



AMERICAN ACADEMY *of* ACTUARIES

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January 20, 2022

Mr. Philip Barlow
Chair, Life Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners (NAIC)

Via e-mail: Dave Fleming (dfleming@naic.org)

Re: Structural Updates to Life RBC C-2 Mortality

Dear Philip,

On behalf of the C-2 Mortality Work Group of the American Academy of Actuaries¹, we are providing two options for structural updates to the Life RBC C-2 Mortality factors for consideration to be exposed by 1/31/2022. Also included are draft instructions for informational purposes which are subject to a different exposure deadline of 4/30/2022.

Sincerely,

Chris Trost, MAAA, FSA
Chairperson, C-2 Mortality Work Group
Ryan Fleming, MAAA, FSA
Vice Chairperson, C-2 Mortality Work Group
American Academy of Actuaries

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.

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input checked="" type="checkbox"/> Life RBC (E) Working Group |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> Investment RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | |

DATE: <u>1/20/22</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Ryan Fleming, MAAA, FSA</u>	Agenda Item # _____
TELEPHONE: <u>(414) 665-5020</u>	Year <u>2022</u>
EMAIL ADDRESS: <u>ryanfleming@northwesternmutual.com</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>AAA C-2 Mortality Work Group</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Ryan Fleming, MAAA, FSA</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Vice Chairperson</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>American Academy of Actuaries</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>1850 M Street NW, Suite 300</u>	<input type="checkbox"/> EXPOSED _____
<u>Washington, DC 20036</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

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

DESCRIPTION OF CHANGE(S)

Updated blank for C2 Life Mortality on LR025, LR030 and LR031. Draft instructions are included for informational purposes and are subject to a different exposure deadline of 4/30/22.

REASON OR JUSTIFICATION FOR CHANGE **

Structural changes necessary to facilitate the implementation of updated C2 life mortality factors and expanded categories.

Additional Staff Comments:

** This section must be completed on all forms.

Revised 2-2019

LIFE INSURANCE
DRAFT - OPTION 1

	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
<u>Individual & Industrial Life Net Amount at Risk</u>				
(1)	Ordinary Life In Force	Exhibit of Life Insurance Column 4 Line 23 x 1000		
(2)-(3)	Plus Industrial Life In Force	Exhibit of Life Insurance Column 2 Line 23 x 1000		
(3)	Total Individual & Industrial Life In Force	Lines (1) + (2)		
(4)-(2)	Less Ordinary Life Reserves	Exhibit 5 Column 4 Line 0199999		
(5)-(4)	Less-Plus Industrial Life Reserves	Exhibit 5 Column 3 Line 0199999		
(6)-(5)	Less-Plus Ordinary Life Separate Accounts	Separate Accounts Exhibit 3 Column 3 Line 0199999		
(7)-(6)	Less-Plus Ordinary & Industrial Life Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 1 Column 12, in part ‡		
(8)-(7)	Plus-Less Ordinary & Industrial Life Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 1 Column 14, in part ‡		
(9)	Total Individual & Industrial Life Reserves	Lines (4) + (5) + (6) + (7) - (8)		
(10)-(9)	Total Individual and Industrial Life Net Amount at Risk	Lines (1)+(3)+(7)-(2)-(4)-(5)-(6) (3) - (9)	X † =	
Risk				
(11)	Universal Life with Secondary Guarantees In Force	Company Records*		
(12)	Less Universal Life with Secondary Guarantees Reserves	Analysis of Increase in Reserves During the Year - Individual Life Insurance Column 7 Line 15		
(13)	Total Universal Life with Secondary Guarantees Net Amount at Risk	Lines (11) - (12)	X † =	
(14)	Term Life In Force	Company Records*		
(15)	Less Term Life Reserves	Analysis of Increase in Reserves During the Year - Individual Life Insurance Column 4 Line 15		
(16)	Total Term Life Net Amount at Risk	Lines (14) - (15)	X † =	
(17)	All Other Life In Force	Lines (3) - (11) - (14)		
(18)	Less All Other Life Reserves	Lines (9) - (12) - (15)		
(19)	All Other Life Net Amount at Risk	Lines (17) - (18)	X † =	
(20)	Total Individual & Industrial Life	Lines (13) + (16) + (19)		
<u>Group and Credit Life Net Amount at Risk</u>				
(21)-(9)	Group Life In Force	Exhibit of Life Insurance Column 9 Line 23 x 1000		
(22)-(43)	Plus Credit Life In Force	Exhibit of Life Insurance Column 6 Line 23 x 1000		
(23)-(40)	Less Group FEGLI In Force	Exhibit of Life Insurance Column 4 Line 43 x 1000		
(24)-(41)	Less Group SGLI In Force	Exhibit of Life Insurance Column 4 Line 44 x 1000		
(25)-(44)	Less Credit FEGLI In Force	Exhibit of Life Insurance Column 2 Line 43 x 1000		
(26)-(45)	Less Credit SGLI In Force	Exhibit of Life Insurance Column 2 Line 44 x 1000		
(27)	Total Group & Credit Life In Force excluding FEGLI/SGLI	Lines (21) + (22) - (23) - (24) - (25) - (26)		
(28)-(42)	Less Group Life Reserves	Exhibit 5 Column 6 Line 0199999		
(29)-(42)	Less-Plus Credit Life Reserves	Exhibit 5 Column 5 Line 0199999		
(30)-(47)	Less-Plus Group Life Separate Accounts	Separate Accounts Exhibit 3 Column 4 Line 0199999		
(31)-(48)	Less-Plus Group & Credit Life Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 1 Column 12, in part ‡		
(32)-(49)	Plus-Less Group & Credit Life Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 1 Column 14, in part ‡		
(33)	Total Group & Credit Life Reserves	Lines (28) + (29) + (30) + (31) - (32)		
(34)-(20)	Total Group and Credit Life Net Amount at Risk excluding FEGLI/SGLI	Lines (9)+(13)+(19)-(10)-(11)-(12)-(14)-(15) (27) - (33) - (16)-(17)-(18)	X † =	
(35)	Group & Credit Life In Force with Remaining Rate Terms 36 Months and Under	Company Records*		
(36)	Less Group & Credit Life Reserves with Remaining Rate Terms 36 Months and Under	Company Records*		
(37)	Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under	Lines (35) - (36)	X † =	
(38)	Group & Credit Life In Force with Remaining Rate Terms Over 36 Months	Lines (27) - (35)		
(39)	Less Group & Credit Life Reserves with Remaining Rate Terms Over 36 Months	Lines (33) - (36)		
(40)	Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months	Lines (38) - (39)	X † =	
(41)-(24)	FEGLI/SGLI In Force	Exhibit of Life Insurance Sum of Column 2 and 4 Line 43 and 44 x 1000 44 x 1000	X 0.0008 =	
(42)	Total Group & Credit Life	Lines (37) + (40) + (41)		
(43)-(22)	Total Life	Lines (8)+(20)+(21) (20) + (42)		

