

PROPERTY / CASUALTY

2023

RBC

Risk-Based Capital

**Forecasting and
Instructions**

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ISBN: 978-1-64179-351-3

Printed in the United States of America

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What Risk-Based Capital Pages Should Be Submitted?

For year-end 2023 property/casualty (P/C) risk-based capital (RBC), hard copies of pages PR001–PR035, as well as pages PR038 and PR039, should be submitted to any state that requests a hard copy. Beginning with year-end 2011 RBC, a hard copy was not required to be submitted to the NAIC, but a portable document format (PDF) file representing the hard copy filing is part of the electronic filing with the NAIC.

Catastrophe Risk

Modification to the Instructions of Obtaining Permission to Use the Own Model

As a result of the adoption of proposal 2022-08-CR by the Capital Adequacy (E) Task Force during its Dec. 14, 2022, meeting, the revised instructions to: 1) capture the spirit of the own model permission review; and 2) clarify the requirements expected from the company who submits its own model for permission are included in the PR027 instructions.



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Underwriting Risk

Underwriting and Investment Exhibit - Premiums Written (PR035)

The Capital Adequacy (E) Task Force adopted proposal 2022-07-P to modify the lines of business categories in PR035 during its Dec. 14, 2022, meeting. The purpose of this proposal is to provide consistency in the granularity of the Property and Casualty Underwriting Investment Exhibit pages.

New Industry Average Risk Factors - Annual Update

During its April 25 meeting, the Capital Adequacy (E) Task Force adopted the annual update of industry average development factors. However, the Property and Casualty Risk-Based Capital (E) Working Group noticed the incorrect calculation of the reserve factors of H/F, WC, and CMP lines of business after the Task Force's adoption. The Working Group re-exposed the following updated factors for seven days. No comments were received during the exposure period. The Task Force re-adopted the modified proposal during its June 30 meeting.

PR017 Underwriting Risk - Reserves

Line (1), Industry Average Development Factors

| Col. | Line of Business | 2023 Factor | 2022 Factor |
|------|-----------------------------|-------------|-------------|
| (1) | H/F | 0.999 | 1.001 |
| (2) | PPA | 1.047 | 1.022 |
| (3) | CA | 1.106 | 1.082 |
| (4) | WC | 0.873 | 0.906 |
| (5) | CMP | 1.026 | 1.037 |
| (6) | MPL Occurrence | 0.906 | 0.887 |
| (7) | MPL Claims Made | 0.984 | 0.983 |
| (8) | SL | 0.994 | 0.990 |
| (9) | OL | 0.969 | 0.995 |
| (10) | Fidelity/Surety | 0.852 | 0.842 |
| (11) | Special Property | 0.983 | 0.993 |
| (12) | Auto Physical Damage | 1.016 | 1.011 |
| (13) | Other (Credit A&H) | 0.946 | 0.955 |
| (14) | Financial/Mortgage Guaranty | 0.674 | 0.694 |
| (15) | INTL | 2.414 | 3.041 |
| (16) | REIN. P&F Lines | 0.924 | 0.917 |
| (17) | REIN. Liability | 1.024 | 1.008 |
| (18) | PL | 0.874 | 0.867 |
| (19) | Warranty | 0.995 | 0.998 |

PR018 Underwriting Risk - Net Written Premiums

Line (1), Industry Average Loss and Expense Ratios

| Col. | Line of Business | 2023 Factor | 2022 Factor |
|--------|-----------------------------|-------------|-------------|
| (1) * | H/F | 0.679 | 0.665 |
| (2) | PPA | 0.791 | 0.793 |
| (3) | CA | 0.777 | 0.761 |
| (4) | WC | 0.651 | 0.664 |
| (5) * | CMP | 0.671 | 0.661 |
| (6) | MPL Occurrence | 0.767 | 0.750 |
| (7) | MPL Claims Made | 0.815 | 0.829 |
| (8) * | SL | 0.578 | 0.585 |
| (9) | OL | 0.641 | 0.637 |
| (10) | Fidelity/Surety | 0.363 | 0.366 |
| (11) * | Special Property | 0.550 | 0.547 |
| (12) | Auto Physical Damage | 0.727 | 0.718 |
| (13) | Other (Credit A&H) | 0.702 | 0.698 |
| (14) | Financial/Mortgage Guaranty | 0.209 | 0.203 |
| (15) * | INTL | 1.136 | 1.166 |
| (16) * | REIN. P&F Lines | 0.578 | 0.566 |
| (17) * | REIN. Liability | 0.743 | 0.725 |
| (18) | PL | 0.597 | 0.601 |
| (19) | Warranty | 0.652 | 0.665 |

* Cat Lines

Affiliated Investments

Modification to the Affiliated Investment Structure and Instructions

The Capital Adequacy (E) Task Force adopted proposal 2022-09-CA during its March 23 meeting to revise the instructions and structure of the Affiliated Investment pages (pages PR003-PR005) to provide consistent treatment of affiliated investments between the Health, Life, and P/C RBC formulas. The Task Force adopted proposal 2022-09-CA (MOD) during its June 30 call. The modified proposal clarified the examples provided for the Indirectly Owned Alien Insurance Affiliates/Subsidiaries section within the instructions and added a footnote for the “% Owned” column within the blank.

An editorial change was made to the formula used in the Subsidiary, Controlled, and Affiliated Investments page (PR004) by year-end 2023. The change will carry the RBC Required amount calculated on the Details for Affiliated Stocks page (PR003) into page PR004, Line (21) Other Non-Financial Entities when Column (2) Affil Type is null. The Task Force will consider further revisions for year-end 2024 or later.

Accident and Health Business

Health Premiums (PR019) and Health Underwriting Risk (PR020) References

As a result of the adoption of proposal 2022-13-CA by the Capital Adequacy (E) Task Force during its March 23 meeting, the Health Premiums (PR019) and the Health Underwriting Risk (PR020) references in the instructions and structure will be updated to provide consistent categories used in the Annual Statement, Schedule H, Part 1.

Stop Loss Premiums

The Capital Adequacy (E) Task Force adopted proposal 2023-01-CA to clarify the instructions to provide clarity on reporting stop loss premiums in the RBC formula during its June 30 meeting.

Underwriting Risk Factors

The Capital Adequacy (E) Task Force adopted proposal 2022-16-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 5% investment yield adjustment. The revised factors are:

| | Comprehensive Medical | Medicare Supplement | Dental & Vision |
|-------------------|-----------------------|---------------------|-----------------|
| \$0-\$3 Million | 0.1434 | 0.0980 | 0.1148 |
| \$3-\$25 Million | 0.1434 | 0.0603 | 0.0711 |
| Over \$25 Million | 0.0838 | 0.0603 | 0.0711 |

Editorial Changes

1. An editorial change was made to Table 2 in Example 2 for Indirectly Owned Alien Insurance Affiliates/Subsidiaries for the Book/Adjusted Carrying Value of Affil Type 3 to be \$5,000,000 and the RBC Required to be \$1,125,000.

Risk-Based Capital Forecasting and Instructions

The P/C RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2023 NAIC Property & Casualty Risk-Based Capital Report Including Overview & Instructions for Companies*. The entire RBC publication, including the forecasting spreadsheet, can be downloaded from the [NAIC Account Manager](#) through the NAIC Publications Department. The User Guide is no longer included in the RBC publications.

WARNING: The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual financial statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not have been filed.



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Property and Casualty Risk-Based Capital Newsletter, Volume 27.1. Published annually or whenever needed by the NAIC for state insurance regulators, professionals and consumers.

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2023 NAIC Property and Casualty

Risk-Based Capital Report

Including

Forecasting and Instructions for Companies

as of December 31, 2023

**Confidential
when Completed**

NAIC

**National Association
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Printed in the United States of America

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NAIC Property/Casualty Risk-Based Capital Report

RISK-BASED CAPITAL PREAMBLE

History of Risk-Based Capital by the NAIC

A. Background

1. The NAIC, through its committees and working groups, facilitated many projects of importance to state insurance regulators, the industry and users of statutory financial information in the early 1990s. That was evidenced by the original mission statement and charges given to the Capital Adequacy (E) Task Force (CADTF) of the Financial Condition (E) Committee.
2. From the inception of insurance regulation in the mid-1800s, the limitation of insurance company insolvency risk has been a major goal of the regulatory process. The requirement of adequate capital has been a major tool in limiting insolvency costs throughout the history of insurance regulation. Initially, the states enacted statutes requiring a specified minimum amount of capital and surplus for an insurance company to enter the business or to remain in business.
3. Fixed minimum capital requirements were largely based on the judgment of the drafters of the statutes and varied widely among the states. Those fixed minimum capital and surplus requirements have served to protect the public reasonably well for more than a century. However, they fail to recognize variations in risk between broad categories of key elements of insurance, nor do they recognize differences in the amount of capital appropriate for the size of various insurers.
4. In 1992, the NAIC adopted the life risk-based capital (RBC) formula with an implementation date of year-end 1993. The formula was developed for specific regulatory needs. Four major categories were identified for the life formula: asset risk; insurance risk; interest rate risk; and all other business risk. The property/casualty and health formulas were implemented in 1994 and 1998, respectively. The focus of these two formulas is: asset risk; underwriting risk; credit risk; and business risk (health).
5. The total RBC needed by an insurer to avoid being taken into conservatorship is the Authorized Control Level RBC, which is 50% of the sum of the RBC for the categories, adjusted for covariance. The covariance adjustment is meant to take into account that problems in all risk categories are not likely to occur at the same time.
6. The mission of the CADTF was to determine the amount of capital an insurer should be required to hold to avoid triggering various specific regulatory actions. The RBC formula largely consists of a series of risk factors that are applied to selected assets, liabilities or other specific company financial data to establish the threshold levels generally needed to bear the risk arising from that item.
7. To carry out its mission, the CADTF was charged with carrying out the following initiatives:
Evaluate emerging “risk” issues for referral to the RBC working groups/subgroups for certain issues involving more than one RBC formula.
Monitor emerging and existing risks relative to their consistent or divergent treatment in the three RBC formulas.
Review and evaluate company submissions for the schedule and corresponding adjustment to total adjusted capital (TAC).
Monitor changes in accounting and reporting requirements resulting from the adoption and continuing maintenance of the *Accounting Practices and Procedures Manual* and the *Valuation Manual* to ensure that model laws, publications, formulas, analysis tools, etc., supported by the CADTF continue to meet regulatory objectives
8. The RBC forecasting and instructions were developed and are now maintained in accordance with the mission of the CADTF as a method of measuring the threshold amount of capital appropriate for an insurance company to avoid capital specific regulatory requirements based on its size and risk profile.

B. Purpose of Risk-Based Capital

9. The purpose of RBC is to identify potentially weakly capitalized companies. This facilitates regulatory actions that, in most cases, ensure policyholders will receive the benefits promised without relying on a guaranty association or taxpayer funds. Consequently, the RBC formula calculates capital level trigger points that enable regulatory intervention in the operation of such companies.
10. RBC instructions, RBC reports and adjusted report(s) are intended solely for use by the commissioner/state in monitoring the solvency of insurers and the need for possible corrective action with respect to insurers and are considered confidential. All domestic insurers are required to file an RBC report unless exempt by the commissioner. There are no state permitted practices to modify the RBC formula and all insurers are required to abide by the RBC instructions.
11. Comparison of an insurer's TAC to any RBC level is a regulatory tool that may indicate the need for possible corrective action with respect to the insurer and is not intended as a means to rank insurers generally. Therefore—except as otherwise required under the provisions of *Risk-Based Capital (RBC) for Insurers Model Act* (#312) or the *Risk-Based Capital (RBC) for Health Organizations Model Act* (#315)—the making, publishing, disseminating, circulation or placing before the public, or causing, directly or indirectly to be made, published, disseminated, circulated or place before the public, in a newspaper, magazine or other publication, or in a form of a notice, or in any other way, an advertisement, announcement or statement containing an assertion, representation or statement with regard to the RBC levels of any insurer or of any component derived in the calculation by any insurer is prohibited.

C. Objectives of Risk-Based Capital Reports

12. The primary responsibility of each state insurance department is to regulate insurance companies in accordance with state laws, with an emphasis on solvency for the protection of policyholders. The ultimate objective of solvency regulation is to ensure that policyholder, contract holder and other legal obligations are met when they come due and that companies maintain capital and surplus at all times and in such forms as required by statute.

To support this role, the RBC reports identify potentially weakly capitalized companies in that each insurer must report situations where the actual TAC is below a threshold amount for any of the several RBC levels. This is known as an “RBC event” and reporting is mandatory. The state regulatory response is likely to be unique to each insurer, as each insurer's risk profile will have some differences from the average risk profile used to develop the RBC formula factors and calculations.

There are several RBC levels with different levels of anticipated additional regulatory oversight following the reporting of an RBC event. Company Action Level (CAL) has the least amount of additional regulatory oversight, as it envisions the company providing to its regulator a plan of action to increase capital or reduce risk or otherwise satisfy the regulator of the adequacy of its capital. Regulatory Action Level (RAL) is the next higher level, where the regulator is more directly involved in the development of the plan of action. Authorized Control Level (ACL) anticipates an even higher amount of regulatory action in implementing the plan of action.

D. Critical Concepts of Risk-Based Capital

13. Over the years, various financial models have been developed to try to measure the “right” amount of capital that an insurance company should hold.ⁱ “No single formula or ratio can give a complete picture of a company's operations, let alone the operation of an entire industry. However, a properly designed formula will help in the early identification of companies with inadequate capital levels and allow corrective action to begin sooner. This should ultimately lower the number of company failures and reduce the cost of any failures that may occur.”

ⁱ Report of the Industry Advisory Committee to the Life Risk-Based Capital (E) Working Group, p. 6; Nov. 17, 1991.

14. Because the NAIC formula develops threshold levels of capitalization rather than a target level, it is impractical to use the RBC formula to compare the RBC ratio developed by one insurance company to the RBC ratio developed by another. Comparisons of amounts that exceed the threshold standards do not provide a definitive assessment of their relative financial strength. For this reason, Model #312 and Model #315 prohibit insurance companies, their agents and others involved in the business of insurance using the company's RBC results to compare competitors.
15. The principal focus of solvency measurement is the determination of financial condition through an analysis of the financial statements and RBC. However, protection of the policyholders can only be maintained through continued monitoring of the financial condition of the insurance enterprise. Operating performance is another indicator of an enterprise's ability to maintain itself as a going concern.
16. The CADTF and its RBC working groups are charged with evaluating refinements to the existing NAIC RBC formula and considering improvements and revisions to the various RBC blanks to: 1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity (when it is determined to be necessary); and 2) oversee the development of additional reporting formats within the existing RBC blanks as needs are identified.
17. The CADTF and its RBC working groups will monitor and evaluate changes to the annual financial statement blanks and the *Purposes and Procedure Manual of the NAIC Investment Analysis Office* to determine if assets or, specifically, investments evaluated by the NAIC Securities Valuation Office are relevant to the RBC formula in determining the threshold capital and surplus for all insurance companies or whether reporting available to the regulator is a more appropriate means to addressing the risk. The CADTF will consider different methods of determining whether a particular risk should be added as a new risk to be studied and selected for a change to the applicable RBC formula, but due consideration will be given to the materiality of the risk to the industry, as well as the very specific purpose of the RBC formulas to develop regulatory threshold capital levels.

Not for Distribution

OVERVIEW OF THE NAIC PROPERTY AND CASUALTY RISK-BASED CAPITAL REPORT

Introduction

Risk-based capital is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. It provides an elastic means of setting the minimum capital requirement in which the degree of risk taken by the insurer is the primary determinant.

A company's risk-based capital is calculated by applying factors to various asset, premium and reserve items. The factor is higher for those items with greater underlying risk and lower for less risky items. The adequacy of a company's actual capital may then be measured by a comparison to its risk-based capital as determined by the formula.

Risk-based capital standards will be used by regulators to set in motion appropriate regulatory actions relating to insurers that show indications of weak or deteriorating conditions. It also provides an additional standard for minimum capital requirements that companies should meet to avoid being placed in conservatorship.

Purpose of This Report

This report presents the **2023** NAIC Property/Casualty Risk-Based Capital formula in an instructional format that should be helpful to anyone: (a) responsible for submitting data to the NAIC and/or the states or (b) responsible for computing the RBC for an individual company.

This formula is an important tool for regulators. Determining accurate and timely data is an extremely important part of this process. This is most likely to occur when everyone, from the company CEO to the individual preparing the data, has a basic understanding of the formula. *While this report provides this understanding in a concise package, it is strongly recommended that the person or persons preparing and entering the information be senior company officials with a good understanding of the financial aspects of property/casualty insurance. It is also recommended that companies seek the assistance of their independent accountants and/or actuaries when preparing the risk-based capital report. Please complete the Jurat Signature requirements in accordance with the requirements of the domiciliary state. Direct any questions concerning signature requirements to that state.*

What's in The Report

Certain terms relating to risk-based capital, used in this report, are defined in the Risk-Based Capital (RBC) for Insurers Model Act.

Generally, each narrative section discusses a different segment of the formula (e.g., there is a narrative on Bonds and a narrative on Underwriting Risk). The formula itself is presented in worksheet form in a separate section of this booklet immediately following this narrative. The formula pages are broken down into sections as follows:

- 1) Company Information (Jurat Page)
- 2) Affiliated Stocks and Bonds
- 3) Unaffiliated Assets
- 4) Credit Risk and Health Credit Risk
- 5) Underwriting Risk
- 6) Life RBC Formula Application for P&C Company's A&H Business
- 7) Total Adjusted Capital

Most narrative pages have a brief summary of the background of the development of the factors, called the "Basis of the Factors." Development of certain factors required sophisticated modeling techniques but the basic concepts are not complicated. Many sections of this report include a section on "Specific Instructions for Application of the Formula" which serves as a guide for those who assemble the data or analyze the results of the formula. It includes definitions and explanations for specific items that should be calculated, clarifications on the intent of the structure of certain sections of the formula, and instructions on reconciliation of certain totals.

Annual statement sources referred to in this report do not use parentheses; i.e., a reference to Page 2, Line 19, Column 1 in the annual statement will read P2 L19 C1. Annual statement references will begin with a page number only for pages 2 and 3. Otherwise the reference will be an Exhibit number or description (e.g., Exhibit 1), a schedule letter (e.g., Schedule D) or a name of an Exhibit or Schedule (e.g., U&I Exhibit–Part 1B). This is to avoid the necessity of changing page numbers for references in the future. References to sources in this report will use parentheses around the line and column number. A reference to Miscellaneous Assets, Line 9, Column 2 in this report will read Miscellaneous Assets L(9) C(2).

Management Discussion and Analysis

Each company has the opportunity to prepare a written analysis of its risk-based capital results. A company may explain special situations as it deems necessary. Companies should also give explanations where totals of line items do not reconcile with totals that are referenced to annual statement sources. However, modification of the risk-based capital formula is not acceptable. Factors, RBC amounts that go to the Calculation of Total Risk-Based capital After Covariance page (R0, R1, R2, R3, R4, R5 and Rcat), and the Total Adjusted Capital amount should not be overwritten. This written analysis should not be construed as the “RBC Plan” required in the Risk-Based Capital (RBC) for Insurers Model Act.

Applicability of NAIC Property/Casualty RBC Report

The NAIC Property/Casualty RBC Report has been developed for U.S. property/casualty and accident and health insurers who file the NAIC property/casualty annual statement blank (yellow blank), including captive risk retention groups (RRGs). Monoline financial guaranty insurers, monoline mortgage guaranty insurers and title insurers are not subject to risk-based capital. In some states, U.S. companies that write only alien business may be excluded from risk-based capital requirements. In addition, states in which Blue Cross/Blue Shield and similar organizations file the yellow blank may decide to exempt these companies from filing an RBC report based on the extent to which the operations of these entities are different from conventional insurers’ individual and group health insurance operations. Other single state specialty insurers not subject to rules applicable to property/casualty insurers may also be exempt. If there are any questions related to this issue, contact the domiciliary state of the insurer.

Captive RRGs generally maintain their books and prepare their financial statements on the basis of GAAP whereas this formula was developed for use with insurers that utilize statutory accounting principles (SAP). Therefore, certain manual modifications should be made for purposes of applying this RBC formula. In particular, undiscounted reserves must be used in this RBC formula. Further, if an RRG is discounting its loss reserves carried on its balance sheet under an approved plan of operations, the amount of the discount shall be deducted from its total adjusted capital in this RBC formula. This is the same treatment required of traditional companies as failure to use undiscounted reserves in the RBC formula and to deduct the amount of the discount from total adjusted capital results in a double-counting of the discount.

Captive RRGs may make additional modifications, eliminations, and/or reclassifications of GAAP assets or liabilities only with the express approval of the domestic regulator when completing this RBC formula. Further, RRG domiciles may issue instructions to domestic RRGs regarding accounting for and classification or reclassification of GAAP assets and liabilities, and LOCs, within this RBC formula.

In addition, some RRGs are allowed under the laws of the domestic state to use Letters of Credit (LOCs) for capital purposes. Such LOCs shall be included in surplus and total adjusted capital in this RBC formula.

Changes to The Formula

Changes to the formula may be made necessary by annual statement presentation, accounting procedures and refinement of the formula. All such changes will be determined by the NAIC Capital Adequacy (E) Task Force.

HOW TO SUBMIT DATA

Printed RBC reports and electronic submissions should be submitted as specified in the individual state filing checklists. There may be places where the screen display of the RBC program and the printout format vary slightly from the booklet. In those instances, the booklet should explain the differences; however, the overall calculation will be the same.

Workpapers

Workpapers needed to prepare this report should be retained and available for examination in accordance with record retention requirements of the domestic state laws or regulations.

Questions

Contact Eva Yeung by phone at 816-783-8407 or by e-mail at eyeung@naic.org for RBC formula questions.

Not for Distribution

AFFILIATED 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 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 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 (41).
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (60)).
- c. For a Life affiliate/subsidiary RBC filing, the sum of
 - i. Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (69)); and
 - ii. Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (73)).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of a directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted for financial reporting purposes. The value reported in annual statement Schedule D, Part 6, Section 1 will be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted capital for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (12) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in SSAP 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 R₀ 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 R₀ 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 R₂ 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 R₂ component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiaries' s statutory surplus, there is no addition to the R₂ component.

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

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

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

The carrying value for each indirect insurance affiliate/subsidiary is established based on company records using the statutory value of the insurer as reported in the NAIC annual financial statement blank submitted by the affiliate/subsidiary or market value when applicable, and the RBC requirement as determined in its RBC Report adjusted for the ownership percentages (both the percentage of the indirectly owned RBC filing affiliate/subsidiary that is owned by the directly held downstream holding company and the reporting insurer's ownership percentage in that downstream entity). The value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis.

3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries

The carrying value of a U.S. Insurance Affiliate/Subsidiary that is subject to RBC is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each RBC filing insurer and each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The remaining value of the directly held holding company is then subject to a charge that is calculated in accordance with the instructions for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries as specified in the RBC formula. If the holding company is not admitted, report the excess carrying value as zero and the corresponding RBC charge will also be zero. If a negative excess value for the downstream holding company results from removing the value of U.S. RBC filing insurers from the downstream holding company's reported value, then the value of that holding company will be floored at zero and the corresponding RBC charge will also be zero.

The following hypothetical Balance Sheet indicates the view of a Holding Company - Holder, Inc. which is 100% owned by MEGA P&C Insurance Company (it assumes that the value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis):

| Balance Sheet Holder, Inc. 12/31/XXXX | | | | | |
|---|----------------------|------------|--|----------------------------|------------|
| Cm Stk: | ABC Life Company | 10,000,000 | | Long Term Debt | 5,000,000 |
| | XYZ Casualty Company | 15,000,000 | | Other Liabilities | 2,000,000 |
| | ANH Health Company | 3,000,000 | | | |
| | Other Common Stock | 17,000,000 | | Total Liabilities | 7,000,000 |
| | Cash | 7,000,000 | | | |
| | Other Assets | 5,000,000 | | Equity | 50,000,000 |
| | | | | | |
| | Total Assets | 57,000,000 | | Total Liabilities & Equity | 57,000,000 |

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

| <u>Company</u> | <u>Stat. Book value</u> | <u>Source:</u> |
|---|-------------------------|--|
| Holder, Inc. | 50,000,000 | MEGA P&C Sch D - Part 6, Section 1 |
| <i>Holder, Inc. Aff/subs subject to RBC</i> | | |
| ABC Life Company | 10,000,000 | Holder, Inc. Stat. balance sheet |
| XYZ Casualty Company | 15,000,000 | Holder, Inc. Stat. balance sheet |
| ANH Health Company | <u>3,000,000</u> | Holder, Inc. Stat. balance sheet |
| subtotal | 28,000,000 | |
| Holder, Inc. excl. RBC aff/subs | 22,000,000 | (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).

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 plus Line 0599999. If no value is reported in the Total Value of Affiliate’s common and preferred stock columns (7) and (10), the program will assume 100 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 (12) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value of an alien insurance Affiliate/Subsidiary is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner’s balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The RBC charge to be applied to each indirectly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company’s interest in the affiliate/subsidiary multiplied by 0.500 and adjusted to reflect the reporting company’s ownership on the holding company. For example, assume NEWBIE Insurance Company acquired 100 percent shares of Holder (a holding company), and Holder owns an Alien Life 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 Life Insurance Company and the RBC charge for the indirect ownership of the alien insurance affiliate/subsidiary would be \$5,000,000 (0.500 times \$10,000,000). The risk-based capital charge for the parent insurer preparing the calculation is a 22.5 percent charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

| PR003 Columns | | | |
|------------------------------|---------------------------|--|--------------|
| (1) | (2) | (5) | (12) |
| Affiliate/Subsidiary | Affiliate/Subsidiary Type | Book Adjusted Carrying Value (Statement Value) of Affiliate’s Common Stock | RBC Required |
| Alien Life Insurance Company | 6c | 10,000,000 | 5,000,000 |
| Holder Holding Company | 3 | 10,000,000 | 2,250,000 |

If NEWBIE Insurance Company only acquired 50 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 Life Insurance Company and the RBC charge for the indirect ownership of the Alien insurance affiliate/subsidiary would be \$2,500,000 (0.500 times \$5,000,000). Enter information for any indirectly owned alien insurance subsidiaries.

| PR003 Columns | | | |
|------------------------------|---------------------------|--|--------------|
| (1) | (2) | (5) | (12) |
| Affiliate/Subsidiary | Affiliate/Subsidiary Type | Book Adjusted Carrying Value (Statement Value) of Affiliate’s Common Stock | RBC Required |
| Alien Life Insurance Company | 6c | 5,000,000 | 2,500,000 |
| Holder Holding Company | 3 | 5,000,000 | 1,125,000 |

For each affiliate/subsidiary enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line 1499999 plus Line 0599999. If no value is reported in the Total Value of Affiliate's common and preferred stock columns (7) and (10), the program will assume 100 percent ownership.

7. Investment in Upstream Affiliate (Parent)

The Risk-Based Capital (RBC) for an investment in an upstream parent is 22.5 percent of the book/adjusted carrying value of the common and preferred stock, regardless of whether that upstream parent is subject to RBC. Report the appropriate information from Schedule D, Part 6, Section 1, Lines 0199999 and 1099999 in Columns (1) through (10).

For each affiliate, enter the following information:

- Company Name,
- Affiliate Type Code,
- NAIC Company Code,
- Book Adjusted carrying value of common stock
- Book Adjusted carrying value of preferred stock,
- Total Outstanding value of common and preferred stock.

8. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC

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

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula is 22.5 percent of the book/adjusted carrying value of the common and preferred stock.

