
21.2 Commercial auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX				XXX				
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS									
DETAILS OF WRITE-INS									
3401.									
3402.									
3403.									
3498. Sum. of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 + 3498) (Line 34 above)									

(a) Including $.....for present value of life indemnity claims reported in Lines 13 and 15.

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EXHIBIT OF PREMIUMS AND LOSSES (Statutory Page 14)

NAIC Group Code _____ **BUSINESS IN THE STATE OF** **DURING THE YEAR** NAIC Company Code _____

Line of Business	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies not Taken		3	4	5	6	7	8	9	10	11	12
	1 Direct Premiums Written	2 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Unearned Premium Reserves	Direct Losses Paid (deducting salvage)	Direct Losses Incurred	Direct Losses Unpaid	Direct Defense and Cost Containment Expense Paid	Direct Defense and Cost Containment Expense Incurred	Direct Defense and Cost Containment Expense Unpaid	Commissions and Brokerage Expenses	Taxes, Licenses and Fees
1. Fire												
2.1 Allied Lines												
2.2 Multiple Peril Crop												
2.3 Federal Flood												
2.4 Private Crop												
2.5 Private Flood												
3. Farmowners Multiple Peril												
4. Homeowners Multiple Peril												
5.1 Commercial Multiple Peril (Non-Liability Portion)												
5.2 Commercial Multiple Peril (Liability Portion)												
6. Mortgage Guaranty												
8. Ocean Marine												
9.1 Inland Marine												
9.2 Pet Insurance Plans												
10. Financial Guaranty												
11.1 Medical Professional Liability—Occurrence												
11.2 Medical Professional Liability—Claims-Made												
12. Earthquake												
13.1 Comprehensive (hospital and medical) ind (b)												
13.2 Comprehensive (hospital and medical) group (b)												
14. Credit A&H (Group and Individual)												
15.1 Vision Only (b)												
15.2 Dental Only (b)												
15.3 Disability Income (b)												
15.4 Medicare Supplement (b)												
15.5 Medicaid Title XIX (b)												
15.6 Medicare Title XVIII (b)												
15.7 Long-Term Care (b)												
15.8 Federal Employees Health Benefits Plan (b)												
15.9 Other Health (b)												
16. Workers' Compensation												
17.1 Other Liability—Occurrence												
17.2 Other Liability—Claims-Made												
17.3 Excess Workers' Compensation												
18.1 Products Liability—Occurrence												
18.2 Products Liability—Claims-Made												
19.1 Private Passenger Auto No-Fault (Personal Injury Protection)												
19.2 Other Private Passenger Auto Liability												
19.3 Commercial Auto No-Fault (Personal Injury Protection)												
19.4 Other Commercial Auto Liability												
21.1 Private Passenger Auto Physical Damage												
21.2 Commercial Auto Physical Damage												
22. Aircraft (all perils)												
23. Fidelity												
24. Surety												
26. Burglary and Theft												
27. Boiler and Machinery												
28. Credit												
29. International												
30. Warranty												
31 Reins nonproportional assumed property	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32 Reins nonproportional assumed liability	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33 Reins nonproportional assumed financial lines	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
34. Aggregate Write-Ins for Other Lines of Business												
35. TOTAL (a)												
DETAILS OF WRITE-INS												
3401.												
3402.												
3403.												
3498. Sum of remaining write-ins for Line 34 from overflow page												
3499. TOTAL (Lines 3401 through 3403 plus 3498) (Line 34 above)												

(a) Finance and service charges not included in Lines 1 to 35 $ .....

(b) For health business on indicated lines report: Number of persons insured under PPO managed care products _____ and number of persons insured under indemnity only products _____ .

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INSURANCE EXPENSE EXHIBIT
PART II – ALLOCATION TO LINES OF BUSINESS NET OF REINSURANCE
PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS AND PERCENTAGES TO PREMIUMS EARNED FOR BUSINESS NET OF REINSURANCE
($000 OMITTED)

	Premiums Written (Pg. 8, Pt. 1B, Col. 6)		Premiums Earned (Pg. 6, Pt. 1, Col. 4)		Dividends to Policyholders (Pg. 4, Line 17)		Incurred Loss (Pg. 9, Pt. 2, Col. 7)		Loss Adjustment Expense: Defense and Cost Containment Expenses Incurred		Loss Adjustment Expense: Adjusting and Other Expenses Incurred		Unpaid Losses (Pg. 10, Pt. 2A, Col. 8)		Loss Adjustment Expense: Defense and Cost Containment Expenses Unpaid		Loss Adjustment Expense: Adjusting and Other Expenses Unpaid		Unearned Premium Reserves (Pg. 7, Pt. 1A, Col. 5)		Agents' Balances	
	1 Amount	2 %	3 Amount	4 %	5 Amount	6 %	7 Amount	8 %	9 Amount	10 %	11 Amount	12 %	13 Amount	14 %	15 Amount	16 %	17 Amount	18 %	19 Amount	20 %	21 Amount	22 %
1. Fire		XXX		100.0																		
2.1 Allied Lines		XXX		100.0																		
2.2 Multiple Peril Crop		XXX		100.0																		
2.3 Federal Flood		XXX		100.0																		
2.4 Private Crop		XXX		100.0																		
2.5 Private Flood		XXX		100.0																		
3. Farmowners Multiple Peril		XXX		100.0																		
4. Homeowners Multiple Peril		XXX		100.0																		
5.1 Comm Mult Peril (Non-Liab)		XXX		100.0																		
5.2 Comm Mult Peril (Liab)		XXX		100.0																		
6. Mortgage Guaranty		XXX		100.0																		
8. Ocean Marine		XXX		100.0																		
9.1 Inland Marine		XXX		100.0																		
9.2 Pet Insurance Plans		XXX		100.0																		
10. Financial Guaranty		XXX		100.0																		
11.1 Med Prof Liab—Occurence		XXX		100.0																		
11.2 Med Prof Liab—Claims-Made		XXX		100.0																		
12. Earthquake		XXX		100.0																		
13.1 Comprehensive Individual		XXX		100.0																		
13.2 Comprehensive Group		XXX		100.0																		
14. Credit A&H		XXX		100.0																		
15.1 Vision Only		XXX		100.0																		
15.2 Dental Only		XXX		100.0																		
15.3 Disability Income		XXX		100.0																		
15.4 Medicare Supplement		XXX		100.0																		
15.5 Medicaid Title XIX		XXX		100.0																		
15.6 Medicare Title XVIII		XXX		100.0																		
15.7 Long-Term Care		XXX		100.0																		
15.8 FEHBP		XXX		100.0																		
15.9 Other Health		XXX		100.0																		
16. Workers' Compensation		XXX		100.0																		
17.1 Other Liability—Occurrence		XXX		100.0																		
17.2 Other Liability—Claims-Made		XXX		100.0																		
17.3 Excess Workers' Compensation		XXX		100.0																		
18.1 Products Liab—Occurrence		XXX		100.0																		
18.2 Products Liab— Claims-Made		XXX		100.0																		
19.1 Priv Passenger Auto No-Fault		XXX		100.0																		
19.2. Other Priv Passenger Auto Liab		XXX		100.0																		
19.3 Commercial Auto No-Fault		XXX		100.0																		
19.4. Other Commercial Auto Liability		XXX		100.0																		
21.1 Priv Passenger Auto Phys Damage		XXX		100.0																		
21.2 Commercial Auto Phys Damage		XXX		100.0																		
22. Aircraft (all perils)		XXX		100.0																		
23. Fidelity		XXX		100.0																		
24. Surety		XXX		100.0																		
26. Burglary and Theft		XXX		100.0																		
27. Boiler and Machinery		XXX		100.0																		
28. Credit		XXX		100.0																		
29. International		XXX		100.0																		
30 Warranty		XXX		100.0																		
31 Reins-Nonproportional Assumed Property		XXX		100.0																		
32. Reins-Nonproportional Assumed Liab		XXX		100.0																		
33. Reins-Nonproportional Assumed Fin Lines		XXX		100.0																		
34. Aggr Write-Ins for Other Lines of Bus		XXX		100.0																		
35. TOTAL (Lines 1 through 34)		XXX		100.0																		
DETAILS OF WRITE-INS																						
3401.		XXX		100.0																		
3402.		XXX		100.0																		
3403.		XXX		100.0																		
3498. Summary of remaining write-ins for Line 34 from overflow page		XXX		100.0																		
3499. TOTAL (Lines 3401 through 3403 plus 3498 (Line 34 above)		XXX		100.0																		

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INSURANCE EXPENSE EXHIBIT
PART II—ALLOCATION TO LINES OF BUSINESS NET OF REINSURANCE (Continued)
PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS AND PERCENTAGES TO PREMIUMS EARNED FOR BUSINESS NET OF REINSURANCE
($000 OMITTED)

	Other Underwriting Expenses																			
	Commission and Brokerage Expenses Incurred (IEE Pt. 1, Line 2.8, Col. 2)		Taxes, Licenses & Fees Incurred (IEE Pt. 1, Line 20.5, Col. 4)		Other Acquisitions, Field Supervision, and Collection Expenses Incurred (IEE Pt. 1, Line 25 minus 2.8 Col. 2)		General Expenses Incurred (IEE Pt. 1, Line 25, Col. 3)		Other Income Less Other Expenses (Pg. 4, Line 15 minus Line 5)		Pre-Tax Profit or Loss Excluding All Investment Gain		Investment Gain on Funds Attributable to Insurance Transactions		Profit or Loss Excluding Investment Gain Attributable to Capital and Surplus		Investment Gain Attributable to Capital and Surplus		Total Profit or Loss	
	23 Amount	24 %	25 Amount	26 %	27 Amount	28 %	29 Amount	30 %	31 Amount	32 %	33 Amount	34 %	35 Amount	36 %	37 Amount	38 %	39 Amount	40 %	41 Amount	42 %
1. Fire																				
2.1 Allied Lines																				
2.2 Multiple Peril Crop																				
2.3 Federal Flood																				
2.4 Private Crop																				
2.5 Private Flood																				
3. Farmowners Multiple Peril																				
4. Homeowners Multiple Peril																				
5.1 Comm Mult Peril (Non-Liab)																				
5.2 Comm Mult Peril (Liab)																				
6. Mortgage Guaranty																				
8. Ocean Marine																				
9.1 Inland Marine																				
9.2 Pet Insurance Plans																				
10. Financial Guaranty																				
11.1 Med Prof Liab—Occurrence																				
11.2 Med Prof Liab—Claims-Made																				
12. Earthquake																				
13.1 Comprehensive Individual																				
13.2 Comprehensive Group																				
14. Credit A&H																				
15.1 Vision Only																				
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 FEHBP																				
15.9 Other Health																				
16. Workers' Compensation																				
17.1 Other Liability—Occurrence																				
17.2 Other Liability—Claims-Made																				
17.3 Excess Workers' Compensation																				
18.1 Products Liab—Occurrence																				
18.2 Products Liab —Claims-Made																				
19.1 Priv Passenger Auto No-Fault																				
19.2. Other Priv Passenger Auto Liab																				
19.3 Commercial Auto No-Fault																				
19.4. Other Commercial Auto Liab																				
21.1 Priv Passenger Auto Phys Damage																				
21.2 Commercial Auto Phys Damage																				
22. Aircraft (all perils)																				
23. Fidelity																				
24. Surety																				
26. Burglary and Theft																				
27. Boiler and Machinery																				
28. Credit																				
29. International																				
30. Warranty																				
31. Reins-Nonproportional Assumed Property																				
32. Reins-Nonproportional Assumed Liab																				
33. Reins-Nonproportional Assumed Fin Lines																				
34. Aggr Write-Ins for Other Lines of Bus																				
35. TOTAL (Lines 1 through 34)																				
DETAILS OF WRITE-INS																				
3401.																				
3402.																				
3403.																				
3498. Summary of remaining write-ins for Line 34 from overflow page																				
3499. TOTAL (Lines 3401 through 3403 plus 3498) (Line 34 above)																				

NOTE: THE ALLOCATION OF INVESTMENT INCOME FROM CAPITAL AND SURPLUS BY LINE OF BUSINESS MAY NOT ACCURATELY REFLECT THE PROFITABILITY OF A PARTICULAR LINE FOR USE IN THE RATE MAKING PROCESS.

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INSURANCE EXPENSE EXHIBIT
PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN
PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS AND PERCENTAGES TO PREMIUMS EARNED FOR DIRECT BUSINESS WRITTEN
($000 OMITTED)

	Premiums Written (Pg. 8, Pt. 1B, Col. 1)		Premiums Earned (Sch. T, Line 59, Col. 3)		Dividends to Policyholders		Incurred Loss (Sch. T, Line 59, Col. 6)		Loss Adjustment Expense: Defense and Cost Containment Expenses Incurred		Loss Adjustment Expense: Adjusting and Other Expenses Incurred		Unpaid Losses (Sch. T, Line 59, Col. 7)		Loss Adjustment Expense: Defense and Cost Containment Expenses Unpaid		Loss Adjustment Expense: Adjusting and Other Expenses Unpaid		Unearned Premium Reserves		Agents' Balances	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Fire		XXX		100.0																		
2.1 Allied Lines		XXX		100.0																		
2.2 Multiple Peril Crop		XXX		100.0																		
2.3 Federal Flood		XXX		100.0																		
2.4 Private Crop		XXX		100.0																		
2.5 Private Flood		XXX		100.0																		
3. Farmowners Multiple Peril		XXX		100.0																		
4. Homeowners Multiple Peril		XXX		100.0																		
5.1 Comm Mult Peril (Non-Liab)		XXX		100.0																		
5.2 Comm Mult Peril (Liab)		XXX		100.0																		
6. Mortgage Guaranty		XXX		100.0																		
8. Ocean Marine		XXX		100.0																		
9.1 Inland Marine		XXX		100.0																		
9.2 Pet Insurance Plans		XXX		100.0																		
10. Financial Guaranty		XXX		100.0																		
11.1 Med Prof Liab—Occurrence		XXX		100.0																		
11.2 Med Prof Liab—Claims-Made		XXX		100.0																		
12. Earthquake		XXX		100.0																		
13.1 Comprehensive Individual		XXX		100.0																		
13.2 Comprehensive Group		XXX		100.0																		
14. Credit A&H		XXX		100.0																		
15.1 Vision Only		XXX		100.0																		
15.2 Dental Only		XXX		100.0																		
15.3 Disability Income		XXX		100.0																		
15.4 Medicare Supplement		XXX		100.0																		
15.5 Medicaid Title XIX		XXX		100.0																		
15.6 Medicare Title XVIII		XXX		100.0																		
15.7 Long-Term Care		XXX		100.0																		
15.8 FEHBP		XXX		100.0																		
15.9 Other Health		XXX		100.0																		
16. Workers' Compensation		XXX		100.0																		
17.1 Other Liability—Occurrence		XXX		100.0																		
17.2 Other Liability—Claims-Made		XXX		100.0																		
17.3 Excess Workers' Compensation		XXX		100.0																		
18.1 Products Liab—Occurrence		XXX		100.0																		
18.2 Products Liab—Claims-Made		XXX		100.0																		
19.1 Priv Passenger Auto No-Fault		XXX		100.0																		
19.2. Other Priv Passenger Auto Liab		XXX		100.0																		
19.3 Commercial Auto No-Fault		XXX		100.0																		
19.4. Other Commercial Auto Liability		XXX		100.0																		
21.1 Priv Passenger Auto Phys Damage		XXX		100.0																		
21.2 Commercial Auto Phys Damage		XXX		100.0																		
22. Aircraft (all perils)		XXX		100.0																		
23. Fidelity		XXX		100.0																		
24. Surety		XXX		100.0																		
26. Burglary and Theft		XXX		100.0																		
27. Boiler and Machinery		XXX		100.0																		
28. Credit		XXX		100.0																		
29. International		XXX		100.0																		
30. Warranty		XXX		100.0																		
31. Reins-Nonproportional Assumed Property	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32. Reins-Nonproportional Assumed Liab	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33. Reins-Nonproportional Assumed Fin Lines	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
34. Aggr Write-Ins for Other Lines of Bus		XXX		100.0																		
35. TOTAL (Lines 1 through 34)		XXX		100.0																		
DETAILS OF WRITE-INS																						
3401.		XXX		100.0																		
3402.		XXX		100.0																		
3403.		XXX		100.0																		
3498. Summary of remaining write-ins for Line 34 from overflow page		XXX		100.0																		
3499. TOTAL (Lines 3401 through 3403 plus 3498) (Line 34 above)		XXX		100.0																		