* The definitions are specified in the Life Insurance section of the risk-based capital instructions
† The tiered calculation is illustrated in the Life Insurance section of the risk-based capital instructions.
‡ Include only the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

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

LIFE INSURANCE
DRAFT - OPTION 2

	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
<u>Individual & Industrial Life Net Amount at Risk</u>				
(1)	Ordinary Life In Force	Exhibit of Life Insurance Column 4 Line 23 x 1000		
(2)-(3)	Plus Industrial Life In Force	Exhibit of Life Insurance Column 2 Line 23 x 1000		
(3)	Total Individual & Industrial Life In Force	Lines (1) + (2)		
(4)-(2)	Less Ordinary Life Reserves	Exhibit 5 Column 4 Line 0199999		
(5)-(4)	Less Plus Industrial Life Reserves	Exhibit 5 Column 3 Line 0199999		
(6)-(5)	Less Plus Ordinary Life Separate Accounts	Separate Accounts Exhibit 3 Column 3 Line 0199999		
(7)-(6)	Less Plus Ordinary & Industrial Life Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 1 Column 12, in part ‡		
(8)-(7)	Plus-Less Ordinary & Industrial Life Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 1 Column 14, in part ‡		
(9)	Total Individual & Industrial Life Reserves	Lines (4) + (5) + (6) + (7) - (8)		
(10)-(9)	Total Individual and Industrial Life Net Amount at Risk	Lines (1)+(3)+(7)-(2)-(4)-(5)-(6) (3) - (9)	X	‡ =
	Risk			
(11)	Life Policies with Pricing Flexibility In Force	Company Records*		
(12)	Less Life Policies with Pricing Flexibility In Force Reserves	Company Records*		
(13)	Total Life Policies with Pricing Flexibility Net Amount at Risk	Lines (11) - (12)	X	† =
(14)	Term Life Policies without Pricing Flexibility In Force	Company Records*		
(15)	Less Term Life Policies without Pricing Flexibility Reserves	Company Records*		
(16)	Total Term Life Policies without Pricing Flexibility Net Amount at Risk	Lines (14) - (15)	X	† =
(17)	Permanent Life Policies without Pricing Flexibility In Force	Lines (3) - (11) - (14)		
(18)	Less Permanent Life Policies without Pricing Flexibility Reserves	Lines (9) - (12) - (15)		
(19)	Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (17) - (18)	X	† =
(20)	Total Individual & Industrial Life	Lines (13) + (16) + (19)		
<u>Group and Credit Life Net Amount at Risk</u>				
(21)-(9)	Group Life In Force	Exhibit of Life Insurance Column 9 Line 23 x 1000		
(22)-(13)	Plus Credit Life In Force	Exhibit of Life Insurance Column 6 Line 23 x 1000		
(23)-(10)	Less Group FEGLI In Force	Exhibit of Life Insurance Column 4 Line 43 x 1000		
(24)-(11)	Less Group SGLI In Force	Exhibit of Life Insurance Column 4 Line 44 x 1000		
(25)-(14)	Less Credit FEGLI In Force	Exhibit of Life Insurance Column 2 Line 43 x 1000		
(26)-(15)	Less Credit SGLI In Force	Exhibit of Life Insurance Column 2 Line 44 x 1000		
(27)	Total Group & Credit Life In Force excluding FEGLI/SGLI	Lines (21) + (22) - (23) - (24) - (25) - (26)		
(28)-(12)	Less Group Life Reserves	Exhibit 5 Column 6 Line 0199999		
(29)-(12)	Less Plus Credit Life Reserves	Exhibit 5 Column 5 Line 0199999		
(30)-(17)	Less Plus Group Life Separate Accounts	Separate Accounts Exhibit 3 Column 4 Line 0199999		
(31)-(18)	Less Plus Group & Credit Life Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 1 Column 12, in part ‡		
(32)-(19)	Plus-Less Group & Credit Life Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 1 Column 14, in part ‡		
(33)	Total Group & Credit Life Reserves	Lines (28) + (29) + (30) + (31) - (32)		
(34)-(20)	Total Group and Credit Life Net Amount at Risk excluding FEGLI/SGLI	Lines (9)+(13)+(19)-(10)-(11)-(12)-(14)-(15) (27) - (33) - (16)-(17)-(18)	X	‡ =
(35)	Group & Credit Life In Force with Remaining Rate Terms 36 Months and Under	Company Records*		
(36)	Less Group & Credit Life Reserves with Remaining Rate Terms 36 Months and Under	Company Records*		
(37)	Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under	Lines (35) - (36)	X	† =
(38)	Group & Credit Life In Force with Remaining Rate Terms Over 36 Months	Lines (27) - (35)		
(39)	Less Group & Credit Life Reserves with Remaining Rate Terms Over 36 Months	Lines (33) - (36)		
(40)	Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months	Lines (38) - (39)	X	† =
(41)-(21)	FEGLI/SGLI In Force	Exhibit of Life Insurance Sum of Column 2 and 4 Line 43 and 44 x 1000 44 x 1000	X	0.0008 =
(42)	Total Group & Credit Life	Lines (37) + (40) + (41)		
(43)-(22)	Total Life	Lines (8)+(20)+(21) (20) + (42)		