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

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

The risk-based capital for entity types a, b, and c is 22.5 percent of the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurance Affiliates/Subsidiaries Not Subject to RBC is "9". Reported amounts use Schedule D, Part 6, Section 1, Line 0899999, and Line 1799999 as the basis of reporting.

ASSETS

PR006 – PR014

PR006 – Bonds and Bond Size Factor Adjustment

Basis of General Bond Factors

The bond risk factors for investment grade bonds (NAIC Designation Category 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 cycle of favorable and unfavorable credit environment. The risk of default was measured over a 5-year time horizon, selected considering the duration of property/casualty assets and liabilities.

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.

The bond risk factors are selected with consideration of the effect of the bond size factors.

Bond Size Factor

The bond factors assume a portfolio of 802 issuers. The size factor reflects that the risk increases as the number of bond issuers decreases. The bond size factor adjusts the computed RBC for those bonds that are subject to the size factor to more accurately reflect the risk.

The bond size factor is to be multiplied by the risk-based capital of the bonds subject to the size factor. This calculation produces the *additional* RBC required for a portfolio that has 801 or less bonds in it. Portfolios with 803 or more issuers will receive a discount. The bond size factor was developed as a step factor (as in a tax table) so that the overall factor decreases as the portfolio size increases

Bonds should be aggregated by issuer (the first six digits of the CUSIP number should be used for aggregation). In determining the total number of issuers, do not count:

- U.S. government bonds that are direct and guaranteed and backed by the full faith and credit of the U.S. government, other U.S. Government Obligations / Full Faith and Credit Exempt Money Market Funds List which receive a zero factor (Definitions of these categories are in the Annual Statement Instructions).•

The calculation shown below will not appear in the software but will be calculated automatically. However, you must enter the total number of issuers in the appropriate field on the RBC filing software. If you leave this field blank, the program will assume that there are less than 10 issuers and will default to the maximum bond size factor adjustment. The calculation to derive the bond size factor is:

| | | (a) | | | | (b) |
|----------|------------|---------------|---|------|---|--------------|
| | Source | No of Issuers | | | | Wgtd Issuers |
| First 10 | Co Records | _____ | X | 7.8 | = | _____ |
| Next 90 | Co Records | _____ | X | 1.75 | = | _____ |
| Next 100 | Co Records | _____ | X | 1.0 | = | _____ |
| Next 300 | Co Records | _____ | X | 0.8 | = | _____ |
| Over 500 | Co Records | _____ | X | 0.75 | = | _____ |
| Total | Co Records | _____ | | | | _____ |

Size Factor = Total Weighted Issuers/Total No of Issuers less 1

PR007 – Unaffiliated Preferred and Common Stock

Unaffiliated Preferred Stock

Detailed information on unaffiliated preferred stocks is found in Schedule D Part 2 Section 1 of the annual statement. The preferred stocks must be broken out by NAIC Designation (NAIC 01 through NAIC 06) and these individual groups are to be entered in the appropriate lines of the RBC software. The total amount of unaffiliated preferred stock reported should equal annual statement P2 L2.1 C3 less any affiliated preferred stock in Schedule D-Summary by Country C1 L18.

Unaffiliated Common Stock

The factor for other unaffiliated common stock is based on studies that indicate a 10 percent to 12 percent factor is needed to provide capital to cover approximately 95 percent of the greatest losses in common stock value over a one-year future period. The higher factor of 15 percent contained in the formula reflects the increased risk when testing a period in excess of one year. This factor assumes capital losses are unrealized and not subject to favorable tax treatment at the time loss in fair value occurs.

The total of all unaffiliated common stock reported should be equal to the total value of common stock in Schedule D-Summary by Country C1 L25 less the sum of Schedule D-Summary by Country C1 L24 and PR007, Column 1, Line 18.

PR008 – Other Long-Term Assets

Real Estate

The Property & Casualty Risk-Based Capital Working Group adopted the factor of 10 percent developed for the Life RBC formula. Encumbrances have been included in the real estate base since the value of the property subject to loss would include encumbrances.

The total book/adjusted carrying value of real estate reported should equal the total of Lines 4.1, 4.2 and 4.3, Column 3 on Page 2 of the annual statement plus the insert amounts on the same lines.

Mortgage Loans on Real Estate

The Property & Casualty Risk-Based Capital Working Group adopted a factor of 5 percent based upon the factors developed by the Life RBC formula, which ranged from 3 percent to 20 percent.

The book/adjusted carrying value of mortgage loans reported should equal Page 2, Line 3.1, Column 3 + Page 2, Line 3.2, Column 3 of the annual statement.

Schedule BA Assets (Other Invested Assets – excluding collateral loans, low income housing tax credits and Working Capital Finance Investments)

Other Invested Assets are those that are listed in Schedule BA and are somewhat more speculative and risky than most other investments. The factor for Schedule BA assets excluding collateral loans is 20%.

The book/adjusted carrying value of total Schedule BA assets (including collateral loans, low income housing tax credits and Working Capital Finance Investments) should equal Page 2, Line 8, Column 3 of the annual statement.

Low Income Housing Tax Credits

Report 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 (13). 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 (14):

- 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 LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (15).

State LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included in Line (16).

State and federal LIHTC investments that do not meet the requirements of lines (13) through (16) would be reported on Line (17).

Working Capital Finance Investments

The book/adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments should equal Note to the Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.

PR009 – Miscellaneous Assets

Collateral loans and write-ins for invested assets are generally a small proportion of total portfolio value. A factor of 5 percent is consistent with other risk-based capital formulas studied by the working group.

The factor for cash is 0.3%. 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.

If the book/adjusted carrying value of Aggregate Write-ins for Invested Assets (Page 2, Line 11, Column 3 of the annual statement) is less than zero, the RBC amount will be zero.

The Short-Term Investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3% factor is equal to the factor for cash. The amount entered for short-term bonds should equal the total short-term investments found in Schedule DA Part 1 C7 L2509999999. This amount is subtracted from the total of short-term investments as they are captured with bonds on PR006.

PR010 – Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities

Basis of Factors

A replication (synthetic asset) transaction is a derivative transaction entered into in conjunction with other investments in order to reproduce the investment characteristics of otherwise permissible investments. A derivative transaction entered into by an insurer as a hedging or income generation transaction shall not be considered a replication (synthetic asset) transaction. All replication transactions must be reviewed and approved by the NAIC Capital Markets & Investment Analysis Office and assigned an RSAT number. The transactions are disclosed in Schedule DB Part C.

A replication (synthetic asset) transaction increases the insurer's exposure to one type of asset, the replicated (synthetic) asset, and may reduce the insurer's exposure to the asset risk associated with the cash market components of the transaction. Both effects are captured and quantified in the worksheet for replication transactions.

A mandatory convertible security is defined as a type of convertible bond that has a required conversion or redemption feature. Either on or before a contractual conversion date, the holder must convert the mandatory convertible security into the underlying common stock. Mandatory convertible securities are subject to special reporting instructions and are therefore not assigned NAIC Designations or Unit Prices by the SVO. The balance sheet amount for mandatory convertible securities shall be reported at the lower of amortized cost or fair value during the period prior to conversion. This reporting method is not impacted by NAIC designation or information received from credit rating providers (CRPs). Upon conversion, these securities will be subject to the accounting guidance of the SSAP that reflects their revised characteristics. For further guidance regarding mandatory convertible securities refer to *SSAP No. 26R – Bonds*. This worksheet adjusts the RBC requirement upward if the security that results from the conversion is more risky than the original security.

Specific Instructions for Application of Formula

This worksheet should contain a line for each replicated (synthetic) asset and each cash instrument component of all replication (synthetic asset) transactions undertaken by the insurer. It should also contain a line for each mandatory convertible security and a line for the security that will result from the conversion. The assets should be sorted first by RSAT number, next by type (replicated assets first, then cash instruments) and finally by CUSIP.

Column (1)

The RSAT number for each transaction should be that used in Schedule DB, Part C, Section 1. Leave this column blank for mandatory convertible securities.

Column (2)

Enter an R (for replicated asset) if the line describes one of the replicated (synthetic) assets, a CW (for cash instrument with RBC credit) if the line describes one of the cash instruments constituting the transaction and the transaction either (1) is a swap of prospectively determined interest rates; or (2) eliminates the asset risk associated with the cash instrument, and a CN (for cash instrument with no RBC credit) if the line describes one of the cash instruments constituting the transaction and the transaction does not eliminate the insurer's exposure to the asset risk associated with the instrument. Enter an MC for a mandatory convertible security and an MCC for the security that will result from the conversion.

Column (3)

Show the CUSIP for all cash instruments that are securities, all mandatory convertible securities and all securities that will result from a mandatory conversion.

Column (4)

Give the description of the replicated (synthetic) asset(s) or cash instruments as found on Schedule DB, Part C, Section 1. Leave blank for mandatory convertible securities.

Column (5)

Give the NAIC designation or other description that will best identify the asset risk designation of the asset. For replications (synthetic assets), this is contained in Column 3 or 14 of Schedule DB, Part C, Section 1.

Column (6)

Give the statement value of the asset. For replications (synthetic assets), this is contained in Column 5, 10 or 15 of Schedule DB, Part C, Section 1.

Column (7)

For replicated (synthetic) assets and for the securities that will result from the conversion of a mandatory convertible security, multiply the risk-based capital factor appropriate to the NAIC designation of the replicated (synthetic) asset times the statement value contained in Column (6). For cash instrument components that qualify for a RBC credit and for mandatory convertible securities, the amount contained in this column is the product of:

- (a) the risk-based capital factor appropriate to the NAIC designation of the cash instrument or mandatory convertible security, but not higher than the average risk-based capital factor for the replicated (synthetic) asset(s) or the securities that result from the conversion of the mandatory convertible security, times
- (b) the statement value contained in Column (6), times
- (c) -1

For other cash instrument components, this column should contain zero.

PR011 – Asset Concentration

The purpose of the concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an issuer of a security or a mortgage borrower, etc.). The concentration factor basically doubles the risk-based capital factor (up to a maximum of 30 percent) of the 10 largest asset exposures excluding various low-risk categories or categories which already have a 30 percent factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, this factor itself only serves to add an additional risk-based capital requirement on these assets.

Concentrated investments in certain types of assets are not expected to represent an additional risk over and above the general risk of the asset itself. Therefore, prior to determining the 10 largest issuers, you should exclude those assets that are exempt from the asset concentration factor. Asset types that are excluded from the calculation include: NAIC 06 bonds and preferred stock, affiliated common stock, affiliated preferred stock, property and equipment, U.S. government guaranteed bonds, NAIC 1.A to 1.G bonds, or NAIC 01 unaffiliated preferred stock, and investment companies (mutual funds) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940 [Section 5(b) (1)]. The pro rata share of individual securities within an investment company (mutual fund) or common trust fund are to be included in the determination of concentrated investments, subject to the exclusions identified.

With respect to investment companies (mutual funds) and common trust funds, the reporting company is responsible for maintaining the appropriate documentation as evidence that such is diversified within the meaning of the Investment Company Act and provide this information upon request of the commissioner, director or superintendent of the department of insurance. The reporting company is also responsible for maintaining a listing of the individual securities and corresponding book/adjusted carrying values making up its investment companies (mutual funds) and common trust funds portfolio, in order to determine whether a concentration charge is necessary. This information should be provided to the commissioner, director or superintendent upon request.

The assets that ARE INCLUDED in the calculation are divided into two categories – Fixed Income Assets and Equity Assets. The following asset types should be aggregated to determine the 10 largest issuers:

FIXED INCOME ASSETS

Bonds –NAIC Designation Category 2.A
Bonds – NAIC Designation Category 2.B
Bonds – NAIC Designation Category 2.C
Bonds –NAIC Designation Category 3.A
Bonds –NAIC Designation Category 3.B
Bonds –NAIC Designation Category 3.C
Bonds –NAIC Designation Category 4.A
Bonds –NAIC Designation Category 4.B

EQUITY ASSETS

Unaffiliated Preferred Stock –NAIC 02
Unaffiliated Preferred Stock –NAIC 03
Unaffiliated Preferred Stock –NAIC 04
Unaffiliated Preferred Stock –NAIC 05

Bonds –NAIC Designation Category 4.C
Bonds –NAIC Designation Category 5.A
Bonds –NAIC Designation Category 5.B
Bonds –NAIC Designation Category 5.C

Collateral Loans

Mortgage Loans

Working Capital Finance Investments – NAIC 02

Federal Guaranteed Low Income Housing Tax Credits

Federal Non-Guaranteed Low Income Housing Tax Credits

State Guaranteed Low Income Housing Tax Credits

State Non-Guaranteed Low Income Housing Tax Credits

All Other Low Income Housing Tax Credits

Unaffiliated Common Stock

Investment Real Estate

Encumbrances on Inv. Real Estate

Schedule BA Assets (excluding Collateral Loans)

Receivable for Securities

Aggr Write-ins for Invested Assets

Derivatives

The name of each of the largest 10 issuers is entered at the top of the table and the appropriate statement amounts are entered in C(2) Ls (01) through (20) for fixed income assets and C(2), Ls (22) through (32) for equity assets. Aggregate all similar asset types before entering the amount in C(2). For instance, if you own five separate \$1,000,000 NAIC 3.A bonds from Issuer #1, enter \$5,000,000 in C(2)L(04) – NAIC 3.A Unaffiliated Bonds.

PR012 – Credit Risk for Receivables

Reinsurance Recoverables

The calculation of the credit risk charge for reinsurance recoverables is detailed in Schedule F Part 3 Columns 28 through 36 of the Property/Casualty Annual Statement. This calculation is performed at the transaction level and those results are then summed to determine the charge. Reinsurance balances receivable on reinsurance ceded to non-affiliated companies (excluding certain pools) and to alien affiliates are subject to the credit risk-based capital charge. The following types of cessions are exempt from this charge:

- Cessions to State Mandated Involuntary Pools and Associations or to Federal Insurance Programs.
- This category includes all federal insurance programs [e.g., National Flood Insurance Program (NFIP), Federal Crop Insurance Corporation (FCIC), etc., all state mandated residual market mechanisms and the National Council on Compensation Insurance (NCCI].
- Cessions to U.S. Parents, Subsidiaries and Affiliates.

The categories above are automatically excluded from the data that is calculated in Schedule F Part 3 of the Annual Statement.

Since the Annual Statement requires the collectability of reinsurance balances be considered via the reinsurance penalty, the appropriate balances must be offset by any liability that has been established for this purpose. The amount from Page 3, Line 16 should be allocated to the appropriate (re)insurers listed on Schedule F. The total amount recoverable from reinsurers less any applicable reinsurance penalty is multiplied by 120% to stress the recoverable balance. The total of reinsurance payable and/or funds held amounts (not in excess of the stressed recoverable) are applied as offsets to arrive at the stressed net recoverable.

Since there are different reinsurance credit risk factors for collateralized and uncollateralized reinsurance recoverables, the stressed net recoverable should be offset by any available collateral, such as letters of credit, multiple beneficiary trusts, and single beneficiary trusts and other allowable offsets (not in excess of the stressed net recoverable). The collateralized amounts are derived from Schedule F Part 3 Column 32 and the uncollateralized amounts are derived from Column 33.

The risk-based capital for the various credits (including collateral offsets where applicable) taken for reinsurance may not be less than zero even if the amount reported or the amount net of offsets is negative.

The factor for reinsurance recoverables (paid and unpaid less any applicable reinsurance penalty) due from a particular reinsurer is determined based on that reinsurer's financial strength rating assigned on a legal entity basis.

For the purpose of the credit risk-based capital charge, the equivalent rating category assigned will correspond to current financial strength rating received from one of the approved rating agencies as outlined in the table below. Ratings shall be based on interactive communication between the rating agency and the reinsurer and shall not be based solely on publicly available information. If the reinsurer does not have at least one financial strength rating, it should be assigned the "Vulnerable 6 or Unrated" equivalent rating. Amounts recoverable from unrated voluntary pools should be assigned the "Secure 3" equivalent rating.

For authorized association including incorporated and individual unincorporated underwriters or a member thereof (e.g. individual authorized syndicates of Lloyds' of London that are backed by the Central Fund) may utilize the lowest financial strength group rating received from an approved rating agency.

The table below shows the R3 reinsurer equivalent rating categories and corresponding factors for A.M. Best, Standard and Poor's, Moody's and Fitch ratings.

| Description | Reinsurer Designation Equivalent Rating Category and Corresponding Factors—For RBC R3 Credit Risk Charge | | | | | |
|----------------------------------|--|---------------|----------|----------|------------------|---|
| | Secure 1 | Secure 2 | Secure 3 | Secure 4 | Secure 5 | Vulnerable 6 or Unrated |
| A.M. Best | A++ | A+ | A | A- | B++, B+ | B, B-, C++, C+, C, C-, D, E, F |
| Standard & Poor's | AAA | AA+, AA, AA- | A+, A | A- | BBB+, BBB, BBB- | BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R |
| Moody's | Aaa | Aa1, Aa2, Aa3 | A1, A2 | A3 | Baa1, Baa2, Baa3 | Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C |
| Fitch | AAA | AA+, AA, AA- | A+, A | A- | BBB+, BBB, BBB- | BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R |
| Collateralized Amounts Factors | 1.6% | 2.1% | 2.8% | 3.0% | 3.0% | 3.0% |
| Uncollateralized Amounts Factors | 1.6% | 2.1% | 2.8% | 3.3% | 5.1% | 12.0% |

Each reporting company should record in Schedule F Part 3, Column 34, the reinsurer designation equivalent financial strength ratings assigned to the (re)insurers listed, where there are balances receivable on reinsurance ceded for the Schedule F categories subject to the credit risk charge on reinsurance recoverables. The resulting credit risk charge for reinsurance recoverables is determined by applying the corresponding factor by reinsurer designation equivalent to the collateralized and uncollateralized balances respectively. These respective charges are derived from Schedule F Part 3, Columns 35 and 36 and Line 9999999 totals are reported on PR012 Lines 1 and 2. See examples below.

Miscellaneous Recoverables

There is risk associated with recoverability of amounts from creditors other than reinsurers. In addition to the default risk, there is the risk that the amounts are not accurately estimated. The factor to measure this risk is estimated at 5 percent for Amounts Receivable Relating to Uninsured Accident and Health Plans; Receivables from Parent, Subsidiaries and Affiliates; and Aggregate Write-ins for Other Than Invested Assets. For Interest, Dividends and Real Estate Income Due and Accrued, which for the most part represents interest income due and accrued from bond holdings, the charge is 1 percent, which is equivalent to the charge applicable to unaffiliated NAIC 02 bonds.

Examples: The following examples are here as a guide to portray the intent of these instructions.

These examples assume that all financial strength ratings are from one of the rating agencies listed in the table above and there is interactive communication between the rating agency and the reinsurer unless stated otherwise.

Example 1—Reinsurer has only one rating: Assume the Reinsurer XYZ has a financial strength rating of A from A.M. Best. This falls in the Secure 3 category and the reporting company should select this category and corresponding charge.

Example 2—Reinsurer has more than one rating: Assume the Reinsurer XYZ has a financial strength rating of “A” from A.M. Best and another rating of “AAA” from Fitch. The reporting company may use either of the ratings provided by A.M. Best or Fitch.

Example 3—Reinsurer only has a Public Information Rating: Ratings that include the symbol of “pi” (e.g. Api), which indicates a public information rating, are not allowed to be used. If a reinsurer has only been assigned Public Information ratings, meaning no other financial strength ratings have been assigned to it; then the reporting company must list the reinsurer’s rating as Vulnerable 6 or Unrated.

PR013 - Health Credit Risk

If the reporting entity writes 5 percent or more of its premiums in A&H lines in **2021, 2022 or 2023**, this section of the formula must be completed. To determine if that applies, take the sum of Lines 13, 14, and 15 of the Underwriting and Investment Exhibit Part 1B Column 6 and divide by Line 35 Column 6, and round to three decimals for each individual year. If the result is at least 0.050 in any year, this exhibit and the appropriate Schedule P adjustment must be completed.

If the company writes less than 5 percent of its premiums in A&H lines in **2021, 2022 or 2023**, disregard this section.

Basis of Factors

The Health Credit Risk is an offset to some portions of the managed care discount factor. Since the managed care discount factor assumes that health risks are transferred to health care providers through fixed prepaid amounts, the Health Credit Risk compares these capitation payments to security the company holds. To the extent that the security does not completely cover the credit risk of capitated payments, a risk charge is applied to the exposed portion.

Capitations – Line (1) through Line (6)

Credit risk arises from capitations paid directly to providers or to intermediaries. The risk is that the company will pay the capitation but will not receive the agreed-upon services and will encounter unexpected expense in arranging for alternative coverage. The credit risk RBC requirement for capitations paid directly to providers is 2 percent of the amount of capitations reported as paid claims in PR021 Underwriting Risk – Managed Care Credit. This amount is roughly equal to two weeks of paid capitations.

However, an insurer can also make arrangements with its providers that mitigate the credit risk, such as obtaining acceptable letters of credit or withholding funds. Where the insurer obtains these protections for a specific provider, the amount of capitations paid to that provider are exempted from the credit risk charge. A separate worksheet is provided to calculate this exemption, but an insurer is not obligated to complete the worksheet.

The credit risk RBC requirement for capitations paid to intermediaries is 4 percent of the capitated payments reported as paid claims in PR021 Underwriting Risk – Managed Care Credit. However, as with capitations paid directly to providers, the regulated insurer can eliminate some or all of the credit risk that arises from capitations to intermediaries by obtaining acceptable letters of credit or withheld funds.

Specific Instructions for Application of the Formula

Line (1) – Total Capitations Paid Directly to Providers

This is the amount reported in PR021 Underwriting Risk – Managed Care Credit Column (2) Line (5).

Line (2) – Less Secured Capitations to Providers

This includes all capitations to providers that are secured by funds withheld or by acceptable letters of credit equal to 8 percent of annual claims paid to the provider. If lesser protection is provided (e.g., an acceptable letter of credit equal to 2 percent of annual claims paid to that provider), then the amount of capitation is prorated. The exemption is calculated separately for each provider and intermediary. The worksheet to calculate the exemption is shown in Figure (1) (and is to be filed electronically if any data is included).

Line (3) – Net Capitations to Providers Subject to Credit Risk Charge

Line (1) minus Line (2).

Line (4) – Total Capitation to Intermediaries

From Line (6) and Line (7) of PR021 Underwriting Risk – Managed Care Credit, this includes all capitation payments to intermediaries.

Line (5) – Less Secured Capitations to Intermediaries

This includes all capitations to providers that are secured by funds withheld or by acceptable letters of credit equal to 16 percent of annual claims paid to the provider. If lesser protection is provided (e.g., an acceptable letter of credit equal to 5 percent of annual claims paid to that provider), then the amount of capitation is prorated. The exemption is calculated separately for each provider and intermediary. The worksheet to calculate the exemption is shown in Figure (2) and Figure (3) (and is to be filed electronically if any data is included).

(Figure 1)

Capitations Paid Directly to Providers

| Number | Name of Provider | (A) Paid Capitations During Year | (B) Letter of Credit Amount | (C) Funds Withheld | (D) =(B+C)/A Protection Percentage | (E) =A*Min(1,D/8%) Exempt Capitations |
|--------|--------------------|--|-----------------------------------|-----------------------|---|--|
| 1 | Denise Sampson | 125,000 | 5,000 | 0 | 4% | 62,500 |
| 2 | James Jones | 50,000 | 5,000 | 0 | 10% | 50,000 |
| 3 | Dr. Dunleavy | 750,000 | 5,000 | 50,000 | 7% | 687,500 |
| 4 | Dr. Clements | 25,000 | 0 | 0 | 0% | 0 |
| 5 | All others | 2,500,000 | | | | 0 |
| 19999 | Total to Providers | 3,450,000 | xxx | xxx | xxx | 800,000 |

(Figure 2)

Capitations Paid to Un-regulated Intermediaries

| | | (A) | (B) | (C) | (D) =(B+C)/A Protection Percentage | (E) =A*Min(1,D/16%) Exempt Capitations |
|--------|-------------------------------------|---------------------------------|----------------------------|----------------|---|---|
| Number | Name of Provider | Paid Capitations During Year | Letter of Credit Amount | Funds Withheld | | |
| 1 | Mercy Hospital | 2,500,000 | 200,000 | 300,000 | 20% | 2,500,000 |
| 2 | General | 1,000,000 | 100,000 | 0 | 10% | 625,000 |
| 3 | Physicians Clinic | 4,500,000 | 0 | 500,000 | 11% | 3,125,000 |
| 4 | Joe's HMO | 3,500,000 | 0 | 0 | 0% | 0 |
| 5 | All others | 2,500,000 | | | | 0 |
| 29999 | Total to Unregulated Intermediaries | 14,000,000 | xxx | xxx | xxx | 6,250,000 |

Not for Distribution

(Figure 3)

Capitations Paid to Regulated Intermediaries

| Number | Name of Provider | Paid Capitations During Year | Domiciliary State | | | | Exempt Capitations |
|--------|-----------------------------------|---------------------------------|-------------------|-----|-----|--|--------------------|
| 1 | Fred's HMO | 2,500,000 | NY | | | | 2,500,000 |
| 2 | Blue Cross of Guam | 50,000 | GU | | | | 50,000 |
| 39999 | Total to Regulated Intermediaries | 2,550,000 | xxx | xxx | xxx | | 2,550,000 |
| 99999 | Total of Figures (1), (2) and (3) | 20,000,000 | xxx | xxx | xxx | | 9,600,000 |

Divide the “Protection Percentage” by 8 percent (providers) or by 16 percent (un-regulated intermediaries) to obtain the percentage of the capitation payments that are exempt. If the protection percentage is greater than 100 percent, the entire capitation payment amount is exempt. All capitations to regulated intermediaries qualify for the exemption.

The “Exempt Capitation” amount from Line 19999 of \$800,000 would be reported on Line (2) “Less Secured Capitations to Providers” in PR013 Health Credit Risk. The total of the “Exempt Capitation” amount from Line 29999 plus Line 39999 (\$6,250,000+\$2,550,000=\$8,800,000) would be reported on Line (5) “Less Secured Capitations to Intermediaries” in PR013 Health Credit Risk.

Line (9) – Other Medical Costs Paid through ASC Arrangements

ASC is considered to have a separate credit risk related to the use of the company’s funds with an expectation of later recovery of all amounts from the contract-holder. Line (9) applies a small factor to amounts reported as incurred claims for ASC contracts and separately for other medical costs. This separation allows for the cross-checking of incurred claims between Schedule H and the RBC filing.

PR014 - Off-Balance Sheet and Other Items

Off-balance sheet items, such as contingent liabilities, pose a risk to insurers. A 1 percent factor was chosen on a judgment basis to allow for this risk. For securities lending programs, a reduced charge may apply to certain programs that meet the criteria as outlined below.

*Specific Instructions for Application of the Formula*Line (1)

Securities lending programs that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in securities lending activities and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risk associated with securities lending. Safeguards to be addressed should, at a minimum, provide assurance of the following:
 - a. Documented investment guidelines between lender and investment manager with established procedure for review of compliance.
 - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
 - c. Approved borrower lists and limits to allow for adequate diversification.
 - d. Holding excess collateral with margin percentages in line with industry standards which are currently 102% (or 105% for cross currency loans).
 - e. Daily mark-to-market of lent securities and obtaining additional collateral needed to maintain margin of 102% of market.
 - f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.

