

## **Property & Casualty RBC Industry Results for 1998**

*by Laura Deatrick, NAIC/SSO*

As of Dec. 16, 1999, more than 2,400 Property & Casualty Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1998. This article summarizes the industry results and discusses some of the trends noted in the 1998 filings.

## **1998 HMDI RBC Industry Results**

*by NAIC Staff*

The RBC test is one of many different tests used by regulators to help ensure that insurance companies remain solvent. This article summarizes the industry results and discusses some of the trends noted in the 1998 HMDI RBC filings.

## **Life RBC Industry Results for 1998**

*by Laura Deatrick, NAIC/SSO*

As of Dec. 22, 1999, more than 1,300 Life Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1998. This article summarizes the industry results and discusses some of the trends noted in the 1998 filings.

## **1998 HMO RBC Industry Results**

*by NAIC Staff*

This article summarizes the industry results and discusses some of the trends noted in the 1998 HMO RBC filings. There are five levels of action that a company can trigger under the formula: No Action, Company Action Level, Regulatory Action Level, Authorized Control Level and Mandatory Control Level.

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NAIC Executive Headquarters,  
2301 McGee St.  
Kansas City, MO 64108  
(816) 842-3600  
[www.naic.org](http://www.naic.org)

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### From the Editor

Risk-based capital is an important topic in the insurance industry, with more and more companies submitting risk-based capital filings every year. This issue looks at the aggregate results of the 1998 RBC filings for each of the Life, Property & Casualty, HMO and HMDI forms.

The *Research Quarterly* has been undergoing changes in the past several months in order to serve you better. In the future you can expect to see more issues devoted to a single topic, such as this one which focuses on risk-based capital. Also, expect to see some new names in the *RQ* as our staff continues to evolve.

As always, comments and suggestions for topics of future *RQ* issues are welcome, including ideas for single-topic issues.

Ray Spudeck,  
NAIC Senior Research Associate

# Property & Casualty RBC Industry Results for 1998

by Laura Deatrick, NAIC/SSO

As of Dec. 16, 1999, more than 2,400 Property & Casualty Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1998. This article summarizes the industry results and discusses some of the trends noted in the 1998 filings.

The NAIC RBC formula generates the regulatory minimum amount of capital that a company is required to maintain to avoid regulatory action. There are five levels of action that a company can trigger under the formula. The base action level is the Authorized Control Level. If a company's actual capital dips below its Authorized Control Level Risk-Based Capital, the state insurance regulator has the authority to place the company under regulatory control. Therefore, the Authorized Control Level (ACL) is used as the base level, and the other regulatory intervention levels are defined relative to the ACL. The five action levels are:

- 1) No Action, which means that a company's total adjusted capital (TAC) is at least twice its ACL;
- 2) Company Action Level (CAL), which means that a company's TAC is at least 1.5 times its ACL but less than twice its ACL;
- 3) Regulatory Action Level (RAL), which means that the company's TAC is at least equal to its ACL but less than 1.5 times its ACL;
- 4) Authorized Control Level, which means that a company's TAC is at least 0.70 times its ACL but less than its ACL; and
- 5) Mandatory Control Level (MCL), which means that the company's TAC is less than 0.70 times its Authorized Control Level RBC.

Most companies fall into the "No Action" level. This level does not necessarily mean that the company is in strong financial condition. It simply means that the company has not triggered one of the regulatory

intervention levels. A company can be in weak condition and still pass the RBC test.

## Company Distribution by Action Level

As can be seen in Table 1, the number of companies triggering one of the regulatory intervention levels is relatively small. Typically, around 97 percent of all P&C insurers filing with the NAIC fall into the "No Action" level. That number has been fairly constant throughout the five years that the NAIC's Property & Casualty RBC system has been in place.

Table 2 shows the disposition of insurers filing in data years 1997 and/or 1998. There is an increase of 79 new filers in 1998, which is offset by a decrease of 106 companies that filed in 1997 but did not file in 1998. Some of these companies have not filed because they have merged or otherwise gone out of business, and some have not filed because they were exempted by state regulators.

Of the 2,368 companies that filed in both 1997 and in 1998, 66 companies triggered one of the action levels in 1997. About half of those companies that triggered an action level in 1997 were able to move to the "No Action" level in 1998, while the other half (36 of 66 companies) remain in one of the action levels.

## Aggregate Industry Results

The RBC ratio is the ratio of a company's TAC to its ACL RBC. Table 3 shows the median RBC ratio by asset size for data years 1994 through 1998. As has been shown previously, the "average" RBC ratio is a function of size. Larger insurers tend to operate with lower capital margins (the ratio of capital to assets). The RBC ratios reflect this difference and once again emphasize the inappropriateness of comparing RBC ratios between insurers. Although larger insurers tend to have lower RBC ratios, on average, the larger insurers also tend to have more stability in their operating results.