* The definitions are specified in the Life Insurance section of the risk-based capital instructions
† The tiered calculation is illustrated in the Life Insurance section of the risk-based capital instructions.
‡ Include only the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

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

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

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

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

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

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

			(1)		(2)	
		Source	RBC Amount	Tax Factor	RBC Tax Effect	
(030)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (22)		X 0.1575	=	
(031)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (23)		X 0.1575	=	
(032)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (24)		X 0.1575	=	
(033)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (25)		X 0.1575	=	
(034)	Due & Unpaid Taxes Mortgages	LR004 Mortgages Column (6) Line (26)		X 0.1575	=	
(035)	Due & Unpaid Taxes - Foreclosures	LR004 Mortgages Column (6) Line (27)		X 0.1575	=	
(036)	Mortgage Reduction - Reinsurance	LR004 Mortgages Column (6) Line (29)		X 0.2100	=	†
(037)	Mortgage Increase - Reinsurance	LR004 Mortgages Column (6) Line (30)		X 0.2100	=	
	<u>Preferred Stock</u>					
(038)	Unaffiliated Preferred Stock NAIC 1	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (1) + LR018 Off-Balance Sheet Collateral Column (3) Line (9)		X 0.1575	=	
(039)	Unaffiliated Preferred Stock NAIC 2	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (2) + LR018 Off-Balance Sheet Collateral Column (3) Line (10)		X 0.1575	=	
(040)	Unaffiliated Preferred Stock-NAIC 3	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (3) + LR018 Off-Balance Sheet Collateral Column (3) Line (11)		X 0.1575	=	
(041)	Unaffiliated Preferred Stock NAIC 4	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (4) + LR018 Off-Balance Sheet Collateral Column (3) Line (12)		X 0.1575	=	
(042)	Unaffiliated Preferred Stock NAIC 5	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (5) + LR018 Off-Balance Sheet Collateral Column (3) Line (13)		X 0.1575	=	
(043)	Unaffiliated Preferred Stock NAIC 6	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (6) + LR018 Off-Balance Sheet Collateral Column (3) Line (14)		X 0.2100	=	
(044)	Preferred Stock Reduction-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (8)		X 0.2100	=	†
(045)	Preferred Stock Increase-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9)		X 0.2100	=	
	<u>Separate Accounts</u>					
(046)	Guaranteed Index	LR006 Separate Accounts Column (3) Line (1)		X 0.1575	=	
(047)	Nonindex-Book Reserve	LR006 Separate Accounts Column (3) Line (2)		X 0.1575	=	
(048)	Separate Accounts Nonindex-Market Reserve	LR006 Separate Accounts Column (3) Line (3)		X 0.1575	=	
(049)	Separate Accounts Reduction-Reinsurance	LR006 Separate Accounts Column (3) Line (5)		X 0.2100	=	†
(050)	Separate Accounts Increase-Reinsurance	LR006 Separate Accounts Column (3) Line (6)		X 0.2100	=	
(051)	Synthetic GICs	LR006 Separate Accounts Column (3) Line (8)		X 0.1575	=	
(052)	Separate Account Surplus	LR006 Separate Accounts Column (3) Line (13)		X 0.1575	=	
	<u>Real Estate</u>					
(053)	Company Occupied Real Estate	LR007 Real Estate Column (3) Line (3)		X 0.2100	=	
(054)	Foreclosed Real Estate	LR007 Real Estate Column (3) Line (6)		X 0.2100	=	
(055)	Investment Real Estate	LR007 Real Estate Column (3) Line (9)		X 0.2100	=	
(056)	Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (11)		X 0.2100	=	†
(057)	Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (12)		X 0.2100	=	
	<u>Schedule BA</u>					
(058)	Sch BA Real Estate Excluding Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (16)		X 0.2100	=	
(059)	Guaranteed Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (17) + Line (19)		X 0.0000	=	
(060)	Non-Guaranteed and All Other Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (18) + Line (20) + Line (21)		X 0.0000	=	
(061)	Sch BA Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (23)		X 0.2100	=	†
(062)	Sch BA Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (24)		X 0.2100	=	