3. A binding securities lending agreement (standard “Master Securities Lending Agreement” from Securities Industry and Financial Markets Association) in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.
4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1 rated securities. Affiliate issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

Collateral included in General Interrogatories Part 1, Line 25.04 of the Annual Statement should be included on Line (1).

Line (2)

Collateral from all other securities lending programs should be reported in General Interrogatories Part 1, Line 25.05 and included in Line (2).

Lines (3) through (14)

Non controlled assets are any assets reported on the balance sheet that are not exclusively under the control of the company, or assets that have been sold or transferred subject to a put option contract currently in force. For Line (12), include assets pledged as collateral reported in the General Interrogatories Part 1, Line 26.30 other than assets related to the Federal Reserve’s Term Asset Loan Facility (TALF).

Line (16)

Guarantees for affiliates include guarantees for the benefit of an affiliate which result in a material contingent exposure of the company’s assets to liability. The definition of “material” exposure or financial effect is the same as for annual statement disclosure requirements.

Line (17)

Contingent liabilities include any material contingent liabilities that are disclosed in the Notes to Financial Statements. *This category includes all structured securities for which the company has not received a full release from liability from a third party.*

Line (18)

“Yes” means the entity which files the U.S. Federal income tax return which includes the reporting entity is a regulated insurance company (including where the reporting entity is the direct filer of the tax return). “No” means the entity which files the US federal income tax return which includes the reporting entity is not a regulated insurance company (e.g. a non-insurance entity or holding company makes the filing). “N/A” means the entity is exempt from filing a US federal income tax return; lines (16) and (17) should be zero in this case.

Lines (19) and (20)

Apply a one percent (1%) charge in the RBC formula, placed outside of the covariance adjustment, to admitted adjusted gross deferred tax assets (DTAs) as described in SSAP No. 101, paragraphs 11a and 11b (lesser of paragraph 11b(i) and 11b(ii)). For the period for which the paragraph 11a component is determined, the charge is reduced to one-half percent (0.5%) when the insurance company either filed its own separate Federal income tax return or it was included in a consolidated Federal income tax of which the common parent is an insurance company. The source for the DTA amounts to use in the calculation is found in the Annual Statement, Notes to Financial Statements, Note 9, Part A, Section 2, Admission Calculation Components for *SSAP No. 101 – Income Taxes*. Paragraph 11a is found in Section 2, subpart (a). Paragraph 11b is found in Section 2, subpart (b).

OFF-BALANCE SHEET COLLATERAL AND SCHEDULE DL, PART 1 ASSETS
PR015

Security lending programs are required to maintain collateral. Some entities post the collateral supporting security lending programs on their financial statements and incur the related risk charges on those assets. Other entities have collateral that is not recorded on their financial statements. While not recorded on the financial statements of the company, such collateral has risks that are not otherwise captured in the RBC formula.

The collateral in these accounts is maintained by a third party (typically a bank or other agent). The collateral agent maintains on behalf of the company detail asset listings of the collateral assets, and this data is the source for preparation of this schedule. The company should maintain such asset listings, at a minimum CUSIP, market value, book/carrying value, and maturity date.

The asset risk charges are derived from existing RBC factors for bonds, preferred and common stocks, other invested assets, and invested assets not otherwise classified (aggregate write-ins).

Specific Instructions for Application of the Formula

Column (2) – Schedule DL, Part 1 Book/Adjusted Carrying Value comes from Annual Statement Schedule DL, Part 1, Column (6) Securities Lending Collateral Assets reported On-Balance Sheet (Assets Page, Line 10).

Off-balance sheet collateral included in General Interrogatories Part 1, Lines 25.04 and 25.05 of the Annual Statement should agree with Line (40), Column (1).

Lines (1) through (26) – Bonds

Bond factors described on PR006 – Bonds and Bond Size Factor Adjustment

Line (28) through (33) – Preferred Stocks

Preferred stock factors described on PR007 – Unaffiliated Preferred and Common Stock

Lines (35) – Common Stock

Common stock factors described on PR007 – Unaffiliated Preferred and Common Stock

Line (36) – Real Estate and Schedule BA - Other Invested Assets

Real Estate and other invested asset factors described on PR008 – Other Long-Term Assets

Line (37) – Other Invested Assets

Other invested assets factors described on PR009 – Miscellaneous Assets

Line (38) – Mortgage Loans on Real Estate

Mortgage Loans on Real Estate factor described on PR009 – Miscellaneous Assets

Line (39) – Cash, Cash Equivalents Short-Term Investments

Cash, Cash Equivalents and Short-Term Investments factors described on PR007 – Unaffiliated Preferred and Common and PR009 – Miscellaneous Assets

EXCESSIVE PREMIUM GROWTH PR016

Studies have shown that rapidly growing companies tend to have larger reserve deficiencies than other insurers with more normal growth. Companies with an average annual premium growth rate of more than 10 percent will be charged with additional risk-based capital to reflect this additional risk. For members of a group, the growth rate is based on a group growth rate rather than the individual member's growth rate. A group consists of all Property and Casualty companies with the same NAIC Group Code number. Enter four years of group gross written premiums for the current year group code even though the reporting company was not part of the group for all years. If the reporting company is not a member of a group, the premium to be entered is the premium of the individual company. Enter both company-written premiums and group written premiums if the reporting company is a member of a group.

Servicing Carriers may exclude Gross Written Premiums from involuntary pool business from the Group Gross Written Premium. In the context of residual markets and/or assigned-risk business, a servicing carrier is a licensed insurer that, either through a competitive bid process or by virtue of a state appointment, administers the business. Such administration may include policy issuance, billing and collection, rating, fraud control, medical management and claim payment. In general, the accounts are written on the servicing carriers paper; however, the results are pooled and distributed to all licensed companies (for that particular line of business) in the state, that are assessed by market share. The servicing carrier is paid a fee for the administrative services it provides. If the company for which this report is being prepared is part of a group of companies, enter the group adjustments in Column (4); otherwise, enter the individual company adjustments in Column (2). **DO NOT DEDUCT PARTICIPATION IN RESIDUAL MARKET MECHANISMS.** However, an adjustment is required for carriers that are servicing carriers for an assigned risk mechanism. Those carriers shall exclude gross written premiums from involuntary pool business for any of those years. That adjustment for the company and for the group must be entered on the appropriate lines in the program.

The growth rate used in this calculation is a three-year average growth rate of gross written premiums. Gross written premiums are direct written premiums plus written premiums assumed from non-affiliates and are calculated from the Underwriting and Investment Exhibit, Part 1B as the sum of Column 1, Line 35 plus Column 3, Line 35. The four most recent years of data are required to compute the growth rate. However, an adjustment is allowed for carriers which are servicing carriers for an assigned risk mechanism. Those carriers may exclude gross written premiums from involuntary pool business for any of those years. That adjustment for the company and for the group must be entered on the appropriate lines in the program.

In determining the gross written premium, all years of gross written premium should be included for any P&C affiliate that was acquired during the four-year period. Similarly, all years of gross written premium should be excluded for any P&C affiliate that was divested during the four-year period. The exception to this rule applies to a P&C affiliate acquired without the parent assuming any of the affiliate's liability obligations (i.e., the parent acquired a "shell" company). In that case, the gross written premiums of the acquired insurer(s) should be excluded. Similarly, if a P&C affiliate is divested but the parent retains the affiliate's liability obligations (that is, the parent divested a "shell" company), then the gross written premiums of that affiliate should remain in the parent's group gross written premiums.

When only the most recent three years gross written premium are available, a 40 percent growth rate is assigned to the third-year growth rate and the three-year average growth rate is computed. If only the most two recent years gross written premium are available, a 40 percent growth rate is assigned to the second year growth rate, and the two-year average growth rate is computed. If the company has no gross written premiums in the latest year, then the growth rate will be set to zero. A default growth rate of 40 percent is used in the first year for a start-up company.

Each individual year's growth rate is capped at 40 percent. The Selected Average Growth Rate is the average of individual years' growth rates. The excess of the growth rate over 10 percent is the RBC Average Growth Rate Factor. This factor is multiplied by 0.45 to determine the excessive growth charge factor for loss and expense reserves and by .225 to determine the excessive growth charge factor for written premiums. The total amount of loss & expense reserves from Schedule P Part 1—Summary C24 L12 is multiplied by 1,000 to bring it up to whole dollars, and this amount is entered on the appropriate line on the RBC filing software to calculate the required RBC for excessive growth. The total net written premiums from the Underwriting and Investment Exhibit Part 1B L35 C6 are entered on the appropriate line to calculate the excessive growth for net written premiums.

UNDERWRITING RISK PR017 – PR018

Underwriting risk is the largest portion of the risk-based capital charge for most property casualty insurance companies and makes up approximately 55 percent of the aggregate industry risk-based capital prior to the covariance adjustment. Underwriting risk is broken into two components in the RBC formula: the RBC charge calculated for reserves and the RBC charge applied against written premiums.

The reserve risk RBC is developed by multiplying a set of RBC factors, which are discounted for investment income and adjusted for each individual company's own relative experience, times the gross of non-tabular discount net reserves for each of 19 major lines of business. A set of credits is available to these by-line RBC charges for loss-sensitive business. The aggregate reserve risk RBC is then adjusted to allow a credit for the amount of diversification among the 19 lines of business.

The 19 major lines of business largely correspond to the major breakdowns in Schedule P of the annual statement. Calculations for some lines are combined: the occurrence form and claims made form of Other Liability (H1 and H2) are combined; the occurrence form and claims made form of Products Liability (R1 and R2) are combined; and Reinsurance - Property and Reinsurance – Financial Lines (N and P) are combined.

Those lines used in the calculation and the applicable subsections of Schedule P are: Homeowners/Farmowners Multi-Peril (A); Private Passenger Auto Liability and Medical Payments (B); Commercial Auto Liability (C); Workers Compensation (D); Commercial Multi-Peril (E); Medical Professional Liability-Occurrence (F-Section 1); Medical Professional Liability-Claims Made combined (F-Section 2); Special Liability (G); Other Liability-Occurrence and Other Liability-Claims Made combined (H-Section 1 and H-Section 2); Special Property (I); Auto Physical Damage (J); Other (Including Credit, Accident and Health) (L); Financial Guaranty/Mortgage Guaranty (S); Fidelity Surety (K); International (M); Reinsurance A and Reinsurance C (N and P); Reinsurance B (O); Products Liability-Occurrence; Products Liability-Claims Made combined (R-Section 1 and R-Section 2) and Warranty (T).

For any company that writes 5 percent or more of its business in the three accident and health lines (Group A&H, Credit A&H, and Other A&H) in the current year, or either of the two immediately preceding years, a separate calculation for health RBC is mandated, based on the life RBC formula.

The written premium RBC is developed by multiplying a factor times the current year's net written premiums, which are also broken down by line. The RBC factor for each line is based on the excess of a discounted combined ratio adjusted for investment income over 100 percent. As with the reserve risk factors, individual company experience is also considered in computing the RBC factor.

PR017 - Underwriting Risk – Reserves

Line 01 – Industry Average Development – The factors for each line of business are provided by the NAIC and are shown on Line 01 of the Underwriting Risk-Based Capital Summary. These factors are based on the average loss and defense and cost containment expense reserve development of all reporting companies over the past nine years.

Line 02 – Company Development – For each line of business, the company development factor is defined as the ratio of the sum of the developed incurred losses and defense and cost containment expenses from prior accident years evaluated as of the current year to the sum of the initial evaluations of these incurred losses and defense and cost containment expenses. The company development factor is capped at 400 percent so that insurers are not unduly penalized for anomalous results. The calculation uses nine accident years for all lines of business. Reinsurance for Property line and Reinsurance for Financial line are combined before computing the company Development factor.

In some instances, the company is not allowed to use its own experience to adjust the industry loss and expense RBC factor. When any of the following conditions are true, then the company must set its company average development factor equal to the industry average development factor (i.e., Row 02 = Row 01):

1. The current incurred (Schedule P, Part 2, Column 10) for any accident year is less than or equal to zero; or
2. The initial incurred for any accident year (Schedule P, Part 2, along the diagonal) is negative; or
3. The sum of the initial incurred estimates is zero.

Line 03 is the ratio of Line 02 to Line 01. If the company is required to use the industry average experience (Row 02 = Row 01), this line is set at 1.000.

Line 04 – Industry Loss & Expense RBC Percent – These factors are designed to provide a surplus cushion against adverse reserve development. They are based on detailed analysis of historical reserve development patterns found in Parts 2 and 3 of Schedule P for each major line of business. The factors are provided by the NAIC and are shown on the Underwriting RBC Summary by line of business. NOTE: the factors are based on analysis of the combined data for Other Liability, Reinsurance for Property and for Financial Lines and Products Liability.

Line 05 – Company RBC Percent – This percentage is an equally weighted average of (a) the Industry Loss and Expense RBC percent in Line 04 adjusted by the Company Development to Industry Average Development Factor in Line 03 and (b) the Industry Loss and Expense RBC percent in Line 04. By using an equally weighted average, a measure of credibility is introduced to balance the company's experience with what would be considered "normal" for the industry.

Line 06 – Loss & Loss Adjustment Expense Unpaid – This is the net loss and loss adjustment expense unpaid by line of business from Schedule P, Part 1, Column 24.

Line 07 – Other Discount Amounts Not Included in Loss & Loss Adjustment Expense Unpaid in Schedule P, Part 1 – The numbers reported in Schedule P, Part 1, Column 24 are supposed to be gross of discounts. However, in some instances in some lines, insurers are allowed to report their reserves net of tabular medical discounts. Non-tabular discounts are reported separately in Column 32 and Column 33 of Schedule P, Part 1, and the amount reflected in Column 24 should already be gross of those amounts. If an insurer's Column 24 reserves are net of any non-tabular discounts, those discount amounts should be in the appropriate field on the RBC software.

Line 08 – Adjustment for Investment Income – This discount factor assumes a 5 percent interest rate. For lines of business other than workers' compensation and the excess reinsurance lines, the payment pattern is determined using an IRS type methodology applied to industry-wide Schedule P data by line of business; otherwise, a curve has been fit to the data to estimate the average payout over time. The discount factor for workers' compensation is adjusted to reflect the tabular portion of the reserves that is already discounted. The factors are provided by the NAIC and are shown on the Underwriting RBC Summary by line of business.

Line 09 – Base Loss & Loss Adjustment Expense Reserve Risk-Based Capital – This represents the base required reserve capital after recognition of the time value of money in held undiscounted reserves but before the application of discounts for loss sensitive business and business spread. If the gross reserves (Line 06 plus Line 07) are negative, then the RBC charge is set at zero.

Line 10 – Percent Loss Sensitive Direct – A 30 percent discount to the Line 09 Base Loss and Expense RBC is allowed for loss-sensitive business that has been written directly. The by-line percentage found in Schedule P, Part 7A, Section 1, Column 3 is pulled via the vendor link or may be manually entered on the RBC software (for combined lines, the weighted average is used).

Line 11 – Percent Loss Sensitive Assumed – A 15 percent discount to the Line 09 Base Loss and Expense RBC is allowed for loss-sensitive business that has been assumed. The by-line percentage found in Schedule P, Part 7B, Section 1, Column 3 is pulled via the vendor link or manually entered on the RBC software (for combined lines, the weighted average is used).

Line 12 – Loss Sensitive Discount – This is the total discount for loss sensitive business, computed as $[L(09) \times .30 \times L(10) + L(09) \times .15 \times L(11)]$. Prior to the calculation, L(10) and L(11) are both capped at 100 percent. If L(10) or L(11) is negative, then that line is set to zero prior to the calculation of the total loss sensitive discount.

Line 13 – Loss & Loss Adjustment Expense RBC After Discounts – Calculated as $L(09) - L(12)$.

Line 14 – Loss Concentration Factor – A discount for spread of business is applied to the total Loss and Expense RBC After Discounts in C(16) L(13). This reflects the fact that a diversified portfolio of insurance is not likely to experience poor results in all lines simultaneously. The Loss Concentration Factor (LCF) is calculated from the separate Schedule P lines. When determining the largest line, claims-made and occurrence (Other Liability and Products Liability) loss and expense reserves should be combined. To calculate the LCF, the reserve for the largest line in Schedule P is divided by the total reserves in Schedule P, Part 1 Summary, and this amount is multiplied by 0.300 and then added to 0.700. If a company only writes one line of business, the ratio of that single line to the total reserves is 1.000 and the calculated LCF is also 1.000 $[(1.000 \times 0.300) + 0.700 = 1.000]$. If a company's largest line of business makes up half of its total reserves, the calculation is $[(0.500 \times 0.300) + 0.700 = 0.850]$. In this second example, the company would receive a discount of 15 percent to its Loss and Expense RBC After Discounts.

Line 15 – Total Net Reserve RBC – $L(13) \times L(14) \times 1,000$. Since the numbers in Schedule P are presented in 000's, the result here must be multiplied by 1,000 to bring it to whole dollars.

PR018 - Underwriting Risk – Net Written Premiums

Line 01 – Industry Average Loss & Loss Adjustment Expense Ratio – These factors are provided by the NAIC and are shown on the Underwriting RBC Summary by line of business. The factors are based on the historical experience of companies reporting to the NAIC and represent virtually all of the property casualty industry's loss experience.

Line 02 – Company Average Loss and Loss Adjustment Expense Ratio – For each line of business, this is defined as a straight average of a company's accident year loss and expense ratios. For the **2023** annual statement, the most recent 10 accident years (**2014 to 2023**) are used for all lines. Reinsurance for Property line and Reinsurance for Financial line are combined before computing the Company Average Loss and Expense Ratio.

The company average loss and expense ratio is set equal to the industry average loss and expense ratio (i.e., Row 02 = Row 01) if any of the following conditions is true:

- 1) The loss and expense ratio for any accident year is zero or negative;
- 2) The net earned premium for any accident year is zero or negative.

Otherwise, the company average loss and expense ratio is calculated subject to a de minimus test. The de minimus test is intended to avoid unusual loss and expense ratios produced in years with low premium volumes. The procedure is:

For each line, calculate the average net earned premium for the available years. If more than two years' net earned premium is less than 20 percent of the average net earned premium, a company is not eligible for an experience adjustment and Row 02 is set equal to Row 01. Otherwise, a company must exclude years where the net earned premium is less than 20 percent of the average net earned premium and take a straight average of the loss and expense ratios of the remaining years. In addition, each accident year loss and expense ratio must be capped at 300 percent before calculating the straight average.

Line 03 is the ratio of Line 02 to Line 01. If the company is required to use the industry average experience (Row 02 = Row 01), this line is set at 1.000.

Line 04 – Industry Losses & Loss Adjustment Expense Ratio – The industry RBC loss and expense ratio factors are provided by the NAIC and shown on the Underwriting RBC Summary for each line of business.

Line 05 – Company RBC Losses & Loss Adjustment Expense Ratio – This ratio is an equally weighted average of (a) the Industry RBC Loss and Expense Ratio adjusted by the Company to Industry Ratio; and (b) the Industry RBC Loss and Expense Ratio.

Line 06 – Company Underwriting Expense Ratio – This is the ratio of other underwriting expense incurred found in the annual statement on P4 C1 L4 to total net written premium for the current year found in the Underwriting and Investment Exhibit Part 1B L35 C6. If the ratio is negative, it is reset to zero. Also, the ratio is capped so that it cannot exceed 400 percent.

Line 07 – Adjustment for Investment Income – This discount factor assumes a 5 percent interest rate. For lines of business other than workers' compensation and the excess reinsurance lines, the payment pattern is determined using an IRS-type methodology applied to industry-wide Schedule P data by line of business. For the workers' compensation and the excess reinsurance lines, the payment patterns were determined by fitting a curve to the data. Workers' compensation is adjusted to reflect the tabular portion of the reserves that is already discounted. These factors are provided by the NAIC and are shown on the Underwriting RBC Summary by line of business.

Line 08 – Net Written Premium – This is the current year net written premium from the Underwriting and Investment Exhibit–Part 1B in thousands of dollars, by line of business. The net written premium of Aggregate Write-ins for Other Lines of Business (Line 35) will be included in the Other Liability line. NOTE: Net Written Premium is reported in whole dollars in the UIEX1B but is calculated in 000's by the Underwriting Risk – NWP.

Line 09 – Base Written Premium Risk-Based Capital – The company risk-based capital loss and expense ratio is adjusted for investment income and added to the company underwriting expense ratio. The excess of this result over 100 percent is applied to the company's current year net written premium to determine the Base Net Written Premium RBC prior to discounts being applied.

Line 10 – Percent Loss Sensitive Direct NWP– A 30 percent discount to the Line (09) Base NWP RBC is allowed for loss-sensitive business that has been written directly. The by-line percentage found in Schedule P, Part 7A, Section 1, Column 6 will be pulled via the vendor link or may be manually entered (for combined lines, the weighted average is used).

Line 11 – Percent Loss Sensitive Assumed NWP – A 15 percent discount to the Line (09) Base NWP RBC is allowed for loss-sensitive business that has been assumed. The by-line percentage found in Schedule P, Part 7B, Section 1, Column 6 will be pulled via the vendor link or may be manually entered (for combined lines, the weighted average is used).

Line 12 – Loss Sensitive Discount for NWP – This is the total discount for loss sensitive business, computed as $[L(09) \times 0.30 \times L(10) + L(09) \times 0.15 \times L(11)]$. Prior to the calculation, L(10) and L(11) are both capped at 100 percent. If L(10) or L(11) is negative, then that line is set to zero prior to the calculation of the total loss sensitive discount.

Line 13 – NWP RBC After Discounts – Calculated as $L(09) - L(12)$.

Line 14 – Premium Concentration Factor – A discount for spread of business is applied to the total NWP RBC After Discounts in C(20) L(13). This reflects the fact that a diversified portfolio of insurance is not likely to experience poor results in all lines simultaneously. The Premium Concentration Factor (PCF) is calculated from the separate Schedule P lines. When determining the largest line, claims-made and occurrence (Other Liability and Products Liability) net written premiums should be combined. To calculate the PCF, the NWP for the largest line in Schedule P is divided by the total NWP from the Underwriting and Investment Exhibit Part 1B, Line 35, Column 6, and this amount is multiplied by 0.300 and then added to 0.700. If a company only writes one line of business, the ratio of that single line to the total NWP is 1.000 and the calculated PCF is also 1.000 $[(1.000 \times 0.300) + 0.700 = 1.000]$. If a company's largest line of business makes up one-fourth of its total NWP, the calculation is $[(0.250 \times 0.300) + 0.700 = 0.775]$. In this second example, the company would receive a discount of 22.5 percent to its NWP RBC After Discounts.

Line 15 – Total NWP RBC – $L(13) \times L(14) \times 1,000$. Since the results in the RBC table are calculated in 000s, the result must be multiplied by 1,000 to bring it to whole dollars.

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

If the reporting company writes 5 percent or more of its premiums in A&H lines in **2021**, **2022** or **2023**, this section of the formula must be completed. To determine if that applies, take the sum of Lines 13, 14 and 15 of the Underwriting and Investment Exhibit Part 1B Column 6 and divide by Line 35 Column 6, and round to three decimals for each individual year. If the result is at least 0.050 in any year, this exhibit and the appropriate Schedule P adjustment must be completed.

If the company writes less than 5 percent of its premiums in A&H lines in **2021**, **2022** and **2023**, disregard this section.

PR019 - Health Premiums

Basis of Factors

Risk-based capital factors for health insurance are applied to medical, disability income, long-term care insurance and other types of health insurance premiums and claim reserves with an offset for premium stabilization reserves. For health coverage that does not fit into one of the defined categories for risk-based capital, the “Other Health” category is to be used.

Medical Insurance Premium

The business is subdivided by product into categories for individual coverages and for group and credit coverages depending on the risk related to volatility of claims. The factors were developed from a model that determines the minimum amount of surplus needed to protect the company against a worst-case scenario for each type of coverage. The results of the model were then translated into either a uniform percentage or a two-tier formula to be applied to premium. The two-tier formula reflects the decreased risk of a larger in-force block. The formula includes several changes starting in 1999 for some types of health insurance. These changes add several additional worksheets and are designed to keep the RBC amounts for health coverage consistent regardless of the RBC formula used. If the company has Comprehensive Medical business, Medicare Supplement, Dental & Vision business, or Stand-Alone Medicare Part D coverage through a PDP arrangement, it will be directed to these additional worksheets. The instructions for including paid health claims in the various categories of the Managed Care Discount Factor Calculation can be found in the instructions to PR021 Underwriting Risk – Managed Care Credit. Appendix 1 - Commonly Used Health Insurance Terms has been added to these instructions. Appendix 2 of these instructions lists commonly used terms of Stand-Alone Medicare Part D coverage. If the company has any of the three mentioned types of medical insurance, it will also be required to complete additional parts of the formula for Health Credit Risk (PR013) and Health Administrative Expenses portion in PR022.

Disability Income Premium

Prior to 2001, the individual disability income factors were based on models of the disability risk completed by several companies with significant experience in this line. The group long-term disability income risk was modeled based on methodology similar to that used by one of the largest writers of this business. The pricing risk was addressed principally as the delayed reaction to increases in incidence of new claims and to the lengthening of claims from slower recoveries than assumed.

Starting in 2001, new categories and new factors are applicable to all types of disability income premiums. These factors are based on new data and apply a model similar to that used for other health premium risk to that data.

Specific Instructions for Application of the Formula

The total of all earned premium categories PR019 Health Premiums, Line (26), Column (1) should equal the total in Schedule H, Part 1, Line 2, Column 1 of the Annual Statement. Earned premium for each of these coverages should be from underlying company records. Earned premium may be reported in Schedule H for Administrative Services Contract (ASC) and/or the Federal Employees Health Benefit Program (FEHBP) which are included in order that Line (26) will equal the total in Schedule H. As such, there is no RBC factor applied to any premium reported on lines (14), (23) or (24). For some of the coverages, two tier formulas apply. The calculations for these coverages shown below will not appear on the RBC filing software but will automatically be calculated by the software.

Line (1)

Health premiums for **comprehensive** (medical and hospital), **which includes** expense reimbursement hospital/medical coverage) written on individual contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (1) Line (1.1). Medicaid Pass-Through Payments reported as premium in the annual statement filing should be excluded from the premium amounts reported in Line 1 and reported in Line (3.3) and (10.3), respectively.

Line (2)

Health premiums for 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 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).

Line (3.2)

Health incurred claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on individual contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible. This does not include the low-income subsidy (cost sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Stand-Alone Medicare Part D Coverage on PR019.

Line (3.3)

Medicaid pass-through payments reported as premium and excluded from Line (1) should be reported in Line (3.3).

Line (4) and Line (11)

There is a factor for certain types of limited benefit coverage (Hospital Indemnity, which includes a per diem for intensive care facility stays, and Specified Disease) which includes both a percent of earned premium on such insurance (3.5 percent) and a flat dollar amount (\$50,000) to reflect the higher variability of small amounts of business.

Line (5) and Line (12)

There is a factor for accidental death and dismemberment (AD&D) insurance (where a single lump sum is paid) which depends on several items:

1. The maximum amount of retained risk for any single claim;
2. \$300,000 if three times the maximum amount of retained risk is larger than \$300,000;
3. 5.5 percent of earned premium to the extent the premium for AD&D is less than or equal to \$10,000,000; and
4. 1.5 percent of earned premium in excess of \$10,000,000.

There are places for reporting the total amount of earned premium and the maximum retained risk on any single claim. The actual RBC amount will be calculated automatically as the sum of (a) the lesser of items 1 and 2; plus (b) items 3 plus 4.