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INSURANCE EXPENSE EXHIBIT
PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN (Continued)
PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS AND PERCENTAGES TO PREMIUMS EARNED FOR DIRECT BUSINESS WRITTEN
($000 OMITTED)

	Other Underwriting Expenses											
	Commission and Brokerage Expenses Incurred		Taxes, Licenses & Fees Incurred		Other Acquisitions, Field Supervision, and Collection Expenses Incurred		General Expenses Incurred		Other Income Less Other Expenses		Pre-Tax Profit or Loss Excluding All Investment	
	23 Amount	24 %	25 Amount	26 %	27 Amount	28 %	29 Amount	30 %	31 Amount	32 %	33 Amount	34 %
1. Fire												
2.1 Allied Lines												
2.2 Multiple Peril Crop												
2.3 Federal Flood												
2.4 Private Crop												
2.5 Private Flood												
3. Farmowners Multiple Peril												
4. Homeowners Multiple Peril												
5.1 Comm Mult Peril (Non-Liab)												
5.2 Comm Mult Peril (Liab)												
6. Mortgage Guaranty												
8. Ocean Marine												
9.1 Inland Marine												
9.2 Pet Insurance Plans												
10. Financial Guaranty												
11.1 Med Prof Liability—Occurrence												
11.2 Med Prof Liability—Claims-Made												
12. Earthquake												
13.1 Comprehensive Individual												
13.2 Comprehensive Group												
14. Credit A&H												
15.1 Vision Only												
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 FEHBP												
15.9 Other Health												
16. Workers' Compensation												
17.1 Other Liability—Occurrence												
17.2 Other Liability—Claims-Made												
17.3 Excess Workers' Compensation												
18.1 Products Liab—Occurrence												
18.2 Products Liab—Claims-Made												
19.1 Priv Passenger Auto No-Fault												
19.2. Other Priv Passenger Auto Liab												
19.3 Commercial Auto No-Fault												
19.4. Other Commercial Auto Liability												
21.1 Priv Passenger Auto Phys Damage												
21.2 Commercial Auto Phys Damage												
22. Aircraft (all perils)												
23. Fidelity												
24. Surety												
26. Burglary and Theft												
27. Boiler and Machinery												
28. Credit												
29. International												
30. Warranty												
31. Reins-Nonproportional Assumed Property	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32. Reins-Nonproportional Assumed Liab	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33. Reins-Nonproportional Assumed Fin Lines	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
34. Aggr Write-Ins for Other Lines of Bus												
35. TOTAL (Lines 1 through 34)												
DETAILS OF WRITE-INS												
3401.												
3402.												
3403.												
3498. Summary of remaining write-ins for Line 34 from overflow page												
3499. TOTAL (Lines 3401 through 3403 plus 3498) (Line 34 above)												

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SCHEDULE P – PART 1U – PET INSURANCE PLANS
($000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1 – 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX									XXX
2. 2023												XXX
3. 2024												XXX
4. Totals	XXX	XXX	XXX									XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1.													
2.													
3.													
4.													

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2.											
3.											
4.	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

Detail Eliminated to Conserve Space

SCHEDULE P – PART 2U – PET INSURANCE PLANS

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	One Year	Two Year
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
2. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
3. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
4.Totals												

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SCHEDULE P – PART 3U – PET INSURANCE PLANS

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)										11	12
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX	000			XXX	XXX
2. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
3. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX

Detail Eliminated to Conserve Space

SCHEDULE P – PART 4U – PET INSURANCE PLANS

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR-END ($000 OMITTED)									
	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
2. 2023	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
3. 2024	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

	DATE: 08/19/2022	**FOR NAIC USE ONLY**
CONTACT PERSON:		Agenda Item # 2022-15BWG
		Year 2023
TELEPHONE:		Changes to Existing Reporting [X]
		New Reporting Requirement [ ]
EMAIL ADDRESS:		**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**
ON BEHALF OF:		No Impact [X]
		Modifies Required Disclosure [ ]
NAME:	Debbie Doggett	**DISPOSITION**
TITLE:		[ ] Rejected For Public Comment
		[ ] Referred To Another NAIC Group
AFFILIATION:	Missouri Department of Insurance	[X] Received For Public Comment
		[ ] Adopted Date
ADDRESS:	301 W High St #630	[ ] Rejected Date
		[ ] Deferred Date
	Jefferson City, MO 65101	[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[ ] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[X] Property/Casualty	[ ] Protected Cell	[ ] Other
[ ] Health	[ ] Health (Life Supplement)	

Anticipated Effective Date: Annual 2023

IDENTIFICATION OF ITEM(S) TO CHANGE

Revise the language of the Schedule H, Part 5 to remove the 5% of premiums filing exemption (FE).

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of the proposal is to remove the 5% of premium filing exemption on the Schedule H, Part 5. Before Schedule H was updated for Annual 2022 to bring uniformity in the accident and health lines of business, the Property/Casualty instructions for Schedule H, Part 5 had the less than 5% filing exemption and the Life/Fraternal instructions did not have the 5% filing exemption. The removal of the 5% exemption would require both Property/Casualty and Life/Fraternal filers to file the Schedule H, Part 5.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** **This section must be completed on all forms.** **Revised 7/18/2018**

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ANNUAL STATEMENT INSTRUCTIONS – LIFE\FRATERNAL AND PROPERTY

SCHEDULE H

ACCIDENT AND HEALTH EXHIBIT

Detail Eliminated to Conserve Space

PART 5 – HEALTH CLAIMS

A. DIRECT

Line 1 – Incurred Claims

Should agree with Line 3 plus Line 4 minus Line 2.

Detail Eliminated to Conserve Space

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Property and Casualty Risk-Based Capital Committee Recent Activities

Ronald Wilkins, MAAA, FCAS
Vice Chairperson
Property and Casualty Risk-Based Capital Committee

Discussion of Preliminary Results—For Discussion Only

March 22, 2023

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1

Agenda

1. Background
2. 2022 interest rate increases—need for new present value methodology
3. Investment income offset and adjustment for loss runoff risk horizon (preliminary figures)
4. Safety Level Options (preliminary figures)
5. Year-over-year capping approaches (preliminary figures)

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Background: Importance of R4 and R5

- The committee ("we", within this presentation) has been working to recalibrate the R4 and R5 components of risk-based capital (RBC) with certain small exceptions (e.g., excessive premium growth charge). These are particularly important for companies with an RBC ratio of 3 or less (see highlighted figures).

		2021 Company Action Level Amounts ($B)			
		P&C Industry		Cos. w/ RBC Ratio <= 3.0	
	RBC Charge	Amount	%	Amount	%
R0	Subsidiary	84.1		2.2	
R1	Asset - Fixed Income	19.5	6%	0.9	6%
R2	Asset - Equity	192.1	59%	1.4	9%
R3	Credit	11.4	4%	1.1	8%
R4	Reserve	145.5	45%	12.3	86%
R5	Premium	81.1	25%	5.1	34%
Rcat	Catastrophe	54.5	17%	1.8	12%
	Total	407.6		17.1	
	Total ex. R0	323.5	100%	14.9	100%

Notes:

Figures in this chart are aggregate company action level amounts for the industry and for companies with an RBC Ratio of 3 or less.

The totals in the last two rows of the chart are before Basic Operational Risk. The totals are less than the sum of the preceding rows because they are the result of the covariance adjustment for each company (i.e., square root of sum of squares).

For the companies with an RBC Ratio of 3 or less, the RBC Ratio for each company is calculated as Authorized Control Level RBC Including Basic Operational Risk divided by Total Adjusted Capital.

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Background: Calculation of Premium Risk and Reserve Risk

- For each line of business, premium risk and reserve risk are calculated as
  - Basic Risk Factor, excluding Rcat overlap
  - Adjustment for 10-Yr company experience in relation to industry
  - Adjustment for company expenses (premium risk only)
  - Adjustment for investment income (IIA)
  - Adjustment for loss sensitive discount
- Risk charges for each line are summed and a diversification factor is applied to calculate the all-lines risk charge.
- We provided indicated basic risk factors before the adjustment to remove the Rcat overlap to the working group in April 2021.
- We are working on updating the highlighted portions of R4 and R5.

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Background: Investment Income Adjustment (IIA)

- The IIA reduces the risk charge for anticipated investment income earned on losses prior to payout at the risk-free rate. This credit gets applied to both Reserve Risk and Premium Risk.
- Two elements go into the calculation of the IIA
  - Payment patterns—time between when ultimate losses are incurred and losses are paid out.
    - We used industry total paid loss triangles from Schedule P part 2 and RBC filings to calculate payment patterns.
    - Previous methodology was similar to IRS tax methodology and used a single point along the diagonal from Schedule P part 1.
    - Also new is a method to determine loss payouts beyond year ten. Previous method was similar to IRS and generally repeated last payout percent in each subsequent years (up to year 15) until losses were 100% paid.
    - New method exponentially decays unpaid losses (up to year 40). The decay rate gets selected from runoff in development years 8-10. Generally, the decay rate is the losses that get paid in the next development year as a percentage of unpaid losses at the beginning of the year.
  - Interest rates—these have varied extensively across the experience period used to calibrate risk charges (starting in 1987). See next slide.

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Historical Interest Rates

Source: St. Louis Fed

Observation: Interest rates have declined from above 8% in the late '80s to below 2% in 2012–17. In the past year, rates increased to about 4%.

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Investment Income Adjustment (IIA)

- Year-by-year variation in nominal risk charges (calculated from Schedule P and RBC data for this analysis) has generally followed the variation in US Treasury rates.

- Hence, we utilize a new method, the present value method, that discounts individual company datapoints in the dataset based on historical interest rates and then chooses the 87.5 percentile.
- This approach produces a more consistent measure of risk because it removes a systematic source of variation in results across the experience period. What remains is a better reflection of true risk inherent in the lines, at present values.
- We will still calculate an investment income adjustment factor for use in the RBC formula. We will essentially divide this factor from the 87.5 percentile discounted datapoint so that the final risk charge is not affected.

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IIA—Risk Horizon for Loss Runoff

- The premium and reserve risk datapoints used in the analysis come from Schedule P or RBC filings, generally at 10 years development.
  - Premium risk factors have a development time horizon of ten years. We generally capture the loss ratio for the most mature accident year at age ten. Hence the development time horizon for premium risk is ten years.
  - Reserve risk factors have a development time horizon of nine years. We generally capture the most mature incurred losses at age ten and calculate the change from the initial reading at age 1. Hence, this reflects a development horizon of nine years.
- Payout patterns run off for up to 40 years. Premium and reserve risk still exist after age 10 and this is not captured in the analysis. Hence, we recommend adjusting the investment income discount to match the risk horizon. Specifically, we do not recommend providing credit for investment income beyond the time horizon period for which risk is captured.
- We accomplish this by adjusting the 87.5th percentile present value risk factors based on how much investment income can be earned in a period limited to 10 or nine years compared to how much can be earned over full runoff of the line of business.
  - We calculated these adjustments factors using current risk-free rates.
  - The adjustments increase with the level of interest rates.

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Impact of Adjustments to Loss Runoff Horizon – Preliminary Figures

	Premium Risk Charge			Reserve Risk Charge		
LOB	Unadjusted	Adjusted	% Chg	Unadjusted	Adjusted	% Chg
HO	0.213	0.213	0.1%	16.4%	16.6%	0.9%
PPA	0.137	0.138	0.3%	12.8%	13.0%	1.4%
CA	0.201	0.201	0.4%	25.7%	25.9%	0.9%
WC	0.095	0.121	27.5%	1.6%	4.9%	213.2%
CMP	0.173	0.176	1.5%	31.4%	32.6%	3.7%
MPL-O	0.345	0.363	5.2%	8.0%	9.5%	19.0%
MPL-C	0.239	0.244	2.1%	-1.5%	-0.8%	-45.8%
SL	0.200	0.204	1.7%	21.5%	24.0%	11.8%
OL	0.125	0.136	8.5%	27.4%	29.3%	7.0%
SP	0.094	0.095	0.1%	21.3%	21.3%	0.3%
APD	0.054	0.054	0.0%	11.2%	11.2%	-0.1%
Fid/Sur	0.105	0.106	0.9%	43.7%	44.0%	0.7%
Other	0.143	0.143	0.2%	14.6%	14.7%	0.6%
Intl	0.934	0.944	1.0%	81.2%	85.3%	5.1%
Re-Prop	0.396	0.399	0.9%	19.6%	20.5%	4.5%
RE-Liab	0.196	0.231	18.0%	19.9%	26.7%	34.3%
PL	0.266	0.287	8.0%	97.7%	101.5%	3.9%
FG/MG	1.532	1.534	0.1%	-5.1%	-5.0%	-1.9%
Wrnty	0.216	0.216	0.0%	30.2%	30.2%	0.0%

Negative changes are generally increases. Here, the negative risk charge decreases, hence the negative change.

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Development of Reserve Risk Ratio as Risk Horizon Expands from 1 to 9 Years

	87.5 percentile incurred loss change as a percentage of reserves at year 1								
	1 yrs	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs
HO	18.8%	22.2%	23.7%	23.6%	25.2%	25.8%	25.8%	26.1%	26.6%
change		3.5%	1.5%	-0.1%	1.7%	0.6%	0.0%	0.3%	0.5%
WC	15.6%	22.5%	30.4%	34.5%	37.9%	38.2%	45.0%	46.0%	49.1%
change		6.9%	7.9%	4.1%	3.3%	0.4%	6.8%	0.9%	3.1%
Re-Liab	25.3%	43.8%	65.4%	96.5%	110.8%	126.2%	152.6%	171.3%	187.3%
change		18.5%	21.7%	31.0%	14.4%	15.4%	26.4%	18.7%	16.1%

- Ultimate incurred losses at the 87.5th percentile increase as risk horizon increases from one to nine years.
- We conclude risk will continue to increase beyond year nine.
- We apply this conclusion to both reserve and premium risk factors. Both depend on how ultimate incurred losses can change over time.

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Statistical Safety Level in RBC—Preliminary Figures

- Part of the recent analysis we have completed is looking at the impacts of using various safety levels in RBC.
- The indicated company action level risk charges in the report are based on an 87.5th percentile safety level. We seek direction from working group members on what safety level to use.
- Considerations for not changing the safety level:
  - Capital required for a loss development runoff time horizon of nine years is more than that required by some regulatory solvency formulas which utilize a one-year development horizon.
  - Past analysis has shown that larger companies, who cover most policyholders, have lower indicated risk charges than smaller and mid-sized companies, implying a higher safety level for most policyholders.
- Considerations for increasing the safety level
  - 87.5% is lower than the safety level in any other component of the RBC Formula or, to our knowledge, in regulatory capital formulas in other countries (e.g., Rcat=99%, Bond Factors=96%).
  - Risk charges have declined over time, concurrent with interest rates. But there is no reason to expect a continuation of the downward trend in risk.
  - Years prior to 1988, with poor experience, have been excluded from the analysis and deserve some consideration.
  - Captives and runoff companies may now rely on regulatory capital requirements more, making the setting of regulatory capital more important.
- Preliminary impacts of higher safety levels on indicated risk charges (compared to 87.5 percentile)
  - 90th percentile safety level increases premium risk charges about 25%, reserve risk charges about 40%.
  - 95th percentile safety level increases premium risk charges about 110% and reserve risk charges about 180%.

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Minimum Risk Charges/Year-Over-Year Capping Approaches

- We have considered a minimum risk charge of 5%, consistent with the current lowest risk charge.
- We looked at various capping approaches to limit changes in risk charge over one year to +/- 10%, 20%, or 35%, values which the committee has reviewed in the past.
- These risk charges limits are calculated line by line assuming a company with LOB expense ratio equal to the industry expense ratios and assuming no company loss experience adjustment.
- What capping level approach would working group members prefer?

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Academy P&C RBC Next Steps

- Obtain P&C RBC Working Group Feedback
  - On present value methodology
  - On adjustment to match loss runoff horizon to risk horizon
  - On statistical safety level
  - On minimum risk charge and year-over-year capping approaches
- Complete Revised Investment Income Report—Targeting May–June 2023.
- Report to working group on analysis of line of business diversification factors.

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Draft: 4/4/2023

Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Virtual Meeting
March 23, 2023

Risk-Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy (E) Task Force met March 23, 2023. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy (CA); Wanchin Chou (CT); Virginia Christy (FL); Vincent Tsang (IL); Roy Eft (IN); Carrie Mears and Kevin Clark (IA); Debbie Doggett (MO); Lindsay Crawford (NE); Bob Kasinow (NY); Dale Bruggeman and Tom Botsko (OH); Rachel Hemphill (TX); Steve Drutz (WA); and Amy Malm (WI). Also participating was: Doug Stolte (VA).