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

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

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

			(1)		(2)	
			RBC Amount	Tax Factor	RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X 0.1575	=	
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X 0.1575	=	
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X 0.1575	=	
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X 0.1575	=	
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X 0.1575	=	
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X 0.2100	=	
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X 0.2100	=	†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X 0.2100	=	
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12.3)		X 0.1575	=	
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)		X 0.1575	=	
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)		X 0.1575	=	
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)		X 0.1575	=	
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)		X 0.1575	=	
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)		X 0.2100	=	
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)		X 0.2100	=	†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)		X 0.2100	=	
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)		X 0.1575	=	
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)		X 0.1575	=	
(081)	BA Common Stock Affiliated	LR008 Other Long-Term Assets Column (5) Line (48.3)		X 0.2100	=	
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (50)		X 0.1575	=	
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (52.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		X 0.2100	=	
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (54)		X 0.2100	=	†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X 0.2100	=	
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (11)		X 0.1575	=	
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (15)		X 0.1575	=	
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (19)		X 0.1575	=	
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (21)		X 0.2100	=	†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X 0.2100	=	
<u>Miscellaneous</u>						
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page		X 0.1575	=	
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X 0.1575	=	
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X 0.1575	=	
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X 0.1575	=	
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X 0.1575	=	
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X 0.1575	=	
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X 0.1575	=	
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X 0.1575	=	
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X 0.2100	=	
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X 0.2100	=	†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X 0.2100	=	

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

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

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

	Source	(1) RBC Amount		Tax Factor	(2) RBC Tax Effect
(102) Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=
(103) Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=
(104) Investment Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (6)		X	0.2100	=
(105) Investment in Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)		X	0.2100	=
(106) Other Affiliate: Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)		X	0.2100	=
(107) Other Affiliate: Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)		X	0.2100	=
(108) Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (14)		X	0.2100	=
(109) Subtotal for C-1o Assets	Sum of Lines (001) through (108), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)				
<u>C-0 Affiliated Common Stock</u>					
(110) Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=
(111) Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	= †
(112) Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=
(113) Affiliated US Property - Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)		X	0.2100	=
(114) Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)		X	0.2100	=
(115) Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)		X	0.2100	=
(116) Affiliated US Property - Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)		X	0.2100	=
(117) Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)		X	0.2100	=
(118) Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)		X	0.2100	=
(119) Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)		X	0.0000	=
(120) Subtotal for C-0 Affiliated Common Stock	Lines (110)-(111)+(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)				
<u>Common Stock</u>					
(121) 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	=
(122) Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	= †
(123) Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	= †
(124) Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=
(125) BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (47)		X	0.2100	=
(126) BA Common Stock Affiliated - C-1cs	LR008 Other Long-Term Assets Column (5) Line (49.2)		X	0.2100	=
(127) Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=
(128) NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.1)		X	0.1575	=
(129) NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.2)		X	0.1575	=
(130) Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated Investments Column (4) Line (7)		X	0.2100	=
(131) Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)		X	0.2100	=
(132) Total for C-1cs Assets	Lines (121)-(122)-(123)+(124)+(125)+(126)+(127)+(128)+(129)+(130)+(131)				
<u>Insurance Risk</u>					
(133) 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.

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

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

		(1) RBC Amount	Tax Factor	(2) RBC Tax Effect
(134) Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)	_____	X 0.2100	= _____
(135) Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (8)-(20)	_____	X 0.2100	= _____
(136) Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Lines (20) and (21) (42)	_____	X 0.2100	= _____
(136b) Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)	_____	X 0.2100	= _____
(137) Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)	_____	X 0.2100	= _____
(138) Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	_____	X 0.0000	= _____
(139) Total C-2 Risk	L(133) + L(134) + L(137) + L(138) + Greatest of [Guardrail Factor * (L(135)+L(136)), Guardrail Factor * L(136b), Square Root of [(L(135) + L(136)) ² + L(136b) ² + 2 * (Correlation Factor) * (L(135) + L(136)) * L(136b)]]	=====		=====
(140) Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)	_____	X 0.2100	= _____
(141) Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)	_____	X 0.0000	= _____
(142) Market Risk	LR027 Interest Rate Risk Column (3) Line (37)	_____	X 0.2100	= _____
(143) Business Risk	LR029 Business Risk Column (2) Line (40)	_____	X 0.2100	= _____
(144) Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)	_____	X 0.0000	= _____
(145) Total Tax Effect	Lines (109) + (120) + (132) + (139) + (140) + (141) + (142) + (143) + (144)	=====		=====

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

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

Company Name

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NAIC Company Code

	Source	(1) RBC Requirement
<u>Insurance Affiliates and Misc. Other Amounts (C-0)</u>		
(1) Affiliated US Property-Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)	_____
(2) Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)	_____
(3) Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)	_____
(4) Affiliated US Property-Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)	_____
(5) Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)	_____
(6) Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)	_____
(7) Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)	_____
(8) Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	_____
(9) Total (C-0) - Pre-Tax	Sum of Lines (1) through (8)	_____
(10) (C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (120)	_____
(11) Net (C-0) - Post-Tax	Line (9) - Line (10)	=====
<u>Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)</u>		
(12) Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	_____
(13) Schedule BA Unaffiliated Common Stock	LR008 Other Long-Term Assets Column (5) line (47)	_____
(14) Schedule BA Affiliated Common Stock - C-1cs	LR008 Other Long-Term Assets Column (5) line (49.2)	_____
(15) Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	_____
(16) Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (7)	_____
(17) Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)	_____
(18) Total (C-1cs) - Pre-Tax	Sum of Lines (12) through (17)	_____
(19) (C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (132)	_____
(20) Net (C-1cs) - Post-Tax	Line (18) - Line (19)	=====
<u>Asset Risk - All Other (C-1o)</u>		
(21) Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	_____
(22) Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	_____
(23) Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	_____
(24) Affiliated Preferred Stock and Common Stock - Investment Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (6)	_____
(25) Affiliated Preferred Stock and Common Stock - Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)	_____
(26) Affiliated Preferred Stock and Common Stock - Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)	_____
(27) Affiliated Preferred Stock and Common Stock - Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)	_____
(28) Affiliated Preferred Stock and Common Stock - Publicly Traded Insurers Held at Fair Value (excess of statement value over book value)	LR042 Summary for Affiliated Investments Column (4) Line (14)	_____
(29) Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	_____