Line (6) and Line (13)

A 5 percent factor for Other Accident coverage provides for any accident based contingency other than those contained in Lines (5) or (12). For example, this line should contain all the premium for policies that provide coverage for accident only disability or accident only hospital indemnity. The premium for policies that contain AD&D in addition to other accident only benefits should be shown on this line.

Line (7)

Health premiums for **comprehensive** (medical and hospital), **which** includes expense reimbursement hospital/medical coverage) written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (1) Line (1.2).

Line (8)

Health premiums for dental or vision 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 (3) Line (1.2).

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 (10)

Health premiums for Medicare supplement written on group contracts are entered in Column (1) for this line, but no RBC Requirement is calculated in Column (2). The premiums are carried forward to page PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision, Column (2) Line (1.2).

Line (10.1)

Health premium for Stand-Alone Medicare Part D coverage written on group contracts only if the plan sponsor has risk corridor protection for the contracts - includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D Payment Demonstration amounts and risk corridor protection payments. See Appendix 2 for definition of these terms. Stand-Alone Medicare Part D coverage written on group contracts without risk corridor protection is reported in Line (25) Other Health. This does not include Medicare-Advantage prescription drug coverage (MA-PD) premiums which are to be included in Line (9). 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 (1.2).

Line (10.2)

Health Incurred Claims for Supplemental benefits within Stand-Alone Medicare Part D coverage written on group contracts that is beneficiary payment (supplemental benefit portion) – e.g., coverage in the coverage gap, use of co-pays of less value than the minimum regulatory coinsurance and reduced deductible where the plan sponsor has risk corridor protection for the group contract's standard benefit design coverage. This does not include the low-income subsidy (cost-sharing portion) which is not a component of reported revenue. RBC is calculated for Supplemental benefits within Part D Coverage on PR019.

Line (10.3)

Medicaid pass-through payments reported as premium and excluded from Line (7) should be reported in Line (10.3).

Lines (15) through (24)

Disability income premiums are to be separately entered depending on category (Individual and Group). For Individual, a further split is between noncancellable (NC) or other (GR, etc.) For Group, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). For long-term care insurance, premiums are reported separately for Individual noncancellable, Individual (other than NC) and Group LTCI. The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below \$50,000,000 for similar types. Starting in 2001, in determining the premiums subject to the higher factors, individual disability income noncancellable and other is combined. All types of Group and Credit are combined in a different category from Individual. For long-term care, all types (Individual and Group) are combined.

The following table describes the calculation process used to assign RBC charges to disability income business. The reference to line numbers (e.g., Line 15) represent the actual line numbers used in the formula page, but the subdivisions of those lines [e.g., a), b), etc.] do not exist in the formula page. The total RBC Requirement shown in the last (Total) subdivision of each line will be included in Column (2) for that line in the formula page.

| | | <u>Annual Statement Source</u> | <u>Statement Value</u> | <u>Factor</u> | <u>RBC Requirement</u> |
|------------------|---|---|------------------------|---------------|------------------------|
| | <u>Disability Income Premium</u> | | | | |
| <u>Line (15)</u> | Noncancellable Disability Income - Individual Morbidity | Earned Premium included in Schedule H, Part 1, 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) | _____ | | ===== |
| <u>Line (16)</u> | 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) | _____ | | ===== |
| <u>Line (17)</u> | 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) | ===== | | ===== |
| <u>Line (18)</u> | 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 = | _____ |

| | | <u>Annual Statement Source</u> | <u>Statement Value</u> | <u>Factor</u> | <u>RBC Requirement</u> |
|--|---|---|------------------------|---------------|------------------------|
| | <u>Disability Income Premium</u> | | | | |
| | c) Total Disability Income – Group Long Term | a) of Line (18) + b) of Line (18), Column (2) | ===== | | |
| | <u>Line (19)</u> Disability Income - Credit Single Premium with Additional Reserves | Earned Premium included in Schedule H, Part 1, 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) | ===== | | ===== |
| | <u>Line (20)</u> 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 = | ===== |
| | c) Total Disability Income – Credit Single Premium without Additional Reserves | a) of Line (20) + b) of Line (20), Column (2) | ===== | | ===== |
| | <u>Line (21)</u> Disability Income – Group Short Term | Earned Premium included in Schedule H, Part 1, 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) | ===== | | ===== |
| | <u>Line (22)</u> 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. **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 **2018**, will reflect the incurred data for calendar year **2017** run-out through December 31, **2018**.

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

The categories used in the interrogatories are separated as follows:

Product Type

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

Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.

HMO Reinsurance = specific reinsurance of an HMO’s commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.

Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.

Medical Excess Reinsurance = specific reinsurance of an insurance company’s medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

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

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

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

Total Gross Claims + Expenses =

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

+

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

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

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

Total Net Claims + Expenses =

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

+

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Underwriting Risk – Experience Fluctuation Factor in the LRBC Formula)

The underwriting risk generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this worksheet comes from PR021 Underwriting Risk - Managed Care Credit.

Description from *Life Risk-Based Capital Report Including Overview & Instructions*:

Underwriting risk is present when the next dollar of unexpected claims payments comes directly out of the company's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, an insurer may charge an individual \$100 in premium in exchange for a guaranty that all medical costs will be paid by the insurer. If the individual incurs \$101 in claims costs, the company's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the insurer is not at risk for excessive claims payments, such as when an insurer agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claims costs, so the risk of excessive claims experience is borne by the self-insured employer, not the insurer. The underwriting risk section of the RBC formula, therefore, requires some adjustments to remove non-risk business (both premiums and claims) before the RBC requirement is calculated.

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10.1) through (10.4) of PR021 will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the greater of the following calculations:

A. Underwriting risk revenue times the underwriting risk claims ratio times a set of factors.

or

B. An alternate risk charge that addresses the risk of catastrophic claims on any single individual. The alternate risk charge is calculated for each type of health coverage, but only the largest value is compared to the value from A. above for that type. The alternate risk charge is equal to a multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at two times the maximum or \$1,500,000 for Comprehensive Medical; two times the maximum or \$50,000 for each of Medicare Supplement business and dental coverage and six times the maximum or \$1,500,000 for Stand-Alone Medicare Part D coverage.

Line (1) through Line (18)

There are four lines of business used in the property/casualty RBC formula for calculating the RBC requirement in this worksheet. Other health coverages will continue to use the factors on PR019 Health Premiums. The four lines of business are Column (1) Comprehensive Medical and Hospital; Column (2) Medicare Supplement Column (3) Dental & Vision and Column (4) Stand-Alone Medicare Part D coverage. Each of the four lines of business has its own column in the Underwriting Risk – Premium Risk table. The categories listed in the columns of this worksheet include premiums plus all risk revenue that is received from another health entity in exchange for medical services provided to such Health entity's members. The descriptions of the items are as follows:

Comprehensive Medical & Hospital

Includes policies providing for medical coverages including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This includes Medicare Advantage, with or without prescription drug benefits. This category DOES NOT include administrative services contracts (ASC) or administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in PR022 Underwriting Risk – Other, Business Risk section of the formula. Neither does it include Federal Employees Health Benefit Program (FEHBP) business, which is reported on Line (3) of PR022 Underwriting Risk – Other. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed \$1,500,000.

Medical Only (non-hospital professional services)

Include in Comprehensive Medical.

Medicare Supplement

This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement. Medicare risk business is reported under comprehensive medical and hospital.

Dental & Vision

These are premiums for policies providing for dental or vision only coverage issued as stand-alone dental or vision or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.

Stand-Alone Medicare Part D Coverage

Includes policies and contracts providing the standard coverage for individuals enrolled in Stand-Alone Medicare Part D and the insurance is a federally approved PDP with risk corridor protection. It does not include risk revenue for Supplemental benefits within Stand-Alone Medicare Part D coverage that is a portion of the PDP's approved package. It does not include employer coverage unless the coverage meets the above criteria. Where there is a federal subsidy to the employer in lieu of risk corridor protection, the premiums are to be reported as "Other Health."

Other Health Coverages

Include in the appropriate line on PR019 Health Premiums.

The following paragraphs explain the meaning of each line of the worksheet table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium

This is the amount of money charged by the insurer for the specified benefit plan. It is the earned premium, net of reinsurance. It does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-risk business; or premium for the Federal Employees Health Benefit Programs (FEHBP), which has a risk factor relating to incurred claims reported separately under PR022 Underwriting Risk – Other, Line (3).

NOTE: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

For Stand-Alone Medicare Part D Coverage, this will include only certain amounts paid by the individual, an employer or CMS. See Appendix 2 for details of what is and is not premium income.

Line (2) Title XVIII Medicare

This is the earned amount of money charged by the insurer (net of reinsurance) for Medicare risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans.

Line (3) Title XIX Medicaid

This is the earned amount of money charged by the insurer for Medicaid risk business where the insurer, for a fee, agrees to cover the full medical costs of Medicaid subscribers. Revenue from Stand-Alone Medicare Part D coverage under the low-income subsidy (cost sharing portion) and low-income subsidy (premium portion) are not included in this line.

Line (4) Other Health Risk Revenue

Earned amounts charged by the reporting company as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders or members of another insurer or health insurance company (Health). Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health insurance company to the company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the company from a health entity. This revenue is reported in the business risk section of the formula as health ASO/ASC and limited risk revenue.

Line (5) Underwriting Risk Revenue

The sum of Lines (1.3) through (4).

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 less the amounts reported as incurred claims for Administrative Services Contracts (ASC) in Line (8) of PR013 and Federal Employee Health Benefit Plan (FEHBP) in Line (3) of PR022. Column (2) claims come from **Schedule H, Part 5, Column 3, Line D1**. Column (3) dental **and vision** claims come from Schedule H, Part 5, Columns **4+5**, Line **D11**.)

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in Appendix 2). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claim liabilities should reflect expected recoveries from the reinsurance coverage – for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS.

Line (7) Fee-for-Service Offset

Report fee-for-service revenue that is directly related to medical expense payments. The fee-for-service line does not include revenue where there is no associated claim payment (e.g., fees or charges to nonmember/insured of the company where the provider of the service receives no additional compensation from the company) and when such revenue was excluded from the pricing of medical benefits.

Line (8) Underwriting Risk Incurred Claims

Line (6) minus Line (7).

Line (9) Underwriting Risk Claims Ratio

Line (8) / Line (5). If either Line (5) or Line (8) is zero or negative, Line (9) is zero.

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 | 0.1434 | 0.1434 | 0.0838 |
| Medicare Supplement | 0.0980 | 0.0603 | 0.0603 |
| Dental & Vision | 0.1148 | 0.0711 | 0.0711 |
| Stand-Alone Medicare Part D Coverage | 0.251 | 0.251 | 0.151 |

Line (11) Base Underwriting Risk RBC

Line (5) x Line (9) x Line (10.3).

Line (12) Managed Care Discount

For Comprehensive Medical & Hospital, Medicare Supplement (including Medicare Select) and Dental, a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claims payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (12) of PR021 Underwriting Risk - Managed Care Credit. An average factor based on the combined results of these three categories is used for all three.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (12) of PR021 Underwriting Risk - Managed Care Credit.

Line (13) Base RBC After Managed Care Discount

Line (11) x Line (12).

Line (14) RBC Adjustment for Individual

The average Experience Fluctuation Risk charge is increased by 20 percent for the portion relating to Individual Medical Expense premiums in Column (1). Other types of health coverage do not differentiate between Individual and Group. The additional time necessary to develop sufficient data to make a premium filing with states and then to implement the premium increase was modeled to calculate this factor.

Line (15) Maximum Per-Individual Risk After Reinsurance

This is the maximum loss after reinsurance for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per-individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:

- Where coverage under non-proportional reinsurance or stop-loss protection with the highest attachment point is capped at less than \$750,000 per insured for Comprehensive Medical and \$25,000 for the other three lines, the maximum retained loss will be equal to such attachment point plus the difference between the coverage maximum per claim and \$750,000 or \$25,000, whichever is applicable.
- Where the non-proportional reinsurance or stop-loss protection is subject to participation by the company, the maximum retained risk as calculated above will be increased by the company's participation in claims in excess of the attachment point, but not to exceed \$750,000 for Comprehensive Medical and \$25,000 for the other three coverages.

If there is no specific stop-loss or reinsurance in place, enter the largest amount payable (within a calendar year) or \$9,999,999 if there is no limit.

Examples of the calculation are presented below:

EXAMPLE 1 (Insurer provides Comprehensive Care):

| | |
|--------------------------------------|---|
| Highest Attachment Point (Retention) | \$100,000 |
| Reinsurance Coverage | 90% of \$500,000 in excess of \$100,000 |
| Maximum Reinsured Coverage | \$600,000 (\$100,000 + \$500,000) |
| Maximum Retained Risk = | $ \begin{array}{r} \$100,000 \text{ deductible} \\ +\$150,000 \text{ } (\$750,000 - \$600,000) \\ +\$50,000 \text{ } (10\% \text{ of } \$500,000 \text{ coverage layer}) \\ \hline =\$300,000 \end{array} $ |

EXAMPLE 2 (Insurer provides Comprehensive Care):

| | |
|--------------------------------------|--|
| Highest Attachment Point (Retention) | \$75,000 |
| Reinsurance Coverage | 90% of \$1,000,000 in excess of \$75,000 |
| Maximum Reinsured Coverage | \$1,075,000 (\$75,000 + \$1,000,000) |
| Maximum Retained Risk = | $ \begin{array}{r} \$75,000 \text{ deductible} \\ +\$0 \text{ } (\$750,000 - \$1,075,000) \\ +\$67,500 \text{ } (10\% \text{ of } \$675,000 \text{ coverage layer}) \\ \hline =\$142,500 \end{array} $ |

Line (16) Alternate Risk Charge

Twice the amount in Line (15), subject to a maximum of \$1,500,000 for comprehensive medical and \$50,000 for Medicare Supplement and Dental. Six times the amount in Line (15), subject to maximum of \$150,000 for Stand-Alone Medicare Part D Coverage.

Line (17) Net Alternate Risk Charge

The largest value from Line (16) is retained for that column in line (17) and all others are ignored.

Line (18) Net Underwriting Risk RBC

The maximum of Line (14) and Line (17).

PR021 - Underwriting Risk – Managed Care Credit

This worksheet PR021 Underwriting Risk – Managed Care Credit is optional. It may be completed for only part of the Comprehensive Medical, Stand-Alone Medicare Part D Coverage, Dental business or all of them. Line (1) will be filled in as the balancing item if any of Lines (2) through (8) are entered (and then Line (9) will be required).

The effect of managed care arrangements on the variability of underwriting results is the fundamental difference between coverages subject to the managed care credit and pure indemnity insurance. The managed care credit is used to reduce the RBC requirement for experience fluctuations. It is important to understand that the managed care credit is based on the reduction in uncertainty about future claims payments, not on any reduction in the actual level of cost. Those managed care arrangements that have the greatest reduction in the uncertainty of claims payments receive the greatest credit, while those that have less effect on the predictability of claims payments engender less of a discount.

There are currently five levels of managed care that are used in the RBC formulas other than for Stand-Alone Medicare Part D Coverage, although in the future as new managed care arrangements evolve, the number of categories may increase or new arrangements may be added to the existing categories. The managed care categories are:

- * Category 0 - Arrangements not Included in Other Categories
- * Category 1 - Contractual Fee Payments
- * Category 2 – Bonus and/or Incentives / Withhold Arrangements
- * Category 3 - Capitation
- * Category 4 - Non-contingent Expenses and Aggregate Cost Arrangements and Certain PSO Capitated Arrangements

For Stand-Alone Medicare Part D Coverage, the reduction in uncertainty comes from two federal supports. The reinsurance coverage is optional in that a plan sponsor may elect to participate in the Part D Payment Demonstration. The risk corridor protection is expected to have less impact after the first few years. To allow flexibility within the RBC formula, Lines (10.1) through (10.4) will be used to give credit for the programs in which the plan sponsor participates. While all PDPs will have formularies and may utilize other methods to reduce uncertainty, for the near future no other managed care credits are allowed for this coverage.

The managed care credit is based on the percentage of paid claims that fall into each of these categories. Total claims payments are allocated among these managed care “buckets” to determine the weighted average discount, which is then used to reduce the Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental RBC. Paid claims are used instead of incurred claims due to the variability of reserves (unpaid claims) in incurred claim amounts and the difficulty in allocating reserves (unpaid claims) by managed care category.

In some instances, claims payments may fit into more than one category. If that occurs, enter the claims payments into the highest applicable category. CLAIMS PAYMENTS CAN ONLY BE ENTERED INTO ONE OF THESE CATEGORIES! The total of the claims payments reported in the managed care worksheet should equal the total year’s paid claims. Category 2a, Category 2b and Category 3c are not allowed to include non-regulated intermediaries who are affiliated with the reporting company in order to ensure that true risk transfer is accomplished.

Line (1)

Category 0 - Arrangements not Included in Other Categories. There is a zero managed care credit for claim payments in this category, which includes:

- * Fee for service (charges).
- * Discounted fee for service (based upon charges).
- * Usual customary and reasonable (UCR) schedules.
- * Relative value scale (RVS) where neither payment base nor RV factor is fixed by contract or where they are fixed by contract for one year or less.
- * Retroactive payments to capitated providers or intermediaries whether by capitation or other payment method (excluding retroactive withholds later released to the provider and retroactive payments made solely because of a correction to the number of members within the capitated agreement).
- * Capitation paid to providers or intermediaries that have received retroactive payments for previous years (including bonus arrangements on capitation programs).
- * Claim payments not included in other categories.

Line (2)

Category 1 - Payments Made According to Contractual Arrangements. There is a 15 percent managed care credit for payments included in this category:

- * Hospital per diems, diagnostic related groups (DRGs) or other hospital case rates.
- * Non-adjustable professional case and global rates.

- * Provider fee schedules.
- * Relative value scale (RVS) where the payment base and RV factor are fixed by contract for more than one year.

Line (3)

Category 2a - Payments Made Subject to Withholds or Bonuses/Incentives with No Other Managed Care Arrangements. This category may include business that would have otherwise fit into Category 0. That is, there may be a bonus/Incentives/withhold arrangement with a provider who is reimbursed based on a UCR schedule (Category 0).

The maximum Category 2a managed care credit is 25 percent. The credit is based upon a calculation that determines the ratio of withholds returned and bonuses and/or Incentives paid to providers during the prior year to total withholds and bonuses and Incentives available to the providers during that year. That ratio is then multiplied by the average provider withhold ratio for the prior year to determine the current year's Category 2a managed care credit factor. Bonus and/or Incentives payments that are not related to financial results are not included (e.g., patient satisfaction). Therefore, the credit factor is equal to the result of the following calculation:

EXAMPLE - 1998 Reporting Year

| | |
|---|---------------------------|
| 1997 withhold / bonus payments | \$750,000 |
| 1997 withholds / bonuses available | \$1,000,000 |
| A. MCC Factor Multiplier | 75% - Eligible for credit |
| 1997 withholds / bonuses available | \$1,000,000 |
| 1997 claims subject to withhold -gross [†] | \$5,000,000 |
| B. Average Withhold Rate | 20% |
| Category 2 Managed Care Credit Factor (A x B) | 15% |

The resulting factor is multiplied by claims payments subject to withhold - net[‡] in the current year.

[†] These are amounts due before deducting withhold or paying bonuses and/or Incentives.

[‡] These are actual payments made after deducting withhold or paying bonuses and/or Incentives .

Enter the paid claims for the current year where payments to providers were subject to withholds and bonuses/incentives, but otherwise had no managed care arrangements.

Line (4)

Category 2b - Payments Made Subject to Withholds or Bonuses/Incentives That Are Otherwise Managed Care Category 1. Category 2b may include business that would have otherwise fit into Category 1. That is, there may be a bonus/incentive/withhold arrangement with a provider who is reimbursed based on a provider fee schedule (Category 1). The Category 2 discount for claims payments that would otherwise qualify for Category 1 is the greater of the Category 1 factor or the calculated Category 2 factor.

The maximum Category 2b managed care credit is 25 percent. The minimum Category 2b managed care credit is 15 percent (Category 1 credit factor). The credit calculation is the same as found in the previous example for Category 2a.

Enter the paid claims for the current year where payments to providers were subject to withholds and bonuses/incentives AND where the payments were made according to one of the contractual arrangements listed for Category 1.

Line (5)

Category 3a - Capitated Payments Directly to Providers. There is a managed care credit of 60 percent for claims payments in this category, which includes:

- * All capitation or percent of premium payments made directly to licensed providers.

Enter the amount of claims payments paid DIRECTLY to licensed providers on a capitated basis.

Line (6)

Category 3b - Capitated Payments to Regulated Intermediaries. There is a managed care credit of 60 percent for claims payments in this category, which includes:

- * All capitation or percent of premium payments to regulated intermediaries that in turn pay licensed providers.

Enter the amount of medical expense capitations paid to regulated intermediaries (see Appendix 1 for definition). In those cases where the capitated regulated intermediary employs providers and pays them non-contingent salaries or otherwise qualifies for Category 4, the insurer may include that portion of such capitated payments in Category 4.

Line (7)

Category 3c - Capitated Payments to Non-Regulated Intermediaries. There is a managed care credit of 60 percent for claims payments in this category, which includes:

- * All capitated or percent of premium payments to non-affiliated intermediaries that in turn pay licensed providers. (Subject to a 5 percent limitation on payments to providers or other corporations that have no contractual relationship with such intermediary. Amounts greater than the 5 percent limitation should be reported in Category 0).

Enter the amount of medical expense capitations paid to non-regulated intermediaries not affiliated with the reporting company. Do not include the amount of medical expense capitations paid to non-regulated intermediaries that are affiliated with the reporting company. These amounts should be reported in Category 0. Non-regulated intermediaries are those organizations which meet the definition of Intermediary but not regulated intermediary in Appendix 1. In cases where the capitated non-regulated intermediary (even if affiliated) employs providers and pays them non-contingent salaries or otherwise qualifies for Category 4, the insurer may include that portion of such capitated payments in Category 4.

IN ORDER TO QUALIFY FOR ANY OF THE CAPITATION CATEGORIES, SUCH CAPITATION MUST BE FIXED (AS A PERCENTAGE OF PREMIUM OR FIXED DOLLAR AMOUNT PER MEMBER) FOR A PERIOD OF AT LEAST 12 MONTHS. Where an arrangement contains a provision for prospective revision within a 12-month period, the entire arrangement shall be subject to a managed care credit that is calculated under Category 1 for a provider, and for an intermediary at the greater of Category 1 or a credit calculated using the underlying payment method(s) to the providers of care. Where an arrangement contains a provision for retroactive revisions either within or beyond a 12-month period, the entire arrangement shall be subject to a managed care credit that is calculated under Category 0 for providers and intermediaries.

Line (8)

Category 4 - Medical & Hospital Expense Paid as Salary to Providers. There is a managed care credit of 75 percent for claims payments in this category. Once claims payments under this managed care category are totaled, any fee for service revenue from uninsured plans (i.e., ASO or ASC) that was included on Line (7) in the underwriting risk section should be deducted before applying the managed care credit factor.

- * Non-contingent salaries to persons directly providing care.
- * The portion of payments to affiliated entities which is passed on as non-contingent salaries to persons directly providing care where the entity has a contract only with the company.
- * All facilities related medical expenses and other non-provider medical costs generated within health facility that is owned and operated by the insurer.
- * Aggregate cost payments.

Salaries paid to doctors and nurses whose sole corporate purpose is utilization review are also included in this category if such payments are classified as “medical expense” payments (paid claims) rather than administrative expenses. The Aggregate Cost method of reimbursement means where a health plan has a reimbursement plan with a corporate entity that directly provides care, where (1) the health plan is contractually required to pay the total operating costs of the corporate entity, less any income to the entity from other users of services; and (2) there are mutual unlimited guarantees of solvency between the entity and the health plan, that put their respective capital and surplus at risk in guaranteeing each other.

Line (10.1)

Category 0 for Stand-Alone Medicare Part D Coverage would be all claims during a period where neither the reinsurance coverage or risk corridor protection is provided.

Line (10.2)

Category 1 for Stand-Alone Medicare Part D Coverage would be for all claims during a period when only the reinsurance coverage is provided. This is designed for some future time period and is not to be interpreted as including employer-based Part D coverage that is not subject to risk corridor protection.

Line (10.3)

Category 2a for Stand-Alone Medicare Part D Coverage would be for all claims during a period when only the risk corridor protection is provided.

Line (10.4)

Category 3a for Stand-Alone Medicare Part D Coverage would be for all claims during a period when both reinsurance coverage and risk corridor protection are provided.

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, Line D4 of the annual statement.

Line (11)

Weighted Average Managed Care Discount – This amount is calculated by dividing the total weighted claims (Line (9) Column (2)) by the total claim payments (Line (9) Column (1)).

Line (12)

Weighted Average Managed Care Risk Adjustment Factor - This is the credit factor that is carried back to the underwriting risk calculation. They are one minus the Weighted Average Managed Care Discount (Line (11)).

Lines (13) through (19)

Lines (13) through (19) are the calculation of the weighted average factor for the Category 2 claims payments subject to withholds and bonuses/incentives. This table requires data from the PRIOR YEAR to compute the current year's discount factor.

Line (13)

Enter the prior year's actual withhold and bonus/incentive payments.

Line (14)

Enter the prior year's withholds and bonuses/incentives that were available for payment in the prior year.

Line (15)

Divides Line (13) by Line (14) to determine the portion of withholds and bonuses/incentives that were actually returned in the prior year.

Line (16)

Equal to Line (14) and is automatically pulled forward.

Line (17)

Claims payments that were subject to withholds and bonuses/incentives in the prior year. Equal to Line (3) + Line (4) of Underwriting Risk–Managed Care Credit FOR THE PRIOR YEAR.

Line (18)

Divides Line (16) by Line (17) to determine the average withhold rate for the prior year.

Line (19)

Multiplies Line (15) by Line (18) to determine the discount factor for Category 2 claims payments in the current year, based on the performance of the insurer's withhold/bonus/incentive program in the prior year.

PR022 - Underwriting Risk – Other and Total Net Health Premium RBC

Administrative Expenses for Certain A&H Coverages and for Health ASO/ASC

To maintain general consistency with the life RBC formula, an amount is determined as risk related to the potential that actual expenses of administering certain types of health insurance will exceed the portion of the premium allocated to cover these expenses. Not all administrative expenses are included (commissions, premium taxes and other expenses defined and paid as a percentage of premium are not included and the expenses for administrative services contracts (ASC) and administrative service only (ASO) business have separate lower factors) and the factor is graded based on a two tier formula related to health insurance premium to which this risk is applied.

Specific Instructions for Application of the Formula

Lines (1) and (2)

In addition to the general risk of fluctuations in the claims experience, there is an additional risk generated when insurers 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 that include a medical trend risk; i.e. Comprehensive Medical, Medicare Supplement, Dental and Vision, Stand-Alone Medicare Part D Coverage, Stop-Loss and Minimum Premium and Other Limited Benefits Anticipating Rate Increases. Premiums entered should be the 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.

Line (3)

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. Claims incurred are multiplied by 2 percent to determine total underwriting RBC on this business.

Line (8)

Enter the total amount of administrative expenses for health insurance in Column (1) – this amount will come from company records. Lines (9) and (10) are used to back out any amounts related to Administrative Services Contracts (ASC) and Administrative Services Only (ASO) contracts, respectively – these are brought back into the formula in Lines (15) and (16). Line (11) backs out administrative expenses for commissions and premium taxes.

Line (15)

Include the amount reported in Line (9) plus any other administrative expenses for ASC business. Line (15) should be greater than or equal to Line (9).

Line (16)

Include the amount reported in Line (10) plus any other administrative expenses for ASO business. Line (16) should be greater than or equal to Line (10).