Another word of caution is in order with respect to time series analysis of RBC ratios. The ratios for 1994 and 1995 are not exactly comparable to the ratios for later years because of phase-in aspects of the RBC formula. In 1994, the ACL RBC was set at 0.40 times the Risk-Based Capital After Covariance. In 1995, ACL RBC was 0.45 times Risk-Based Capital After Covariance. Beginning in 1996, the ACL RBC is equal to half of the Risk-Based Capital After Covariance. Since the Company Action Level RBC is equal to twice the ACL RBC, beginning in 1996 and thereafter the Risk-Based Capital After Covariance and the CAL RBC

are equivalent.

In addition to the changes in the calculation of ACL RBC, there were phase-ins to the calculation of TAC. Companies were allowed to count 80 percent of reserve discounts as part of TAC in 1994, 60 percent in 1995, 40 percent in 1996, and 20 percent in 1997. In 1998, all reserve discounts were phased out of the calculation of TAC. Relatively few companies employ reserve discounting, so fewer companies are affected by this phase-in provision.

Table 4 shows the aggregate RBC by major covariance elements for 1994 through 1998. The most dramatic change in the aggregate results is the increase in the R2 component, which is equity assets risk. The bulk of R2 risk is the risk charge for unaffiliated common stocks. Over this period, the aggregate amount of RBC attributable to unaffiliated common stocks has more than doubled. The growth in the other components of RBC has been much lower. The fixed income assets component (R1) has grown by 27 percent, and the written premium component (R5) has grown by 21 percent. Interestingly, the R4 component, which is reserve risk, has been basically flat throughout this period. Favorable reserve development in recent years is a major factor in this trend.

Table 5 shows the relative risk factors by year for the two major underwriting risk components: reserve risk and premium risk. Although the total amount of RBC attributable to premiums and reserves would be expected to grow over time simply because of inflation, Table 5 shows that the effective rate has also increased over time for both of these risk components. Interestingly enough,

both premium and reserve bases are lower in 1998 than in 1997, yet their corresponding RBC levels increased during the same period.

Overall, aggregate TAC is growing at a faster rate than RBC. TAC has grown by more than 70 percent while aggregate RBC has increased by only 25 percent. Much of that growth in aggregate industry TAC is of course fueled by the increase in asset values, especially unaffiliated common stock. Since the RBC factor for unaffiliated common stock is 15 percent of statement value, large increases in the value of common stock holdings will increase TAC at a much faster rate than RBC.

**Table 1**  
**Industry Results By Action Level, 1994-1998**

	1994	1995	1996	1997*	1998
No Action	2,348	2,346	2,358	2,400	2,383
Company Action Level	20	33	40	36	20
Regulatory Action Level	13	15	19	11	14
Authorized Control Level	5	6	8	6	6
Mandatory Control Level	27	22	28	21	24
Total	2,413	2,422	2,453	2,474	2,447
Percent At 'No Action' Level	97.3%	96.9%	96.1%	97.0%	97.4%

\*Revised as of December 1999

**Table 2**  
**1998 Disposition of 1997 RBC Filers By Action Level**

		1998 ACTION					
		NO ACTION	COMPANY ACTION LEVEL	REGUL. ACTION LEVEL	AUTHOR. CONTROL LEVEL	MANDATORY CONTROL LEVEL	NOT ON DATA BASE
<b>1997 ACTION</b>	NO ACTION	2,276	13	6	1	6	98
	COMPANY ACTION LEVEL	21	5	3	0	2	5
	REGULATORY ACTION LEVEL	3	1	4	0	1	2
	AUTHORIZED CONTROL LEVEL	3	0	0	2	1	0
	MANDATORY CONTROL LEVEL	3	0	1	3	13	1
	NOT ON DATA BASE	77	1	0	0	1	N/A

**Table 3**  
**Median RBC Ratios By Asset Size**  
**1994-1998**

Asset Size	1998 Surplus to Asset Ratio	1994	1995	1996	1997	1998
Less than \$10 Million	0.736	1881%	1792%	1679%	1943%	1779%
\$10 million to \$25 million	0.538	1108%	982%	970%	963%	1125%
\$25 million to \$100 million	0.417	624%	671%	712%	758%	799%
\$100 million to \$250 million	0.376	604%	620%	601%	664%	710%
\$250 million to \$500 million	0.359	561%	601%	605%	661%	682%
\$500 million to \$1 billion	0.321	500%	533%	563%	587%	621%
\$1 billion to \$10 billion	0.336	439%	455%	482%	551%	571%
More than \$10 billion	0.329	350%	457%	481%	503%	456%
All Companies	0.465	702%	731%	738%	788%	841%