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

Company Name	Source	(1) RBC Requirement
(30) Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	
(31) Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	
(32) Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	
(33) Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	
(34) Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (56) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	
(35) Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (23)	
(36) Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page	
(37) Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	
(38) Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	
(39) Reinsurance	LR016 Reinsurance Column (4) Line (17)	
(40) Total (C-1o) - Pre-Tax	Sum of Lines (21) through (39)	
(41) (C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (109)	
(42) Net (C-1o) - Post-Tax	Line (40) - Line (41)	
<u>Insurance Risk (C-2)</u>		
(43) Individual and & Industrial Life Insurance	LR025 Life Insurance Column (2) Line (8) -(20)	
(44) Group and & Credit Life Insurance and FEGLI/SGLI	LR025 Life Insurance Column (2) Lines (20) and (21) (42)	
(44b) Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	
(45) Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	
(46) Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	
(47) Total (C-2) - Pre-Tax	L(45) + L(46) + Greatest of [Guardrail Factor * (L(43)+L(44)), Guardrail Factor * L(44b), Square Root of [(L(43) + L(44)) ² + L(44b) ² + 2 * (Correlation Factor) * (L(43) + L(44)) * L(44b)]]	
(48) (C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (139)	
(49) Net (C-2) - Post-Tax	Line (47) - Line (48)	
<u>Interest Rate Risk (C-3a)</u>		
(50) Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	
(51) (C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (140)	
(52) Net (C-3a) - Post-Tax	Line (50) - Line (51)	
<u>Health Credit Risk (C-3b)</u>		
(53) Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	
(54) (C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
(55) Net (C-3b) - Post-Tax	Line (53) - Line (54)	
<u>Market Risk (C-3c)</u>		
(56) Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	
(57) (C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
(58) Net (C-3c) - Post-Tax	Line (56) - Line (57)	


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

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NAIC Company Code

Company Name	Source	(1) RBC Requirement
<u>Business Risk (C-4a)</u>		
(59) Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	_____
(60) Liability Component	LR029 Business Risk Column (2) Line (39)	_____
(61) Subtotal Business Risk (C-4a) - Pre-Tax	Lines (59) + (60)	_____
(62) (C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	_____
(63) Net (C-4a) - Post-Tax	Line (61) - Line (62)	=====
<u>Business Risk (C-4b)</u>		
(64) Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	_____
(65) (C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	_____
(66) Net (C-4b) - Post-Tax	Line (64) - Line (65)	=====
<u>Total Risk-Based Capital After Covariance Before Basic Operational Risk</u>		
(67) $C-0 + C-4a + \text{Square Root of } [(C-1o + C-3a)^2 + (C-1cs + C-3c)^2 + (C-2)^2 + (C-3b)^2 + (C-4b)^2]$	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE $L(11)+L(63) + \text{Square Root of } [(L(42) + L(52))^2 + (L(20) + L(58))^2 + L(49)^2 + L(55)^2 + L(66)^2]$	=====
(68) Gross Basic Operational Risk	$0.03 \times L(67)$	_____
(69) C-4a of U.S. Life Insurance Subsidiaries	Company Records	_____
(70) Net Basic Operational Risk	Line (68) - (Line (63) + Line (69)) (Not less than zero)	_____
(71) 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	_____
(72) Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied by 2)	Line (67) + Line (70) + Line (71)	=====
<u>Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)</u>		
(73) Total Risk-Based Capital After Covariance Times Fifty Percent	Line (72) x 0.50	=====
<u>Tax Sensitivity Test</u>		
(74) Tax Sensitivity Test: Total Risk-Based Capital After Covariance	$L(9)+L(61) + \text{Square Root of } [(L(40) + L(50))^2 + (L(18) + L(56))^2 + L(47)^2 + L(53)^2 + L(64)^2]$	_____
(75) Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (74) x 0.50	_____

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

LIFE INSURANCE - OPTION 1 - DRAFT

LR025

Basis of Factors

The factors chosen developed represent surplus needed to provide for excess claims over life insurance mortality risk, which is defined as adverse variance in life insurance deaths (i.e., insureds dying sooner than expected, both from random fluctuations and from inaccurate pricing for future levels) over the remaining lifetime of claims. For a large number block of trials, each insured either lives or dies based on a “roll of the dice” business while appropriately reflecting the probability of death from both normal and excess claims pricing flexibility to adjust current mortality rates for emerging experience. The present value of mortality risks included in the claims generated by this process, less expected claims, will be the amount of surplus needed under that trial development of the factors were volatility, level, trend, and catastrophe. The factors chosen under were developed by stochastically simulating the formula produce a level of surplus at least as much run-off of in force life insurance blocks typical of U.S. life insurers.