PR023 - Long-Term Care

The long-term care morbidity risk is calculated in part based on the current year's earned premium. The premium is separated into the total not to exceed \$50,000,000 to which a larger factor is applied and amounts in excess of \$50,000,000 to which a lower factor is applied. This is done in Lines (1) to (3) of PR023 Long-Term Care.

Another portion of the morbidity risk is applied to incurred claims. This is done in Lines (4.1) through (6). To reduce the volatility of claims, the current and prior year's results are averaged using loss ratios. This is done in lines (4.1) to (4.3). The average loss ratio is applied to current year's earned premium to get Adjusted LTC Claims for RBC in Line (5). To allow for those situations where either there is no positive earned premium or one of the loss ratios is negative, the RBC formula uses the actual incurred claims for the current year. The claims-based RBC is separated into amounts up to \$35,000,000 to which a higher factor is applied in Line (5.1) and amounts in excess of \$35,000,000 in Line (5.2). In addition, if Line (1), Column (1) is not positive, a larger factor is applied to actual incurred claims (if positive) to reflect the fact that there is no premium-based RBC.

PR024 - Health Claim Reserves

Additional risk-based capital of 5 percent of claim reserves for individual and group and credit is required to recognize the risk of the level of recoveries and other claim terminations falling below that assumed in the claim reserves.

PR025 - Premium Stabilization Reserves

Basis of Factors

Premium stabilization reserves are funds held by the company in order to stabilize the premium a group policyholder must pay from year to year. Usually experience rating refunds are accumulated in such a reserve so that they can be drawn upon in the event of poor future experience. This reduces the insurer's risk.

For group health insurance, 50 percent of premium stabilization reserves held in the Annual Statement as a liability (not as appropriated surplus) are permitted as an offset up to the amount of risk-based capital. The 50 percent factor was chosen to approximate the portion of premium stabilization reserves that would be an appropriate offset if the formula were applied on a contract-by-contract basis, and the reserve offset was limited to the amount of risk-based capital required for each contract.

Specific Instructions for Application of the Formula

There is some variance for reporting liabilities that are appropriately considered premium stabilization reserves. The data source should come from company records.

The sum of these various types of premium stabilization reserves equals the preliminary premium stabilization reserve credit. The final premium stabilization reserve credit is limited to the risk-based capital previously calculated.

PR026 - Federal ACA Risk Adjustment Sensitivity Test

The Federal ACA Risk Adjustment Sensitivity Test should be completed by those companies that write 5 percent or more of its premiums in A&H lines in the last three consecutive years. Those companies that write less than 5 percent are exempt. The federal ACA Risk Adjustment Sensitivity Test is used to adjust TAC for the risk adjustment receivable or payable. The sensitivity test identifies the potential impact to an insurer's RBC ratio due to the risk of misestimation of the ACA risk adjustment by the insurer. The sensitivity test looks at both the risk of overestimation and underestimation by the insurer for both receivables and payables. Lines (1) through (8) look at the risk of overestimation while Lines (9) through (16) look at the risk of underestimation by decreasing and increasing the amount reported in the Notes to Financial Statement by 25 percent. The sensitivity test provides a "what if" scenario that has no effect on the risk-based capital amounts reported in the annual statement. The Health Risk-Based Capital (E) Working Group determined that a 25 percent change in the annual statement amount and a 50 percent factor should be used to calculate the effect of the **misestimation** of the risk adjustment receivable and payable on the RBC ratio. The company can provide an explanation in the Footnote if the company believes the factors are not appropriate, with an explanation as to why the factors are inappropriate.

Line (1) and Line (9) – Premium Adjustments Receivable Due to ACA Risk Adjustment. This is the amount reported in the annual statement Notes to Financial Statement 24F2a1. Column (2) would equal Column (1) multiplied by the sensitivity amount.

Line (2) and Line (10) – Premium Adjustments Payable Due to ACA Risk Adjustment Operations. This is the amount reported in the annual statement Notes to Financial Statement 24F2a3. Column (2) would equal Column (1) multiplied by the sensitivity amount.

Line (3) and Line (11) – Total ACA Risk Adjustments Receivable and Payable. Line (3) would be equal to Line (2) minus Line (1) and Line (11) would be equal to Line (10) minus Line (9).

Line (4) and Line (12) – Total Risk Adjustment. The absolute value of Line (4), Column (3) is equal to Line (3). The absolute value of Line (12), Column (3) is equal to Line (12).

Line (5) and Line (13) – Page **PR029**, Total Adjusted Capital, Post Deferred Tax, Line **(15)**

Line (6) and Line (14) – Total Adjusted Capital Stressed for Risk Adjustments. Line (6) is equal to Line (5) minus Line (4) and Line (14) is equal to Line (13) minus Line (12).

Line (7) and Line (15) – Authorized Control Level RBC. Page **PR032** – Calculation of Total Adjusted Capital to Risk-Based Capital Line **(65)**

Line (8) and Line (16) – ACA Risk Adjusted ACL RBC Ratio. Line (8) is equal to Line (6) divided by Line (7) and Line (16) is equal to Line (14) divided by Line (15).

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

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

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

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

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

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

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

If the lead or domestic state determines that permission to use the own model can be granted to determine the RBC Catastrophe Risk Charge, the model will be subject to additional review through the ongoing examination process. If, as a result of the examination, the lead or domestic state determines that permission to use the own model should be revoked, the insurer may be required to resubmit the risk-based capital filing and any past filings so impacted where own model was used, as directed by the lead state or domestic state. If the insurer obtains permission to use the own model, it cannot revert back to using third party commercial vendor models to determine the RBC Catastrophe Risk Charge in subsequent reporting periods, unless this is agreed with the lead or domestic state that granted permission.

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

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

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

The Interrogatory on page (PR027INT) supports an exemption from filing the catastrophe risk charge.

Any company qualifying for exemption from the earthquake risk charge must identify the particular criteria from among (1a), (1b), (2) and (3) that provides its qualification for exemption, and may leave the other three items from this group of four possible qualifications for exemption blank; except identification of criteria (3) as the basis for the exemption requires a further answer to (3a) and (3b).). If an insurer does not write or assume earthquake risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 3, with no need to fill in (3a) and (3b). If the company qualifies for exemption from the earthquake risk charge, page PR027A and line (1) on PR027 may be left blank.

Any company qualifying for exemption from the hurricane risk charge must identify the particular criteria from among (4a), (4b), (5) and (6) that provides its qualification for exemption, and may leave the other three items from this second group of four possible qualifications for exemption blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 6. If the company qualifies for exemption from the hurricane risk charge, page PR027B and line (2) on PR027 may be left blank.

Any company qualifying for exemption from the wildfire risk charge must identify the particular criteria from among (7a), (7b), (8) and (9) that provides its qualification for exemption and may leave the other three items from this third group of four possible qualifications for exemption blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 9. If the company qualifies for exemption from the wildfire risk charge, page PR027C and line (3) on PR027 may be left blank.

In general, the following conditions will qualify a company for exemption: if it uses an intercompany pooling arrangement or quota share arrangement with U.S. affiliates covering 100% of its earthquake, hurricane and wildfire risks such that there is no exposure for these risks; if it has a ratio of Insured Value – Property to surplus as regards policyholders of less than 50%; or if it writes Insured Value – Property that includes hurricane, earthquake and/or wildfire coverage in catastrophe-prone areas representing less than 10% of its surplus as regards policyholders.

“Insured Value – Property” includes aggregate policy limits for structures and contents for policies written and assumed in the following annual statement lines – Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril.

“Catastrophe-Prone Areas in the U.S.” include:

- i. For hurricane risks, Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean and/or the Gulf of Mexico including Puerto Rico.
- ii. For earthquake risk or for fire following earthquake, any of the following commonwealth or states: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.
- iii. For wildfire risk, California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

Specific Instructions for Application of the Formula

Column (1) – Direct and Assumed Modeled Losses

These are the direct and assumed modeled losses per the first footnote. Include losses only; no loss adjustment expenses. For companies that are part of an inter-company pooling arrangement, the losses in this column should be consistent with those reported in Schedule P, i.e. losses reported in this column should be the gross losses for the pool multiplied by the company’s share of the pool.

Column (2) – Net Modeled Losses

These are the net modeled losses per the footnote. Include losses only; no loss adjustment expenses.

Column (3) - Ceded Amounts Recoverable

These are the modeled losses ceded under any reinsurance contract. Include losses only, no loss adjustment expenses, and should be associated with the Net Modeled Losses.

Column (4) - Ceded Amounts with Zero Credit Risk Charge

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

Column (6) – Amount

These are automatically calculated based on the previous columns.

Column (7) - RBC Requirement

A factor of 1.000 is applied to the reported modeled catastrophe losses calculated on both AEP and OEP basis, and a factor of 0.018 is applied to the reinsurance recoverables. The RBC Requirement is based on either AEP reported results or OEP reported results (not both), consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Column (5) – Y/N

Please indicate “Y” for OEP basis and “N” for AEP basis. This column should not be blank.

TOTAL ADJUSTED CAPITAL AND COMPARISON TO RISK-BASED CAPITAL PR028 – PR034

PR028 - Capital Notes Before Limitation

The laws of certain states allow insurers to issue a form of capital instrument called a “capital note.” A credit is allowed to Total Adjusted Capital for a capital note that satisfies all of the following conditions:

1. In a liquidation, the capital note ranks with surplus notes and is subordinate to the claims of policyholders, claimants and general creditors.
2. The form and content of the capital note was approved by the commissioner of the insurer’s state of domicile.
3. At the time of issuance of the capital note, the aggregate principal amount did not exceed 25 percent of the Total Adjusted Capital (including the aggregate principal amount of outstanding capital and surplus notes) as of the end of the immediately preceding calendar year less the aggregate principal amount of outstanding capital and surplus notes.
4. The term of the capital note is not less than five years.
5. At the time of issuance of the capital note:
 - a) The total principal amount of capital notes maturing in any one year did not exceed 5 percent of Total Adjusted Capital (measured at the time of issuance); and
 - b) The total principal amount of capital notes maturing in any three-year period did not exceed 12 percent of Total Adjusted Capital (measured at the time of issuance).
6. Payment of interest, dividend or principal of the capital note is deferred if it would have caused the insurer’s Total Adjusted Capital to drop below its Company Action Level Risk-Based Capital. However, upon request by the insurer, the commissioner of the insurer’s state of domicile may approve such payment if in the commissioner’s judgment the financial condition of the insurer warrants it.
7. The commissioner of the insurer’s state of domicile may halt all payments on the capital note if the insurer’s Total Adjusted Capital drops below three times the principal amount of the capital and surplus notes that the insurer has outstanding.
8. The capital note is treated as a liability and consequently does not increase statutory surplus.
9. The insurer issuing the capital note is obligated to supply to the commissioner of the insurer’s state of domicile an informational filing in a manner approved by the Commissioner at the same time the insurer files its Annual Statement, and at such other times as the commissioner determines necessary. The filing shall include and be based on the following guidelines:
 - a) The filing shall display the financial results of the criteria used to determine whether payments on the insurer’s capital notes need to be approved by the commissioner or may be halted by the commissioner. Further, it shall specifically identify those results that either necessitate commissioner approval of the payment or give the commissioner the option to halt payment.
 - b) The insurer shall notify the commissioner for informational purposes of each forthcoming payment under a capital note not less than 10 business days prior to the date of payment, nor more than 30 business days prior to the date of payment.
 - c) Whenever an insurer declares its intention to exercise the option to call or redeem a capital note prior to the scheduled maturity, the Commissioner shall be notified within five business days following the declaration, and not less than 10 business days prior to the declared redemption date. The 10 day period should be measured from the date of the commissioner’s receipt of the notice.

The credit for a capital note is reduced as the note approaches maturity (as calculated on PR029 Capital Notes Before Limitation). The aggregate credit for capital notes is limited so that the total amount of capital and surplus notes included in Total Adjusted Capital is not more than one-third of Total Adjusted Capital.

PR029 - Calculation of Total Adjusted Capital

This is computed by subtracting the full value of the non-tabular discount found in Schedule P, Part 1 – Summary, L12 C32 and C33 plus any discount on medical reserves included in C24 for the company and its affiliates from its capital and surplus from P3 C1 L37, and then adding back the AVR and half of any dividend liability of any of the company’s life insurance affiliates. 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.

All the affiliate amounts should be adjusted by percentage of ownership before entering. All U.S. life, property & casualty and investment affiliates should be included. If a company has no affiliates, then Total Adjusted Capital is equal to its capital and surplus adjusted for non-tabular discounts.

Lines (14.1) through (14.4)

These lines calculate the credit to Total Adjusted Capital for the insurer's qualifying capital notes. The calculation on Line (14.2) limits the credit for capital notes so the total amount of capital and surplus notes included in Total Adjusted Capital is not more than one-half of Total Adjusted Capital from other sources. This is equivalent to a limit of one-third of Total Adjusted Capital from all sources including the capital and surplus notes themselves.

The TAC is reported in the annual statement's Five-Year Historical Exhibit on Line 28, Total Adjusted Capital.

The Sensitivity test provides a "what if" scenario eliminating deferred tax assets and deferred tax liabilities from the calculation of Total Adjusted Capital. The sensitivity test has no effect on the risk-based capital amounts reported in the annual statement.

Include only the admitted portion of the deferred tax asset for Line (16). Line (17) should include only the admitted portion of insurance subsidiaries' deferred tax assets.

PR030 - PR032 - Computation of Total Risk-Based Capital After Covariance

The components of R0, R1, R2, R3, R4, R5 and Rcat are shown on the following pages of the booklet. The covariance adjustment is used to discount the Total RBC Before Covariance because the RBC amounts for the individual R components, when simply added together, overstate the true risk. It is assumed that not all of the events for which RBC is required would occur simultaneously.

The components of the Total RBC After Covariance formula are:

R0 – Affiliated Insurance Companies and Misc. Other Amounts RBC
R1 – Fixed Income Assets RBC
R2 – Equity Assets RBC
R3 – Credit-Related Assets RBC
R4 – Underwriting Risk – Reserves RBC
R5 – Underwriting Risk – Net Written Premiums
Rcat – Catastrophe Risk

If loss reserve RBC is greater than the sum of other credit RBC and one half of reinsurance recoverable RBC, then half of reinsurance recoverable is allocated to the R4 component and half is allocated to R3. If loss reserve RBC is less than or equal to the sum of other credit RBC plus one half of reinsurance recoverable RBC, then the entire amount of reinsurance RBC is allocated to the R3 component.

To compute the Total RBC After Covariance Before Basic Operational Risk on Line (60), the following formula is used:

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

Operational Risk:

Operational risk is defined as the risk of financial loss resulting from operational events, such as the inadequacy or failure of internal systems, personnel, procedures or controls, as well as external events. Operational risk includes legal risk but excludes reputational risk and risk arising from strategic decisions. Operational risk has been identified as a risk that should be explicitly addressed in the RBC formulas. The Operational Risk charge shall account for operational risks that are not determined to be already reflected in existing risk categories.

An operational risk charge will be reported on Page PR032 in Lines (61) using a percentage of RBC or “add-on” approach that will apply a risk factor of 3.000% to Line (60) - RBC after Covariance Before Basic Operational Risk. A further reduction to the operational risk charge equal to the sum of C-4a offset amounts reported by direct Life RBC filing insurance subsidiaries on their Page LR031, Lines (65) + (71), adjusted for the percentage of ownership in the direct life insurance subsidiary, will be reported in Line (63), and the net Basic Operational Risk charge will be reported on Page PR032 in Line (64), but not to produce a charge that is less than zero.

Total RBC After Covariance including Basic Operational Risk will be reported in Line (64) as the sum of lines (60) and (63).

The Authorized Control Level RBC, which is reported in the Five-Year Historical Exhibit on Line 29 along with Total Adjusted Capital, is one-half of the Total RBC After Covariance including Operational Risk.

PR034 - Comparison of Total Adjusted Capital and Authorized Control Level Risk-Based Capital

This section of the risk-based capital report compares amounts previously developed and determines which level of regulatory attention, if any, is applicable to the company.

Lines (1) through (5) will be calculated automatically by the diskette. One of the following action levels will appear on L(6):

Company Action Level
Regulatory Action Level
Authorized Control Level
Mandatory Control Level
None

Company Action Level requires the company to prepare and submit an RBC Plan to the commissioner of their state of domicile. The RBC Plan is to be submitted within 45 days. After review, the commissioner will notify the company if the plan is satisfactory.

Regulatory Action Level requires the insurer to submit an RBC Plan, or if applicable, a Revised RBC Plan within 45 days to the commissioner of their state of domicile. After examination or analysis, the commissioner will issue an order specifying corrective actions (Corrective Order) to be taken.

Authorized Control Level authorizes the commissioner to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the insurer, which may include the actions necessary to cause the insurer to be placed under regulatory control (i.e., rehabilitation or liquidation).

Mandatory Control Level authorizes the commissioner to take actions necessary to place the company under regulatory control (i.e., rehabilitation or liquidation).

When “None” shows, the company’s total adjusted capital exceeds the minimum RBC amount and the company is not subject to regulatory attention under the Risk Based Capital (RBC) for Insurers Model Act. NOTE: 98.5 percent of insurers usually fit into this category.

APPENDIX 1 – COMMONLY USED HEALTH INSURANCE TERMS

The definitions in this section 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.

Administrative Expenses - Costs associated with the overall management and operations of the insurer that are not directly related to, or in direct support of providing medical services. Expenses to administer ASC, ASO business and related revenue must be identified separately from underwritten business. Commission payments and premium taxes are excluded for RBC calculation purposes.

Administrative Services Contract (ASC) - A contract where the insurer agrees to provide administrative services, such as claims processing, for a third party that is at risk, and accordingly, the administrator has not issued an insurance policy, regardless of whether an identification card is issued. The administrator may arrange for provision of medical services through a contracted or employed provider network. The plan (whether insured by another reporting entity or self-insured) bears all of the insurance risk, and there is not possibility of loss or liability to the administrator caused by claims incurred related to the plan. Claims are paid from the reporting entity's own bank accounts, and only subsequently receives reimbursement from the uninsured plan sponsor.

ASC Reimbursements - Funds received by the company under an ASC contract as reimbursement for claims payments and for expenses associated with administering the contract.

Administrative Services Only (ASO) - A contract where the insurer agrees to provide administrative services, such as claims processing, for a third party that is at risk, and accordingly, the administrator has not issued an insurance policy, regardless of whether an identification card is issued. The administrator may arrange for provision of medical services through a contracted or employed provider network. The plan (whether insured by another reporting entity or self-insured) bears all of the insurance risk, and there is not possibility of loss or liability to the administrator caused by claims incurred related to the plan. Claims are paid from a bank account owned and funded directly by the uninsured plan sponsor; or, claims are paid from a bank account owned by the reporting entity, but only after the reporting entity has received funds from the uninsured plan sponsor that are adequate to fully cover the claim payments.

ASO Reimbursements - Funds received by the company under an ASO contract as a fee for expenses associated with administering the contract.

Aggregate Cost Payments - The aggregate cost method of reimbursement means where a health plan has a reimbursement plan with a corporate entity that directly provides care, where (1) the health plan is contractually required to pay the total operating costs of the corporate entity, less any income to the entity from other users of services; and (2) there are mutual unlimited guarantees of solvency between the entity and the health plan, that put their respective capital and surplus at risk in guaranteeing each other.

Incentives, Withhold and Bonus Amounts – Are amounts to be paid to providers by the Health entity as an incentive to achieve goals such as effective management of care. An incentive arrangement may involve paying an agreed-on amount for each claim (e.g. provider agrees practice in an underserved area). While a bonus arrangement may be paid at the end of a contract period after specific goals have been met. Withhold arrangements can involve a set amount to be withheld from each claim, and then paying a portion (which could be none or all) of the withheld amount at the end of the contract period.

Incentive pool, withhold, and bonus amounts are defined as: amounts to be paid to providers by the Health entity as an incentive to achieve goals such as effective management of care. Some arrangements involve paying an agreed-on amount for each claim, and then paying a bonus at the end of the contract period. Other arrangements involve a set amount to be withheld from each claim, and then paying a portion (which could be none or all) of the withheld amount at the end of the contract period.

Intermediary - An intermediary is a person, corporation or other business entity (not licensed as a medical provider) that arranges, by contracts with physicians and other licensed medical providers, to deliver health services for an insurer and its enrollees via a separate contract between the intermediary and the insurer.

Health Insurance Company (Health) - Any person, corporation or other entity (other than an insurer) that enters into arrangements or agreements with licensed medical providers or intermediaries for the purpose of providing or offering to provide a plan of health benefits directly to individuals or employer groups in consideration for an advance periodic charge (premium) per member covered.

Maximum Retained Risk - The maximum level of potential claim exposure (capped at \$750,000 for medical coverage and \$25,000 for all other coverage) resulting from coverage on a single member of an insurer. Maximum retained risk for companies providing “professional component” (non-hospital) coverage will be capped at \$375,000. Where specific stop-loss reinsurance protection is in place, this 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 (\$375,000 for companies providing “professional component” coverage only), 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 insurer, the maximum retained risk as calculated above will be increased by the insurer’s participation in the stop-loss layer (up to \$750,000 less retention).

Professional Services - Health care services provided by a physician or other health care practitioner licensed, accredited or certified to perform specified health services consistent with state law.

Provider Stop-loss - Coverage afforded to a provider via the risk-sharing mechanisms within the contract with such provider in exchange for a reduced payment to the provider. Also includes insurance (not reinsurance) purchased by the provider (or an intermediary) directly from a licensed insurer.

Regulated Intermediary - An intermediary (affiliated or not) subject to state regulation and required to file the health insurance RBC formula with the state. (See also Intermediary)

Risk Revenue - Amounts charged by the reporting insurer as a provider or intermediary for specified medical services provided to the policyholders or members of another insurer or health insurance company. Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health insurance company to the reporting company in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation at the same factor as premiums and are subject to the same managed care credit categories. *NOTE: RISK REVENUE IS VERY SIMILAR TO REINSURANCE ASSUMED.*

Specified Disease Coverage - Coverage that provides primarily pre-determined benefits for expenses in the care of cancer and/or other specified diseases.

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 carriers risk begins after a minimum of at least \$5,000 of claims for any one covered life has been covered by the group plan, provider/provider group or direct writer. Aggregate coverage means that the stop loss carriers 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.

APPENDIX 2 – COMMONLY USED TERMS FOR MEDICARE PART D COVERAGE

The U.S. Centers for Medicare and Medicaid Services (CMS) oversees the Medicare Part D prescription drug coverage, including both coverage provided through a stand-alone Prescription Drug Plan (PDP) and coverage provided as part of a Medicare Advantage plan. The terms are defined in INT 05-05: Accounting for Revenue under Medicare Part D Coverage.

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 7) 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 |

COMPANY INFORMATION PAGE (JURAT)

Affix Bar Code

Property Risk-Based Capital
For the Year Ending December 31, 2023

| | | | | | | | | |
|------|---|---------------------------------|---------|-------------------|--------------|---------|----------------------|-------------------|
| (A) | Company Name | <u>Company Name</u> | | | | | | |
| (B) | NAIC Group Code | <u>0000</u> | (C) | NAIC Company Code | <u>00000</u> | (D) | Employer's ID Number | <u>00-0000000</u> |
| (E) | Organized under the Laws of the State of | <u></u> | | | | | | |
| | Contact Person for Risk-Based Capital: | | | | | | | |
| (F) | First Name | <u></u> | (G) | Middle | <u></u> | (H) | Last Name | <u></u> |
| (I) | Mail Address of Contact Person | <u></u> | | | | | | |
| | | (Street and Number or P.O. Box) | | | | | | |
| (J) | City | <u></u> | (K) | State | <u></u> | (L) | Zip | <u></u> |
| (M) | Phone Number of RBC Contact Person | <u></u> | | Extension | <u></u> | | Email | <u></u> |
| (N) | Date Prepared | <u></u> | | | | | | |
| (O) | Preparer (if different than Contact) | <u></u> | <u></u> | | | <u></u> | | |
| | | First Name | | Middle Name | | | Last Name | |
| (P) | Is this filing an Original, Amended or Refiling ? (O,A,R) | <u></u> | | | | | | |
| (P1) | If Amended, Amended Number | <u></u> | | | | | | |
| (Q) | Were any items that come directly from the annual statement entered manually to prepare this filing ? (Y/N) | <u></u> | | | | | | |
| | Officer Name: | <u></u> | | <u></u> | | | <u></u> | |
| | Officer Title: | <u></u> | | <u></u> | | | <u></u> | |

Each says that they are the above described officers of the said insurer, and that this risk-based capital is a true and fair representation of the company's affairs and has been completed in accordance with the NAIC instructions according to the best of their information, knowledge and belief, respectively.

| | | |
|-----------|-----------|-----------|
| <u></u> | <u></u> | <u></u> |
| Signature | Signature | Signature |

Denotes items that must be manually entered on the filing software

ATTESTATION RE: CATASTROPHE MODELING USED IN RBC CATASTROPHE RISK CHARGES PR002

(1)

Company Name

 hereby certifies that the modeled catastrophe losses for earthquake risk, hurricane risk, and wildfire risk entered on lines 1 through 4 of Schedule PR027 of this Risk-Based Capital Report were determined by applying the same catastrophe models or combination of models to the same underlying exposure data, and using the same modeling assumptions, as the company uses in its own internal risk managemnt process, with the following exceptions:

(1a)

These exceptions, if any, are made for the following reasons:

(1b)

The following describes the company's application of catastrophe modeling to the determination of the Rcat risk charges: (Include which models are used in what combinations for each of the Rcat charges; what key modeling assumptions are used, including but not limited to time dependency, secondary uncertainty, storm surge, demand surge, and fire following earthquake; and the rationale for treatment of each issue or item): (provide attachments if necessary):

(2)

The company further certifies that the underlying exposure data used in the catastrophe modeling process is accurate and complete to the best of our knowledge and ability, with the following limitations:

(3)

The following describes the extent to which the exposure location data is accurate to GPS coordinates; to zip code; and to a level less accurate than zip code: (provide attachments if necessary):

(4)

The following describes the steps taken to validate, to the best of the Company's knowledge and belief, the accuracy and completeness of the exposure data used in the modeling process to determine the Rcat catastrophe risk charges (provide attachments if necessary):

(5)

Provide an explanation of the methodology used to derive the amounts in columns 3 and 4 of page PR027A, PR027B and PR027C.

(6)

(7) Completed on behalf of: (7) Completed By:

Last

First

Middle

Title

(7) Email: (7) Phone: Date:

DETAILS FOR AFFILIATED STOCKS PR003

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
|-----------|-------------------|------------|--------------------------------------|--|--|---|---|--|---|--|----------------|-----------------------------|--|
| | Name of Affiliate | Affil Type | NAIC Company Code or Alien ID Number | Affiliate's RBC After Covariance before Basic Operational Risk LR031 L(69) + L(73) PR032 L(60) XR025 L(41) | 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 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000002 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000003 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000004 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000005 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000006 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000007 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000008 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000009 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000010 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000011 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000012 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000013 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000014 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000015 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000016 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000017 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000018 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000019 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000020 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000021 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000022 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000023 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000024 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000025 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000026 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000027 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000028 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000029 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000030 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000031 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000032 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000033 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000034 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000035 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000036 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000037 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000038 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000039 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000040 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000041 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000042 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000043 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000044 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000045 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000046 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000047 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000048 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000049 | | | | | | | | | | | 0.000% | 0 | 0 |
| 0000050 | | | | | | | | | | | 0.000% | 0 | 0 |
| (9999999) | Total | XXX | XXX | 0 | 0 | XXX | 0 | 0 | 0 | 0 | XXX | 0 | 0 |

Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through
Indirectly owned insurance affiliate not subject to RBC will be included Category 4

* Only applies to Affiliate Type 1 and 2.