**Table 4**  
**P&C RBC By Components, 1994-1998**

	Aggregates for 2413 Companies (000) 1994	Aggregates for 2422 Companies (000) 1995	Aggregates for 2453 Companies (000) 1996	Aggregates for 2419 Companies (000) 1997	Aggregates for 2447 Companies (000) 1998
<b>R0 - Asset Risk - Affiliates</b>					
Direct P&C Insurers	15,431,820	17,543,744	15,962,917	18,514,187	19,405,366
Indirect P&C Insurers	6,186,040	1,296,598	1,716,847	2,176,660	2,412,008
Direct Life Insurers	1,134,449	5,580,797	2,675,915	2,949,581	3,272,478
Indirect Life Insurers	815,883	1,284,953	1,752,163	1,661,919	1,846,351
Affiliated Alien Insurers	1,211,715	1,597,845	1,594,302	1,955,582	1,986,471
Non-controlled Assets	102,454	128,191	63,447	114,833	119,551
Guarantees for Affiliates	54,684	50,239	23,124	45,854	31,040
Contingent Liabilities	117,499	145,019	174,915	146,407	175,974
<b>Total R0</b>	<b>25,054,545</b>	<b>27,627,386</b>	<b>23,963,629</b>	<b>27,565,023</b>	<b>29,249,242</b>
<b>R1 - Asset Risk - Fixed Income</b>					
Government Agency Bonds	202,270	157,505	169,520	123,255	112,719
Unaffiliated Bonds	1,269,144	1,418,323	1,565,026	1,789,215	1,979,187
Bond Size Factor	575,135	698,321	715,184	810,879	905,487
Bonds - Affiliated Investment Subs.	-	-	-	-	200
Bonds - Holding Company	10,318	3,500	-	-	1
Bonds - Parents	131,510	20,946	39,660	17,698	35,224
Bonds - Other Affiliates	146,948	126,260	200,310	146,674	155,763
Mortgage Loans	190,395	141,453	126,604	113,416	102,519
Collateral Loans	20,465	38,860	4,228	2,888	-
Cash	17,438	17,250	17,172	15,793	17,809
Short-Term Investments	23,838	6,919	7,274	6,999	6,837
Asset Concentration (Fixed)	224,652	231,042	238,587	242,149	247,474
<b>Total R1</b>	<b>2,802,113</b>	<b>2,860,379</b>	<b>3,083,565</b>	<b>3,268,967</b>	<b>3,563,220</b>
<b>R2 - Asset Risk - Equity</b>					
Common - Affiliated Investment Subs.	154,651	38,562	24,327	75,499	96,308
Common - Holding Company	318,742	284,415	611,211	463,892	844,430
Common - Parents	41,382	89,154	27,870	32,097	64,494
Common - Other Affiliates	1,792,768	2,029,809	2,135,587	2,060,459	2,352,393
Preferred - Affiliated Investment Subs.	-	-	-	-	-
Preferred - Holding Company	468	4,981	655	696	452
Preferred - Parents	60,658	61,414	61,067	7,822	9,197
Preferred - Other Affiliates	94,125	166,466	139,995	131,197	84,314
Unaffiliated Common	10,441,418	13,232,548	15,430,299	20,032,074	21,645,094
Unaffiliated Preferred	336,280	332,060	400,520	413,888	438,507
Real Estate	986,184	959,151	990,627	974,946	921,922
Schedule BA Assets	1,912,983	2,066,321	2,623,843	2,943,647	3,520,062
Aggregate Write-ins for Invested Assets	61,809	65,393	122,081	180,636	196,065
Asset Concentration Equity	4,902,239	6,387,523	7,844,378	10,391,210	11,755,826
<b>Total R2</b>	<b>21,072,683</b>	<b>25,717,799</b>	<b>30,412,460</b>	<b>37,708,064</b>	<b>41,929,062</b>
<b>R3 - Asset Risk - Credit</b>					
<b>Total R3</b>	<b>6,229,046</b>	<b>6,398,060</b>	<b>6,648,614</b>	<b>6,631,231</b>	<b>9,000,863</b>
<b>R4 - Underwriting Risk - Reserves</b>					
Half of Credit RBC	6,229,046	6,398,060	6,648,614	6,631,231	5,909,680
LLAE Reserve RBC	56,178,195	53,660,555	55,832,620	56,529,709	57,117,402
Excess Growth - Reserves	1,775,705	2,138,005	1,882,574	1,547,608	959,743
A&H Claims Reserves	82,435	92,895	88,681	92,152	115,506
<b>Total R4</b>	<b>62,343,226</b>	<b>62,289,515</b>	<b>64,452,490</b>	<b>64,800,700</b>	<b>64,102,331</b>
<b>R5 - Underwriting Risk - Written Premiums</b>					
NWP RBC	32,261,986	32,972,960	36,474,146	37,801,692	39,410,281
Excess Growth - Premiums	830,963	966,039	934,645	789,633	588,279
A&H Earned Premium	407,094	470,391	402,510	379,513	572,208
<b>Total R5</b>	<b>33,500,043</b>	<b>34,409,390</b>	<b>37,811,301</b>	<b>38,970,838</b>	<b>40,570,767</b>
<b>Total RBC</b>	<b>151,010,595</b>	<b>159,303,930</b>	<b>166,372,058</b>	<b>178,944,822</b>	<b>188,415,485</b>
RBC After Covariance	108,247,132	114,413,982	117,895,743	127,669,725	134,700,232
<b>Total Adjusted Capital</b>	<b>236,733,542</b>	<b>281,575,010</b>	<b>306,138,768</b>	<b>374,645,061</b>	<b>406,649,466</b>

\* 1996 Covariance Formula used for 1994-1997 data, 1998 Covariance Formula used for 1998 data.