1. Adopted its Feb. 27, 2023; and Fall National Meeting Minutes

The Working Group met Feb. 27, 2023, and took the following action: 1) discussed comments received on the American Academy of Actuaries' (Academy's) presentation on collateralized loan obligations (CLOs); 2) discussed comments received on the referral from the Valuation of Securities E) Task Force; and 3) discussed potential structure change to address residual tranches.

Eft made a motion, seconded by Chou, to adopt the Working Group's Feb. 27, 2023 (Attachment Five-A), and Dec. 14, 2022, minutes (*see NAIC Proceedings – Fall 2022, Capital Adequacy (E) Task Force*). The motion passed unanimously.

2. Received Updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group

Mears said a newly created ad hoc group of the Valuation of Securities (E) Task Force is looking for participation from a variety of stakeholders with technical expertise in this area to dig into some of the more granular areas of the modeling process. Ultimately, the group would have participation from the American Academy of Actuaries (Academy). She said the other item on the agenda of the Task Force is to review the structured equity or rated feeder fund type structures and have a proposal to ensure transparency into those types of structures.

Bruggeman said the Statutory Accounting Principles (E) Working Group is moving forward with the principle-based bond definition in their its reporting, which includes the new Schedule D1.1 and D1.2 and new reporting categories with the planned effective date of Jan. 1, 2025. He said the Working Group exposed limited revisions to bond classification and accounting in addition to detailed accounting and reporting guidance for debt securities that do not qualify as bonds. The Working Group also exposed proposed reporting changes to capture new Schedule BA reporting lines for non-bond debt securities. The bond reporting changes to Schedule D1 and other related schedules were exposed by the Blanks (E) Working Group. A referral is expected to the Capital Adequacy (E) Task Force and the risk-based capital (RBC) groups to assess whether the blanks reporting changes will necessitate RBC revisions. Bruggeman said the Working Group discussed negative interest maintenance reserve (IMR) amounts and directed NAIC staff to move forward with referrals and drafting language for possible exposure. He said one of the referrals will be to the Capital Adequacy (E) Task Force, requesting that it consider removing admitted negative IMR as a direct reduction to total adjusted capital in the RBC formula along with consideration of sensitivity testing. He said there are a number of other considerations, including a referral to the Life Actuarial (A) Task Force. He said the Working Group also adopted clarifying language on invested assets issued by an affiliated entity or that include the obligations of an affiliated entity.

3. Continued Discussion of CLOs

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Stephen Smith (Academy), chair of the Academy's C1 Work Group, said the Academy is focused on a couple of main priorities that it is trying to understand better. He said one ongoing project is that the Academy is trying to come up with a hypothetical model specification document to model CLOs for RBC purposes or provide a blueprint to check any other proposed model against. He said the Academy is also doing more work on the concept of RBC arbitrage. He said the Academy has observed that regulators, interested parties, and the industry have differing definitions of RBC arbitrage. He said the Academy is working on a document that will more clearly lay out the different definitions, along with some views on definitions that would be useful in terms of driving RBC. Mears asked Smith about the time frame. Smith said the Academy is trying to get the RBC arbitrage document out as quickly as possible, perhaps in a couple of months, and model specifications will be on a longer time frame.

4. Discussed Residual Tranche Structural Change

Barlow said his understanding of the charge received from the Financial Condition (E) Committee is to look at residual tranches for all structured assets, not just CLOs, and that this is intended to be an interim solution. As work continues on CLOs, as Smith just discussed, Barlow said he hopes to get a structure and a methodology that can be applied to other types of assets as well as CLOs. While CLOs may no longer be included in this interim solution, it could be that it stays in place for some categories of assets that do not have enough volume to warrant developing a methodology specifically for them.

Clark said a key point in taking an interim step would be the magnitude of the population and whether it is a pressing enough issue that an interim step is needed. Until regulators hold a meeting to look at the data, he said he is not sure a decision can be made. Barlow said he believes the guidance received for the Working Group's charge is to develop an interim proposal. Although the 2022 year-end data might inform the necessity of an interim proposal, he said he does not believe the Working Group should be deciding if an interim proposal is needed. However, if that is the will of the Working Group after reviewing the 2022 year-end data in the upcoming April meeting, it can be taken back to the Financial Condition (E) Committee. Clark said he is fine with the structural change to accommodate the timeline, as it keeps the Working Group's options open as to whether a change in factors is needed at this time.

Stolte said Virginia is supportive of the interim solution on residuals. He expressed concern about being out of step with other financial service regulators in the U.S. and internationally. Bruggeman said he supports looking at the data and waiting for a decision on a charge but expressed concern about waiting for all the data to be available because of the number of different structures and the materiality to individual companies.
Clark said he shared these concerns but said there is currently some ambiguity in the accounting guidance regarding what constitutes a residual tranche, and there will be some continued inconsistency in reporting until the definition is further refined. Therefore, the Working Group may not be looking at the full population, and that may inform the RBC decision. He expressed concern about implementing an interim step that does not have the usual level of analysis unless there is a material concern. Barlow said these are the issues the Working Group is to address and why there is representation from the other groups—so there is coordination from start to finish. He said his goal is to make RBC a non-factor when companies make investment decisions.

Hemphill said she does not think it is appropriate to just think of materiality from an overall industry perspective since the concern is from a solvency perspective. She said the Working Group needs to be willing to make incremental changes and improvements, and it is appropriate to consider making the change even if there is a concern that the average materiality across companies may not be high.

5. Discussed Next Steps

In line with many of the comments received, Barlow said it seems that the Working Group is supportive of having one category and one factor for the interim proposal on residual tranches. He said there were also several comments supporting sensitivity tests. He said he does not believe this would be a substitute for what the Working Group was asked to do but had suggested that if a proposal for sensitivity tests was received, the Working Group could consider that as an additional item. He said the American Council of Life Insurers (ACLI) has submitted a proposed sensitivity test.

Steve Clayburn (ACLI) said the ACLI believes there should be some quantitative analysis before a final factor is determined and thinks the sensitivity testing could be an additional tool for the state insurance regulators. Barlow said the structural change was exposed by the end of January, but the sensitivity test change was not exposed. He said that work will be done to get it ready for exposure and that this would include a request for input from RBC vendors as to the possibility of having this included for yearend 2023. He said there will be a regulator-only meeting in April to look at the 2022 year-end data on residual tranches and then an open meeting to continue discussions on the interim proposal.

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

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/CADTF/2023-1-Spring/RBCIREWG/RBC Investment Risk 03-23-23 Minutes.docx

Draft: 3/17/23

Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group
Virtual Meeting
February 27, 2023

The RBC Investment Risk and Evaluation (E) Working Group met Feb. 27, 2023. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy (CA); Wanchin Chou (CT); Ray Spudeck (FL); Carrie Mears and Kevin Clark (IA); Vincent Tsang (IL); Fred Andersen (MN); William Leung (MO); Lindsay Crawford (NE); Bob Kasinow and Bill Carmello (NY); Dale Bruggeman and Tom Botsko (OH); Rachel Hemphill (TX); Tim Hays (WA); and Amy Malm (WI).

1. Discussed the Academy Follow-Up to the Presentation on CLOs

Stephen Smith (American Academy of Actuaries—Academy), chair of the Academy's C1 Work Group, presented the Academy's letter (Attachment Five-A1). He said the intersection of collateralized loan obligations (CLOs) and RBC creates a unique challenge for the purpose of purely modeling credit risk. He said the Academy is looking for regulatory guidance on the statistical safety level in terms of how the risk should be measured. Historically, factors for bonds have been based on the 96th percentile of losses. The Academy suggested in its October report that a conditional tail expectation (CTE) type of measure would be more appropriate due to the cliff risk embedded in CLOs, and the Academy is seeking regulator input. Smith said the Academy is also seeking input on where to set the statistical safety level, as well as the concept of RBC arbitrage. As the Academy previously indicated, he said structuring does not eliminate risks, but it changes the nature of the risk, especially among the tranches, for several reasons.

Smith said the Academy's view is that the total C-1 requirement for adding up all the underlying loans inside of a CLO does not necessarily have to equal the sum of the capital charges on a vertical slicing of a CLO. The Academy is asking if state insurance regulators have a strong view on this; if so, the Academy is going to incorporate state insurance regulators' views into their work. Otherwise, the Academy would like to know what it can share to help inform these views. The Academy has expressed the view that the materiality is low enough that a short-term solution may not be needed, so more time can be given to a longer-term solution. If state insurance regulators' judgement is different, the Academy would like to know what they can do to be supportive. Barlow said the first question is whether there is an urgency in updating the C-1 factors for CLOs. He said the Working Group is working on two projects, and the first one is updating the C-1 factors for CLOs. He said he understands that the risk may not be sufficiently material overall right now, but there may be some companies for which it is material, so the Working Group wants to address that. He said the two projects are to get solutions for the CLOs and an interim solution to address residual tranches before a more long-term solution can be developed for structured assets. He said the Working Group would like the Academy's Work Group to do a diligent review of the CLOs and develop recommendations as quickly as it can, but this is separate from the short-term interim solution for the residual tranches.

Barlow said the Working Group is looking to the Academy to provide some recommendations on the statistical safety level. Because of the level of tail risk involved, he said he believes the Working Group would feel more comfortable with a CTE type measure. In terms of the time horizon, he said he believes the Working Group would benefit from the Academy's perspective. Carmello said he believes using CTE makes sense, but he expressed concern with just using historical information. He said he believes it is more appropriate for RBC to have some modeling of potential market situations that are worse than the historical experience. Mears agreed on using CTE as opposed to using percentile just because it was used for other types of investments, as long as it does not introduce too much complexity. Tsang questioned whether it would be confusing to change the C-1 factor from

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the 96th percentile to the CTE measure. Barlow said RBC has percentile and CTE measures in various components, and there are ways to determine consistency. Smith said the Academy would work on a reconciliation between the CTE and percentile measures to make them comparable.

With respect to the Academy's question on RBC arbitrage, Barlow said he believes this is more of a topic for the Capital Adequacy (E) Task Force because it affects more than the asset side of the RBC. Mears and Botsko agreed. With respect to the C3 implications, Barlow said once the structure for C1 is in place, this could be addressed if it is material enough.

With respect to whether active management within the CLO structure should be considered in developing C-1 factors, Barlow said the Working Group would look to the Academy for a recommendation. He said he believes assuming an active management adds a lot of complexity, and no active management sounds more conservative. Smith said the first kind of active management is around credit selection, and it would be more conservative not to model active management for this kind. He said the other kind of active management is that the manager makes active decisions especially in terms of whether it is extending and refinancing debt tranches or shifting risks around among the tranches. He said this gets a lot more complicated to model. Mears said implications of not including the active management need to be understood. Chou said he would support the more complicated study on the active management. Tsang expressed concern, and he said he is not sure whether it adds any value. Barlow said it appears that there is agreement on being conservative on the first kind of active management, and there is an interest in identifying how material the second kind of active management could potentially be. Smith said the Academy will take this feedback and do some work on the risks shifting between tranches of the active management.

2. Discussed Comment Letters

Paul Graham (American Council of Life Insurers—ACLI) presented the ACLI's comment letter (Attachment Five-A2), and he said the ACLI would like to have some analysis supporting the interim solution while the ACLI is proposing one factor for now. He said the ACLI is proposing boundaries on the factor because it should not have more of an impact than completely non-admitting the assets. This is different for every company depending upon where their RBC level is. In addition, the ACLI is proposing sensitivity tests.

Debra Casey (Global Atlantic Financial Group), representing a group of companies, presented their comment letter (Attachment Five-A3). She said they commended the Working Group for engaging the Academy to prepare the report on CLOs and agreed with the summary observations from that study. She said they do not understand the sense of urgency with the need for the interim solution, but they need to do something for structured securities. She agreed with the ACLI on sensitivity analysis that would provide state insurance regulators with more transparency as to the holdings and the impact on the RBC of CLOs versus other types of asset-backed securities (ABS). She said the main point of their comment letter is that they believe there needs to be a data-driven solution, and they support the model used for the update of the bond factors with an expert engaged, as well as engaging the industry to perform field testing. At least for CLOs, she said they believe there can be a streamlined process that can produce new factors or a new methodology that could be implemented at the same time as the new bond standards.

Christopher Halldorson (Prudential), representing a group of companies, presented their comment letter (Attachment Five-A4). He said there have been several comments concerned about the arbitrary nature of an interim solution, and the arbitrary charge of 30% should have already been recognized, which is based on the analysis of public equity losses under stress, and there is no analysis to connect that to residual tranches of structured securities. He said the residual tranches of structured securities are highly leveraged to the underlying, typically high-yield collateral, and that is not the same risk as holding Standard & Poor's 500 index (S&P 500). He

said they support an interim charge of at least 45%, which is the highest current factor for high-beta equity holdings. He also said this is a fast-growing asset class, and there are some material concentrations. They think a single charge that has some analysis supporting it, which is more than what currently exists, is a good first step and can lead to more robust transparency.

Eric C. DuPont (Guardian Life) said he spoke for his company and partnered closely with MassMutual on its comment letter (Attachment Five-A5). He said they appreciate the thoughtful approach taken, and they would suggest continuing that and finding a data-driven solution. They think the sensitivity testing provides an opportunity to provide what-if scenarios. DuPont said there is some concern about individual companies that may have high concentrations of risk, and they believe what-if scenarios can identify those so state insurance regulators can address those companies rather than taking a broad brush that would apply to the entire market.

Barlow said he does not believe the charge from the Financial Condition (E) Committee can be addressed solely by sensitivity testing, but proposed approaches to sensitivity testing can be submitted. He said the original referral of three factors from the Valuation of Securities (E) Task Force can be simplified to one factor at least for the interim solution. Mears said it would be fine if the Working Group wants to move forward with a single factor for an interim solution.

Mears said 2022 reporting is the first time to have residuals reported separately, and the definition of what should go in that category may need to be more explicit. She suggested that the Working Group consider a referral to the Statutory Accounting Principles (E) Working Group to review that definition.

Having no further business, the RBC Investment Risk and Evaluation (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees

January 31, 2023

Mr. Philip Barlow
Chair, Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBCIRE WG)
National Association of Insurance Commissioners (NAIC)

Re: Follow-up to Academy Presentation on CLOs given to RBCIRE WG

Dear Mr. Barlow,

On behalf of the American Academy of Actuaries[1] C1 Work Group (C1WG), thank you for the opportunity to present early findings on collateralized loan obligations (CLOs) risk-based capital (RBC). As the work group continues to research the issue, it aims to produce analysis that is relevant for regulators. To that end, this letter seeks clarification on several issues raised in the December CLO report to the RBCIRE WG that needs regulatory judgment.

1. Given the exposure statistics that the C1WG shared with RBCIRE, what is the urgency of updating C-1 factors for CLOs? Is the risk sufficiently material to warrant a short-term solution before a long-term solution can be determined?
2. What information does the RBCIRE need to establish the statistical safety level (SSL)? The SSL specifies the statistical measure for the capital requirement, including the choice of risk measure (percentile vs. conditional tail expectation vs. other) and the level, and the time horizon. For reference, the C1 bond factors are set at the 96th percentile over a ten-year period.
3. Does RBCIRE believe that the "no RBC arbitrage" principle should be applied to the C-1 factor methodology?
4. Would RBCIRE like to follow up on exploring possible C-3 implications of the optionality embedded in CLOs (including callability, resets, or other choices available to the equity tranche vis-à-vis the debt tranches)?
5. Should active management within the CLO structure be considered when developing C-1 factors?

The C1WG appreciates your attention to the issues raised in this letter and looks forward to discussing them further with you. Should you have any questions or comments in response to

[1] The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

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this letter, please contact Amanda Barry-Moilanen, life policy analyst (barrymoilanen@actuary.org).

Sincerely,

Stephen Smith
Chair, C1 Work Group
American Academy of Actuaries

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Steve Clayburn, FSA, MAAA
Senior Actuary, Health Insurance & Reinsurance
steveclayburn@acli.com

February 3, 2023

Mr. Philip Barlow, Chair
RBC Investment Risk & Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via email: dfleming@naic.org

Re: Residual Tranches - Interim Solution

Dear Mr. Barlow:

ACLI appreciates the opportunity to provide comments on the exposure of the Valuation of Securities (E) Task Force (VoSTF) referral to RBC Investment Risk & Evaluation (E) Working Group (RBC IRE WG) on a proposed "interim solution" for additional RBC factor categories for securitized residuals.