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

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

| | | | | (1) | (2) |
|-----------------|---|------------|----------------------------|----------------------------|---------------------------|
| Affiliate Types | | Affil Code | RBC Basis | <u>Number of Companies</u> | <u>Total RBC Required</u> |
| (1) | Directly Owned Health Insurance Companies or Health Entities | 1a | Sub's RBC After Covariance | 0 | 0 |
| (2) | Directly Owned Property and Casualty Insurance Affiliates | 1b | Sub's RBC After Covariance | 0 | 0 |
| (3) | Directly Owned Life Insurance Affiliates | 1c | Sub's RBC After Covariance | 0 | 0 |
| (4) | Indirectly Owned Health Insurance Companies or Health Entities | 2a | Sub's RBC After Covariance | 0 | 0 |
| (5) | Indirectly Owned Property and Casualty Insurance Affiliates | 2b | Sub's RBC After Covariance | 0 | 0 |
| (6) | Indirectly Owned Life Insurance Affiliates | 2c | Sub's RBC After Covariance | 0 | 0 |
| (7) | Holding Company in Excess of Indirect Subs | 3 | 0.225 | 0 | 0 |
| (8) | Investment Subsidiary | 4 | 0.225 | 0 | 0 |
| (9) | Directly Owned Alien Health Insurance Companies or Health Entities | 5a | 0.5 | 0 | 0 |
| (10) | Directly Owned Alien Property and Casualty Insurance Affiliates | 5b | 0.5 | 0 | 0 |
| (11) | Directly Owned Alien Life Insurance Affiliates | 5c | 0.5 | 0 | 0 |
| (12) | Indirectly Owned Alien Health Insurance Companies or Health Entities | 6a | 0.5 | 0 | 0 |
| (13) | Indirectly Owned Alien Property and Casualty Insurance Affiliates | 6b | 0.5 | 0 | 0 |
| (14) | Indirectly Owned Alien Life Insurance Affiliates | 6c | 0.5 | 0 | 0 |
| (15) | Investment in Upstream Affiliate (Parent) | 7 | 0.225 | 0 | 0 |
| (16) | Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC | 8a | 0.225 | 0 | 0 |
| (17) | Directly Owned Property and Casualty Insurance Companies Not Subject to RBC | 8b | 0.225 | 0 | 0 |
| (18) | Directly Owned Life Insurance Companies Not Subject to RBC | 8c | 0.225 | 0 | 0 |
| (19) | Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body | 9a | 0.225 | 0 | 0 |
| (20) | Non-Insurance Other Financial Entities without Regulatory Capital Requirements | 9b | 0.225 | 0 | 0 |
| (21) | Other Non-financial Entities | 9c | 0.225 | 0 | 0 |
| (22) | Total | | | 0 | 0 |

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

| Affiliated Preferred Stock | | (1) | (2) | (3) |
|--|------------------------------|-------------------------------|------------------------------|-------------------|
| Schedule D Part 6 Section 1 C7 | | <u>Annual Statement Total</u> | <u>Total From RBC Report</u> | <u>Difference</u> |
| | Annual Statement Line Number | <u>Preferred Stock</u> | | |
| (1) Parent | 0199999 | 0 | 0 | 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 | 0 |
| (9) Subtotal | 0999999 | 0 | 0 | 0 |

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

| | | (1) | (2) | (3) | (4) | (5) | |
|-------------------------|--|---|---|--|--------------------------------|--------|-----------------|
| | | Long-Term Bonds Schedule D, Part 1 Book/Adjusted Carrying Value L3 thru 26 = Sch D Pt1F | Short-Term Investments Schedule DA, Part 1 Book/Adjusted Carrying Value L3 thru 26 = Sch DA Pt1F | Cash Equivalents Schedule E, Part 2 Book/Adjusted Carrying Value L3 thr 26 = Sch E Pt2F | Subtotal C(1) + C(2) + C(3) | Factor | RBC Requirement |
| Annual Statement Source | | | | | | | |
| (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 | 0 | 0 | 0 | 0.000 | 0 |
| (2) | NAIC Designation Category 1.A | 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 | 0 | 0 | 0 | 0.002 | 0 |
| (3) | NAIC Designation Category 1.B | Footnote Amt 2 L000001A | 0 | 0 | 0 | 0.004 | 0 |
| (4) | NAIC Designation Category 1.C | Footnote Amt 3 L000001A | 0 | 0 | 0 | 0.006 | 0 |
| (5) | NAIC Designation Category 1.D | Footnote Amt 4 L000001A | 0 | 0 | 0 | 0.008 | 0 |
| (6) | NAIC Designation Category 1.E | Footnote Amt 5 L000001A | 0 | 0 | 0 | 0.010 | 0 |
| (7) | NAIC Designation Category 1.F | Footnote Amt 6 L000001A | 0 | 0 | 0 | 0.013 | 0 |
| (8) | NAIC Designation Category 1.G | Footnote Amt 7 L000001A | 0 | 0 | 0 | 0.015 | 0 |
| (9) | Total NAIC 01 Bonds | Sum of Ls (1) through (8) | 0 | 0 | 0 | | 0 |
| (10) | NAIC Designation Category 2.A | Footnote Amt 1 L000001B | 0 | 0 | 0 | 0.018 | 0 |
| (11) | NAIC Designation Category 2.B | Footnote Amt 2 L000001B | 0 | 0 | 0 | 0.021 | 0 |
| (12) | NAIC Designation Category 2.C | Footnote Amt 3 L000001B | 0 | 0 | 0 | 0.025 | 0 |
| (13) | Total NAIC 02 Bonds | Sum of Ls (10) through (12) | 0 | 0 | 0 | | 0 |
| (14) | NAIC Designation Category 3.A | Footnote Amt 1 L000001C | 0 | 0 | 0 | 0.055 | 0 |
| (15) | NAIC Designation Category 3.B | Footnote Amt 2 L000001C | 0 | 0 | 0 | 0.060 | 0 |
| (16) | NAIC Designation Category 3.C | Footnote Amt 3 L000001C | 0 | 0 | 0 | 0.066 | 0 |
| (17) | Total NAIC 03 Bonds | Sum of Ls (14) through (16) | 0 | 0 | 0 | | 0 |
| (18) | NAIC Designation Category 4.A | Footnote Amt 1 L000001D | 0 | 0 | 0 | 0.071 | 0 |
| (19) | NAIC Designation Category 4.B | Footnote Amt 2 L000001D | 0 | 0 | 0 | 0.077 | 0 |
| (20) | NAIC Designation Category 4.C | Footnote Amt 3 L000001D | 0 | 0 | 0 | 0.087 | 0 |
| (21) | Total NAIC 04 Bonds | Sum of Ls (18) through (20) | 0 | 0 | 0 | | 0 |
| (22) | NAIC Designation Category 5.A | Footnote Amt 1 L000001E | 0 | 0 | 0 | 0.098 | 0 |
| (23) | NAIC Designation Category 5.B | Footnote Amt 2 L000001E | 0 | 0 | 0 | 0.109 | 0 |
| (24) | NAIC Designation Category 5.C | Footnote Amt 3 L000001E | 0 | 0 | 0 | 0.120 | 0 |
| (25) | Total NAIC 05 Bonds | Sum of Ls (22) through (24) | 0 | 0 | 0 | | 0 |
| (26) | Total NAIC 06 Bonds | Footnote Amt 1 L000001F | 0 | 0 | 0 | 0.300 | 0 |
| (27) | Subtotal - Bonds Subject to Bond Size Factor | L(9) - L(1) + L(13) + L(17) + L(21) + L(25) + L(26) | 0 | 0 | 0 | | 0 |
| (28) | Number of Issuers | | 0 | 0 | 0 | | |
| (29) | Bond Size Factor | | | | | | 6.800 |
| (30) | Bond Size Factor RBC | C(5)L(27) x C(5)L(29) | | | | | 0 |
| (31) | Total Bonds RBC | L(27) + L(30) | | | | | 0 |

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

UNAFFILIATED PREFERRED AND COMMON STOCK PR007

| | | (1) Book/Adjusted Carrying Value | Factor | (2) RBC Requirement |
|---|--|--|--------|------------------------|
| Unaffiliated Preferred Stock | | | | |
| (1) NAIC 01 Preferred Stock | Sch D Pt 2 Sn 1 | 0 | 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 Unaffiliated Common Stock | P2 C2 L2.2 - Sch D Pt6 Sn1 C9 L1899999 | 0 | | |
| (11) Admitted Unaffiliated Common Stock | L(8) - L(9) - L(10) | 0 | 0.150 | 0 |
| (12) Market Value Excess Affiliated Common Stock | PR003 C(13) L(9999999) | 0 | | 0 |
| (13) Total Unaffiliated Common Stock | L(11) + L(12) | 0 | | 0 |

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

OTHER LONG-TERM ASSETS PR008

| | Annual Statement Source | (1) <u>Book/Adjusted</u> <u>Carrying Value</u> | <u>Factor</u> | (2) <u>RBC Requirement</u> |
|--|--|--|---------------|-------------------------------|
| (1) Company Occupied Real Estate | P2 L4.1 C3 | 0 | 0.100 | 0 |
| (2) Encumbrances | P2 L4.1, inside item | 0 | 0.100 | 0 |
| (3) Property Held For the Production of Income | P2 L4.2 C3 | 0 | 0.100 | 0 |
| (4) Property Held For Sale | P2 L4.3 C3 | 0 | 0.100 | 0 |
| (5) Encumbrances (Property Held For the Production of Income) | P2 L4.2, inside item | 0 | 0.100 | 0 |
| (6) Encumbrances (Property Held For Sale) | P2 L4.3, inside item | 0 | 0.100 | 0 |
| (7) Total Real Estate | L(1)+L(2)+L(3)+L(4)+L(5)+L(6) | 0 | | 0 |
| (8) Mortgage Loans - First Liens | P2 L3.1 C3 | 0 | 0.050 | 0 |
| (9) Mortgage Loans - Other Than First Liens | P2 L3.2 C3 | 0 | 0.050 | 0 |
| (10) Total Mortgage Loans | L(8) + L(9) | 0 | | 0 |
| (11) Schedule BA Assets - Total | P2 L8 C3 | 0 | | |
| (12) Less: Collateral Loans | PR009 L(13) | 0 | | |
| (13) Federal Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L3599999 +L3699999 | 0 | 0.0014 | 0 |
| (14) Federal Non-Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L3799999 +L3899999 | 0 | 0.0260 | 0 |
| (15) State Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L3999999 +L4099999 | 0 | 0.0014 | 0 |
| (16) State Non-Guaranteed Low Income Housing Tax Credits | Schedule BA Part 1, C12 L4199999 +L4299999 | 0 | 0.0260 | 0 |
| (17) All Other Low Income Housing Tax Credits | Schedule BA Part 1, C12 L4399999 +L4499999 | 0 | 0.1500 | 0 |
| (18) Working Capital Finance Investments | L(20)+L(21) | 0 | | |
| (19) Schedule BA Assets Excluding Collateral Loans, LIHTC & WCFF | L(11)-L(12)-L(13)-L(14)-L(15) -L(16)-L(17)-L(18) | 0 | 0.2000 | 0 |
| (20) NAIC 01 Working Capital Finance Investments | Notes to Financial Statement Item L5M(01a) C3 | 0 | 0.0038 | 0 |
| (21) NAIC 02 Working Capital Finance Investments | Notes to Financial Statement Item L5M(01b) C3 | 0 | 0.0125 | 0 |
| (22) Total Other Long-Term Assets | L(7)+L(10)+L(13)+L(14)+L(15) +L(16)+L(17)+L(19)+L(20)+L(21) | 0 | | 0 |

MISCELLANEOUS ASSETS PR009

| | Annual Statement Source | (1) <u>Book/Adjusted</u> <u>Carrying Value</u> | <u>Factor</u> | (2) <u>RBC Requirement</u> |
|---|---------------------------------------|--|---------------|-------------------------------|
| (1) Receivable for Securities | P2C3L9 | 0 | 0.020 | 0 |
| (2) Aggregate W/I for Invest Assets | P2C3 L11 | 0 | 0.050 | 0 |
| (3) Cash | P2 L5, inside amt 1 | 0 | 0.003 | 0 |
| (4) Cash Equivalents | P2 L5, inside amt 2 | 0 | | |
| (5) Less: Cash Equivalents, Total Bonds | Sch E Pt 2 C7 L2509999999 | 0 | | |
| (6) Less: Exempt Money Market Mutual Funds as Identified by SVO | Sch E Pt 2 C7 L8209999999 | 0 | | |
| (7) Net Cash Equivalents | L(4)-L(5)-L(6) | 0 | 0.003 | 0 |
| (8) Short-Term Investments | P2 L5, inside amt 3 | 0 | | |
| (9) Short-Term Bonds | Sch DA Pt 1 C7 L2509999999 | 0 | | |
| (10) Total Other Short-Term Investments | L(8)-L(9) | 0 | 0.003 | 0 |
| (11) Collateral Loans | Sch BA Pt1 C12 L2999999+3099999 | 0 | | |
| (12) Less: Non-Admitted Collateral Loans | P2 L8 C2 in part | 0 | | |
| (13) Net Admitted Collateral Loans | L(11) - L(12) | 0 | 0.050 | 0 |
| (14) Derivatives | P2C3 L7 | 0 | 0.050 | 0 |
| (15) Total Miscellaneous Assets | L(1)+L(2)+L(3)+L(7)+L(10)+L(13)+L(14) | 0 | | 0 |

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

REPLICATION (SYNTHETIC ASSET) TRANSACTIONS AND MANDATORY CONVERTIBLE SECURITIES
 PR010

| | (1) RSAT Number | (2) Type | (3) CUSIP | (4) Description of Assets | (5) NAIC Designation or Other Description of Asset | (6) Value of Asset | (7) RBC Requirement |
|-----------|-----------------------|-------------|--------------|------------------------------|---|--------------------------|---------------------------|
| 0000001 | | | | | | 0 | 0 |
| 0000002 | | | | | | 0 | 0 |
| 0000003 | | | | | | 0 | 0 |
| 0000004 | | | | | | 0 | 0 |
| 0000005 | | | | | | 0 | 0 |
| 0000006 | | | | | | 0 | 0 |
| 0000007 | | | | | | 0 | 0 |
| 0000008 | | | | | | 0 | 0 |
| 0000009 | | | | | | 0 | 0 |
| 0000010 | | | | | | 0 | 0 |
| 0000011 | | | | | | 0 | 0 |
| 0000012 | | | | | | 0 | 0 |
| 0000013 | | | | | | 0 | 0 |
| 0000014 | | | | | | 0 | 0 |
| 0000015 | | | | | | 0 | 0 |
| 0000016 | | | | | | 0 | 0 |
| 0000017 | | | | | | 0 | 0 |
| 0000018 | | | | | | 0 | 0 |
| 0000019 | | | | | | 0 | 0 |
| 0000020 | | | | | | 0 | 0 |
| 0000021 | | | | | | 0 | 0 |
| 0000022 | | | | | | 0 | 0 |
| 0000023 | | | | | | 0 | 0 |
| 0000024 | | | | | | 0 | 0 |
| 0000025 | | | | | | 0 | 0 |
| 0000026 | | | | | | 0 | 0 |
| 0000027 | | | | | | 0 | 0 |
| 0000028 | | | | | | 0 | 0 |
| 0000029 | | | | | | 0 | 0 |
| 0000030 | | | | | | 0 | 0 |
| 0000031 | | | | | | 0 | 0 |
| 0000032 | | | | | | 0 | 0 |
| 0000033 | | | | | | 0 | 0 |
| 0000034 | | | | | | 0 | 0 |
| 0000035 | | | | | | 0 | 0 |
| 0000036 | | | | | | 0 | 0 |
| 0000037 | | | | | | 0 | 0 |
| 0000038 | | | | | | 0 | 0 |
| 0000039 | | | | | | 0 | 0 |
| 0000040 | | | | | | 0 | 0 |
| (9999999) | xxxxx | xxxxx | xxxxx | Total | xxxxx | 0 | 0 |

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

ASSET CONCENTRATION PR011

| (1) | | (2) | | (3) |
|-----------|---|-------------------------------------|---------------|-----------------------|
| ISSUER #1 | | | | |
| | | <u>Book/Adjusted Carrying Value</u> | <u>Factor</u> | <u>Additional RBC</u> |
| (1) | NAIC Designation Category 2.A Bonds | 0 | 0.0180 | 0 |
| (2) | NAIC Designation Category 2.B Bonds | 0 | 0.0210 | 0 |
| (3) | NAIC Designation Category 2.C Bonds | 0 | 0.0250 | 0 |
| (4) | NAIC Designation Category 3.A Bonds | 0 | 0.0550 | 0 |
| (5) | NAIC Designation Category 3.B Bonds | 0 | 0.0600 | 0 |
| (6) | NAIC Designation Category 3.C Bonds | 0 | 0.0660 | 0 |
| (7) | NAIC Designation Category 4.A Bonds | 0 | 0.0710 | 0 |
| (8) | NAIC Designation Category 4.B Bonds | 0 | 0.0770 | 0 |
| (9) | NAIC Designation Category 4.C Bonds | 0 | 0.0870 | 0 |
| (10) | NAIC Designation Category 5.A Bonds | 0 | 0.0980 | 0 |
| (11) | NAIC Designation Category 5.B Bonds | 0 | 0.1090 | 0 |
| (12) | NAIC Designation Category 5.C Bonds | 0 | 0.1200 | 0 |
| (13) | Collateral Loans | 0 | 0.0500 | 0 |
| (14) | Mortgage Loans | 0 | 0.0500 | 0 |
| (15) | NAIC 02 Working Capital Finance Investments | 0 | 0.0125 | 0 |
| (16) | Federal Guaranteed Low Income Housing Tax Credits | 0 | 0.0014 | 0 |
| (17) | Federal Non-Guaranteed Low Income Housing Tax Credits | 0 | 0.0260 | 0 |
| (18) | State Guaranteed Low Income Housing Tax Credits | 0 | 0.0014 | 0 |
| (19) | State Non-Guaranteed Low Income Housing Tax Credits | 0 | 0.0260 | 0 |
| (20) | All Other Low Income Housing Tax Credits | 0 | 0.1500 | 0 |
| (21) | SUBTOTAL - FIXED INCOME | 0 | | 0 |
| | | | | |
| (22) | NAIC 02 Unaffiliated Preferred Stock | 0 | 0.0100 | 0 |
| (23) | NAIC 03 Unaffiliated Preferred Stock | 0 | 0.0200 | 0 |
| (24) | NAIC 04 Unaffiliated Preferred Stock | 0 | 0.0450 | 0 |
| (25) | NAIC 05 Unaffiliated Preferred Stock | 0 | 0.1000 | 0 |
| (26) | Property Held For Production of Income or For Sale Excluding Home Office | 0 | 0.1000 | 0 |
| (27) | Property Held For Production of Income or For Sale Encumbrances Excluding Home Office | 0 | 0.1000 | 0 |
| (28) | Schedule BA Assets | 0 | 0.1000 | 0 |
| (29) | Receivable for Securities | 0 | 0.0200 | 0 |
| (30) | Aggregate Write-Ins for Invested Assets | 0 | 0.0500 | 0 |
| (31) | Derivatives | 0 | 0.0500 | 0 |
| (32) | Unaffiliated Common Stock | 0 | 0.1500 | 0 |
| (33) | SUBTOTAL - EQUITY | 0 | | 0 |
| | | | | |
| (34) | TOTAL - ISSUER #1 (L21+L33) | 0 | | 0 |

NOTE: Ten issuer sections and a grand total page will be available on the filing software. The grand total page is calculated as the sum of issuers 1-10 by asset type.

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

CREDIT RISK FOR RECEIVABLES PR012

| | Annual Statement Source | (1) Statement Value | Factor | (2) RBC Requirement |
|--|--------------------------|------------------------|--------|------------------------|
| (1) Total RBC Requirement for Collateralized Reinsurance Recoverables * | Sch F Pt3, C35, L9999999 | 0 | 1.000 | 0 |
| (2) Total RBC Requirement for Uncollateralized Reinsurance Recoverables * | Sch F Pt3, C36, L9999999 | 0 | 1.000 | 0 |
| (3) Guaranty Funds Receivable or on Deposit | P2 C3 L19 | 0 | 0.050 | 0 |
| (4) Investment Income Due & Accrued | P2 C3 L14 | 0 | 0.010 | 0 |
| (5) Recov from Parent, Subs, Affils | P2 C3 L23 | 0 | 0.050 | 0 |
| (6) Amts Receive relating to Uninsured A&H Plans | P2 C3 L17 | 0 | 0.050 | 0 |
| (7) Aggregate W/I for Other Than Invest Assets | P2 C3 L25 | 0 | 0.050 | 0 |
| (8) Total Credit RBC = L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7) | | 0 | | 0 |

* Schedule F data should be brought to full dollar amount by multiplying 1000.

HEALTH CREDIT RISK PR013

| | | (1) <u>Amount</u> | <u>Factor</u> | (2) <u>RBC Requirement</u> |
|--------------------------------------|---|---|---------------|-------------------------------|
| Capitations to Intermediaries | | | | |
| (1) | Total Capitations Paid Directly to Providers | PR021 Underwriting Risk Managed Care Credit Col (2) Line (5) | | |
| | | 0 | | |
| (2) | Less Secured Capitations to Providers | Company Records | 0 * | |
| (3) | Net Capitations to Providers Subject to Credit Risk Charge | L(1) - L(2) | 0.020 | 0 |
| (4) | Total Capitations to Intermediaries | PR021 Column (2) Lines (6) + (7) | | |
| | | 0 | | |
| (5) | Less Secured Capitations to Intermediaries | Company Records | 0 * | |
| (6) | Net Capitations to Intermediaries Subject to Credit Risk Charge | L(4) - L(5) | 0.040 | 0 |
| (7) | Capitation Credit Risk RBC | L(3) + L(6) | | 0 |
| Health ASO/ASC Credit Risk | | | | |
| (8) | ASC Claims Reported as Incurred Claims | Company Records | 0 | 0.010 |
| (9) | Other Medical Costs Paid through ASC Arrangements | Company Records | 0 | 0.010 |
| (10) | Fee-for Service Received from Health Insurer | Company Records | 0 | 0.010 |
| (11) | Total Health ASO/ASC Credit Risk | L(8) + L(9) + L(10) | | 0 |
| (12) | Total Health Credit Risk | L(7) + L(11) | | 0 |

* Enter amounts of secured capitation in PRCPT. Click on the yellow cells to go to the worksheet.

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

OFF-BALANCE SHEET ITEMS AND OTHER ITEMS PR014

| | Annual Statement Source | (1) Statement Value | (2) Factor | (3) RBC Requirement | (4) Yes/No Response |
|---|---|------------------------|---------------|------------------------|------------------------|
| <u>Non-Controlled Assets</u> | | | | | |
| (1) Conforming Securities Lending Programs | General Interrogatories Part 1 L25.04 | 0 | 0.002 | 0 | |
| (2) Securities Lending Programs - Other | General Interrogatories Part 1 L25.05 | 0 | 0.010 | 0 | |
| (3) Subject to Repurchase Agreements | General Interrogatories Part 1 L26.21 | 0 | 0.010 | 0 | |
| (4) Subject to Reverse Repurchase Agreements | General Interrogatories Part 1 L26.22 | 0 | 0.010 | 0 | |
| (5) Subject to Dollar Repurchase Agreements | General Interrogatories Part 1 L26.23 | 0 | 0.010 | 0 | |
| (6) Subject to Reverse Dollar Repurchase Agreements | General Interrogatories Part 1 L26.24 | 0 | 0.010 | 0 | |
| (7) Placed Under Option Agreements | General Interrogatories Part 1 L26.25 | 0 | 0.010 | 0 | |
| (8) Letter Stock or Other Securities Restricted as to Sale - Excluding FHLB Capital Stock | General Interrogatories Part 1 L26.26 | 0 | 0.010 | 0 | |
| (9) FHLB Capital Stock | General Interrogatories Part 1 L26.27 | 0 | 0.010 | 0 | |
| (10) On Deposit with States | General Interrogatories Part 1 L26.28 | 0 | 0.010 | 0 | |
| (11) On Deposit with Other Regulatory Bodies | General Interrogatories Part 1 L26.29 | 0 | 0.010 | 0 | |
| (12) Pledged as Collateral - Excluding Collateral Pledged to an FHLB | General Interrogatories Part 1 L26.30 | 0 | 0.010 | 0 | |
| (13) Pledged as Collateral to FHLB - Including Assets Backing Funding Agreements | General Interrogatories Part 1 L26.31 | 0 | 0.010 | 0 | |
| (14) Other | General Interrogatories Part 1 L26.32 | 0 | 0.010 | 0 | |
| (15) Total Non-Controlled Assets | Sum of L(1) through L(14) | 0 | | 0 | |
| (16) Guarantees for Affiliates | Notes to Financial Statements Item 14A(03C1) | 0 | 0.010 | 0 | |
| (17) Contingent Liabilities | Notes to Financial Statements Item 14a1 + Item 27a Amount 2 Unrecorded Loss Contingencies | 0 | 0.010 | 0 | |
| (18) Is the entity responsible for filing the U.S. Federal income tax return for the reporting insurer a regulated insurance company? | "Yes", "No" or "N/A" in Column (4) | | | | |
| (19) SSAP No. 101 Paragraph 11A Deferred Tax Assets | Notes to Financial Statements Item 9A2(a) | 0 | 0.010 | † 0 | |
| (20) SSAP No. 101 Paragraph 11B Deferred Tax Assets | Notes to Financial Statements Item 9A2(b) | 0 | | 0 | |
| (21) Total Miscellaneous Off Balance Sheet and Other Items=L(15)+L(16)+L(17)+L(19)+L(20) | | 0 | | 0 | |

† If Line (18) Column (4) is "Yes", then the factor is 0.005. If Line (18) Column (4) is "No", then the factor is 0.010. If Line (18) Column (4) is "N/A", then the factor is 0.000.