The capital need, expressed as needed in 95 percent of a dollar amount, is determined as the trials-greatest present value of accumulated deficiencies at the 95th percentile of the stochastic distribution of scenarios over the remaining lifetime of a block of business while appropriately reflecting the pricing flexibility to adjust current mortality rates. Statutory losses are defined as the after-tax quantification of gross death benefits minus reserves released minus mortality margin present in reserves. The after-tax statutory losses are discounted to the present by using 20-year averages for U.S. swap rates. By selecting the largest present value accumulated loss across all projection years, the solved for capital ensures non-negative capital at all projection periods. Earlier period losses are not allowed to be offset by later period gains to reduce capital. The 95th percentile is the commonly accepted statistical safety level used for Life RBC C-2 mortality risk to identify weakly capitalized companies. The after-tax capital needs are translated to a factor expressed as a percentage of the net amount at risk (NAR). The pre-tax factor is determined by taking the after-tax factor divided by (1 minus the tax rate).

The model was developed for portfolios of 10,000, 100,000 and one million lives, and it was found that the surplus needs decreased with larger portfolios, consistent with the law of large numbers.

Net amount at risk was chosen as a base because expected claims are difficult to calculate on a consistent basis from company to company. The factors are differentiated between individual & industrial life and group & credit life, and by in force block size. Within individual & industrial life, the factors are differentiated into categories for universal life with secondary guarantees (ULSG), term life, and all other life. Within group & credit life, the factors are differentiated into categories by the remaining length of the premium rate term by group contract. There are distinct factors for contracts that have remaining premium rate terms 36 months and under and for contracts that have remaining premium rate terms over 36 months. The Federal Employees’ Group Life Insurance (FEGLI) and Servicemembers’ Group Life Insurance (SGLI) receive a separate factor applied to the amounts in force.

Specific Instructions for Application of the Formula

Lines 3, 42, 5 and 9-21-41 are not applicable to Fraternal Benefit Societies.

Annual statement reference is for the total net amount at risk for the category (e.g., Individual & Industrial is one category). The net amount at risk is then further broken down by size as in a tax table to reflect the decrease in risk for larger blocks of life insurance. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to amounts in force is completed automatically. The calculation is as follows:

The NAR is derived for each of the factor categories using annual statement sources and company records. In Force and Reserves amounts are net of reinsurance throughout.

Line (11) ULSG In Force is derived from company records. The amount classified as ULSG needs to be consistent with the Exhibit of Life Insurance and the same block of policies as the ULSG reserves recorded in Line (12) which is sourced to the Analysis of Increase in Reserves During the Year – Individual Life Insurance Column 7 Line 15. The table below illustrates the RBC requirement calculation embedded in Line (13) for ULSG.

Line	Individual & Industrial ULSG	(1) Statement Value	Factor	(2) RBC Requirement
------	------------------------------	------------------------	--------	------------------------

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(813)

First 500 Million	_____	X 0.0022300390	_____
		=	
Next 424,500 Million	_____	X 0.0014600165	_____
		=	
Next 20,000 Million	_____	X 0.00116=	_____
Over 25,000 Million	_____	X 0.0008700110	_____
		=	

Total ~~Individual & Industrial~~ULSG Net Amount at Risk _____

Line (20) Group & Credit	Statement Value	Factor	RBC Requirement
First 500 Million	_____	X 0.00175 =	_____
Next 4,500 Million	_____	X 0.00116 =	_____
Next 20,000 Million	_____	X 0.00087 =	_____
Over 25,000 Million	_____	X 0.00078 =	_____

Line (14) Term Life In Force is derived from company records. The amount classified as Term Life needs to be consistent with the Exhibit of Life Insurance and the same block of policies as the Term reserves recorded in Line (15) which is sourced to the Analysis of Increase in Reserves During the Year – Individual Life Insurance Column 4 Line 15. The table below illustrates the RBC requirement calculation embedded in Line (16) for Term Life.

Line (16) Term Life	(1) Statement Value	Factor	(2) RBC Requirement
First 500 Million	_____	X 0.00270 =	_____
Next 24,500 Million	_____	X 0.00110 =	_____
Over 25,000 Million	_____	X 0.00075 =	_____

Total ~~Group & Credit~~Term Life Net Amount at Risk ~~(less~~
FEGLI & SGLI in force) _____

Lines (17) and (18) All Other Life In Force and Reserves are derived from the aggregate amounts derived in lines (1) to (10) minus the ULSG amounts in lines (11) to (12) and term life amounts in lines (14) to (15). In force business not classified as ULSG or term life is assigned to all other life. The table below illustrates the RBC requirement calculation embedded in Line (19) for All Other Life.

Line (19) All Other Life	(1) Statement Value	Factor	(2) RBC Requirement
First 500 Million	_____	X 0.00190 =	_____
Next 24,500 Million	_____	X 0.00075 =	_____
Over 25,000 Million	_____	X 0.00050 =	_____

Total All Other Life Net Amount at Risk _____

Lines (35) and (36) Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under are derived from company records. This category includes group contracts where the premium terms have 36 months or fewer until expiration or renewal. The in force amount classified in this category needs to be consistent with the Exhibit of Life Insurance. The reserves amount classified in this category needs to be consistent with Exhibit 5 used for Lines (28) and (29). Separate Accounts Exhibit used for Line (30), and Schedule S used for Lines (31) and (32). Federal Employees' Group Life Insurance (FEGLI) and Servicemembers' Group Life Insurance (SGLI) contracts are

excluded. The table below illustrates the RBC requirement calculation embedded in Line (37) for Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under.