Executive Summary

The ACLI supports the efforts to assess the potential need for determining capital charges associated with CLO investments that better reflects the actual risk of the various tranches. We also understand that the additional RBC factors (75% and 100%, in addition to the existing 30% factor) recommended by the SSG are intended to support an interim solution until structured finance securities can be studied and modeled more fully by the NAIC.

While we understand some regulators' desire to develop an interim solution with some level of expediency, we do have concerns that these factors were recommended without the normal level of rigor provided when making RBC changes. As such, it is important to understand the impact that the recommended changes will have. If the NAIC finds it prudent to adopt an interim approach to RBC factors for residual tranches of structured securities reported through Schedule BA, we recommend that the interim approach be simple and in place for as short of a time as possible.

Thus, we urge the RBC IRE WG to transition quickly from the work on the interim solution to the development of factors based on actual loss experience of the securities in question. We also

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.

acli.com

suggest for simplicity purposes that such tranches of structured securities be mapped to a single factor, as they are today. We have some suggested paths for the interim solution below.

Comments on Exposure

Understanding that some regulators desire an interim solution, we have some observations, concerns, questions, and suggestions for your consideration as outlined further in our comments.

One Factor for Interim Solution

The goal of an interim solution should be "do no harm" when compared to what the ultimate solution will be, especially given the "rough justice" nature of RBC. Neither the VoSTF referral nor the structural exhibit change proposal provides a rationale for setting temporary RBC factors at 30%, 75%, and 100%, nor how a reporting entity would distinguish among the three. In considering an interim solution, we recommend the use of only one factor for residual tranches reported on Schedule BA, as is the case currently. Because the factor may be chosen without the normal quantitative analysis that goes into RBC factor development, ACLI members have a variety of views on the selection of the single factor. Some companies believe that a higher factor is appropriate. Some companies recommend that the single factor continue to be 30%, augmented with a higher factor within the Sensitivity Testing exhibit on Pages LR038 and LR039. This sensitivity testing would allow regulators to determine whether any companies have a material risk from their residual tranches as well as be the basis for an analysis of other factors.

Since the factor does not need to be adopted until June 30, 2023, ACLI would like to see consideration by the NAIC to do additional quantitative analysis before the single factor is chosen. We believe that whatever factor is chosen, it should not be materially more conservative than complete non-admittance of the asset for the average industry participant, and likely a little less so, given the risk premium already contained in policy reserves. We recommend that the RBC IRE WG use information gathered from the year-end 2022 RBC reports to help identify a rational factor, and, if possible, review of any available experience data on CLO residual tranches to help check for reasonableness.

To prepare for the potential for a variety of solutions, ACLI recommends that the structural changes to the RBC forms accommodate a single factor and additional sensitivity testing. ACLI would be happy to support NAIC staff in developing these structural changes.

Scope of Application

It is not clear from the VoSTF referral memorandum as well as the exposed RBC exhibit form whether the proposal is intended to apply to the residual tranches of collateralized loan obligations (CLOs) or a broader application to all residual tranches for the variety of structured finance securities. We recommend that any future exposure draft clarify specifically to what types of investments the interim solution is intended to apply.

Define Timeframe of Use

The VoSTF referral does not mention any proposed implementation timeframe. Reviewing an RBC structural change during the first quarter of the year implies the possibility of implementation for year-end 2023 financial statements. Is this the intent or expectation? Furthermore, will this be in conjunction with review of the recent updates to Schedule BA for residual tranches which are to have the 30% RBC factor? Will the proposed factor, if any, be exposed for comment? And finally, how long would the interim solution remain in place?

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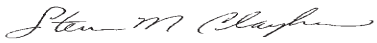
Conclusion

Thank you for the opportunity to continue to participate and comment on this issue. We understand some regulators feel the need to do something additional to the 30% charge that has been applied to residual tranches for year-end 2022; however, we believe that appropriate review and analysis to provide a basis for factor selection is necessary for the stability of the NAIC's RBC framework. We look forward to future discussions and continued collaboration with the NAIC on this important initiative.

Sincerely,



Steve Clayburn

cc: Mike Monahan, ACLI
Paul Graham, ACLI

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January 27, 2023

Mr. Philip Barlow, Chair
Risk-Based Capital Investment Risk and Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: **The American Academy of Actuaries C1 Work Group Presentation to the Risk-Based Capital Investment Risk and Evaluation Working Group (RBCIRE WG) on collateralized loan obligations (CLOs)** (the "AAA Report") and the **Valuation of Securities Task Force ("VOSTF") Referral on the Risk Assessment of Structured Securities- CLOs** and **Risk-based capital (RBC) structural proposal addressing residual tranches**, together, the "Exposures")

Dear Mr. Barlow:

We are a group of insurance companies concerned about the proposal to adopt an interim solution for residual tranches of securitized assets that is not supported by the thoughtful analysis and field testing that the NAIC has implemented in the past. We believe such thoughtful analysis is the hallmark of any responsible regulatory regime. We appreciate the opportunity to provide comments on the Valuation of Securities Task Force ("VOSTF") proposed interim solution as well as the American Academy of Actuaries' ("the Academy") presentation on CLOs.

Our group of companies agrees that the RBC treatment of the investments commonly referred to as "structured securities" is important and deserving of review and analysis. Our view is that:

- RBC factors for structured securities should be thoughtfully analyzed and developed following a similar process to the successful C-1 bond factor development project.
- Calculating RBC using factors developed without sufficient analysis and due diligence risks presenting a misleading assessment of a company's financial position to users of a company's statutory financial information, including the public.
- A rushed approach, without appropriate analytical rigor disincentivizes companies from investing in an important asset class, has the potential of causing market disruption, and negatively impacts the liquidity of these assets and the markets that rely on insurance company investments.
- The Academy's report stating that CLOs are not a current risk to insurance industry solvency builds a strongly constructive case for having the NAIC perform thorough and thoughtful quantitative analysis and field testing.
- A more rational and less disruptive approach is to have companies provide RBC sensitivities to regulators that will enable regulators to risk assess company balance sheets along with the baseline RBC measurement. It should be understood that any such assessment would be measured against factors that were developed without sufficient analysis and due diligence, as discussed in this letter, and therefore should be viewed as indicative only and not meant to be a definitive quantification of the risk associated with the sensitivities.

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RBC factors currently applicable to the senior tranches of structured securities are based on the review of default and loss experience of corporate bonds. Based on a long track record of available data, it is clear that corporate bonds have higher default and loss experience than equivalently rated structured securities, making comparable structured securities' RBC factors overly conservative as they currently stand. Further, the RBC factors currently applicable to residual tranches of structured securities were developed based on a study of unaffiliated common stock over a two-year time horizon and we are not aware of any analysis completed in connection with the Exposures that evaluates whether these RBC factors are conservative or aggressive. Given the current state of both conservative and untested RBC factors, we believe, and the Academy agrees, that an arbitrary interim charge is not appropriate and that any new factors should be developed using the proven, collaborative process that was used during the changes to the C-1 bond factors. We are confident that this could be done in an expedited manner to produce rational and predictable results that regulators and industry alike would support as long-term rather than interim solutions. Like the C-1 process, we propose that the plan should be to engage an expert consultant or consulting actuary with the relevant expertise and significant resources to perform the necessary quantitative analysis. That expert should also work with industry to propose changes, perform field testing, and then promulgate appropriate charges to ensure "equal capital for equal risk across different asset classes." We expect that a streamlined process to develop appropriate factors could be performed in time to be released concurrently with the principle-based bond definition currently being worked on by the Statutory Accounting Principles Working Group.

Additional specific comments on the two exposures recently released by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group ("the Working Group") are provided in the balance of this document.

First, we commend you for engaging the Academy to prepare a report on CLOs. The Academy report is thoughtfully prepared and enlightening, and we agree with the Academy's summary observations. With respect to residual tranches, we found the Academy's observation about the lack of quantitative analysis to support the current 30% capital charge or the Investment Analysis Office's ("IAO") proposed sub-categories of NAIC 6 particularly insightful. We agree with the Academy that justification of a CLO residual tranche charge or new sub-categories of NAIC 6 will require substantial analysis.

The Academy report made the point that CLOs do not present a danger to the solvency of the insurance industry. In fact, the NAIC Capital Markets Bureau's special report, released on January 5, 2023, states: "Based on the NAIC's stress test results, U.S. insurer investments in CLOs remain an insignificant risk." Based on the work of the Academy and the NAIC Capital Markets Bureau, NAIC has ample time to conduct the necessary quantitative analysis to develop a solution that can be supported with data, is properly field tested, and would result in a capital charge that is based on sufficient analysis and due diligence so that it is not misleading to the public or other users of a company's financial information. An interim solution not grounded in quantitative analysis is unnecessary and potentially harmful because a temporary increase in the capital charge that is unrelated to the actual risk of the investment, and which may ultimately be reversed, could be difficult for a company to manage and for stakeholders to

understand. As we stated above, a more appropriate course of action would be to add sensitivity analysis information to the 2023 RBC submission designed to target the risks and populations important to regulators. This approach would have the added benefit of time to incorporate impact analysis required by the Capital Adequacy Task Force for any RBC factor changes. Industry partners would be willing to assist in the development of the information regulators are targeting, such as the impact of increased factors applied to CLO residual tranches.

We also note that given changes in blanks guidance for YE 2022 requiring residual tranches to be moved to schedule BA, regulators and other key stakeholders will have more transparency into the holdings related to this asset class.

Second, we strongly object to the proposal from VOSTF to use three new sub-categories of NAIC 6 as the interim solution for residual tranches of any structured finance security for the reasons stated above. To our knowledge, no proposed framework for sorting investments into these sub-categories currently exists, and no rationale has been offered as to why these respective proposed capital charges are appropriate, adding confusion to the implementation of this proposed treatment. Further detail as to the rationale behind the charges and clarity as to what would be required to differentiate the 3 sub-categories would be needed before they could be implemented by the industry. Without quantitative analysis and field testing, we risk misleading the public, policyholders, regulators, and other users of the financial statements as to the risk inherent in these structures. Additionally, if the charges are driven by inherent risk specific to CLO residuals rather than all structured finance residuals (which is not entirely clear based on the release), time should be taken to understand the differences in those structures and the potential that the “regulatory capital arbitrage” normalization might not be easily calculated.

Furthermore, we agree with the observation in the Academy report that CLO structures can transform the risk such that vertical ownership versus ownership of the underlying loans can have different RBC values. Factors such as active trading of loans, excess spread being used to cover principal losses and strict reinvestment criteria that ensures diversity, and reduced concentration risk can alter CLO risks as compared to underlying loans. We think it is appropriate to stress structured securities in an analytical way which includes both a fundamental analysis of the underlying asset risk as well as the way the structure will absorb those losses. As the Academy suggests, analyzing the tail risk embedded in any structure ensures that the structures themselves can absorb (or not) the losses that may occur under different scenarios. Ignoring the structural protections in a transaction is not a transparent method to stress these assets

Finally, we note that the IAO proposal states that the proposed interim solution is intended to be applied to all structured securities, but only CLOs have been the focus of recent discussions. Any interim rule must clearly state with specificity which securities are covered. If the scope includes other types of investments, then we believe a cohesive plan, including a similar analytical approach should be employed with respect to those other investments consistent with the work done on RMBS, CMBS and CLOs and must be exposed. If, against the best advice of this industry group, an interim solution is adopted, we request a concrete, definitive timeframe

for the interim solution so that industry has time to plan and ensure that a robust and transparent process is achieved.

We appreciate that the Working Group is focused on these issues with the goal of ensuring that RBC is appropriate for the risk that insurance companies are taking. We look forward to engaging with the Working Group in a transparent process to develop a new framework for residual tranches that incorporates appropriate quantitative analytics based on their historical performance of defaults and losses and aligns with other asset classes ensuring "equal capital for equal risk."

Athene
Delaware Life Insurance Company
F&G Annuities and Life
Nassau Financial Group
Clear Spring Life and Annuity Company
Everlake Life Insurance Company
Global Atlantic Financial Group
Security Benefit Life Insurance Company

cc: Superintendent Elizabeth Dwyer, Chair, Financial Condition (E) Committee

February 3, 2023

Mr. Philip Barlow, Chair
RBC Investment Risk & Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via email: dfleming@naic.org

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

Dear Mr. Barlow,

On behalf of the undersigned life insurance companies ("the companies"), we are writing to express our strong support for the steps the NAIC is taking to model collateralized loan obligations (CLO) for risk-based capital (RBC) purposes. The companies are also supportive of the Valuation of Securities Task Force (VOSTF) recommendation that the Risk-Based Capital and Investment Risk and Evaluation (RBC IRE) Working Group develop interim RBC factors for the NAIC 6 designation. Aligning RBC with the underlying investment risk of the residual tranches of structured securities is a critical component of minimizing RBC arbitrage in securitized assets, a regulatory objective that we also support.

Structured securities, including CLOs, are material to insurer solvency. Structured credit has become a core asset strategy in US Life General Accounts, similar in size to Commercial Mortgages. CLOs in particular are a fast-growing asset class that are highly correlated to other credit exposures within insurers' asset management portfolios and have indirect implications for other insurer capital holdings under stress.

Structured securities are important financial products, but they also have unique "cliff risks" not present in most financial assets. While small levels of default will not translate into immediate losses within a transaction's rated tranches, once the first loss protection is depleted small additional collateral losses will result in large losses within those tranches. Residual tranches are the first loss protection layer shielding the rest of the structure but are not themselves protected.

The companies recognize the significant progress made to date by the RBC IRE Working group and VOSTF to develop an appropriate modeling methodology and accompanying RBC framework. As this work progresses, we agree that it is critical for regulators to enact interim RBC factors for the residual tranches while NAIC fulsomely evaluates more permanent changes to its RBC framework for structured securities. The current capital factor of 30% was designed for more traditional equity holdings, not the highly levered residual tranches of structured securities. A practicable interim solution could address the risks of investing in residual tranches while providing regulators with additional information for that long-term solution.

The companies agree with ACLI that there is no need to pursue three new NAIC 6 designation categories (i.e., 6.A, 6.B, and 6.C) in the interim. Instead, the companies recommend use of a single interim RBC factor for structured securities tranches with an NAIC 6 designation. **We support an interim RBC factor for the residual tranches of *at least* 45%, which is the highest current factor for high beta equity holdings.**

There have also been industry discussions about maintaining the current 30% factor and using a higher factor in sensitivity testing to help regulators assess risk. While sensitivity testing or impact analysis can provide regulators with valuable information on materiality and solvency of the residual tranches, sensitivity testing alone will not provide data on what appropriate RBC factors should be nor will it meet the regulators' goals of reducing RBC arbitrage while more refined charges are developed. As such, should the regulators decide to employ sensitivity testing, the companies believe a higher factor for residual traches is also needed.

*****

Thank you in advance for your consideration of our comments. We are committed to working with NAIC and regulators to enact reasonable RBC factors for structured securities that reflect the underlying risk for all tranches. The companies join ACLI in urging the RBC IRE Working Group to transition quickly from the work on the interim solution to the development of permanent RBC factors.

Respectfully Submitted,

Equitable
MetLife
New York Life
Northwestern Mutual
Pacific Life
Prudential Financial, Inc.
Western & Southern

February 6, 2023

Mr. Philip Barlow, Chair
RBC Investment Risk and Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via email: dfleming@naic.org

Re: Residual Tranches - Interim Solution

Dear Mr. Barlow:

We, the undersigned companies, appreciate the opportunity to provide comments on the NAIC's exposure of the Valuation of Securities (E) Task Force (VoSTF) referral to Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBC IRE) on a proposed "interim solution" for additional RBC factor categories for securitized residuals.

Overall, we are supportive of the NAIC's efforts to further model and understand the complexities of structured securities and ensure that life insurers are holding the appropriate levels of capital to support the risk on their books. Some have raised concerns about the potential for capital arbitrage specific to collateralized loan obligations (CLOs). However, we believe this is premature. We are not aware of underlying facts which would call for an immediate modification to Risk-Based Capital (RBC) prior to completing a comprehensive analysis. We believe it would be unwise to set a precedent for disruptive intra-year changes to what is a stable long-term capital framework and ignore what has been a successful data-driven approach historically.

Accordingly, we do not believe the proposed interim factors should be applied to CLO holdings. Instead, an expeditious undertaking of information gathering through disclosures of the Residual Tranche portion of AVR (already in place for YE 2022 reporting) and adding structure to existing sensitivity testing would provide transparency regarding the scope and reach of individual company CLO or other residual tranche holdings. Such a process would avoid unnecessary and potentially uneconomic volatility in company reported financial strength while still addressing the Task Force's concerns in a timely manner.