N/A – Not Available

**Table 4 (Continued)**  
**P&C RBC By Components, 1994-1998**

	Percent of Total RBC				
	1994	1995	1996	1997	1998
<b>R0 - Asset Risk - Affiliates</b>					
Direct P&C Insurers	10.2%	11.0%	9.6%	10.3%	10.3%
Indirect P&C Insurers	4.1%	0.8%	1.0%	1.2%	1.3%
Direct Life Insurers	0.8%	3.5%	1.6%	1.6%	1.7%
Indirect Life Insurers	0.5%	0.8%	1.1%	0.9%	1.0%
Affiliated Alien Insurers	0.8%	1.0%	1.0%	1.1%	1.1%
Non-controlled Assets	0.1%	0.1%	0.0%	0.1%	0.1%
Guarantees for Affiliates	0.0%	0.0%	0.0%	0.0%	0.0%
Contingent Liabilities	0.1%	0.1%	0.1%	0.1%	0.1%
Total R0	16.6%	17.3%	14.4%	15.4%	15.5%
<b>R1 - Asset Risk - Fixed Income</b>					
Government Agency Bonds	0.1%	0.1%	0.1%	0.1%	0.1%
Unaffiliated Bonds	0.8%	0.9%	0.9%	1.0%	1.1%
Bond Size Factor	0.4%	0.4%	0.4%	0.5%	0.5%
Bonds - Affiliated Investment Subs.	0.0%	0.0%	0.0%	0.0%	0.0%
Bonds - Holding Company	0.0%	0.0%	0.0%	0.0%	0.0%
Bonds - Parents	0.1%	0.0%	0.0%	0.0%	0.0%
Bonds - Other Affiliates	0.1%	0.1%	0.1%	0.1%	0.1%
Mortgage Loans	0.1%	0.1%	0.1%	0.1%	0.1%
Collateral Loans	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%
Short-Term Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Asset Concentration (Fixed)	0.1%	0.1%	0.1%	0.1%	0.1%
Total R1	1.9%	1.8%	1.9%	1.8%	1.9%
<b>R2 - Asset Risk - Equity</b>					
Common - Affiliated Investment Subs.	0.1%	0.0%	0.0%	0.0%	0.1%
Common - Holding Company	0.2%	0.2%	0.4%	0.3%	0.4%
Common - Parents	0.0%	0.1%	0.0%	0.0%	0.0%
Common - Other Affiliates	1.2%	1.3%	1.3%	1.2%	1.2%
Preferred - Affiliated Investment Subs.	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred - Holding Company	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred - Parents	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred - Other Affiliates	0.1%	0.1%	0.1%	0.1%	0.0%
Unaffiliated Common	6.9%	8.3%	9.3%	11.2%	11.5%
Unaffiliated Preferred	0.2%	0.2%	0.2%	0.2%	0.2%
Real Estate	0.7%	0.6%	0.6%	0.5%	0.5%
Schedule BA Assets	1.3%	1.3%	1.6%	1.6%	1.9%
Aggregate Write-ins for Invested Assets	0.0%	0.0%	0.1%	0.1%	0.1%
Asset Concentration Equity	3.2%	4.0%	4.7%	5.8%	6.2%
Total R2	14.0%	16.1%	18.3%	21.1%	22.3%
<b>R3 - Asset Risk - Credit</b>					
Total R3	4.1%	4.0%	4.0%	3.7%	4.8%
<b>R4 - Underwriting Risk - Reserves</b>					
Half of Credit RBC	4.1%	4.0%	4.0%	3.7%	3.1%
LLAE Reserve RBC	37.2%	33.7%	33.6%	31.6%	30.3%
Excess Growth - Reserves	1.2%	1.3%	1.1%	0.9%	0.5%
A&H Claims Reserves	0.1%	0.1%	0.1%	0.1%	0.1%
Total R4	41.3%	39.1%	38.7%	36.2%	34.0%
<b>R5 - Underwriting Risk - Written Premiums</b>					
NWP RBC	21.4%	20.7%	21.9%	21.1%	20.9%
Excess Growth - Premiums	0.6%	0.6%	0.6%	0.4%	0.3%
A&H Earned Premium	0.3%	0.3%	0.2%	0.2%	0.3%
Total R5	22.2%	21.6%	22.7%	21.8%	21.5%
<b>Total RBC</b>	100.0%	100.0%	100.0%	100.0%	100.0%
RBC After Covariance	71.7%	71.8%	70.9%	71.3%	71.5%
<b>Total Adjusted Capital</b>	156.8%	176.8%	184.0%	209.4%	215.8%

\* 1996 Covariance Formula used for 1994-1997 data, 1998 Covariance Formula used for 1998 data.