Line (37)		(1) Statement Value	Factor	(2) RBC Requirement
	<u>Group & Credit Life with Remaining Rate Terms 36 Months and Under</u>			
	First 500 Million		X 0.00130 =	
	Next 24,500 Million		X 0.00045 =	
	Over 25,000 Million		X 0.00030 =	
	<u>Total Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under</u>			

Lines (38) and (39) Group & Credit Life In Force and Reserves with Remaining Rate Terms Over 36 Months are derived from the aggregate amounts derived in lines (21) to (34) minus the Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under in lines (35) and (36). FEGLI and SGLI contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (40) for Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months.

Line (40)		(1) Statement Value	Factor	(2) RBC Requirement
	<u>Group & Credit Life with Remaining Rate Terms Over 36 Months</u>			
	First 500 Million		X 0.00180 =	
	Next 24,500 Million		X 0.00070 =	
	Over 25,000 Million		X 0.00045 =	
	<u>Total Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months</u>			

Line (41) FEGLI/SGLI In Force amounts are retrieved from the Exhibit of Life Insurance. The capital factor assigned is the same as the largest size band for group & credit life contracts with remaining rate terms 36 months and under

Line (41)		(1) Statement Value	Factor	(2) RBC Requirement
	<u>FEGLI/SGLI In Force</u>		X 0.00030 =	

All amounts should be entered as required. The risk-based capital software will calculate the RBC requirement for individual and industrial and for group and credit.

LIFE INSURANCE - OPTION 2 - DRAFT

LR025

Basis of Factors

The factors chosen developed represent surplus needed to provide for excess claims over life insurance mortality risk, which is defined as adverse variance in life insurance deaths (i.e., insureds dying sooner than expected, both from random fluctuations and from inaccurate pricing for future levels) over the remaining lifetime of claims. For a large number block of trials, each insured either lives or dies based on a “roll of the dice” business while appropriately reflecting the probability of death from both normal and excess claims pricing flexibility to adjust current mortality rates for emerging experience. The present value of mortality risks included in the claims generated by this process, less expected claims, will be the amount of surplus needed under that trial development of the factors were volatility, level, trend, and catastrophe. The factors chosen under were developed by stochastically simulating the formula produce a level of surplus at least as much run-off of in force life insurance blocks typical of U.S. life insurers.

The capital need, expressed as needed in 95 percent of a dollar amount, is determined as the trials-greatest present value of accumulated deficiencies at the 95th percentile of the stochastic distribution of scenarios over the remaining lifetime of a block of business while appropriately reflecting the pricing flexibility to adjust current mortality rates. Statutory losses are defined as the after-tax quantification of gross death benefits minus reserves released minus mortality margin present in reserves. The after-tax statutory losses are discounted to the present by using 20-year averages for U.S. swap rates. By selecting the largest present value accumulated loss across all projection years, the solved for capital ensures non-negative capital at all projection periods. Earlier period losses are not allowed to be offset by later period gains to reduce capital. The 95th percentile is the commonly accepted statistical safety level used for Life RBC C-2 mortality risk to identify weakly capitalized companies. The after-tax capital needs are translated to a factor expressed as a percentage of the net amount at risk (NAR). The pre-tax factor is determined by taking the after-tax factor divided by (1 minus the tax rate).

The model was developed for portfolios of 10,000, 100,000 and one million lives, and it was found that the surplus needs decreased with larger portfolios, consistent with the law of large numbers.

Net amount at risk was chosen as a base because expected claims are difficult to calculate on a consistent basis from company to company.

The factors are differentiated between individual & industrial life and group & credit life, and by in force block size. Within individual & industrial life, the factors are differentiated into categories by contract type depending on the degree of pricing flexibility. Within group & credit life, the factors are differentiated into categories by the remaining length of the premium rate term by group contract. There are distinct factors for contracts that have remaining premium rate terms 36 months and under and for contracts that have remaining premium rate terms over 36 months. The Federal Employees' Group Life Insurance (FGLI) and Servicemembers' Group Life Insurance (SGLI) receive a separate factor applied to the amounts in force.

Specific Instructions for Application of the Formula

Lines 3, 42, 5 and 9-21-41 are not applicable to Fraternal Benefit Societies.

Annual statement reference is for the total net amount at risk for the category (e.g., Individual & Industrial is one category). The net amount at risk is then further broken down by size as in a tax table to reflect the decrease in risk for larger blocks of life insurance. This breakdown will not appear on the RBC filing software or on the printed copy, as the application of factors to amounts in force is completed automatically. The calculation is as follows:

The NAR is derived for each of the factor categories using annual statement sources and company records. In Force and Reserves amounts are net of reinsurance throughout. The In Force amounts throughout derived from company records need to be consistent with the Exhibit of Life Insurance. The Reserves amounts throughout derived from company records need to be consistent with Exhibit 5, Separate Accounts Exhibit, and Schedule S.

Pricing Flexibility for Individual Life Insurance is defined as the ability to materially adjust rates on in force contracts through changing premiums and/or non-guaranteed elements as of the valuation date and within the next 5 policy years. A material rate adjustment is defined as the ability to recover, on a present value basis, the difference in mortality provided for in the factors below for contracts with and without pricing flexibility.