Recent Independent Experts State an Immediate RBC Correction is Not Needed or Necessarily Appropriate
We support swift information gathering in advance of taking action to modify a company's reported RBC. Our view is based on recent reports from the American Academy of Actuaries (Academy) and the NAIC Capital Markets Bureau, which both state that on an aggregate basis, CLOs do not present a material solvency risk to our industry as noted in:

1) The January 2023, NAIC Capital Markets Bureau Special Report on Collateralized Loan Obligations (NAIC Report) states "Based on the NAIC's stress test results, U.S. insurer investments in CLOs *remain an insignificant risk*." (Emphasis added)
2) The Academy's C1 Work Group's (C1WG) December 14, 2022, presentation to the NAIC's RBC IRE states on Slide 12: "In the C1WG's view, *CLOs do not present a material risk to the aggregate solvency of the life insurance industry currently*." (Emphasis added)

3) Slide 21 of the C1WG's presentation states: "While a CLO's total collateral and a vertical slice of its tranches have the same *risk* at a point in time, it does not follow that they must have the same total C-1 requirement." Noting in support of this statement:
    a. Each of corporate bonds, bank loans, and CLOs have unique structures and risk profiles.
    b. C-1 corporate bond factors are not appropriate for bank loans or for CLOs due to different assumptions and models (e.g., secured vs. unsecured, time horizon, etc.)
    c. It would not be appropriate to force equivalence using the current C-1 corporate bond factors.

Sensitivity Testing is More Appropriate than Applying an Interim Capital Charge to Residual Tranche Holdings
Following other recent examples of a non-urgent nature (such as RBC sensitivity tests or Group Capital Calculation calibration), we propose the sensitivity testing section of the Life RBC Exhibits (Pages LR038 and LR039) as the interim solution. Doing so, the NAIC could apply one or more sensitivity factors to residual results to get a sense of impact to each company, without modifying the reported result. This alternative interim solution will accomplish multiple goals:

1) It is expedient, without damaging the integrity of a company's RBC calculation.
2) It allows regulators to see the impacts to their respective domestic companies in a "what if" scenario, helping to identify companies with potential material risk from residual tranches of CLOs.
3) It allows the RBC IRE WG time to undertake extensive analysis and testing of CLO experience, without having a hurried approach for YE 2023.
4) It allows regulators and industry to review the sensitivity testing results, to discuss the advantages and disadvantages of alternatives, and to understand the broad, long-term impacts to industry and reinsurance counterparties, and the impact to availability and pricing in the risk transfer marketplace.
5) It does not create the same potential for disruption in the structured securities market.
6) Disclosure, identification of material ownership, and sensitivity testing would dissuade material owners from significantly increasing exposure.

In conclusion, the proposal to collect sensitivity testing data rather than apply an interim RBC charge in 2023 is based on (i) recent independent reports that conclude CLOs do not present material risk to the life insurance industry and (ii) the Academy report which notes forcing the sum of capital charges for all CLO tranches to equal a C-1 bond charge is inappropriate. Moreover, sensitivity testing presents an expeditious information gathering opportunity to allow regulators to target needed adjustments while avoiding a threat of unneeded market disruptions.

We look forward to the opportunity to discuss our proposed solution and answer any questions you may have.

Sincerely,

Sarah Williams
Chief Risk Officer
The Guardian Life Insurance Company of America

Michael O'Connor
General Counsel
Massachusetts Mutual Life Insurance Company

Capital Adequacy (E) Task Force

RBC Proposal Form

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

		FOR NAIC USE ONLY
	DATE: 8/11/22	
CONTACT PERSON:	Eva Yeung	Agenda Item # 2022-09-CA
TELEPHONE:	816-783-8407	Year 2023
EMAIL ADDRESS:	eveung@naic.org	**DISPOSITION**
ON BEHALF OF:	Capital Adequacy (E) Task Force	[x] ADOPTED 3/23/23
NAME:	Tom Botsko	[ ] REJECTED
TITLE:	Chair	[ ] DEFERRED TO
AFFILIATION:	Ohio Department of Insurance	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	50 West Town Street, Suite 300	[x] EXPOSED 8/11/22
	Columbus, OH 43215	[ ] OTHER (SPECIFY)

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

[x] Health RBC Blanks [x] Property/Casualty RBC Blanks [x] Life and Fraternal RBC Instructions
[x] Health RBC Instructions [x] Property/Casualty RBC Instructions [x] 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.
3/23/23 – The Task Force adopted the proposal on 3/23/23

**** This section must be completed on all forms.** **Revised 2-2019**

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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.

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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.

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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

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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

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The RBC calculation for Holder, Inc.'s value in excess of the indirectly owned insurance affiliates/subsidiaries is as follows:

Company	**Stat. Book value**	**Source:**
Holder, Inc.	50,000,000	MEGA Health Sch D - Part 6, Section 1
Holder, Inc. aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
Subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 30.0% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

The following table shows the XR002 entries that MEGA Health Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance affiliates/subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these affiliates/subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		XR002 Column					
		4	**5**	**7**	**8**	**11**	**12**
Affiliates/Subsidiaries	**Affiliates/Subsidiaries Type**	**100% RBC**	**Book Adjusted Carrying Value**	**Total Value of Affiliates/Subsidiaries**	**Statutory Surplus of Affiliates/Subsidiaries**	**% Owned**	**RBC Required**
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	12,000,000	25%	1,500,000

The risk-based capital charge for the parent insurer preparing the calculation is a 30 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).

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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.

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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.

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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.

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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:

Subsidiary Insurance Company	Owner's Book / Adjusted Carrying Value	Percentage Ownership	Total Stock Outstanding
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

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~~AFFILIATED COMPANIES RISK - DETAILS~~

DETAILS FOR AFFILIATED STOCKS

	(1) Name of Affiliate	(2) Affil Type ~~Code~~	(3) NAIC Company Code or Alien ID Number	(4) Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (37) PR032 Line (67) LR031 Line (67) + (71)	(5) Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	(6) Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	(7) Total Value of Affiliate's Outstanding Common Stock	(8) ~~Total~~ Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	(9) Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	(10) Total Value of Affiliate's Outstanding Preferred Stock	(11) Percent Owned (Cols 5 + 9) / (Cols 7 + 10)	(12) RBC Required (H0 Compoenent)	(13) 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%		
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(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

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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~~

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

	~~Type of Affiliate~~ Affiliate Type	Type Code	Basis	(1) Number of Companies	(2) 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 Eequirement 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

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~~CROSSCHECKING FOR AFFILIATED INVESTMENTS~~

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

	Affiliated Preferred Stock Schedule D Part 6 Section 1 C7	Annual Statement Line Number	(1) Total Preferred Stock	(2) Total From RBC Report	(3) Difference
(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
(9)	Subtotal	0999999	0	0	0

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

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EQUITY ASSETS

		Annual Statement Source	(1) Bk/Adj Carrying Value	Factor	(2) RBC Requirement
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

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CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) RBC Amount
H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS			
(1)	Off-Balance Sheet Items	XR005, Off-Balance Sheet Page, Line (21)	$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 N**	**XR003, Affiliates Page, Column (2), Line (16)**	$0
(15)	**Directly Owned Property and Casualty Insurance Companies Not S**	**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

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CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) RBC Amount
H3 - CREDIT RISK			
(32)	Total Reinsurance RBC	XR020, Credit Risk Page, Line (17)	$0
(33)	Intermediaries Credit Risk RBC	XR020, Credit Risk Page, Line (24)	$0
(34)	Total Other Receivables RBC	XR021, Credit Risk Page, Line (30)	$0
(35)	Total H3	**Sum Lines (32) through (34)**	$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 + Square Root of $(H1^2 + H2^2 + H3^2 + H4^2)$	$0
(42)	Basic Operational Risk	0.030 x Line **(41)**	$0
(43)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(44)	Net Basic Operational Risk	Line **(42) - (43)** (Not less than zero)	$0
(45)	RBC After Covariance Including Basic Operational Risk	**Lines (41) + (44)**	$0
(46)	Authorized Control Level RBC	.50 x Line **(45)**	$0

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CALCULATION OF TOTAL ADJUSTED CAPITAL

		Annual Statement Source	(1) Amount	Factor	(2) Adjusted Capital
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.

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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

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Enter applicable items for each affiliate/subsidiary in the Details for Affiliated/Subsidiary Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be cross-checked and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 0999999 plus Line 1899999.

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 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 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.

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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

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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:

Company	**Stat. Book value**	**Source:**
Holder, Inc.	50,000,000	MEGA Life Sch D - Part 6, Section 1
Holder, Inc. aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
Subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 30.0% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

The following table shows the LR044 entries that MEGA Life Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

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		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,

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- 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

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

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute, regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula Investment is 0.300 times the book/adjusted carrying value of the common and preferred stock.

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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-1o component.

Report information regarding any publicly traded insurance affiliate/subsidiary held at market value. The reported market value of common stock should be the same as shown Schedule D, Part 2, Section 2, Column 8, Line 5919999999 plus Line 5929999999. The market value of preferred stock should be the same as shown in Schedule D, Part 2, Section 1, Column 10, line 4319999999 plus 4329999999. The reported book value of common stock should be the same as shown in Schedule D, Part 2, Section 2, Column 6, Line 5919999999 plus Line 5929999999. The reported book value of preferred stock should be the same as Schedule D, Part 2, Section 1, Column 8, Line 4319999999 plus 4329999999.

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:

Subsidiary Insurance Company	Owner's Book / Adjusted Carrying Value	Percentage Ownership	Total Stock Outstanding
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

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

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

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=		
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=		
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=		
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=		
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=		
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=		
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=		†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=		
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12.3)		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	=		
	Miscellaneous							
(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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		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	Investment Affiliates	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)**		X	0.2100	=		
(105)	**Investment in Upstream Affiliate (Parent)**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)**		X	0.2100	=		
(106)	**Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)**		X	0.2100	=		
(107)	**Directly Owned Property and Casualty Insurance Companies Not Subject to RBC**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)**		X	0.2100	=		
(108)	**Directly Owned Life Insurance Companies Not Subject to RBC**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)**		X	0.2100	=		
(109)	Publicly Traded Insurance Affiliates	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)**		X	0.2100	=		
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(114)	**Directly Owned Health Insurance Companies or Health Entities**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)**		**X**	**0.2100**	=		
(115)	**Directly Owned Property and Casualty Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)**		**X**	**0.2100**	=		
(116)	**Directly Owned Life Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)**		**X**	**0.2100**	=		
(117)	**Indirectly Owned Health Insurance Companies or Health Entities**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)**		**X**	**0.2100**	=		
(118)	**Indirectly Owned Property and Casualty Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)**		**X**	**0.2100**	=		
(119)	**Indirectly Owned Life Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)**		**X**	**0.2100**	=		
(120)	**Affiliated Alien Insurers - Directly Owned**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)**		**X**	**0.0000**	=		
(121)	**Affiliated Alien Insurers - Indirectly Owned**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)**		**X**	**0.0000**	=		
(122)	Subtotal for C-0 Affiliated Common Stock	**Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)**						
	Common Stock							
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
(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	=		

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (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)**					

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

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

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		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	**Directly Owned Health Insurance Companies or Health Entities**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)**	
(2)	**Directly Owned Property and Casualty Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)**	
(3)	**Directly Owned Life Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)**	
(4)	**Indirectly Owned Health Insurance Companies or Health Entities**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)**	
(5)	**Indirectly Owned Property and Casualty Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)**	
(6)	**Indirectly Owned Life Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)**	
(7)	**Affiliated Alien Insurers - Directly Owned**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)**	
(8)	**Affiliated Alien Insurers - Indirectly Owned**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)**	
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (**9**)	
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (**122**)	
(12)	Net (C-0) - Post-Tax	Line (**10**) - Line (**11**)	
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	
(14)	Schedule BA Unaffiliated Common Stock	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**)	
	Asset Risk - All Other (C-1o)		
(22)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	
(23)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	
(24)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	
(25)	**Investment Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)**	
(26)	**Investment in Upstream Affiliate (Parent)**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)**	
(27)	**Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)**	
(28)	**Directly Owned Property and Casualty Insurance Companies Not Subject to RBC**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)**	
(29)	**Directly Owned Life Insurance Companies Not Subject to RBC**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)**	
(30)	**Publicly Traded Insurance Affiliates**	**LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)**	
(31)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	

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

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		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) + Greatest of [Guardrail Factor * (L(45)+L(46)), Guardrail Factor * L(46b), Square Root of [(L(45) + L(46))2 + L(46b)2 + 2 * (Correlation Factor) * (L(45) + L(46)) * L(46b)]]	
(50)	(C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
(51)	Net (C-2) - Post-Tax	Line (49) - Line (50)	
	Interest Rate Risk (C-3a)		
(52)	Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	
(53)	(C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
(54)	Net (C-3a) - Post-Tax	Line (52) - Line (53)	
	Health Credit Risk (C-3b)		
(55)	Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	
(56)	(C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	
(57)	Net (C-3b) - Post-Tax	Line (55) - Line (56)	
	Market Risk (C-3c)		
(58)	Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	
(59)	(C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	
(60)	Net (C-3c) - Post-Tax	Line (58) - Line (59)	

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

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		Source	(1) RBC Requirement
	Business Risk (C-4a)		
(61)	Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	
(62)	Liability Component	LR029 Business Risk Column (2) Line (39)	
(63)	Subtotal Business Risk (C-4a) - Pre-Tax	Lines (61) + (62)	
(64)	(C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (145)	
(65)	Net (C-4a) - Post-Tax	Line (63) - Line (64)	
	Business Risk (C-4b)		
(66)	Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	
(67)	(C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (146)	
(68)	Net (C-4b) - Post-Tax	Line (66) - Line (67)	
	Total Risk-Based Capital After Covariance Before Basic Operational Risk		
(69)	C-0 + C-4a + Square Root of $[(C\text{-}1o + C\text{-}3a)^2 + (C\text{-}1cs + C\text{-}3c)^2 + (C\text{-}2)^2 + (C\text{-}3b)^2 + (C\text{-}4b)^2]$	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE **L(12)+L(65) + Square Root of $[(L(44) + L(54))^2 + (L(21) + L(60))^2 + L(51)^2 + L(57)^2 + L(68)^2]$**	
(70)	Gross Basic Operational Risk	0.03 x L(69)	
(71)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(72)	Net Basic Operational Risk	Line (70) - (Line (65) + Line (71)) (Not less than zero)	
(73)	Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII Multiplied by 2	LR036 XXX/AXXX Reinsurance Primary Security Shortfall by Cession Column (7) Line (9999999) Multiplied by 2	
(74)	Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied by 2)	Line (69) + Line (72) + Line (73)	
	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)		
(75)	Total Risk-Based Capital After Covariance Times Fifty Percent	Line (74) x 0.50	
	Tax Sensitivity Test		
(76)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	**L(10)+L(63) + Square Root of $[(L(42) + L(52))^2 + (L(19) + L(58))^2 + L(49)^2 + L(55)^2 + L(66)^2]$**	
(77)	Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (76) x 0.50	

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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 Eequirement 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 Entites	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.

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CROSSCHECKING FOR AFFILIATED/SUBSIDIARY ~~INVESTMENTS~~ STOCKS

Affiliated Preferred Stock

	Schedule D Part 6 Section 1 Type	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock†	(2) Total from Life and Fraternal Risk-Based Capital Report‡	(3) Difference
(1)	Parent	0199999			
(2)	U.S. Property and Casualty Insurer	0299999			
(3)	U.S. Life Insurer	0399999			
(4)	U.S. Health Entity	0499999			
(5)	Alien Insurer	0599999			
(6)	Non-Insurer Which Controls Insurer	0699999			
(7)	Investment Subsidiary	0799999			
(8)	Other Affiliates	0899999			
(9)	Total (Sum of Lines (1) through (8))				

Affiliated Common Stock

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

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DETAILS FOR AFFILIATED/SUBSIDIARY ~~INVESTMENTS~~ STOCKS

~~Affiliate Type~~	~~Affiliate Code for Column (2)~~	~~RBC Basis~~	~~Affiliate Type~~	~~Affiliate Code for Column (2)~~	~~RBC Basis~~
~~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)
	Name of Affiliate	Affiliate Code (1 to 21)	NAIC Company Code or Alien ID Number†	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*
(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.

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LR044

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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.