N/A – Not Available

**Table 5**  
**Average Underwriting Risk Factors, 1994-1998**

Year	Aggregate Reserve Base (000s)	Aggregate Reserve Base RBC (000s)	Average Effective Factor	Aggregate Premium Base (000s)	Aggregate Premium Base RBC (000s)	Average Effective Factor
1994	359,677,472	56,178,195	0.156	250,251,900	32,261,986	0.129
1995	366,514,206	53,660,555	0.146	257,462,700	32,972,960	0.128
1996	374,367,795	55,832,620	0.149	266,392,000	36,474,146	0.137
1997	364,493,520	56,529,709	0.155	271,226,600	37,801,692	0.139
1998	339,871,108	57,117,402	0.168	268,880,606	39,410,281	0.147

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by NAIC Staff

As of Dec. 31, 1999, more than 110 HMDI Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1998. This article summarizes the industry results and discusses some of the trends noted in the 1998 filings.

The RBC test is one of many different tests used by regulators to help ensure that insurance companies remain solvent. The NAIC RBC formula generates the regulatory minimum amount of capital that a company is required to maintain to avoid regulatory action. There are five levels of action that a company can trigger under the formula. The base action level is the Authorized Control Level. If a company's actual capital dips below its Authorized Control Level Risk-Based Capital, the state insurance regulator has the authority to place the company under regulatory control. Therefore, the Authorized Control Level (ACL) is used as the base level, and the other regulatory intervention levels are defined relative to the ACL. The five action levels are:

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- 2) Company Action Level (CAL), which means that a company's TAC is at least 1.5 times its ACL but less than twice its ACL;
- 3) Regulatory Action Level (RAL), which means that the company's TAC is at least equal to its ACL but less than 1.5 times its ACL;
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Most companies fall into the "No Action" level. This does not necessarily mean that the company is in strong financial condition. It simply means that the company has not triggered one of the regulatory intervention levels. A company can be in weak condition and still pass the RBC test.

## Distribution of Companies by Action Level

As can be seen in Table 1, almost 95 percent of the managed care organizations that made an RBC filing for 1998 did not trigger one of the regulatory intervention levels.

## Aggregate Industry Results

The Managed Care Discount Factor determines the percentage of underwriting risk RBC that is carried down in the RBC calculation. It is based upon the type of managed care arrangement a company has with its providers. The median discount factors for 1998 are broken out by company asset size in Table 2. It should be noted that there is considerable variation in the discount factor within each asset category because of the different types of arrangements possible between company and provider.

Table 2 also shows the breakdown by asset size of the median RBC ratio, which is the ratio of a company's TAC to its ACL RBC. Though median RBC ratio is a function of size, with larger insurers tending to have lower ratios, asset size does not appear to greatly influence the median RBC ratio.

Table 3 shows the aggregate RBC by major covariance elements for 1998. As might be expected, the greatest portion (more than 55 percent) of RBC comes directly from net underwriting risk. The next greatest portion (36 percent) is because of asset risk, of which 15 percent is asset risk for affiliates and 21 percent is other asset risk.

The excessive growth risk under H4 – Business Risk is determined through a process that compares the current year's data to that of the previous year. As 1998 is the first year for the RBC calculation, the excessive growth risk cannot be calculated until 1999. Thus the risk for the 1998 calculation is recorded as zero.

Figure 1 shows the percentage breakdown of the aggregate RBC by component for 1998. H2 – Underwriting Risk constitutes most of the aggregate RBC, as expected, with Asset Risk (H0 and H1) becoming more prominent as the asset size increases. For example, Underwriting Risk is 80 percent of the total RBC for companies with less than \$10 million in total admitted assets, while Asset Risk contribute only 2 percent. Companies with between \$25 and \$100 million in assets have 61 percent of their RBC coming from Underwriting and 22 percent from Asset Risk.

Companies with more than \$250 million in assets have only 54 percent of their RBC coming from Underwriting, while 38 percent of the RBC is contributed by Asset Risk.

Though time series analysis of RBC ratios is not possible this year, a word of caution is in order. The ratios for 1998 and 1999 will not be exactly comparable to the ratios for later years because of phase-in aspects of the RBC formula. For 1998, the ACL RBC is set at 0.40 times the Risk-Based Capital After Covariance. For 1999, ACL RBC is 0.45 times Risk-Based Capital After Covariance. Beginning in 2000, the ACL RBC is equal to half of the Risk-Based Capital After Covariance. Since the Company Action Level RBC is equal to twice the ACL RBC, beginning in 2000 and thereafter the Risk-Based Capital After Covariance and the CAL RBC

are equivalent.