OFF-BALANCE SHEET COLLATERAL AND SCHEDULE DL, PART 1 ASSETS PR015

| | | (1) | (2) | (3) | (4) | |
|--|---|------------------------------|------------------------------|----------|--------|-----------------|
| | | Off-Balance Sheet Collateral | Schedule DL, Part 1 | | | |
| Asset Category | Annual Statement Source | Book/Adjusted Carrying Value | Book/Adjusted Carrying Value | Subtotal | Factor | RBC Requirement |
| Fixed Income Assets | | | | | | |
| 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) | Company Records | | | | | |
| | | 0 | 0 | 0 | 0.000 | 0 |
| (2) NAIC Designation Category 1.A | Company Records | 0 | 0 | 0 | 0.002 | 0 |
| (3) NAIC Designation Category 1.B | Company Records | 0 | 0 | 0 | 0.004 | 0 |
| (4) NAIC Designation Category 1.C | Company Records | 0 | 0 | 0 | 0.006 | 0 |
| (5) NAIC Designation Category 1.D | Company Records | 0 | 0 | 0 | 0.008 | 0 |
| (6) NAIC Designation Category 1.E | Company Records | 0 | 0 | 0 | 0.010 | 0 |
| (7) NAIC Designation Category 1.F | Company Records | 0 | 0 | 0 | 0.013 | 0 |
| (8) NAIC Designation Category 1.G | Company Records | 0 | 0 | 0 | 0.015 | 0 |
| (9) Total NAIC 01 Bonds | Sum of Ls (1) through (8) | 0 | 0 | 0 | | 0 |
| (10) NAIC Designation Category 2.A | Company Records | 0 | 0 | 0 | 0.018 | 0 |
| (11) NAIC Designation Category 2.B | Company Records | 0 | 0 | 0 | 0.021 | 0 |
| (12) NAIC Designation Category 2.C | Company Records | 0 | 0 | 0 | 0.025 | 0 |
| (13) Total NAIC 02 Bonds | Sum of Ls (10) through (12) | 0 | 0 | 0 | | 0 |
| (14) NAIC Designation Category 3.A | Company Records | 0 | 0 | 0 | 0.055 | 0 |
| (15) NAIC Designation Category 3.B | Company Records | 0 | 0 | 0 | 0.060 | 0 |
| (16) NAIC Designation Category 3.C | Company Records | 0 | 0 | 0 | 0.066 | 0 |
| (17) Total NAIC 03 Bonds | Sum of Ls (14) through (16) | 0 | 0 | 0 | | 0 |
| (18) NAIC Designation Category 4.A | Company Records | 0 | 0 | 0 | 0.071 | 0 |
| (19) NAIC Designation Category 4.B | Company Records | 0 | 0 | 0 | 0.077 | 0 |
| (20) NAIC Designation Category 4.C | Company Records | 0 | 0 | 0 | 0.087 | 0 |
| (21) Total NAIC 04 Bonds | Sum of Ls (18) through (20) | 0 | 0 | 0 | | 0 |
| (22) NAIC Designation Category 5.A | Company Records | 0 | 0 | 0 | 0.098 | 0 |
| (23) NAIC Designation Category 5.B | Company Records | 0 | 0 | 0 | 0.109 | 0 |
| (24) NAIC Designation Category 5.C | Company Records | 0 | 0 | 0 | 0.120 | 0 |
| (25) Total NAIC 05 Bonds | Sum of Ls (22) through (24) | 0 | 0 | 0 | | 0 |
| (26) Total NAIC 06 Bonds | Company Records | 0 | 0 | 0 | 0.300 | 0 |
| (27) Total Bonds | L(9) + (13) + (17) + (21) + (25) + (26) | 0 | 0 | 0 | | 0 |
| Equity Assets | | | | | | |
| Preferred Stock - Unaffiliated | | | | | | |
| (28) NAIC 01 Unaffiliated Preferred Stock | Company Records | | | 0 | 0.003 | 0 |
| (29) NAIC 02 Unaffiliated Preferred Stock | Company Records | | | 0 | 0.010 | 0 |
| (30) NAIC 03 Unaffiliated Preferred Stock | Company Records | | | 0 | 0.020 | 0 |
| (31) NAIC 04 Unaffiliated Preferred Stock | Company Records | | | 0 | 0.045 | 0 |
| (32) NAIC 05 Unaffiliated Preferred Stock | Company Records | | | 0 | 0.100 | 0 |
| (33) NAIC 06 Unaffiliated Preferred Stock | Company Records | | | 0 | 0.300 | 0 |
| (34) Total Unaffiliated Preferred Stock | Sum of Ls (28) through (33) | 0 | 0 | 0 | | 0 |
| (35) Unaffiliated Common Stock | Company Records | | | 0 | 0.150 | 0 |
| (36) Real Estate and Schedule BA - Other Invested Assets | Company Records | | | 0 | 0.200 | 0 |
| (37) Other Invested Assets | Company Records | | | 0 | 0.200 | 0 |
| (38) Mortgage Loans on Real Estate | Company Records | | | 0 | 0.050 | 0 |
| (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) | Company Records | | | 0 | 0.003 | 0 |
| (40) Total | L(27)+L(34)+L(35)+L(36)+L(37)+L(38)+L(39) | 0 | 0 | 0 | | 0 |

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

EXCESSIVE PREMIUM GROWTH PR016

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|------|---|------------------------|----------------------------------|----------------------|--|-----------------|--------|-----------------|
| | Company Gross Written Premiums* | Company Adjustments | Group Gross Written Premiums* | Group Adjustments | Selected Adjusted Gross Written Premium | Statement Value | Factor | RBC Requirement |
| (1) | 2023 | 0 | 0 | 0 | 0 | xxx | | xxx |
| (2) | 2022 | 0 | 0 | 0 | 0 | xxx | | xxx |
| (3) | 2021 | 0 | 0 | 0 | 0 | xxx | | xxx |
| (4) | 2020 | 0 | 0 | 0 | 0 | xxx | | xxx |
| (5) | 2023 Growth Rate=[L(1)-L(2)]/L(2) | | | | | | 0.000 | |
| (6) | 2022 Growth Rate=[L(2)-L(3)]/L(3) | | | | | | 0.000 | |
| (7) | 2021 Growth Rate=[L(3)-L(4)]/L(4) | | | | | | 0.000 | |
| (8) | Three Year Average Growth Rate | | | | | | 0.000 | |
| (9) | Two Year Average Growth Rate | | | | | | 0.000 | |
| (10) | One Year Average Growth Rate | | | | | | 0.000 | |
| (11) | Selected Average Growth Rate | | | | | | 0.000 | |
| (12) | RBC Average Growth Rate=L(11) - 10%, capped to fall between 0% and 30% | | | | | | 0.000 | |
| (13) | Excessive Growth Charge Applied to Loss/Expense Reserve from Schedule P Pt1 Summary C24 L12 x 1000 (in whole dollars) | | | | | | 0 | 0.000 |
| (14) | Excessive Growth Charge Applied to Net Written Premiums from U&I Exhibit Pt 1B C6 L35 | | | | | | 0 | 0.000 |

*Enter Company and Group Gross Written Premiums in PR039. Click on the yellow cells to go to the worksheet.

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

| Footnote | Name of Involuntary Residual Market (For Servicing Carrier only) | Adjustment Amount |
|-----------------|---|-------------------|
| (0000001) | | |
| (0000002) | | |
| (0000003) | | |
| (0000004) | | |
| (9999999) Total | | |

UNDERWRITING RISK - RESERVES PR017

| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|------|--|--------|--------|--------|--------|--------|-------------------|---------------|--------|--------|----------------------|
| | SCH P LINE OF BUSINESS | H/F | PPA | CA | WC | CMP | MPL OCCURRENCE | MPL CLMS MADE | SL | OL | FIDELITY / SURETY |
| (1) | INDUSTRY AVERAGE DEVELOPMENT | 0.999 | 1.047 | 1.106 | 0.873 | 1.026 | 0.906 | 0.984 | 0.994 | 0.969 | 0.852 |
| (2) | COMPANY DEVELOPMENT | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (3) | (2)/(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (4) | INDUSTRY LOSS & EXPENSE RBC % | 0.213 | 0.179 | 0.276 | 0.344 | 0.494 | 0.383 | 0.276 | 0.304 | 0.531 | 0.371 |
| (5) | COMPANY RBC % (4)*(3)*.5+(4)*.5 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (6) | LOSS & LOSS ADJUSTMENT EXPENSE UNPAID SCH. P PART 1 (in 000s) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (7) | OTHER DISCOUNT AMOUNT NOT INCLUDED IN LOSS & LOSS ADJUSTMENT EXPENSE UNPAID IN SCH. P PART 1 (in 000s) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (8) | ADJUSTMENT FOR INVESTMENT INCOME | 0.938 | 0.928 | 0.911 | 0.830 | 0.876 | 0.865 | 0.883 | 0.890 | 0.852 | 0.940 |
| (9) | BASE LOSS & LOSS ADJUSTMENT EXPENSE RESERVE RISK-BASED CAPITAL (000's) MAX {0,[(5)+1)*(8)-1}*[(6)+(7)]} zero if Line [(6)+(7)] is negative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (10) | % DIRECT LOSS SENS | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| (11) | % ASSUMED LOSS SENS | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| (12) | LOSS SENSITIVE DISCOUNT (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (13) | LOSS & LOSS ADJUSTMENT EXPENSE RBC AFTER DSCT (in 000s) L(09) - L(12) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (14) | LOSS CONCEN FACTOR | | | | | | | | | | |
| (15) | TOTAL NET RESERVE RBC x1000 (converted to whole dollars) | | | | | | | | | | |

This worksheet is to show the results of the calculation of
Underwriting Risk - Reserves
Enter data in PR035 through PR039, PR100 through PR701 and
PROTH

UNDERWRITING RISK - RESERVES PR017

| | | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) |
|------|---|---------------------|-------------------------|-------------------------------|-------------------------------------|--------|--|-----------------|--------|----------|-------|
| | SCH P LINE OF BUSINESS | SPECIAL PROPERTY | AUTO PHYSICAL DAMAGE | OTHER (INCLUDE CREDIT,A&H) | FINANCIAL / MORTGAGE GUARANTY | INTL | REIN. PROPERTY & FINANCIAL LINES | REIN. LIABILITY | PL | WARRANTY | TOTAL |
| (1) | INDUSTRY AVERAGE DEVELOPMENT | 0.983 | 1.016 | 0.946 | 0.674 | 2.414 | 0.924 | 1.024 | 0.874 | 0.995 | XXX |
| (2) | COMPANY DEVELOPMENT | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (3) | (2)/(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (4) | INDUSTRY LOSS & EXPENSE RBC % | 0.246 | 0.155 | 0.220 | 0.179 | 0.359 | 0.415 | 0.656 | 0.802 | 0.371 | XXX |
| (5) | COMPANY RBC % (4)*(3)*.5+(4)*.5 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (6) | LOSS & LOSS ADJUSTMENT EXPENSE UNPAID SCH. P PART 1 (in 000s) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0 |
| (7) | OTHER DISCOUNT AMOUNT NOT INCLUDED IN LOSS & LOSS ADJUSTMENT EXPENSE UNPAID IN SCH. P PART 1 (in 000s) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0 |
| (8) | ADJUSTMENT FOR INVESTMENT INCOME | 0.966 | 0.976 | 0.967 | 0.926 | 0.874 | 0.901 | 0.838 | 0.841 | 0.940 | XXX |
| (9) | BASE LOSS & LOSS ADJUSTMENT EXPENSE RESERVE RISK-BASED CAPITAL (000's) MAX {0,[((5)+1)*(8)-1]*[(6)+(7)]} zero if Line [(6)+(7)] is negative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (10) | % DIRECT LOSS SENS | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | XXX |
| (11) | % ASSUMED LOSS SENS | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | XXX |
| (12) | LOSS SENSITIVE DISCOUNT (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (13) | LOSS & LOSS ADJUSTMENT EXPENSE RBC AFTER DSCT (in 000s) L(09) - L(12) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (14) | LOSS CONCEN FACTOR | | | | | | | | | | 1.000 |
| (15) | TOTAL NET RESERVE RBC x1000 (converted to whole dollars) | | | | | | | | | | 0 |

This worksheet is to show the results of the calculation of
Underwriting Risk - Reserves
Enter data in PR035 through PR039, PR100 through PR701 and
PROTH

UNDERWRITING RISK - NET WRITTEN
PREMIUMS PR018

| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|------|---|--------|--------|--------|--------|--------|-------------------|---------------|--------|--------|----------------------|
| | SCH P LINE OF BUSINESS | H/F | PPA | CA | WC | CMP | MPL OCCURRENCE | MPL CLMS MADE | SL | OL | FIDELITY / SURETY |
| (1) | INDUSTRY AVERAGE LOSS & LOSS ADJUSTMENT EXPENSE RATIO | 0.679 | 0.791 | 0.777 | 0.651 | 0.671 | 0.767 | 0.815 | 0.578 | 0.641 | 0.363 |
| (2) | COMPANY AVERAGE LOSS & LOSS ADJUSTMENT EXPENSE RATIO | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (3) | (2)/(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (4) | INDUSTRY LOSSES & LOSS ADJUSTMENT EXPENSE RATIO | 0.936 | 0.969 | 1.010 | 1.044 | 0.883 | 1.668 | 1.130 | 0.922 | 1.013 | 0.854 |
| (5) | COMPANY RBC LOSSES & LOSS ADJUSTMENT EXPENSE RATIO (3)*(4)*0.5+(4)*0.5 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (6) | COMPANY UNDERWRITING EXPENSE RATIO | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (7) | ADJUSTMENT FOR INVESTMENT INCOME | 0.954 | 0.925 | 0.890 | 0.839 | 0.896 | 0.767 | 0.827 | 0.898 | 0.816 | 0.904 |
| (8) | C/Y NET WRITTEN PREMIUM (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (9) | BASE WRITTEN PREMIUM RISK-BASED CAPITAL (in 000s) MAX {0,(8)*[(5)*(7)+(6)-1]} zero if Line (8) is negative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (10) | % DIRECT LOSS SENS WP | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| (11) | % ASSUMED LOSS SENS WP | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |
| (12) | LOSS SENSITIVE DSCT - WP (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (13) | NWP RBC AFTER DSCT (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (14) | PREMIUM CONCENTRATION FACTOR | | | | | | | | | | |
| (15) | NET WRITTEN PREMIUM RBC x 1000 (converted to whole dollars) | | | | | | | | | | |

This worksheet is to show the results of the calculation
of Underwriting Risk - Net Written Premiums

Enter data in PR035 through PR039, PR100 through
PR701 and PROTH

UNDERWRITING RISK - NET WRITTEN PREMIUMS PR018

| | | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) |
|------|---|---------------------|-------------------------|-------------------------------|-------------------------------------|--------|--|-----------------|--------|----------|-------|
| | SCH P LINE OF BUSINESS | SPECIAL PROPERTY | AUTO PHYSICAL DAMAGE | OTHER (INCLUDE CREDIT,A&H) | FINANCIAL / MORTGAGE GUARANTY | INTL | REIN. PROPERTY & FINANCIAL LINES | REIN. LIABILITY | PL | WARRANTY | TOTAL |
| (1) | INDUSTRY AVERAGE LOSS & LOSS ADJUSTMENT EXPENSE RATIO | 0.550 | 0.727 | 0.702 | 0.209 | 1.136 | 0.578 | 0.743 | 0.597 | 0.652 | XXX |
| (2) | COMPANY AVERAGE LOSS & LOSS ADJUSTMENT EXPENSE RATIO | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (3) | (2)/(1) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (4) | INDUSTRY LOSSES & LOSS ADJUSTMENT EXPENSE RATIO | 0.863 | 0.836 | 0.935 | 1.598 | 1.234 | 1.170 | 1.322 | 1.263 | 0.854 | XXX |
| (5) | COMPANY RBC LOSSES & LOSS ADJUSTMENT EXPENSE RATIO (3)*(4)*0.5+(4)*0.5 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (6) | COMPANY UNDERWRITING EXPENSE RATIO | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | XXX |
| (7) | ADJUSTMENT FOR INVESTMENT INCOME | 0.949 | 0.971 | 0.947 | 0.884 | 0.905 | 0.893 | 0.777 | 0.774 | 0.904 | XXX |
| (8) | C/Y NET WRITTEN PREMIUM (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (9) | BASE WRITTEN PREMIUM RISK-BASED CAPITAL (in 000s) MAX {0,(8)*[(5)*(7)+(6)-1]} zero if Line (8) is negative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (10) | % DIRECT LOSS SENS WP | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | XXX |
| (11) | % ASSUMED LOSS SENS WP | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | XXX |
| (12) | LOSS SENSITIVE DSCT - WP (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (13) | NWP RBC AFTER DSCT (in 000s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (14) | PREMIUM CONCENTRATION FACTOR | | | | | | | | | | 1.000 |
| (15) | NET WRITTEN PREMIUM RBC x 1000 (converted to whole dollars) | | | | | | | | | | 0 |

This worksheet is to show the results of the calculation of Underwriting Risk - Net Written Premiums

Enter data in PR035 through PR039, PR100 through PR701 and PROTH

HEALTH PREMIUMS PR019

| | | (1) | | (2) |
|--|--|---|-----------------|-----------------|
| | | Annual Statement Source | Statement Value | RBC Requirement |
| Medical Insurance Premium - Individual | | | | |
| (1) | Comprehensive (Medical and Hospital) | Earned Premium (Schedule H Part 1 Column 3 Line 2) | 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 | | | | |
| (7) | Comprehensive (Medical and Hospital) | Earned Premium (Schedule H Part 1 Column 5 Line 2) | 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 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 | ‡ 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) | 0 | 0.120 0 |
| (26) | Total Earned Premiums | Sum of Lines (1) through (25) | 0 | 0 |
| (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.

UNDERWRITING RISK - PREMIUM RISK FOR COMPREHENSIVE MEDICAL, MEDICARE SUPPLEMENT AND DENTAL & VISION PR020
(Experience Fluctuation Risk in Life RBC Formula)

| | | (1) | (2) | (3) | (4) | (5) |
|--------|---|------------------------------|----------------------------|----------------------------|---|--------------|
| | | <u>Comprehensive Medical</u> | <u>Medicare Supplement</u> | <u>Dental & Vision</u> | <u>Stand-Alone Medicare Part D Coverage</u> | <u>TOTAL</u> |
| (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‡ | 0.1434 | 0.0980 | 0.1148 | 0.251 | XXX |
| (10.2) | Underwriting Risk Factor for Excess of Initial Amount‡ | 0.0838 | 0.0603 | 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.

UNDERWRITING RISK - MANAGED CARE CREDIT PR021

| | | | (2) | | (3) | (4) |
|---|---|--|----------------|--------|---------------------|--------------------------------|
| Comprehensive Medical, Medicare Supplement and Dental & Vision Claim Payments | | | Paid Claims | Factor | Weighted Claims† | Part D Weighted Claims†† |
| Annual Statement Source | | | | | | |
| (1) | Category 0 - Arrangements not Included in Other Categories | Company records | 0 | 0.000 | 0 | |
| (2) | Category 1 - Payments Made According to Contractual Arrangements | Company records | 0 | 0.150 | 0 | |
| (3) | Category 2a - Subject to Withholds or Bonuses/Incentives – Otherwise Category 0* | Company records | 0 | * | 0 | |
| (4) | Category 2b - Subject to Withholds or Bonuses/Incentives – Otherwise Category 1** | Company records | 0 | ** | 0 | |
| (5) | Category 3a - Capitated Payments Directly to Providers | Company records | 0 | 0.600 | 0 | |
| (6) | Category 3b - Capitated Payments to Regulated Intermediaries | Company records | 0 | 0.600 | 0 | |
| (7) | Category 3c - Capitated Payments to Non-Regulated Intermediaries | Company records | 0 | 0.600 | 0 | |
| (8) | Category 4 - Medical & Hospital Expense Paid as Salary to Providers | Company records | 0 | 0.750 | 0 | |
| (9) | Sub-Total Paid Claims | Sum of Lines (1) through (8) | 0 | | 0 | |
| Stand-Alone Medicare Part D Coverage Claim Payments | | | | | | |
| (10.1) | Category 0 - No Federal Reinsurance or Risk Corridor Protection | Company records | XXX | XXX | | XXX |
| (10.2) | Category 1 - Federal Reinsurance but no Risk Corridor Protection | Company records | XXX | XXX | | XXX |
| (10.3) | Category 2a - No Federal Reinsurance but Risk Corridor Protection | Company records | 0 | 0.667 | | 0 |
| (10.4) | Category 3a - Federal Reinsurance and Risk Corridor Protection apply | Company records | 0 | 0.767 | | 0 |
| (10.5) | Sub-Total Paid Claims | Sum of Lines (10.1) through (10.4) | 0 | | | 0 |
| (10.6) | Total Paid Claims | Sum of Lines (9) and (10.5) | 0 | | | |
| (11) | Weighted Average Managed Care Discount | Col (3) = Col (3) Line (9) / Col (2) Line (9) Col (4) = Col (4) Line (10.5) / Col (2) Line (10.5) | | | 0.000 | 0.000 |
| (12) | Weighted Average Managed Care Risk Adjustment Factor | Col (3) = 1.0 - Col (3) Line (11) Col (4) = 1.0 - Col (4) Line (11) | | | 0.000 | 0.000 |
| Calculation of Category 2 Managed Care Factor | | | (1) Amount | | | |
| (13) | Withhold & bonus/incentive payments, prior year | Company Records | 0 | | | |
| (14) | Withhold & bonuses/incentives available, prior year | Company Records | 0 | | | |
| (15) | Managed Care Credit Multiplier – average withhold returned | Line (13) / Line (14) | 0.000 | | | |
| (16) | Withholds & bonuses/incentives available, prior year | Line (14) | 0 | | | |
| (17) | Claims payments subject to withhold, prior year | Company Records | 0 | | | |
| (18) | Average withhold rate, prior year | Line (16) / Line (17) | 0.000 | | | |
| (19) | Managed Care Credit Discount Factor, Category 2 | Minimum of 0.25 or Line (15) x Line (18) | 0.000 | | | |

* Category 2 Managed Care Factor calculated on Line (19)

**Category 2 Managed Care Factor calculated on Line (19) with a minimum factor of 15 percent.

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

†† This column is for the Stand-Alone Medicare Part D managed care discount factor.

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

UNDERWRITING RISK - OTHER AND TOTAL NET HEALTH PREMIUM RBC PR022

| | | (1) Amount | Factor | (2) RBC Requirement |
|---|---|---------------|--------|------------------------|
| Rate Guarantees & Federal Employees Health Benefits | | | | |
| (1) Business with Rate Guarantees Between 15-36 Months | Company Records | 0 | 0.024 | 0 |
| (2) Business with Rate Guarantees Over 36 Months | Company Records | 0 | 0.064 | 0 |
| (3) Federal Employees Health Benefit Program (FEHBP) Claims Incurred | Company Records | 0 | 0.020 | 0 |
| (4) Total, Rate Guarantees & Federal Employees Health Benefits | L(1) + L(2) + L(3) | 0 | | 0 |
| Administrative Expenses for Certain A&H Coverages | | | | |
| (5) Total Accident and Health Premiums | PR019 Health Premiums Column (1) Line (26) | 0 | | |
| (6) Accident and Health Premiums from Underwriting Risk | PR020 Underwriting Risk Column (5) Line (1.3) | 0 | | |
| (7) Accident and Health Premiums Factor | L(6)/L(5) | 0.000 | | |
| (8) Administrative Expenses for Health Insurance | Company Records | 0 | | |
| (9) Less Administrative Expenses for Administrative Service Contracts (ASC) included in Line (8) | Company Records | 0 | | |
| (10) Less Administrative Expenses for Administrative Services Only (ASO) Business included in Line (8) | Company Records | 0 | | |
| (11) Less Administrative Expenses for Commissions and Premium Taxes | Company Records | 0 | | |
| (12) Net Administrative Expenses | L(8) - L(9) - L(10) - L(11) | 0 | | |
| (13) Composite Health Administrative Expense Risk Factor | (7% of L(6) up to \$25 million + 4% of excess)/L(6) | 0.000 | | |
| (14) Administrative Expense Component for Health | L(12) x L(7) x L(13) | | | 0 |
| Health ASO/ASC | | | | |
| (15) Administrative Expenses for ASC Business | Company Records* | 0 | 0.020 | 0 |
| (16) Administrative Expenses for ASO Business | Company Records* | 0 | 0.020 | 0 |
| (17) Total Health ASO/ASC | L(15) + L(16) | 0 | | 0 |
| (18) Total Underwriting Risk - Other | L(4) + L(14) + L(17) | | | 0 |
| Total Net Health Premium RBC | | | | |
| (19) Total Health Premium RBC | L(18) + PR019 C(2) L(26) + PR020 C(5) L(18) | | | |
| (20) Premium Concentration Factor | PR018 C(20) L(14) | | | 1.000 |
| (21) Total Net Health Premium RBC | L(19) x L(20) | | | 0 |

* Line (15) should be greater than or equal to Line (9). Line (16) should be greater than or equal to Line (10).

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

LONG-TERM CARE **PR023**

| | | <u>Annual Statement Source</u> | (1) <u>Amount</u> | <u>Factor</u> | (2) <u>RBC Requirement</u> |
|---|--|--|----------------------|------------------------|-------------------------------|
| <u>Long-Term Care (LTC) Insurance Premium</u> | | | | | |
| (1) | All LTC Premium - Morbidity Risk (to \$50 million) | Line (4.1) Column (1) up to 50 million | 0 | 0.100 | 0 |
| (2) | LTC Premium (Over \$50 million) - Morbidity Risk | Remainder of Line (4.1) Column (1) over 50 million | 0 | 0.030 | 0 |
| (3) | Premium-Based RBC | Col (2), L(1) + L(2) | | | 0 |
| | | | | | |
| | | | (1) | (2) | (3) Col. (2)/(1) |
| | | <u>Data Source</u> | <u>Premiums</u> | <u>Incurred Claims</u> | <u>Loss Ratio</u> § |
| <u>Historical Loss Ratio Experience</u> | | | | | |
| (4.1) | Current Year | Company Records | 0 | 0 | 0.000 |
| (4.2) | Immediate Prior Year | Company Records | 0 | 0 | 0.000 |
| (4.3) | Average Loss Ratio | If loss ratios are used, [Column (3), Line (4.1) + Line (4.2)]/2, otherwise zero | | | 0.000 |
| | | | | | |
| (5) | Adjusted LTC Claims for RBC | If Column (3) Line (4.3) <> 0, then [Column (1), Line (1) + Line (2)] X Column (3), Line (4.3), else Column (2) Line (4.1) | 0 | | |
| | | | | | |
| (5.1) | Claims (to \$35 million) - Morbidity Risk | Lower of Col (2), Line (5) and \$35 million | 0 | 0.370 | † 0 |
| (5.2) | Claims (over \$35 million) - Morbidity Risk | Excess of Col (2), Line (5) over \$35 million | 0 | 0.120 | ‡ 0 |
| (6) | Claims-based RBC | L(5.1) + L(5.2) | 0 | | 0 |
| (7) | LTC Morbidity Risk | Col (2), L(3) + Col (4), L(6) | | | 0 |

† If Column (1), Line (4.1) is positive, then a factor of 0.250 is used. Otherwise, a higher factor of 0.370 is used.

‡ If Column (1), Line (4.1) is positive, then a factor of 0.080 is used. Otherwise, a higher factor of 0.120 is used.

§ If Column (1), Line (4.1) or (4.2) are less than or equal to zero or if Column (2), Line (4.1) or (4.2) are less than zero, the loss ratios are not used and Column (3), Line (4.3) is set to zero.