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The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 0999999 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 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

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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

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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

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The RBC calculation for Holder, Inc.'s value in excess of the indirectly owned insurance affiliates/subsidiaries is as follows:

Company	Stat. Book value	Source:
Holder, Inc.	50,000,000	MEGA P&C Sch D - Part 6, Section 1
Holder, Inc. Aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 22.5% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

The following table shows the PR003 entries that MEGA P&C Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance Affiliates/subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these affiliates/subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		PR003 Column					
		4	5	7	8	9	13
Affiliates/Subsidiaries	Affiliates/Subsidiaries Type	100% RBC	Book Adjusted Carrying Value	Total Value of Affiliates/Subsidiaries	Statutory Surplus of Affiliates/Subsidiaries	% Owned	RBC Required
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	12,000,000	25%	1,500,000

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).

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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.

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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).

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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.

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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:

Subsidiary Insurance Company	Owner's Book / Adjusted Carrying Value	Percentage Ownership	Total Stock Outstanding
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

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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)	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

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#REF!

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

	Affiliate Types	Affil Code	RBC Basis	(1) Number of Companies	(2) Total RBC Required
(1)	Directly Owned Health Insurance Companies or Health Entities	1a	Sub's RBC After Covariance	0	0
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b	Sub's RBC After Covariance	0	0
(3)	Directly Owned Life Insurance Affiliates	1c	Sub's RBC After Covariance	0	0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a	Sub's RBC After Covariance	0	0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	2b	Sub's RBC After Covariance	0	0
(6)	Indirectly Owned Life Insurance Affiliates	2c	Sub's RBC After Covariance	0	0
(7)	Holding Company in Excess of Indirect Subs	3	0.225	0	0
(8)	Investment Subsidiary	4	0.225	0	0
(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 Eequirement Imposed by a Eegulatory 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 Entites	9c	0.225	0	0
(22)	Total			0	0

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

	Affiliated Preferred Stock Schedule D Part 6 Section 1 C7	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock	(2) Total From RBC Report	(3) Difference
(1)	Parent	0199999	0	0	0
(2)	U.S. P&C Insurer	0299999	0	0	0
(3)	U.S. Life Insurer	0399999	0	0	0
(4)	U.S. Health Insurer	0499999	0	0	0
(5)	Alien Insurer	0599999	0	0	0
(6)	Non-Insurer Which Controls Insurer	0699999	0	0	0
(7)	Investment Subsidiary	0799999	0	0	0
(8)	Other Affiliates	0899999		0	0
(9)	Subtotal	0999999	0	0	0

	Affiliated Common Stock Schedule D Part 6 Section 1 C7	Annual Statement Line Number	(1) Annual Statement Total Common Stock	(2) Total From RBC Report	(3) Difference
(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	0

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UNAFFILIATED PREFERRED AND COMMON STOCK PR007

	Unaffiliated Preferred Stock	Annual Statement Source	(1) Book/Adjusted Carrying Value	Factor	(2) RBC Requirement
(1)	NAIC 01 Preferred Stock	Sch D Pt 2 Sn 1	0	0.003	0
(2)	NAIC 02 Preferred Stock	Sch D Pt 2 Sn 1	0	0.010	0
(3)	NAIC 03 Preferred Stock	Sch D Pt 2 Sn 1	0	0.020	0
(4)	NAIC 04 Preferred Stock	Sch D Pt 2 Sn 1	0	0.045	0
(5)	NAIC 05 Preferred Stock	Sch D Pt 2 Sn 1	0	0.100	0
(6)	NAIC 06 Preferred Stock	Sch D Pt 2 Sn 1	0	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		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 Unaffilated 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	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		0

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

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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!		
(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.

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

R0 —Subsidiary Insurance Companies and Misc. Other Amounts		PRBC O&I Reference	(1) 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

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#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

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

			(1)
R4 - Underwriting Risk - Reserves		PRBC O&I Reference	RBC Amount
(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(551)+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+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2+Rcat^2)	0

(61)	BasicOperational Risk = 0.030 x 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 x L(65)	0

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Capital Adequacy (E) Task Force

RBC Proposal Form

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

		FOR NAIC USE ONLY
	DATE: 11/10/22	
CONTACT PERSON:	Eva Yeung	Agenda Item # 2022-13-CA
TELEPHONE:	816-783-8407	Year 2023
EMAIL ADDRESS:	eveung@naic.org	**DISPOSITION**
ON BEHALF OF:	Capital Adequacy (E) Task Force	[x] ADOPTED 3-23-23
NAME:	Tom Botsko	[ ] REJECTED
TITLE:	Chair	[ ] DEFERRED TO
AFFILIATION:	Ohio Department of Insurance	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	50 West Town Street, Suite 300	[x] EXPOSED 12/14/22
	Columbus, OH 43215	[ ] OTHER (SPECIFY)

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

[ ] Health RBC Blanks
[x] Property/Casualty RBC Blanks
[ ] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions
[ ] Property/Casualty RBC Instructions
[x] 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:

12/14/22 – The CADTF exposed this proposal for a 45/day public comment period ending Jan. 28, 2023.
12/20/22 – Updated to include LR019, the page was inadvertently excluded from the proposal package.
12/22/22 – Updated A/S Source Column to reference Col. 5 for Line 7 on page PR019 and Line 10 on page LR019.
3/23/23 – The TF adopted the proposal on 3/23/23

**** This section must be completed on all forms.** **Revised 2-2019**

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HEALTH PREMIUMS PR019

		Annual Statement Source	(1) Statement Value	Factor		(2) RBC Requirement
	Medical Insurance Premium - Individual ~~Morbidity~~					
(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	0.500		0
(3.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0	0.020		0
(4)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0	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	0.050		0
	Medical Insurance Premium - Group and Credit ~~Morbidity~~					
(7)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)	Earned Premium (Schedule H Part 1 **Column 5** 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	¥		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	0.500		0
(10.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0	0.020		0
(11)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0	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	0.050		0
(14)	Federal Employee Health Benefit Plan	Earned Premium (Schedule H Part 1 ~~Line 2 in part~~**Column 13, Line 2**)	0	0.000		0
	Disability Income Premium					
(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	‡		
(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
	Long-Term Care					
(22)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)	0	0.100		0
(23)	Other Long-Term Care Premium ‡ ‡	Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)	0	0.000		0 ‡ ‡
	Health Premium with Limited Underwriting Risk					
(24)	ASC Business with Premium Revenue	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.000		0
	Other Health					
(25)	Other Health	Earned Premium (Schedule H Part 1 **Column 25** Line 2 ~~in part~~)	0	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

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

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) 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.

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Company Name | Confidential when Completed | NAIC Company Code

	A	B	C	D	E	F	G	H	I	J	K
2	**HEALTH PREMIUMS**									#REF!	
3						(1)				(2)	
4						Statement				RBC	
5					Annual Statement Source	Value		Factor		Requirement	
6		Medical Insurance Premiums - Individual ~~Morbidity~~									
7	(1)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)			Earned Premium (Schedule H Part 1 **Column 3** Line 2 ~~in part~~)			†		XXX	
8	(2)	Medicare Supplement			Earned Premium (Schedule H Part 1 **Column 7** Line 2 in part)			†		XXX	
9	(3)	Dental and Vision			Earned Premium (Schedule H Part 1 **Columns 9 + 11** Line 2 in part)			†		XXX	
10	(4)	Stand-Alone Medicare Part D Coverage			Earned Premium (Schedule H Part 1 Line 2 in part)			†		XXX	
11	(5)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)			Company Records		X	0.500	=		
12	(6)	Medicaid Pass-Through Payments Reported as Premium			Company Records		X	0.020	=		
13	(7)	Hospital Indemnity and Specified Disease			Earned Premium (Schedule H Part 1 Line 2 in part)		X	*	=		
14	(8)	AD&D (Maximum Retained Risk Per Life		)	Earned Premium (Schedule H Part 1 Line 2 in part)		X	‡	=		
15	(9)	Other Accident			Earned Premium (Schedule H Part 1 Line 2 in part)		X	0.050	=		
16		Medical Insurance Premiums - Group and Credit ~~Morbidity~~									
17	(10)	~~Usual and Customary Major~~ **Comprehensive** (Medical and Hospital)			Earned Premium (Schedule H Part 1 **Column 5** Line 2 ~~in part~~)			†		XXX	
18	(11)	Dental and Vision			Earned Premium (Schedule H Part 1 **Columns 9 + 11** Line 2 in part)			†		XXX	
19	(12)	Stop Loss and Minimum Premium			Earned Premium (Schedule H Part 1 Line 2 in part)		X	¥	=		
20	(13)	Medicare Supplement			Earned Premium (Schedule H Part 1 **Column 7** Line 2 in part)			†		XXX	
21	(14)	Stand-Alone Medicare Part D Coverage (see instructions for limits)			Earned Premium (Schedule H Part 1 Line 2 in part)			†		XXX	
22	(15)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)			Company Records		X	0.500	=		
23	(16)	Medicaid Pass-Through Payments Reported as Premium			Company Records		X	0.020	=		
24	(17)	Hospital Indemnity and Specified Disease			Earned Premium (Schedule H Part 1 Line 2 in part)		X	*	=		
25	(18)	AD&D (Maximum Retained Risk Per Life)		)	Earned Premium (Schedule H Part 1 Line 2 in part)		X	‡	=		
26	(19)	Other Accident			Earned Premium (Schedule H Part 1 Line 2 in part)		X	0.050	=		
27	(20)	Federal Employee Health Benefit Plan			Earned Premium (Schedule H Part 1 ~~Line 2 in part~~**Column 13, Line 2**)		X	0.000	=		
28		Disability Income Premium									
29	(21)	Noncancellable Disability Income - Individual Morbidity			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
30	(22)	Other Disability Income - Individual Morbidity			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
31	(23)	Disability Income - Credit Monthly Balance Plans			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
32	(24)	Disability Income - Group Long-Term			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
33	(25)	Disability Income-Credit Single Premium with Additional Reserves			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
34	(26)	Disability Income-Credit Single Premium without Additional Reserves			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
35	(27)	Disability Income - Group Short-Term			Earned Premium (Schedule H Part 1 **Column 21** Line 2 in part)		X	‡	=		
36		Long-Term Care									
37	(28)	Noncancellable Long-Term Care Premium - Rate Risk**			Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)		X	0.127**	=		
38	(29)	Other Long-Term Care Premium ‡‡			Earned Premium (Schedule H Part 1 **Column 23** Line 2 in part)		X	0.000	=		‡‡
39		Health Premium With Limited Underwriting Risk									
40	(30)	ASC Business Reported as Revenue Premium			Earned Premium (Schedule H Part 1 Line 2 in part)		X	0.000	=		
41		Other Health									
42	(31)	Workers Compensation Carve-Out			Earned Premium (Schedule H Part 1 **Column 25** Line 2 in part)		X	0.000	=		
43	(32)	Other Health			Earned Premium (Schedule H Part 1 **Column 25** Line 2 in part)		X	0.120	=		
44	(33)	Total Earned Premiums			Sum of Lines (1) through (32)						
45		(Column (1) should equal Schedule H Part 1 Column 1 Line 2)									
46	(34)	Additional Reserves for Credit Disability Plans			Exhibit 6, Column 10, Line 2		§				
47	(35)	Additional Reserves for Credit Disability Plans, prior year			Exhibit 6, Column 3, Line 2, prior year		§				
48											
49	†	The premium amounts in these lines are transferred to LR020 Underwriting Risk – Experience Fluctuation Risk Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts									
50		are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete LR022 Underwriting Risk – Managed									
51		Care Credit. In which case, the company will also need to complete LR028 Health Credit Risk in the (C-3) portion of the formula. If there are amounts in any of lines (1), (2), (3), (10), (11) or (13)									
52		on page LR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of LR029 Business Risk in the (C-4) portion of the formula.									
53	‡	The two tiered calculation is illustrated in the risk-based capital instructions for LR019 Health Premiums.									
54	‡‡	The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on page LR023. The premium is shown to allow totals to check to Schedule H.									
55	*	If there is premium included on either or both of these lines, the RBC requirement in Column (2) will include 3.5 percent of such premium and $50,000 (included in the line with the larger premium).									
56	**	The factor applies to all Noncancellable premium.									
57	§	These amounts are used to adjust the premium base for single premium credit disability plans that carry additional tabular reserves.									
58	¥	A factor of .350 will be applied to the first $25,000,000 in Column (1), Line (12) and a factor of .250 will be applied to the remaining premium in excess of $25,000,000.									
59											
60		Denotes items that must be manually entered on the filing software.								#REF!	

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UNDERWRITING RISK #REF!

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) 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!

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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 ~~(~~includes~~ing~~ ~~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 ~~(~~includes~~ing 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

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Line (10.3)
Medicaid pass-through payments reported as premium and excluded from Line (~~1~~7) 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.

		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (15)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21, 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)			_____
Line (16)	Other Disability Income – Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21, 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)			_____

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		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
Line (17)	Disability Income - Credit Monthly Balance	Earned Premium included in Schedule H, Part 1, Column 21, 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)			
Line (18)	Disability Income – Group Long Term	Earned Premium included in Schedule H, Part 1, Column 21, 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)			
Line (19)	Disability Income – Credit Single Premium with Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, 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)			
Line (20)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, 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 =	

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		Annual Statement Source	Statement Value	Factor	RBC Requirement
	Disability Income Premium				
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (20) + b) of Line (20), Column (2)			
Line (21)	Disability Income – Group Short Term	Earned Premium included in Schedule H, Part 1, Column 21, 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)			
Line (22)	Noncancellable Long-Term Care Premium – Rate risk	Earned Premium (Schedule H, Part 1, Column 23, 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.

Detail Eliminated to Conserve Space

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

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 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 D1~~3~~ 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+5~~2~~, Line D11~~3~~.)

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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

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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, ~~(~~includes~~ing~~ ~~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, includes~~ing 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.

	Disability Income Premium	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
Line (21)	Noncancellable Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21, Line 2, in part	_____		
a)	First $50 Million Earned Premium of Line (21)	Company Records			

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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 =	_____
					_____
Line (22)	Other Disability Income - Individual Morbidity	Earned Premium included in Schedule H, Part 1, Column 21 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)			_____
Line (23)	Disability Income - Credit Monthly Balance	Earned Premium included in Schedule H, Part 1, Column 21, 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)	_____		_____
Line (24)	Disability Income – Group Long-Term	Earned Premium included in Schedule H, Part 1, Column 21, 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)	_____		_____
Line (25)	Disability Income - Credit Single Premium with Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, 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			

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	premium in a) of Line (23) + a) of Line (24)]		_____	X 0.1901=	_____
e)	Earned Premium in c) of Line (25) not included in d) of Line (25)	Company Records	_____	X 0.0378 =	_____
f)	Total Disability Income - Credit Single Premium with Additional Reserves	d) of Line (25) + e) of Line (25), Column (2)			_____
Line (26)	Disability Income – Credit Single Premium without Additional Reserves	Earned Premium included in Schedule H, Part 1, Column 21, 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	_____	X 0.1267=	_____
b)	Earned Premium in Line (26) not included in a) of Line (26)	Company Records	_____	X 0.0378 =	_____
c)	Total Disability Income – Credit Single Premium without Additional Reserves	a) of Line (26) + b) of Line (26), Column (2)	_____		_____
Line (27)	Disability Income – Group Short-Term	Earned Premium included in Schedule H, Part 1, Column 21, 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	_____	X 0.0634 =	_____
b)	Earned Premium in Line (27) not included in a) of Line (27)	Company Records	_____	X 0.0378 =	_____
c)	Total Disability Income – Group Short-Term	a) of Line (27) + b) of Line (27), Column (2)	_____		_____

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.

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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 ~~13~~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.

Detail Eliminated to Conserve Space

UNDERWRITING RISK - MANAGED CARE CREDIT

LR022

Detail Eliminated to Conserve Space

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 D~~A~~.4 of the annual statement.

Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force
[ ] Catastrophe Risk (E) Subgroup
[ ] Variable Annuities Capital. & Reserve (E/A) Subgroup
[x] Health RBC (E) Working Group
[ ] Investment RBC (E) Working Group
[ ] P/C RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Longevity Risk (A/E) Subgroup
[ ] RBC Investment Risk & Evaluation (E) Working Group

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TELEPHONE:	816-783-8146	Year 2023
EMAIL ADDRESS:	cbrown@naic.org	**DISPOSITION**
ON BEHALF OF:	Health Risk-Based Capital (E) Working Grp	[x] ADOPTED HRBC 2/7/23, TF 3/23/23
NAME:	Steve Drutz	[ ] REJECTED
TITLE:	Chief Financial Analyst/Chair	[ ] DEFERRED TO
AFFILIATION:	WA Office of Insurance Commissioner	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	5000 Capitol Blvd SE	[x] EXPOSED 11-7-22
	Tumwater, WA 98501	[ ] OTHER (SPECIFY)

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

[ ] Health RBC Blanks [ ] Property/Casualty RBC Blanks [ ] Life and Fraternal RBC Instructions
[x] Health RBC Instructions [ ] Property/Casualty RBC Instructions [ ] Life and Fraternal RBC Blanks
[ ] OTHER _____

DESCRIPTION OF CHANGE(S)

Remove the trend test for information only instructions.