Lines (11) and (12) Life Policies with Pricing Flexibility In Force and Reserves are derived from company records. Examples of products intended for this category include, but aren't limited to, participating whole life insurance, universal life insurance without secondary guarantees, and yearly renewable term insurance where scheduled premiums may be changed. The table below illustrates the RBC requirement calculation embedded in Line (13) for Life Policies with Pricing Flexibility.

Line (813)	Individual & Industrial Life Policies with Pricing Flexibility	(1)		(2)
		Statement Value	Factor	RBC Requirement
	First 500 Million	_____	X 0.0022300190	_____
			=	
	Next 424,500 Million	_____	X 0.0014600075	_____
			=	
	Next 20,000 Million	=====	X 0.00116=	=====
	Over 25,000 Million	_____	X 0.0008700050	_____
			=	
	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	=====		=====

Line (20)	Group & Credit	Statement Value	Factor	RBC Requirement
	First 500 Million	=====	X 0.00175 =	=====
	Next 4,500 Million	=====	X 0.00116=	=====
	Next 20,000 Million	=====	X 0.00087 =	=====
	Over 25,000 Million	=====	X 0.00078=	=====

Lines (14) and (15) Term Life Policies without Pricing Flexibility In Force and Reserves are derived from company records. Examples of products intended for this category include, but aren't limited to, level term insurance with guaranteed level premiums and yearly renewable term insurance where scheduled premiums may not be changed. The table below illustrates the RBC requirement calculation embedded in Line (16) for Term Life Policies without Pricing Flexibility.

Line (16)	Term Life Policies without Pricing Flexibility	(1)		(2)
		Statement Value	Factor	RBC Requirement
	First 500 Million	_____	X 0.00270 =	_____
	Next 24,500 Million	_____	X 0.00110 =	_____
	Over 25,000 Million	_____	X 0.00075 =	_____
	Total Group & Credit Term Life Policies without Pricing Flexibility Net Amount at Risk (less FEGLI & SGLI in force)	=====		=====

Lines (17) and (18) Permanent Life Policies without Pricing Flexibility In Force and Reserves are derived from the aggregate amounts derived in lines (1) to (10) minus the amounts recorded in the other individual life categories. Examples of products intended for this category include, but aren't limited to, universal life with secondary guarantees and non-participating whole life insurance. Policies that aren't recorded in the other individual life categories default to this category which has the highest factors. The table below illustrates the RBC requirement calculation embedded in Line (19) for Permanent Life Policies without Pricing Flexibility.

Line (19)	Permanent Life Policies without Pricing Flexibility	(1)		(2)
		Statement Value	Factor	RBC Requirement
	First 500 Million	_____	X 0.00390 =	_____

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<u>Next 24,500 Million</u>	_____	X 0.00165 =	_____
<u>Over 25,000 Million</u>	_____	X 0.00110 =	_____
<u>Total Permanent Life Policies without Pricing Flexibility</u>	_____		_____
<u>Net Amount at Risk</u>			

Lines (35) and (36) Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under are derived from company records. This category includes group contracts where the premium terms have 36 months or fewer until expiration or renewal. The in force amount classified in this category needs to be consistent with the Exhibit of Life Insurance. The reserves amount classified in this category needs to be consistent with Exhibit 5 used for Lines (28) and (29). Separate Accounts Exhibit used for Line (30), and Schedule S used for Lines (31) and (32). Federal Employees' Group Life Insurance (FEGLI) and Servicemembers' Group Life Insurance (SGLI) contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (37) for Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under.

<u>Line (37)</u>	<u>Group & Credit Life with Remaining Rate Terms 36 Months and Under</u>	<u>(1)</u> <u>Statement Value</u>	<u>Factor</u>	<u>(2)</u> <u>RBC Requirement</u>
	<u>First 500 Million</u>	_____	X 0.00130 =	_____
	<u>Next 24,500 Million</u>	_____	X 0.00045 =	_____
	<u>Over 25,000 Million</u>	_____	X 0.00030 =	_____
	<u>Total Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under</u>	_____		_____

Lines (38) and (39) Group & Credit Life In Force and Reserves with Remaining Rate Terms Over 36 Months are derived from the aggregate amounts derived in lines (21) to (34) minus the Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under in lines (35) and (36). FEGLI and SGLI contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (40) for Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months.

<u>Line (40)</u>	<u>Group & Credit Life with Remaining Rate Terms Over 36 Months</u>	<u>(1)</u> <u>Statement Value</u>	<u>Factor</u>	<u>(2)</u> <u>RBC Requirement</u>
	<u>First 500 Million</u>	_____	X 0.00180 =	_____
	<u>Next 24,500 Million</u>	_____	X 0.00070 =	_____
	<u>Over 25,000 Million</u>	_____	X 0.00045 =	_____
	<u>Total Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months</u>	_____		_____

Line (41) FEGLI/SGLI In Force amounts are retrieved from the Exhibit of Life Insurance. The capital factor assigned is the same as the largest size band for group & credit life contracts with remaining rate terms 36 months and under.

<u>Line (41)</u>	<u>FEGLI/SGLI In Force</u>	<u>(1)</u> <u>Statement Value</u>	<u>Factor</u>	<u>(2)</u> <u>RBC Requirement</u>
		_____	X 0.00030 =	_____

All amounts should be entered as required. The risk-based capital software will calculate the RBC requirement for individual and industrial and for group and credit.