Health Claim Reserves PR024

| | | | (1) | | (2) |
|-----|---------------------------------|-----------------------------------|-----------------|--------|-----------------|
| | | | Statement Value | Factor | RBC Requirement |
| | | | | | |
| (1) | Individual Claim Reserves | Company Records | 0 | 0.050 | 0 |
| (2) | Group & Credit Claim Reserves | L(3) - L(1) | 0 | 0.050 | 0 |
| (3) | Total Health Claims Reserve RBC | Sch H Pt 2, Sec C, Col 1, Line C1 | 0 | | 0 |
| (4) | Loss Concentration Factor | PR017 C(20) L(14) | | | 1.000 |
| (5) | Net Health Claims Reserves RBC | L(3) x L(4) | | | 0 |

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

PREMIUM STABILIZATION RESERVES PR025

| | | (1) | | (2) |
|---|---|--|--------|-----------------|
| | | Statement Value | Factor | RBC Requirement |
| Group & Credit Health Premium Stabilization Reserves Reported | | | | |
| (1) | Stabilization Reserves and Experience Rating Refunds | Company Records | 0 | 0.500 |
| (2) | Provision for Experience Rating Refunds | Company Records | 0 | 0.500 |
| (3) | Reserve for Group Rate Credits | Company Records | 0 | 0.500 |
| (4) | Reserve for Credit Rate Credits | Company Records | 0 | 0.500 |
| (5) | Premium Stabilization Reserves | Company Records | 0 | 0.500 |
| (6) | Total of Preliminary Premium Stabilization Reserve Credit | Sum of Lines (1) through (5) | 0 | 0 |
| Group & Credit Health Risk-Based Capital | | | | |
| (7) | Maximum Risk-Based Capital | PR024 Health Claim Reserves Column (2) Line (2) + PR019 Health Premiums Column (2) Lines (9), (11), (12), (13), (17), (18), (19), (20) and (21) + [PR020 Underwriting Risk- Premiums Risk Column (5) Line (18) - Column (4) Line (18) x Line (1.2) / Line (1.3)] | 0 | |
| (8) | Final Premium Stabilization Reserve Credit | Column (2) Line (6), but not more than Column (1) Line (7) | 0 | -1.000 |

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

FEDERAL ACA RISK ADJUSTMENT SENSITIVITY TEST PR026

| | Annual Statement Source | (1) Amount | Sensitivity % | (2) Subtotal | Factor | (3) RBC Result | (4) Adjusted Capital |
|-------------------------------|---|-------------------------------------|------------------|-----------------|--------|-------------------|-------------------------|
| <u>Overestimation of 25%</u> | | | | | | | |
| (1) | Premium Adjustments Receivable Due to ACA Risk Adjustment | Notes to Financial Statement 24F2a1 | | | | | |
| | | 0 | 0.75 | 0 | 0.500 | 0 | |
| (2) | Premium Adjustments Payable Due to ACA Risk Adjustment | Notes to Financial Statement 24F2a3 | | | | | |
| | | 0 | 0.75 | 0 | 0.500 | 0 | |
| (3) | Total ACA Risk Adjustments Payable less Receivable | Line (2) - Line (1) | | | | 0 | |
| (4) | Total Risk Adjustment | Absolute Value of (Line (3)) | | | | 0 | |
| (5) | Total Adjusted Capital, Post-Deferred Tax | PR029, Column (2) Line (15) | | | | | 0 |
| (6) | Total Adjusted Capital Stressed for Risk Adjustments | Line (5) - Line (4) | | | | | 0 |
| (7) | Authorized Control Level RBC | PR032, Column (1) Line (65) | | | | | 0 |
| (8) | ACA Risk Adjusted ACL RBC Ratio | Line (6)/Line (7) | | | | | 0.000% |
| <u>Underestimation of 25%</u> | | | | | | | |
| (9) | Premium Adjustments Receivable Due to ACA Risk Adjustment | Col. (1), Line (1) | | | | | |
| | | 0 | 1.25 | 0 | 0.500 | 0 | |
| (10) | Premium Adjustments Payable Due to ACA Risk Adjustment | Col. (1), Line (2) | | | | | |
| | | 0 | 1.25 | 0 | 0.500 | 0 | |
| (11) | Total ACA Risk Adjustments Payable less Receivable | Line (10) - Line (9) | | | | 0 | |
| (12) | Total Risk Adjustment | Absolute Value of (Line (11)) | | | | 0 | |
| (13) | Total Adjusted Capital, Post-Deferred Tax | PR029, Column (2) Line (15) | | | | | 0 |
| (14) | Total Adjusted Capital Stressed for Risk Adjustments | Line (13) - Line (12) | | | | | 0 |
| (15) | Authorized Control Level RBC | PR032, Column (1) Line (65) | | | | | 0 |
| (16) | ACA Risk Adjusted ACL RBC Ratio | Line (14)/Line (15) | | | | | 0.000% |

Footnote: If it is the belief of the company that the factors are not appropriate, provide an explanation as to why the factors are inappropriate.

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

CALCULATION OF CATASTROPHE RISK CHARGE FOR EARTHQUAKE PR027A

| | | Modeled Losses | | | |
|---|---|---------------------------|---------------|---------------------------------|--|
| Earthquake | Reference | (1) Direct and Assumed | (2) Net | 3† Ceded Amounts Recoverable | (4)†† Ceded Amounts Recoverable with zero Credit Risk Charge |
| (1) Worst Year in 50 | Company Records | | | | |
| (2) Worst Year in 100 | Company Records | | | | |
| (3) Worst Year in 250 | Company Records | | | | |
| (4) Worst Year in 500 | Company Records | | | | |
| | | | | (5) Y/N | |
| (5) Has the company reported above, its modeled earthquake losses using an occurrence exceedance probability (OEP) basis? | | | | | |
| | | Reference | (6) Amount | Factor | (7) RBC Requirement (C(6) * Factor) |
| (6) Net Earthquake Risk | L(2) C(2) | | 0 | 1.000 | 0 |
| (7) Contingent Credit Risk for Earthquake Risk | L(2) C(3) - C(4) | | 0 | 0.018 | 0 |
| (8) Total Earthquake Catastrophe Risk (AEP Basis) | If L(5) C(5) = "N", L(8) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0" | | 0 | 1.000 | 0 |
| (9) Total Earthquake Catastrophe Risk (OEP Basis) | If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0" | | 0 | 1.000 | 0 |
| (10) Total Earthquake Catastrophe Risk | L(8) C(7) + L(9) C(7) | | | | 0 |

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, Corelogic, RMS, KCC, or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

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

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

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

CALCULATION OF CATASTROPHE RISK CHARGE FOR HURRICANE PR027B

| | | Modeled Losses | | | | |
|--|---|---------------------------|------------|---------------------------------|--|---|
| Hurricane | Reference | (1) Direct and Assumed | (2) Net | 3† Ceded Amounts Recoverable | (4)†† Ceded Amounts Recoverable with zero Credit Risk Charge | |
| (1) Worst Year in 50 | Company Records | | | | | |
| (2) Worst Year in 100 | Company Records | | | | | |
| (3) Worst Year in 250 | Company Records | | | | | |
| (4) Worst Year in 500 | Company Records | | | | | |
| | | | | (5) Y/N | | |
| (5) Has the company reported above, its modeled hurricane losses using an occurrence exceedance probability (OEP) basis? | | | | | | |
| | | | | (6) Amount | Factor | (7) RBC Requirement (C(6) * Factor) |
| (6) Net Hurricane Risk | L(2) C(2) | | | 0 | 1.000 | 0 |
| (7) Contingent Credit Risk for Hurricane Risk | L(2) C(3) - C(4) | | | 0 | 0.018 | 0 |
| (8) Total Hurricane Catastrophe Risk (AEP Basis) | If L(5) C(5) = "N", L(8) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0" | | | 0 | 1.000 | 0 |
| (9) Total Hurricane Catastrophe Risk (OEP Basis) | If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0" | | | 0 | 1.000 | 0 |
| (10) Total Hurricane Catastrophe Risk | L(8) C(7) + L(9) C(7) | | | | | 0 |

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, CoreLogic, RMS, KCC, the ARA HurLoss Model, or the Florida Public Model for hurricane; or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

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

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

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

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

Table with 6 columns: Wildfire, Reference, (1) Direct and Assumed, (2) Net, Modeled Losses, (3) Ceded Amounts Recoverable, (4) Ceded Amounts Recoverable with zero Credit Risk Charge. Includes sections for modeled losses, company records, and a disclosure section for model-based reporting.

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, RMS, or KCC; or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).
††Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

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

CALCULATION OF CATASTROPHE RISK CHARGE PR027

| | <u>Reference</u> | (1) <u>RBC Amount</u> |
|--|---|--------------------------|
| (1) Total Earthquake Catastrophe Risk | PR027A L(10) C(7) | 0 |
| (2) Total Hurricane Catastrophe Risk | PR027B L(10) C(7) | 0 |
| (3) Total Wildfire Catastrophe Risk | PR027C L(10)C(7) | 0 |
| (4) Total Catastrophe Risk (Rcat) | $\text{SQRT}(L(1)^2 + L(2)^2 + L(3)^2)$ | 0 |
| (4a) Total Catastrophe Risk (Rcat For Informational Purposes Only) | $\text{SQRT}(L(1)^2 + L(2)^2 + L(3)^2)$ | 0 |

Lines 3 and 4a are for informational purposes only

Not for Distribution

INTERROGATORY TO SUPPORT EXEMPTION FROM COMPLETING PR027 (To be completed by companies reporting no RBC charge in either Lines 1 through 3) PR027INT

Place an "X" in the appropriate cell
for the criteria under which the
company is claiming an exemption

A Earthquake Exemption (To be completed by companies reporting no RBC charge in PR027 Line 1) -

- (1) The company has not entered into a reinsurance agreement covering earthquake exposure with a non-affiliate or a non-US affiliate and, either
- (1a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for earthquake risks; Or
- (1b) the company cedes 100% of its earthquake exposures to its US affiliate(s), leaving no net exposure for earthquake risks
- (2) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%
- (3) The company has written Insured Value - Property that includes earthquake coverage in the Earthquake-Prone areas representing less than 10% of its surplus as regards policyholders

| |
|--|
| |
| |
| |
| |

For any company qualifying for the exemption under 3 provide details about how the "geographic areas in the New Madrid Seismic Zone" were determined.

(3a) What resource was used to define the New Madrid Seismic Zone?

| |
|--|
| |
|--|

(3b) Was exposure determined based on zip codes or counties in the zone, was it based on all of the earthquake exposure in the identified states or was another methodology used? Describe any other methodology used.

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| |
| |

Note: "Earthquake-Prone areas" include any of the following states or commonwealths: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.

B Hurricane Exemption (To be completed by companies reporting no RBC charge in PR027 Line 2) -

- (4) The company has not entered into a reinsurance agreement covering hurricane exposure with a non-affiliate or a non-US affiliate and, either
- (4a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for hurricane risks; Or
- (4b) the company cedes 100% of its hurricane exposures to its US affiliate(s), leaving no net exposure for hurricane risks
- (5) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%
- (6) The company has written Insured Value - Property that includes hurricane coverage in the Hurricane-Prone areas representing less than 10% of its surplus as regards policyholders

| |
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| |

Note: "Hurricane-Prone areas" include Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean, and/or Gulf of Mexico including Puerto Rico.

C Wildfire Exemption (To be completed by companies reporting no RBC charge in PR027 Line 3) -

- (7) The company has not entered into a reinsurance agreement covering wildfire exposure with a non-affiliate or a non-US affiliate and, either
- (7a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for wildfire risks; Or
- (7b) the company cedes 100% of its wildfire exposures to its US affiliate(s), leaving no net exposure for wildfire risks
- (8) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%
- (9) The company has written Insured Value - Property that includes wildfire coverage in the wildfire-Prone areas representing less than 10% of its surplus as regards policyholders
- (10) The sum of the direct and assumed premium written in wildfire-prone areas across the following Annual Statement lines is less than \$50 million: Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril; and the company does not currently utilize NAIC approved third party commercial vendor wildfire catastrophe models.

| |
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| |

Note: "Wildfire-Prone areas" include any of the following states: California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

Denotes items that must be manually entered on the filing software.
* Item C is for informational purposes only.

CAPITAL NOTES BEFORE LIMITATION PR028

| Years to Maturity at the Time of the Statement | | (1) Original Principal Amount | Limitation Factor | (2) Limitation on Principal Amount | (3) Current Principal Amount | (4) Credit to Total Adjusted Capital* |
|--|---|-------------------------------------|----------------------|--|------------------------------------|---|
| Capital Notes Maturing 15 Years or less from the Year of Issue | | | | | | |
| (1) | Greater than 0 and less than or equal to 1 | 0 | 0.00 | 0 | 0 | 0 |
| (2) | Greater than 1 and less than or equal to 2 | 0 | 0.20 | 0 | 0 | 0 |
| (3) | Greater than 2 and less than or equal to 3 | 0 | 0.40 | 0 | 0 | 0 |
| (4) | Greater than 3 and less than or equal to 4 | 0 | 0.60 | 0 | 0 | 0 |
| (5) | Greater than 4 and less than or equal to 5 | 0 | 0.80 | 0 | 0 | 0 |
| (6) | Greater than 5 | 0 | 1.00 | 0 | 0 | 0 |
| Capital Notes Maturing more than 15 Years from the Year of Issue | | | | | | |
| (7) | Greater than 0 and less than or equal to 1 | 0 | 0.00 | 0 | 0 | 0 |
| (8) | Greater than 1 and less than or equal to 2 | 0 | 0.10 | 0 | 0 | 0 |
| (9) | Greater than 2 and less than or equal to 3 | 0 | 0.20 | 0 | 0 | 0 |
| (10) | Greater than 3 and less than or equal to 4 | 0 | 0.30 | 0 | 0 | 0 |
| (11) | Greater than 4 and less than or equal to 5 | 0 | 0.40 | 0 | 0 | 0 |
| (12) | Greater than 5 and less than or equal to 6 | 0 | 0.50 | 0 | 0 | 0 |
| (13) | Greater than 6 and less than or equal to 7 | 0 | 0.60 | 0 | 0 | 0 |
| (14) | Greater than 7 and less than or equal to 8 | 0 | 0.70 | 0 | 0 | 0 |
| (15) | Greater than 8 and less than or equal to 9 | 0 | 0.80 | 0 | 0 | 0 |
| (16) | Greater than 9 and less than or equal to 10 | 0 | 0.90 | 0 | 0 | 0 |
| (17) | Greater than 10 | 0 | 1.00 | 0 | 0 | 0 |
| (18) | Credit for Capital Notes Before Limitation (sum of lines (1) through (17)) | 0 | | 0 | 0 | 0 |

* Column (4) is calculated as the lesser of Column (2) or Column (3).
Denotes items that must be manually entered on the filing software.

CALCULATION OF TOTAL ADJUSTED CAPITAL PR029

| | | Annual Statement Reference | (1) Statement Value* | Factor | (2) Adjusted Capital |
|---------------------------------------|---|---|-------------------------|--------|-------------------------|
| (1) | Capital and Surplus | P3 C1 L37 | 0 | 1.000 | 0 |
| (2) | Non-Tabular Discount - Losses | Sch P P1-Sum C32 L12 | 0 | 1.000 | 0 |
| (3) | Non-Tabular Discount - Expense | Sch P P1-Sum C33 L12 | 0 | 1.000 | 0 |
| (4) | Discount on Medical Loss Reserves Reported as Tabular in Schedule P | Company Records | 0 | 1.000 | 0 |
| (5) | Discount on Medical Expense Reserves Reported as Tabular in Schedule P | Company Records | 0 | 1.000 | 0 |
| (6) | P&C Subs Non-Tabular Discount - Losses | Subs' Sch P Pt1-Sum C32 L12 | 0 | 1.000 | 0 |
| (7) | P&C Subs Non-Tabular Discount - Expense | Subs' Sch P Pt1-Sum C33 L12 | 0 | 1.000 | 0 |
| (8) | P&C Subs Discount on Medical Loss Reserves Reported as Tabular in Schedule P | Subs' Company Records | 0 | 1.000 | 0 |
| (9) | P&C Subs Discount on Medical Expense Reserves Reported as Tabular in Schedule P | Subs' Company Records | 0 | 1.000 | 0 |
| (10) | AVR - Life Subs § | Subs P3 C1 L24.01 § | 0 | 1.000 | 0 |
| (11) | Dividend Liability - Life Subs | Subs P3 C1 L6.1 + L6.2 | 0 | 0.500 | 0 |
| (12) | Carrying Value of Non-Admitted Insurance Affiliates | Included in PR003 Column 5 and Column 9 | 0 | 1.000 | 0 |
| (13) | Total Adjusted Capital Before Capital Notes | L(1)-L(2)-L(3)-L(4)-L(5)-L(6)-L(7)-L(8)-L(9)+L(10)+L(11)+L(12) | | | 0 |
| Credit for Capital Notes | | | | | |
| (14.1) | Surplus Notes | Page 3 Column 1 Line 33 | 0 | | |
| (14.2) | Limitation on Capital Notes | 0.5x[Line(13)-Line(14.1)]-Line 14.1, but not less than zero | 0 | | |
| (14.3) | Capital Notes Before Limitation | PR028 Column (4) Line (18) | 0 | | |
| (14.4) | Credit for Capital Notes | Lesser of Column (1) Line (14.2) or Line (14.3) | | | 0 |
| (15) | Total Adjusted Capital (Post-Deferred Tax) | Line (13) + Line (14.4) | | | 0 |
| 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) | | | 0 |
| 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) | | | 0 |
| (21) | Authorized Control Level RBC | PR034 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4) | | | 0 |
| (22) | Ex DTA ACL RBC Ratio | Line (20) / Line (21) | | | 0.000% |

* Report amounts in this column as whole dollars.

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

§ The portion of the AVR that can be counted as capital is limited to the amount not utilized in asset adequacy testing in support of the Actuarial Opinion for reserves.

Calculation of Total Risk-Based Capital After Covariance PR030 R0-R1

(1)

| R0 - Subsidiary Insurance Companies and Misc. Other Amounts | | PRBC O&I Reference | RBC Amount |
|---|---|--|------------|
| (1) | Directly Owned Property and Casualty Insurance Affiliates | PR004 L(2)C(2) | 0 |
| (2) | Indirectly Owned Property and Casualty Insurance Affiliates | PR004 L(5)C(2) | 0 |
| (3) | Directly Owned Life Insurance Affiliates | PR004 L(3)C(2) | 0 |
| (4) | Indirectly Owned Life Insurance Affiliates | PR004 L(6)C(2) | 0 |
| (5) | Directly Owned Health Insurance Companies or Health Entities | PR004 L(1)C(2) | 0 |
| (6) | Indirectly Owned Health Insurance Companies or Health Entities | PR004 L(4)C(2) | 0 |
| (7) | Directly Owned Alien Insurance Companies or Health Entities | PR004 L(9)+L(10)+L(11)C(2) | 0 |
| (8) | Indirectly Owned Alien Insurance Companies or Health Entities | 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 |

Calculation of Total Risk-Based Capital After Covariance PR031 R2-R3

| (1) | | |
|--------------------------|--|---|
| R2 - Asset Risk - Equity | | RBC Amount |
| (27) | Common & Preferred- Affiliate Investment Subsidiary | PR004 L(8)C(2) |
| (28) | Common & Preferred- Affiliate Holding Company in excess of Indirect Subs | PR004 L(7)C(2) |
| (29) | Common & Preferred- Investment in Parent | PR004 L(15)C(2) |
| (30) | Common & Preferred- Aff'd US P&C Not Subj to RBC | PR004 L(17)C(2) |
| (31) | Common & Preferred- Affil US Life Not Subj to RBC | PR004 L(18)C(2) |
| (32) | Common & Preferred- Affil US Health Insurer Not Subj to RBC | PR004 L(16)C(2) |
| (33) | Common & Preferred- Aff'd Non-insurer | PR004 L(19)+L(20)+L(21)C(2) |
| (34) | Unaffiliated Preferred Stock | PR007 L(7)C(2)+PR015 L(34)C(4) |
| (35) | Unaffiliated Common Stock | PR007 L(13)C(2)+PR015 L(35)C(4) |
| (36) | Other Long -Term Assets - Real Estate | PR008 L(7)C(2) |
| (37) | Other Long -Term Assets - Schedule BA Assets | PR008 L(19)C(2)+PR015 L(36)+L(37)C(4) |
| (38) | Misc Assets - Receivable for Securities | PR009 L(1)C(2) |
| (39) | Misc Assets - Aggregate Write-ins for Invested Assets | PR009 L(2)C(2) |
| (40) | Misc Assets - Derivatives | PR009 L(14)C(2) |
| (41) | Replication - Synthetic Asset: One Half | PR010 L(9999999)C(7) |
| (42) | Asset Concentration RBC - Equity | PR011 L(33)C(3) Grand Total Page |
| (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) |
| R3 - Asset Risk - Credit | | |
| (44) | Other Credit RBC | PR012 L(8)-L(1)-L(2)C(2) |
| (45) | One half of Rein Recoverables | 0.5 x (PR012 L(1)+L(2)C(2)) |
| (46) | Other half of Rein Recoverables | If R4 L(50)>(R3 L(44) + R3 L(45)), 0, otherwise, R3 L(45) |
| (47) | Health Credit Risk | PR013 L(12)C(2) |
| (48) | Total R3 | L(44) + L(45) + L(46) + L(47) |

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(50)>(R3 L(44) + R3 L(45)), R3 L(45), otherwise, 0 | 0 |
| (50) | Total Adjusted Unpaid Loss/Expense Reserve RBC | PR017 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(49)+L(50)+L(51)+L(52) | 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(54)+L(55)+L(56)+L(57) | 0 |
| Rcat - Catastrophe Risk | | | |
| (59) | Total Rcat | PR027 L(4) 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) | Basic Operational Risk = $0.030 \times L(60)$ | | 0 |
| (62) | C-4a of U.S. Life Insurance Subsidiaries (from Company records) | | 0 |
| (63) | Net Basic Operational Risk = Line (61) - Line (62) (Not less than zero) | | 0 |
| (64) | Total RBC After Covariance including Basic Operational Risk = $L(60) + L(63)$ | | 0 |
| (65) | Authorized Control Level RBC including Basic Operational Risk = $.5 \times L(64)$ | | 0 |

TREND TEST PR033

| | | | (1) | (2) |
|---|--|--|--------|--------|
| | | | Amount | Result |
| Original RBC % Before Applying Trend Test | | | | |
| (1) | Authorized Control Level Risk-Based Capital Including Basic Operational Risk | PR032, C(1) L(65) | 0 | |
| (2) | Total Adjusted Capital | PR029, C(2) L(15) | 0 | |
| (3) | RBC % | L(2)C(1) / L(1)C(1) | 0.000% | |
| Combined Ratio Data | | | | |
| (4) | Premiums Earned | Pg 4, Col 1, L 1 | 0 | |
| (5) | Losses Incurred | Pg 4, Col 1, L 2 | 0 | |
| (6) | Loss Expenses Incurred | Pg 4, Col 1, L 3 | 0 | |
| (7) | Other Underwriting Expenses Incurred | Pg 4, Col 1, L 4 | 0 | |
| (8) | Aggregate Write-ins for Underwriting Deductions | Pg 4, Col 1, L 5 | 0 | |
| (9) | Dividends to Policyholders | Pg 4, Col 1, L 17 | 0 | |
| (10) | Net Written Premiums | Pg 8, Col 6, L 35 | 0 | |
| Combined Ratio Calculation | | | | |
| (11) | Loss Ratio | [Pg 4, Col 1, L 2 + Pg 4, Col 1, L 3] / Pg 4, Col 1, L 1 | 0.000% | |
| (12) | Dividend Ratio | Pg 4, Col 1, L 17 / Pg 4, Col 1, L 1 | 0.000% | |
| (13) | Expenses Ratio | [Pg 4, Col 1, L 4 + Pg 4, Col 1, L 5] / Pg 8, Col 6, L 35 | 0.000% | |
| (14) | Combined Ratio | L(11) + L(12) + L(13) | 0.000% | |
| (15) | Trend Test Result † | If L(3) Between 200% & 300% & L(14) >120%, L(15), YES, Otherwise, NO | | |

†The Trend Test applies only if L(15) = YES
‡If result = YES, the company triggers regulatory attention at the Company Action Level based on the trend test.

COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL PR034

Excluding the Trend Test:

| | <u>Abbreviation</u> | <u>(1)</u> <u>Amount</u> |
|---|---------------------|-----------------------------|
| (1) Total Adjusted Capital (Post-Deferred Tax: PR029 Line 15) | | 0 |
| (2) Company Action Level=200% of Authorized Control Level | CAL | 0 |
| (3) Regulatory Action Level=150% of Authorized Control Level | RAL | 0 |
| (4) Authorized Control Level=100% of Authorized Control Level | ACL | 0 |
| (5) Mandatory Control Level=70% of Authorized Control Level | MCL | 0 |
| (6) Level of Action, if Any (excluding the trend test) | | NONE |

Including the Trend Test:

| | | |
|--|--|------|
| (7) Level of Action, if Any (including the trend test) | | NONE |
|--|--|------|

THE FOLLOWING NUMBERS MUST BE REPORTED IN THE FIVE YEAR HISTORY EXHIBIT ON THE INDICATED LINE

| | | | |
|---|---------------------|----------|---|
| Total Adjusted Surplus to Policyholders | Five Yr Hist C1 L28 | L(1)C(1) | 0 |
| Authorized Control Level Risk-Based Capital | Five Yr Hist C1 L29 | L(4)C(1) | 0 |

UNDERWRITING AND INVESTMENT EXHIBIT - PREMIUMS WRITTEN PR035

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

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

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

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

MEDICAL TABULAR RESERVE DISCOUNT PR038

| Underwriting Risk - Reserves | | PR017 | | Value (000 Omitted) |
|---|------|--------|--------|---------------------|
| | Line | Column | | |
| 1 Homeowner/Farmowner | 7 | 1 | | 0 |
| 2 Private Pass Auto Liab | 7 | 2 | | 0 |
| 3 Comm Auto Liab | 7 | 3 | | 0 |
| 4 Workers' Comp | 7 | 4 | | 0 |
| 5 Comm Multi Peril | 7 | 5 | | 0 |
| 6 Medical Professional Liability - Occurrence | 7 | 6 | | 0 |
| 7 Medical Professional Liability - Claims-Made | 7 | 7 | | 0 |
| 8 Special Liab | 7 | 8 | | 0 |
| 9 Other Liab - Occurrence | 7 | 9 | | 0 |
| 10 Other Liab - Claims Made | 7 | 9 | | 0 |
| 11 Fidelity & Surety | 7 | 10 | | 0 |
| 12 Special Property | 7 | 11 | | 0 |
| 13 Auto Physical Damage | 7 | 12 | | 0 |
| 14 Other (Credit, A&H) | 7 | 13 | | 0 |
| 15 Fin Guaranty/Mrtg Guaranty | 7 | 14 | | 0 |
| 16 International | 7 | 15 | | 0 |
| 17 Medical Tabular Reserve Discount - Reinsurance :Property | 7 | 16 | | 0 |
| 18 Medical Tabular Reserve Discount - Reinsurance :Liability | 7 | 17 | | 0 |
| 19 Medical Tabular Reserve Discount - Reinsurance :Financial Lines | 7 | 16 | | 0 |
| 20 Product Liab - Occurence | 7 | 18 | | 0 |
| 21 Product Liab - Claims Made | 7 | 18 | | 0 |
| 22 Warranty | 7 | 19 | | 0 |
| 23 Total | 7 | 20 | | 0 |
| Underwriting Risk - Premiums | | PR018 | | Value |
| Annual Statement Source : STMTINCOME (page 4, col.1 ln 4) | | Line | Column | |
| 24 Other Underwriting Expenses Incurred | 6 | 1 | | 0 |
| Denotes items that must be manually entered on the filing software. | | | | |

GROSS WRITTEN PREMIUMS PR039

| | | | (1) |
|--------------------|---|----------------------------|------------------------|
| <u>Description</u> | | | <u>Statement Value</u> |
| (1) | 2023 Company Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (2) | 2023 Company Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (3) | 2022 Company Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (4) | 2022 Company Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (5) | 2021 Company Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (6) | 2021 Company Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (7) | 2020 Company Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (8) | 2020 Company Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (9) | 2023 Group Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (10) | 2023 Group Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (11) | 2022 Group Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (12) | 2022 Group Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (13) | 2021 Group Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | |
| (14) | 2021 Group Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |
| (15) | 2020 Group Gross Written Premium - Direct | Pg 8, PREMWRTN, Col 1, L35 | 0 |
| (16) | 2020 Group Gross Written Premium - Assumed | Pg 8, PREMWRTN, Col 3, L35 | 0 |

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

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