REASON OR JUSTIFICATION FOR CHANGE **

All states are in compliance with the Health Trend Test. This is part of the Accreditation Standards.

Additional Staff Comments:

11-7-22 cgb Exposed for 30-day comment period
12-7-22 cgb No comments received
2-7-23 cgb Health Risk-Based Capital Working Group adopted
3-23-23 cgb The Task Force adopted the proposal on 3/23/23

**** This section must be completed on all forms.** **Revised 7-2022**

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COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL
XR027

Detail Eliminated to Conserve Space

Trend Test

A company whose RBC ratio is between 200 percent and 300 percent and combined ratio is greater than 105 percent could trigger a Company Action Level RBC regulatory action per the Trend Test. ~~The calculation is informational only until state statutes are implemented so that the trend test would trigger a Company Action Level RBC regulatory action per the statute.~~

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Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force
[ ] Catastrophe Risk (E) Subgroup
[ ] Variable Annuities Capital. & Reserve (E/A) Subgroup
[x] Health RBC (E) Working Group
[ ] Investment RBC (E) Working Group
[ ] P/C RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Longevity Risk (A/E) Subgroup
[ ] RBC Investment Risk & Evaluation (E) Working Group

	DATE: 01-27-23	**FOR NAIC USE ONLY**
CONTACT PERSON:	Crystal Brown	Agenda Item # 2022-15-H
TELEPHONE:	816-783-8146	Year 2023
EMAIL ADDRESS:	cbrown@naic.org	**DISPOSITION**
ON BEHALF OF:	Health Risk-Based Capital (E) Working Grp	[x] ADOPTED HRBC 3/21/23 TF 3/23/23
NAME:	Steve Drutz	[ ] REJECTED
TITLE:	Chief Financial Analyst/Chair	[ ] DEFERRED TO
AFFILIATION:	WA Office of Insurance Commissioner	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	5000 Capitol Blvd SE	[x] EXPOSED 1-30-23
	Tumwater, WA 98501	[ ] OTHER (SPECIFY)

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

[x] Health RBC Blanks [ ] Property/Casualty RBC Blanks [ ] Life and Fraternal RBC Instructions
[x] Health RBC Instructions [ ] Property/Casualty RBC Instructions [ ] Life and Fraternal RBC Blanks
[ ] OTHER _____

DESCRIPTION OF CHANGE(S)

Renumber the lines on page XR008.

REASON OR JUSTIFICATION FOR CHANGE **

Renumber all the lines on page XR008. The line numbers carry over from the bond page, renumbering the lines will allow for easier updated in the future for adjustments to the bonds.

Additional Staff Comments:

1-30-23 cgb Proposal 2022-15-H was exposed for a 30-day comment period ending on Feb. 28.
2-28-23 cgb No comments received during comment period.
3-21-23 cgb HRBCWG adopted at their 3/21/23 meeting
3/23/23 cgb Task Force adopted at their 3/23/23 meeting

**** This section must be completed on all forms.** **Revised 7-2022**

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Overview of the NAIC Health Risk-Based Capital Report

Detail Eliminated to Conserve Space

Negative values can sometimes appear in the value column or RBC Subtotal column of this report. These negative values are retained to facilitate crosschecking of amounts reported in the annual statement against amounts reported in the RBC filing. However, when a negative number appears in the value column, that value will be converted to zero before determining the RBC Requirement. For example, a negative $10,000 for cash [XR008, Col (1), Line (~~28~~1)] will produce a zero ($0 times 0.003) in Column (2), RBC Requirement, rather than a negative $30 (-$10,000 times 0.003).

Detail Eliminated to Conserve Space

Fixed Income Assets
XR007 AND XR008

The RBC requirement for fixed income assets is largely driven by the default risk on those assets. There are two major subcategories: Bonds and Miscellaneous. Bonds include items that meet the definition of a bond, regardless if the bond is long-term (reported on Schedule D-1), short-term (reported on Schedule DA), or a cash equivalent (reported on Schedule E-2). Miscellaneous fixed income assets include non-bond items reported on the cash equivalent and short-term schedules, derivatives, mortgage loans, collateral loans, and other items reported on Schedule BA: Other Long-Term Invested Assets.

Bonds (XR007)

The bond factors for investment grade bonds (NAIC Designation (1.A-2.C) are based on cash flow modeling. Each bond of a portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by NAIC Designation Category and that year's economic environment. The default probabilities were based on historical data intended to reflect a complete business cycle of favorable or unfavorable credit environments. The risk of default was measured over a five-year time horizon, based on the duration of assets held for health companies.

The factors for NAIC Designation Category 3.A to 6 recognize that these non-investment grade bonds are reported at the lower of amortized cost or fair value. These bond risk factors are based on the market value fluctuation for each of the NAIC Designation Category compared to the market value fluctuation of stocks during the 2008-2009 financial crisis.

While the life and property/casualty formulas have a separate calculation for the bond size factor (based on the number of issuers in the RBC filer's portfolio), the health formula does not include a separate calculation, instead a bond size component was incorporated into the bond factors. A representative portfolio of 382 issuers was used in calculating the bond risk factors.

There is no RBC requirement for bonds guaranteed by the full faith and credit of the United States, Other U.S. Government Obligations, and securities on the NAIC U.S. Government Money Market Fund List because it is assumed that there is no default risk associated with U.S. Government issued securities.

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The book/adjusted carrying value of all bonds should be reported in Columns (1), (2) or (3). The bonds are split into twenty-one different risk classifications. These risk classifications are based on the NAIC Designation Category as defined and permitted in the *Purposes and Procedures Manual of the Investment Analysis Office*. The subtotal of Columns (1), (2), and (3) will be calculated in Column (4). The RBC requirement will be automatically calculated in Column (5).

Miscellaneous Fixed Income Assets (XR008)

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

The Short-Term Investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3 percent factor is equal to the factor for cash. The amount reported in Line (8~~35~~) reflects the total from Schedule DA: Short-Term Investments (Line (6~~33~~)), less the short-term bonds (Line (7~~34~~)). (The short-term bonds reported in Line (7~~34~~) should equal Schedule DA, Part 1, Column 7, Line 2509999999.)

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

The following investment types are captured on Schedule BA: Other Long-Term Invested Assets. Specific factors have been established for certain Schedule BA assets based on the nature of the investment. Those Schedule BA assets not specifically identified below receive a 20 percent factor (Line (16~~43~~)).

- Collateral Loans reported on Line (13~~40~~) receive a factor of 5 percent, consistent with other risk-based capital formulas studied by the Working Group.
- Working Capital Finance Investments: The book adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments, Lines (14~~41~~) and (15~~42~~), should equal the Notes to Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.
- Low-income housing tax credit investment are reported on Column (1) in accordance with *SSAP No. 93—Low Income Housing Tax Credit Property Investments*.
    - Federal Guaranteed Low-Income Housing Tax Credit (LIHTC) investments are to be included in Line (17~~44~~). There must be an all-inclusive guarantee from an ARO-rated entity that guarantees the yield on the investment.
    - Federal Non-Guaranteed LIHTC investments with the following risk mitigation factors are to be included in Line (18~~45~~):
        a) A level of leverage below 50 percent. For a LIHTC Fund, the level of leverage is measured at the fund level.
        b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.
    - State Guaranteed LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (19~~46~~).
    - State Non-Guaranteed LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included on Line (20~~47~~).
    - All Other LIHTC investments, state and federal LIHTC investments that do not meet the requirements of Lines (44) through (47) would be reported on Line (21~~48~~).

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FIXED INCOME ASSETS - BONDS

		Annual Statement Source	(1) Long-Term Bonds Schedule D, Part 1 Book/Adjusted Carrying Value L(3) thru (26) = Sch D Pt 1F	(2) Short-Term Investments Schedule DA, Part 1 Book/Adjusted Carrying Value L(3) thru (26) = Sch DA Pt 1F	(3) Cash Equivalents Schedule E, Part 2 Book/Adjusted Carrying Value L(3) thru (26) = Sch E Pt 2F	(4) Subtotal C(1) + C(2) + C(3)	Factor	(5) RBC Requirement
BONDS								
(1)	NAIC 1.A - U.S. Government - Full Faith and Credit, Other U.S. Government Obligations, and NAIC U.S. Government Money Market Fund List (Refer to A/S Instructions)	C(1) = Sch D, Pt 1, C11, L0109999999 C(2) = Sch DA, Pt 1, C7, L0109999999 C(3) = Sch E, Pt 2, C7, L0109999999 + L8209999999					0.000	
(2)	NAIC Designation Category 1.A Bonds	C(1)=Footnote Amt 1 L000001A - L(1) C(2)=Footnote Amt 1 L000001A - L(1) C(3)=Footnote Amt 1 L000001A - SCE, Pt2, C7 L0109999999					0.003	
(3)	NAIC Designation Category 1.B Bonds	Footnote Amt 2 L000001A					0.005	
(4)	NAIC Designation Category 1.C Bonds	Footnote Amt 3 L000001A					0.008	
(5)	NAIC Designation Category 1.D Bonds	Footnote Amt 4 L000001A					0.011	
(6)	NAIC Designation Category 1.E Bonds	Footnote Amt 5 L000001A					0.014	
(7)	NAIC Designation Category 1.F Bonds	Footnote Amt 6 L000001A					0.016	
(8)	NAIC Designation Category 1.G Bonds	Footnote Amt 7 L000001A					0.019	
(9)	Total NAIC 01 Bonds	Sum of Lines (1) through (8)						
(10)	NAIC Designation Category 2.A Bonds	Footnote Amt 1 L000001B					0.022	
(11)	NAIC Designation Category 2.B Bonds	Footnote Amt 2 L000001B					0.025	
(12)	NAIC Designation Category 2.C Bonds	Footnote Amt 3 L000001B					0.031	
(13)	Total NAIC 02 Bonds	Sum of Lines (10) through (12)						
(14)	NAIC Designation Category 3.A Bonds	Footnote Amt 1 L000001C					0.069	
(15)	NAIC Designation Category 3.B Bonds	Footnote Amt 2 L000001C					0.076	
(16)	NAIC Designation Category 3.C Bonds	Footnote Amt 3 L000001C					0.083	
(17)	Total NAIC 03 Bonds	Sum of Lines (14) through (16)						
(18)	NAIC Designation Category 4.A Bonds	Footnote Amt 1 L000001D					0.089	
(19)	NAIC Designation Category 4.B Bonds	Footnote Amt 2 L000001D					0.097	
(20)	NAIC Designation Category 4.C Bonds	Footnote Amt 3 L000001D					0.110	
(21)	Total NAIC 04 Bonds	Sum of Lines (18) through (20)						
(22)	NAIC Designation Category 5.A Bonds	Footnote Amt 1 L000001E					0.123	
(23)	NAIC Designation Category 5.B Bonds	Footnote Amt 2 L000001E					0.137	
(24)	NAIC Designation Category 5.C Bonds	Footnote Amt 3 L000001E					0.151	
(25)	Total NAIC 05 Bonds	Sum of Lines (22) through (24)						
(26)	Total NAIC 06 Bonds	Footnote Amt 1 L000001F					0.300	
(27)	Total Bonds RBC	Lines (9) + (13) + (17) + (21) + (25) + (26)						

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FIXED INCOME ASSETS - MISCELLANEOUS

		Annual Statement Source	(1) Bk/Adj Carrying Value	Factor	(2) RBC Requirement
(1)	Cash	Page 2, Line 5, inside amount 1		0.0030	
(2)	Cash Equivalents	Page 2, Line 5, inside amount 2			
(3)	Less: Cash Equivalents, Total Bonds	Schedule E, Part 2, Column 7, Line 2509999999			
(4)	Less: Exempt Money Market Mutual Funds as Identified by SVO	Schedule E, Part 2, Column 7, Line 8209999999			
(5)	Net Cash Equivalents	**Line (2) - (3) - (4)**		0.0030	
(6)	Short-Term Investments	Page 2, Line 5, inside amount 3			
(7)	Short-Term Bonds	Schedule DA, Part 1, Column 7, Line 2509999999			
(8)	Total Other Short-Term Investments	**Lines (6) - (7)**		0.0030	
(9)	Mortgage Loans - First Liens	Page 2, Column 3, Line 3.1		0.0500	
(10)	Mortgage Loans - Other Than First Liens	Page 2, Column 3, Line 3.2		0.0500	
(11)	Receivable for Securities	Page 2, Column 3, Line 9		0.0240	
(12)	Aggregate Write-Ins for Invested Assets	Page 2, Column 3, Line 11		0.0500	
(13)	Collateral Loans	Included in Page 2, Column 3, Line 8		0.0500	
(14)	NAIC 01 Working Capital Finance Investments	Notes to Financial Statement 5M(01a), Column 3		0.0038	
(15)	NAIC 02 Working Capital Finance Investments	Notes to Financial Statement 5M(01b), Column 3		0.0125	
(16)	Other Long-Term Invested Assets Excluding Collateral Loans and Working Capital Finance Investments	Included in Page 2, Column 3, Line 8		0.2000	
(17)	Federal Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3599999 + 3699999		0.0014	
(18)	Federal Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3799999 + 3899999		0.0260	
(19)	State Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3999999 + 4099999		0.0014	
(20)	State Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4199999 + 4299999		0.0260	
(21)	All Other Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4399999 + 4499999		0.1500	
(22)	Total Other Long-Term Invested Assets (Page 2, Column 3, Line 8)	**Lines (13) + (14) + (15) + (16) + (17) + (18) + (19) + (20) + (21)**			
(23)	Derivatives	Page 2, Column 3, Line 7		0.0500	
(24)	Total **Miscellaneous** Fixed Income Assets RBC	**Lines ~~(27) +~~ (1) + (5) + (8) + (9) + (10) + (11) + (12) + (22) + (23)**			

Denotes items that must be manually entered on filing software.