**Table 1**  
**1998 Industry Results By Action Level**

No Action	111
Company Action Level	1
Regulatory Action Level	1
Authorized Control Level	1
Mandatory Control Level	3
Total	117
Percent At "No Action" Level	94.9%

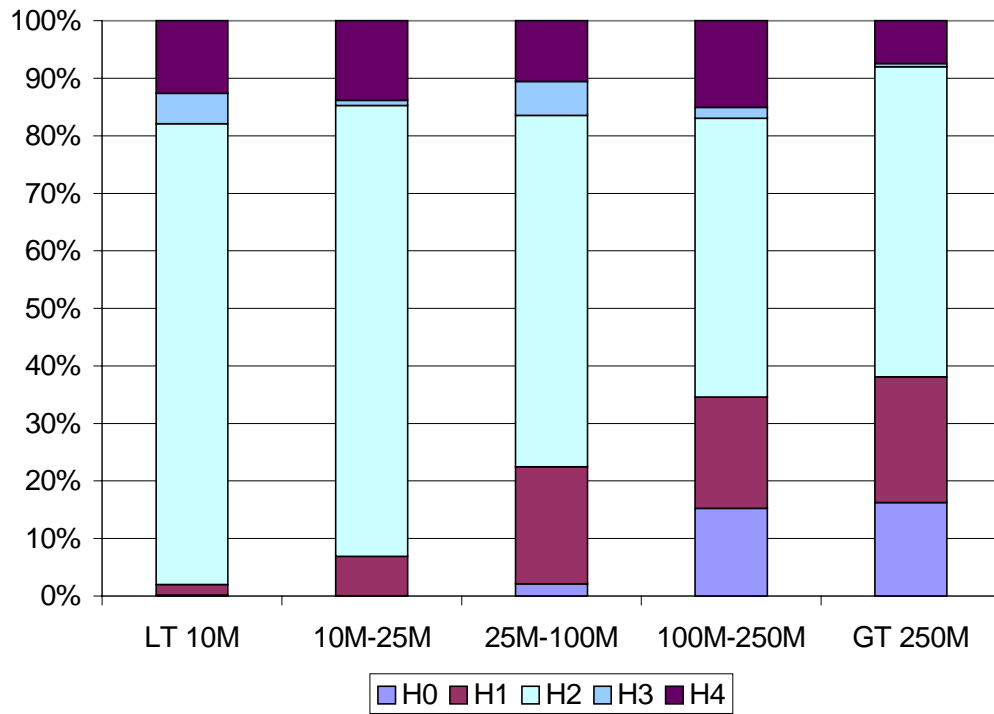
**Table 2**  
**1998 Median RBC Ratios By Asset Size**

Asset Size	1998 Median Managed Care Discount Factor	1998 Median RBC Ratio
Less than \$10 Million	0.850	872%
\$10 million to \$25 million	0.854	528%
\$25 million to \$100 million	0.844	702%
\$100 million to \$250 million	0.896	508%
More than \$250 million	0.863	738%
All Companies	0.850	727%

**Table 3**  
**1998 HMDI RBC By Component**

	Aggregates for 117 Companies 1998	Percent of Total RBC 1998
<b>H0 - Asset Risk - Affiliates</b>		
Off-Balance Sheet	10,458,731	0.22%
Direct Insurers	206,995,183	4.40%
Indirect Insurers	230,077,369	4.89%
Direct MCOs	193,267,639	4.10%
Indirect MCOs	81,703,706	1.73%
Alien Insurers	0	0.00%
<b>Total H0</b>	<b>722,502,628</b>	<b>15.34%</b>
<b>H1 - Asset Risk - Other</b>		
Investment Subsidiary	116,104	0.00%
Holding Company Excess of Subs	62,928,750	1.34%
Investment in Parent	19,498,240	0.41%
Other Affiliates	70,640,938	1.50%
Fixed Income Assets	54,665,547	1.16%
Unaffiliated Preferred Stock	1,647,039	0.03%
Unaffiliated Common Stock	472,642,371	10.04%
Property & Equipment	148,283,306	3.15%
Asset Concentration	163,991,552	3.48%
<b>Total H1</b>	<b>994,413,847</b>	<b>21.12%</b>
<b>H2 - Underwriting Risk</b>		
Net Underwriting Risk	2,639,972,906	56.06%
Rate Guaranty - 15-36 Months	21,251,250	0.45%
Rate Guaranty - Over 36 Months	215,348	0.00%
Assessment Risk (Non-Guaranty Fund)	62,387,737	1.32%
Premium Stabilization Reserve	-178,935,236	-3.80%
<b>Total H2</b>	<b>2,544,892,005</b>	<b>54.04%</b>
<b>H3 - Credit Risk</b>		
Total Reinsurance RBC	146,805	0.00%
Intermediaries Credit Risk RBC	27,641,132	0.59%
Total Other Receivables RBC	15,970,451	0.34%
<b>Total H3</b>	<b>43,758,388</b>	<b>0.93%</b>
<b>H4 - Business Risk</b>		
Administrative Expenses Base RBC	178,003,467	3.78%
Non-Underwritten and Limited Risk Business RBC	211,831,680	4.50%
Premiums Subject to Guaranty Fund Assessment	13,876,265	0.29%
Excessive Growth Risk RBC	0	0.00%
<b>Total H4</b>	<b>403,711,412</b>	<b>8.57%</b>
<b>Total RBC</b>	<b>4,709,278,280</b>	<b>100.00%</b>
RBC After Covariance	3,661,594,430	77.75%
<b>Total Adjusted Capital</b>	<b>10,455,724,619</b>	<b>222.02%</b>

**Figure 1**  
**Percentage of Total RBC by Covariance Component**



# Life RBC Industry Results for 1998

by Laura Deatrick, NAIC/SSO

As of Dec. 22, 1999, more than 1,300 Life Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1998. This article summarizes the industry results and discusses some of the trends noted in the 1998 filings.

The NAIC RBC formula generates the regulatory minimum amount of capital that a company is required to maintain to avoid regulatory action. There are five levels of action that a company can trigger under the formula. The base action level is the Authorized Control Level. If a company's actual capital dips below its Authorized Control Level Risk-Based Capital, the state insurance regulator has the authority to place the company under regulatory control. Therefore, the Authorized Control Level (ACL) is used as the base level, and the other regulatory intervention levels are defined relative to the ACL. The five action levels are:

- 1) No Action, which means that a company's total adjusted capital (TAC) is at least twice its ACL;
- 2) Company Action Level (CAL), which means that a company's TAC is at least 1.5 times its ACL but less than twice its ACL;
- 3) Regulatory Action Level (RAL), which means that the company's TAC is at least equal to its ACL but less than 1.5 times its ACL;
- 4) Authorized Control Level, which means that a company's TAC is at least 0.70 times its ACL but less than its ACL; and
- 5) Mandatory Control Level (MCL), which means that the company's TAC is less than 0.70 times its Authorized Control Level RBC.

Most companies fall into the "No Action" level. This level does not necessarily mean that the company is in strong financial condition. It simply means that the company has not triggered one of the regulatory intervention levels. A company can be in weak condition

and still pass the RBC test.

## Distribution of Companies by Action Level

As can be seen in Table 1, the number of companies triggering one of the regulatory intervention levels is relatively small. Typically, around 98 percent of all life insurers filing with the NAIC fall into the "No Action" level. That number has been fairly constant throughout the six years that the NAIC's Life RBC system has been in place.

Table 2 shows the disposition of insurers filing in data years 1997 and/or 1998. There is an increase of 93 new filers in 1998, which is offset by a decrease of 128 companies that filed in 1997 but did not file in 1998. Some of these companies have not filed because they have merged or otherwise gone out of business, and some have not filed because they were exempted by state regulators.

Of the 1,241 companies that filed in both 1997 and in 1998, 25 companies triggered one of the action levels in 1997. Nearly three quarters of those companies that triggered an action level in 1997 were able to move to the "No Action" level in 1998, while the other quarter (7 of 25 companies) remain in one of the action levels.

## Aggregate Industry Results

Figure 1 shows the percentage breakdown of the aggregate RBC by component for 1998. The C1 and C2 components constitute the bulk of the aggregate RBC, with the C2 component (insurance risk) being more prominent in the smaller companies and the C1 component (other asset risk) being more influential in the larger companies. For example, C2 is nearly 60 percent of the total RBC for companies with between \$10 and \$25 million in total admitted assets, while C1 contributes around 20 percent. On the other hand, companies with more than \$10 billion in assets have only slightly over 10 percent of their RBC coming from C2, and nearly 60 percent of the RBC is contributed by C1.

Table 3 shows the industry aggregate Total Adjusted Capital and its breakdown into basic elements for 1994 through 1998. One thing to note is that starting in 1997, voluntary investment reserves are no longer included in the TAC.

Table 4 shows the aggregate RBC by major covariance elements for 1994 through 1998. The 1996

covariance formula is used for the covariance calculation for data years 1994 through 1997. In 1998, the covariance formula was changed, with the C3 and C4 components each being split into two parts. The 1998 data is reported using the 1998 covariance formula.

Overall, TAC has grown 40 percent in the past five years, while RBC has grown by 17 percent.