XR008

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CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) RBC Amount
H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS			
(1)	Off-Balance Sheet Items	XR005, Off-Balance Sheet Page, Line (21)	
(2)	Directly Owned Insurer Subject to RBC	XR003, Affiliates Page, Line (1)	
(3)	Indirectly Owned Insurer Subject to RBC	XR003, Affiliates Page, Line (2)	
(4)	Directly Owned Health Entity Subject to RBC	XR003, Affiliates Page, Line (3)	
(5)	Indirectly Owned Health Entity Subject to RBC	XR003, Affiliates Page, Line (4)	
(6)	Directly Owned Alien Insurer	XR003, Affiliates Page, Line (7)	
(7)	Indirectly Owned Alien Insurers	XR003, Affiliates Page, Line (8)	
(8)	Total H0	Sum Lines (1) through (7)	
H1 - ASSET RISK - OTHER			
(9)	Investment Affiliates	XR003, Affiliates Page, Line (5)	
(10)	Holding Company Excess of Subsidiaries	XR003, Affiliates Page, Line (6)	
(11)	Investment in Parent	XR003, Affiliates Page, Line (9)	
(12)	Other Affiliates	XR003, Affiliates Page, Line (10)	
(13)	Fair Value Excess Affiliate Common Stock	XR003, Affiliates Page, Line (11)	
(14)	Fixed Income Assets	XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + **XR007, Fixed Income Assets - Bonds, Line (27)** + XR008, Fixed Income Assets **- Miscellaneous, Line (24)**	
(15)	Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)	
(16)	Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)	
(17)	Unaffiliated Common Stock	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (12)	
(18)	Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)	
(19)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)	
(20)	Total H1	Sum Lines (9) through (19)	
H2 - UNDERWRITING RISK			
(21)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)	
(22)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line (25.3)	
(23)	Disability Income	XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3)	
(24)	Long-Term Care	XR016, Underwriting Risk Page, Line (41)	
(25)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)	
(26)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line (45)	
(27)	Total H2	Sum Lines (21) through (26)	

Denotes items that must be manually entered on filing software. **#REF!**

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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							
L1	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.			
L2	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	
L3	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							
L4	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		
L5	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.			
L6	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.			
L7	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							
IR1	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

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IR2	RBC IRE	2	2022 or later	NAIC Designation for Schedule D, Part 2 Section 2 - Common Stocks 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.	**Referred from CADTF** Referral from SAPWG 8/13/2018	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** 10/11/2018
IR3	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
IR4	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							
IR5			2023 or later	Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets).	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
IR6			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
IR7			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
IR8	RBC IRE		2023 or later	Address the tail risk concerns no captured by reserves for privately structured securities.	Referral from the Macroprudential (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							

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P1	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.	4/26/2021
Carryover Items Currently being Addressed – P&C RBC							
~~P1~~	~~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.~~	~~4/26/2021~~

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P2	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
P3	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
~~P4~~	~~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~~
~~P5~~P4	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
~~P6~~	~~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.~~	~~3/22/2022~~
~~P7~~P5	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. 12/14/22 – The TF adopted the proposal	7/7/2022
New Items – P&C RBC							
P6	PCRBCWG	1	Ongoing	Review and analyze the P/C RBC charges that have not been reviewed since developed.			3/23/2023
P7	Cat Risk SG	1	2024 Spring Meeting	Quantify the R5 Ex-cat Factors for wildfire peril (for informational purposes only) - Evaluate the possibility of adding PR018A to determine the R5 including the wildfire peril			3/21/2023
P8	Cat isk SG	2	2025 Spring Meeting	Evaluate the impact of flood peril to the insurance market			3/21/2023

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2023 #	Owner	2023 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – Health RBC							
X1	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	Exposed 2022-16-CA (YE-2023)	11/4/2021
X2	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 because 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							
X3	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	
X4	Health RBC WG	2	Year-end ~~2023~~ 2024 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	
X5	Health RBC WG	1	Year-end 2023 or later	Continue 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	8/4/2018

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						ways to gather additional information for health business reported in other blanks. Referred Proposal 2022-06BWG to Blanks Working Group for exposure and consideration.	2/25/2022
X6	Health RBC WG	1	Year-end ~~2023~~ 2024 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~~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 into the existing 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
X7	Health RBC WG	1	Year-end ~~2023~~ 2024 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
X8	Health RBC WG	2	Year-End ~~2023~~ 2024 or later	Consider the impact of COVID-19 and pandemic risk in the health RBC formula.	HRBCWG		7/30/2020
X9	Health RBC WG	3	Year-End ~~2023~~ 2025 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
X10	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	Response letter sent to Capital Adequacy 3/21/23	8/11/2022
New Items – Health RBC							
~~X10~~	~~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							
CA1	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	

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						individual working group for comment in 2022 with an anticipated effective date of 2023. The TF exposed this proposal for a 60-day public comment period ending Oct. 10. The TF agreed to refer proposal 2022-09-CA to the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group for a 45-day comment period ending Jan. 28.	
Carryover Items Currently being Addressed – Task Force							
CA2				All investment related items referred to the RBC Investment Risk & Evaluation (E) Working Group			1/12/2022
CA3	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.	
CA4	CADTF	1	2023	Evaluate if changes should be made to RBC formulas to better assess companies in runoff	PCRBCWG	TF shared the referral to the Life and Health RBC WGs at the summer meeting.	8/11/2022
New Items –Task Force							
~~CA4~~	~~CADTF~~	~~1~~	~~2023~~	~~Evaluate if changes should be made to RBC formulas to better assess companies in runoff~~	~~PCRBCWG~~	~~TF shared the referral to the Life and Health RBC WGs at the summer meeting.~~	~~8/11/2022~~
CA5	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	2021-13-BWG	The TF exposed this proposal for a 45 day public comment period Comments due 1/28/2023.	11/30/2022
CA6	CADTF	1	2023	Establish an Ad Hoc group to review or analyze: a) Current non-investment charges b) Missing risks c) Asset concentration instructions			

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Tom Botsko, Chair, and Members of the Capital Adequacy (E) Task Force

FROM: Steve Drutz, Chair, and Members of the Health Risk-Based Capital (E) Working Group

DATE: Dec. 12, 2022

RE: Request for Response for Input Regarding Runoff Companies

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At the Summer National Meeting, the Capital Adequacy (E) Task Force requested that the Health Risk-Based Capital (E) Working Group review and discuss the request from the Restructuring Mechanisms (E) Subgroup for input regarding runoff companies. The request was originally sent to the Property and Casualty Risk-Based Capital (E) Working Group. In its response, it suggested that the best course of action is to monitor these companies through state analysis and exam functions.

The Health Risk-Based Capital (E) Working Group discussed both the Restructuring Mechanisms (E) Subgroup and Property and Casualty Risk-Based Capital (E) Working Group letters on its Sept. 9 call. The Health Risk-Based Capital (E) Working Group drafted and requested comments on the following questions from its members, interested state insurance regulators, and interested parties. The Working Group received no comments.

1) What is the process for running off a health company? Are there any specific considerations to address for health companies?
2) Are there concerns with the functionality of the current health risk-based capital (RBC) formula for a health company in run-off? Are changes needed to the health RBC formula for a runoff company?
3) Could a company in run-off trigger the trend test or an excessive growth charge? If so, should the instructions be modified to include an exemption of these calculations if a company is in run-off?
4) Are there concerns with handling this process for health companies in the same manner as outlined by the Property and Casualty Risk-Based Capital (E) Working Group?
5) The Property and Casualty Risk-Based Capital (E) Working Group defined a runoff company as one that, "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."

   For health companies, a similar definition could be considered with some modification due to differences in the type of business and distinguish a runoff company from a start-up company or shell. A health runoff company, voluntary or involuntary, should include the following characteristics: 1) no renewing of policies for at least 12 months; 2) no plans or intentions to write new direct or new assumed business; 3) no

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additional runoff blocks of business; and 4) reserves reported for the remaining runoff business.

The health RBC formula sufficiently addresses runoff companies through the underwriting risk component when the RBC charge of a runoff company is reduced as premiums are reduced. The company would still have to maintain a minimum amount of surplus as it continues its run-off. However, as the premiums are reduced, the RBC requirement within the authorized control level (ACL) would also be reduced.

The Working Group agrees with the suggested recommendations of the Property and Casualty Risk-Based Capital (E) Working Group that monitoring these companies would be best accomplished through the state analysis and exam functions.

If a definition of a health runoff company is necessary, the Working Group recommends that it would be defined as one that, "voluntary or involuntarily, should include the following characteristics: 1) no renewing of policies for at least 12 months; 2) no plans or intentions to write new direct or new assumed business; 3) no additional runoff blocks of business; and 4) reserves reported for the remaining runoff business."

Please contact Crystal Brown, NAIC staff support for the Health Risk-Based Capital (E) Working Group, at cbrown@naic.org with any questions.

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TO: Thomas Botsko, Chair, Capital Adequacy (E) Task Force
Rachel Hemphill, Chair, Life Actuarial (A) Task Force
Philip Barlow, Chair, Risk-Based Capital Investment Risk and Evaluation (E) Working Group

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

CC: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
Dave Fleming, Sr. Life RBC Analyst, NAIC Financial Regulatory Affairs
Jennifer Frasier, Life Examination Actuary, NAIC Financial Regulatory Affairs
Scott O'Neal, Life Actuary, NAIC Financial Regulatory Affair
Eva Yeung, Sr. P/C RBC Analyst/Technical Lead, NAIC Financial Regulatory Affairs

RE: Referral regarding a Proposed Purposes and Procedures Manual (P&P Manual) Amendment to Define and Add Guidance for Structured Equity and Funds

DATE: February 3, 2023

Summary – The SVO has processed several private letter rating (PLR) filings for investments in notes issued by special purpose vehicles or other legal entities that operate as feeder funds which themselves then invest, directly or indirectly, in one or more funds or other equity investments. The SVO proposes defining these investments as Structured Equity and Fund investments.[1] The SVO proposed at the 2022 Fall National Meeting the removal of Structured Equity and Fund investments from Filing Exemption, the reliance upon a credit rating provider (CRP) ratings for the assignment of NAIC Designations. The SVO is concerned about this general structure for the following reasons:

[1] Proposed Definition: A Structured Equity and Fund investment is a note issued by, or equity or limited partnership interest in, a special purpose vehicle, trust, limited liability company, limited partnership, or other legal entity type, as issuer, the contractually promised payments of which are wholly dependent, directly or indirectly, upon payments or distributions from one or more underlying equity or fund investments. The inclusion of an intervening legal entity or entities between the Structured Equity and Fund investment issuer and the underlying equity or fund(s), does not change the risk that the insurer investment is ultimately dependent, in whole or in part, upon an investment in equity or one or more funds and its underlying investments. Any design that circumvents this definition, and related examples, through technical means but which in substance achieves the same ends or poses the same risk, shall be deemed a Structured Equity and Fund.

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1) Circumvent Regulatory Guidance - The introduction of an intervening entity as debt issuer, when the underlying investment is in substance an equity investment, circumvents regulatory guidance established by the Valuation of Securities (E) Task Force, the Statutory Accounting Principles (E) Working Group and the Capital Adequacy (E) Task Force for the reporting of equity investments because, according to the P&P Manual (i) equity and fund investments are ineligible to use credit rating provider (CRP) ratings in the assignment of an NAIC Designation and (ii), in the case of funds, only the SVO is tasked with determining whether a fund produces fixed-income like cash flows and is therefore eligible for specific classification.

   All non-SEC registered funds are required to be reported on Schedule BA. Life insurance entities are permitted to file investments in non-SEC registered private equity funds, partnerships, limited liability companies and joint ventures with the SVO for specific classification on Schedule BA;

2) Reliance on Ratings - These investments are being reported as bonds and receiving bond risk-based capital (RBC) factors based upon the mechanical assignment of NAIC Designations that rely upon CRP ratings through the filing exempt process. The use of CRP ratings would not be permitted for the fund or equity investments which underly these notes if the equity or fund investments were held directly;

3) RBC / Investment Limit Arbitrage - The structure may permit in-substance equity and fund investments to obtain better RBC treatment than would otherwise be received if the investments had been directly reported. In addition to improved RBC treatment, the structures could permit entities to hold more underlying equity / fund investments than would be permitted under state investment law; and

4) Transparency - The structures typically use two or more interconnected private entities through which the privately rated "bond" securities are issued that are backed by investments in non-public assets. The many non-public layers deny regulators, and possibly insurer investors, transparency into the true underlying risks, credit exposure and nature of the investment. The notes issued are described generically as a "senior note" or "term loan" further obscuring their actual structure and complexity. These structures can invest in any asset including affiliate investments, non-fixed income investments, derivatives, borrowings for the purpose of leverage and non-admitted assets.

It is possible that many of the transactions the SVO has processed would not qualify as bonds eligible for Schedule D-1 reporting according to the principles-based bond definition currently being drafted by the Statutory Accounting Principles (E) Working Group, while others likely will qualify. The bond definition requires a review of the substance of the investment to determine whether it has the substance of a bond; significantly, that the ultimate underlying collateral has fixed income cash flows. In either case, however, the use of a fund intermediary has the potential to be abused and requires significant judgment to understand the substance and nature of the ultimate underlying risk. This has already been recognized by the establishment of processes for the SVO to provide NAIC Designations for fixed-income-like funds. It would then follow that debt instruments backed by the types of funds that would ordinarily be required to be filed with the SVO, should follow the same process.

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Informational Referral – Given the magnitude of the multiple regulatory arbitrage opportunities, the judgment involved in assessing the nature of the ultimate risk, the lack of transparency, circumvention of regulatory guidance and the reliance on CRP ratings to accomplish these ends, the SVO proposed amending the P&P Manual to include a definition for Structured Equity and Fund and to exclude such investments from Filing Exemption eligibility. The proposed amendment would not change how the investment is classified for reporting by the insurer but it would ensure that the NAIC Designation and Category assigned are appropriate for the risk. This is an informational referral and no direct action is required by the Capital Adequacy (E) Task Force, Life Actuarial (A) Task Force or Risk-based Capital Investment Risk and Evaluation (E) Working Group unless those groups wish to comment on the proposal.

Please contact Charles Therriault or Marc Perlman with any questions.

https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2023/Referrals/To CATF LATF RBCIRE/VOSTF Referral to CATF LATF RBCIRE - Structured Equity and Funds 2022-02-03.docx

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TO: Elizabeth Kelleher Dwyer, Chair, Financial Conditions (E) Committee
Marlene Caride, Chair, Financial Stability (E) Task Force
Bob Kasinow, Chair, Macroprudential (E) Working Group
Thomas Botsko, Chair, Capital Adequacy (E) Task Force
Phillip Barlow, Chair, Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Cassie Brown, Chair, Life Actuarial (A) Task Force
Judy Weaver, Chair, Financial Analysis (E) Working Group
Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group
Fred Andersen, Chair, Valuation Analysis (E) Working Group

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

CC: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
Dan Daveline, Director, NAIC Financial Regulatory Services
Todd Sells, Director, NAIC Financial Regulatory Policy & Data
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Julie Gann, Assistant Director, NAIC Solvency Policy
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Jane Koenigsman, Sr. Manager II, NAIC L/H Financial Analysis
Andy Daleo, Sr. Manager I, NAIC P/C Domestic and International Analysis
Dave Fleming, Sr. Life RBC Analyst, NAIC Financial Regulatory Affairs
Jennifer Frasier, Life Examination Actuary, NAIC Financial Regulatory Affairs
Scott O'Neal, Life Actuary, NAIC Financial Regulatory Affair
Eva Yeung, Sr. P/C RBC Analyst/Technical Lead, NAIC Financial Regulatory Affairs

RE: Referral on Additional Market and Analytical Information for Bond Investments

DATE: February 13, 2023

Summary – The Investment Analysis Office (IAO) staff recommended in its Feb. 25, 2022, memorandum to the Valuation of Securities (E) Task Force (VOSTF) (attached hereto, Blanks Market Data Disclosure v2.pdf) that it would like additional market-data fields added to the annual statement instructions for bond investments. This was, in part, based upon the NAIC's adoption in 2010 of the recommendations of

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the Rating Agency (E) Working Group (RAWG), which was formed following the Great Financial Crisis of 2007-2008 to study the NAIC's reliance on rating agencies, and the IAO staff's recent findings in its Nov. 2021 memo regarding disparities between rating agencies. RAWG recommended that: 1) regulators explore how reliance on rating agencies can be reduced when evaluating new, structured, or alternative asset classes, particularly by introducing additional or alternative ways to measure risk; and 2) consider alternatives for regulators' assessment of insurers' investment risk, including expanding the role of the NAIC Securities Valuation Office ("SVO"); and 3) VOSTF should continue to develop independent analytical processes to assess investment risks. These mechanisms can be tailored to address unique regulatory concerns and should be developed for use either as supplements or alternatives to ratings, depending on the specific regulatory process under consideration.

The NAIC's need for alternative measures of investment risk has only increased since RAWG made its recommendations, as privately issued and rated complex structured finance transactions have become commonplace without adequate ways of identifying them. The SVO recommended the following market data fields to be added to the annual statement instructions: Market Yield, Market Price, Purchase Yield, Weighted Average Life, Spread to Average Life UST, Option Adjusted Spread, Effective Duration, Convexity and VISION Issue ID. Please refer to the attached memo for more detail on each data field.

In comments received from industry there were question as to how the SVO, VOSTF and/or other regulators who would receive the analytic data included in the proposal would utilize that information and why it is of value to them. The SVO was also asked to consider industry's recommendation that the NAIC be responsible for calculating this analytical information by utilizing commercially available data sources and investment models instead of having each individual insurance company incur the costs to implement system changes. The SVO shared their thoughts on the alternatives in the Jul. 14, 2022, memorandum to the VOSTF (attached, Blanks_Market_Data_Options_v3.pdf).

Capabilities like this within the SVO would permit it to calculate for regulators all the analytic values previously mentioned for any Schedule D investment along with additional measures such as key rate duration (a measure of interest rate sensitivity to maturity points along the yield curve), sensitivity to interest rate volatility, principal and interest cash flow projections for any security or portfolio for any given interest rate projection, loss estimates for any security for any given scenario and many others measures.

Referral – VOSTF refers this matter to the above referenced Committees, Task Forces and Working Groups for consideration and requests a response from you by May 15th outlining:

1. Indicate if your group is supportive of creating this capability within the SVO.
2. List the investment analytical measures and projections that would be most helpful to support the work performed by your respective group.
3. Describe how your group would utilize the data and why it would be of value.
4. Are there other investment data or projection capabilities that would be useful to your group that could be provided by commercially available data sources or investment models? And if so, please list them.
5. Any other thoughts you may have on this initiative.

Please contact Charles Therriault or Marc Perlman with any questions.

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