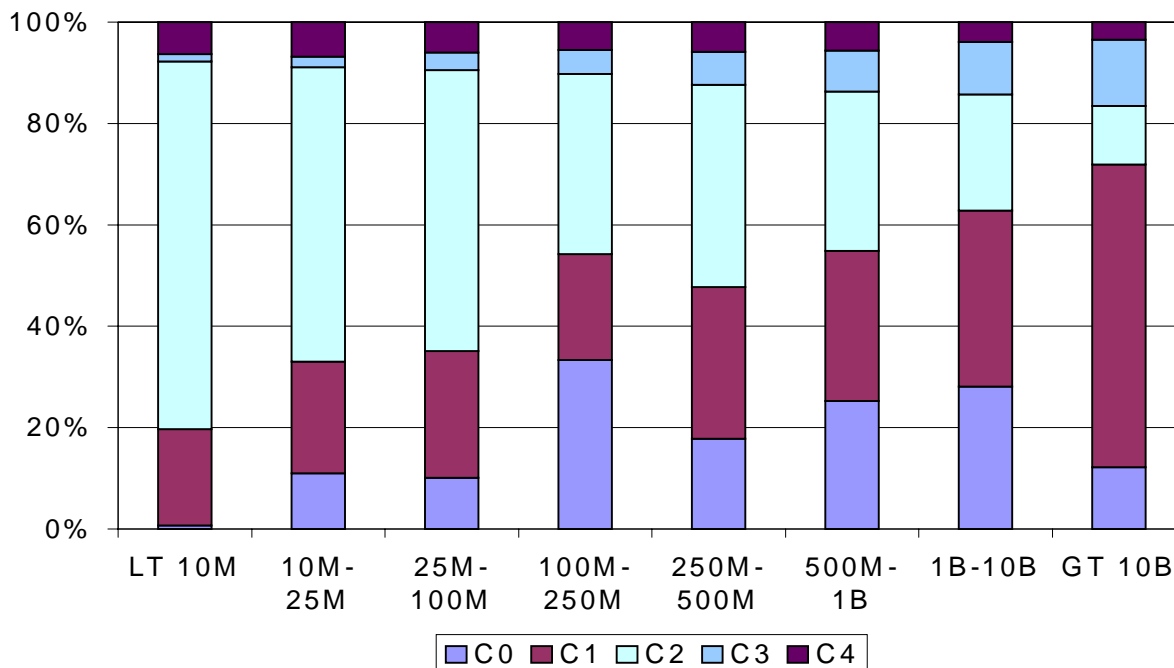
**Table 1**  
**Industry Results By Action Level, 1994-1998**

	1994	1995	1996	1997	1998
No Action	1,515	1,494	1,429	1,339	1,312
Company Action Level	16	12	21	19	11
Regulatory Action Level	2	5	4	3	4
Authorized Control Level	3	3	3	2	3
Mandatory Control Level	7	3	6	6	4
Total	1,543	1,513	1,463	1,369	1,334
Percent At 'No Action' Level	98.2%	98.7%	97.7%	97.8%	98.4%

**Table 2**  
**1998 Disposition of 1997 RBC Filers By Action Level**

		1998 ACTION					
		NO ACTION	COMPANY ACTION LEVEL	REGUL. ACTION LEVEL	AUTHOR. CONTROL LEVEL	MANDATORY CONTROL LEVEL	NOT ON DATA BASE
1997 ACTION	NO ACTION	1,203	9	2	2	0	123
	COMP. ACTION LEVEL	14	1	1	0	1	2
	REG. ACTION LEVEL	2	1	0	0	0	0
	AUTH. CONTROL LEVEL	0	0	1	1	0	0
	MAN. CONTROL LEVEL	2	0	0	0	1	3
	NOT ON DATA BASE	91	0	0	0	2	N/A

**Figure 1**  
**Percentage of Total RBC by Covariance Component for 1998 RBC**



**Table 3**  
**Industry Aggregate Total Adjusted Capital, 1994-1998**

Total Adjusted Capital Elements	1994 (000)	1995 (000)	1996 (000)	1997 (000)	1998 (000)
Capital and Surplus	142,103,988	156,785,109	172,714,193	196,346,643	202,281,962
AVR	25,195,066	30,168,998	32,177,276	35,230,285	36,389,611
Voluntary Investment Reserves	1,331,452	1,000,509	531,531	N/A	N/A
Dividend Liability	6,517,794	6,781,976	7,101,349	7,836,925	8,170,525
Life Subsidiaries' AVR	3,444,091	4,344,198	4,939,658	4,765,829	4,827,691
Life Subs' Vol. Invest. Reserves	187,276	93,034	18,115	N/A	N/A
Life Subs' Dividend Liability	87,091	144,375	251,142	285,437	114,128
P/C Subs' Non-Tab Discount	1,355	29	3,312	11,011	10,279
<b>Total Adjusted Capital (TAC)</b>	<b>178,868,114</b>	<b>199,318,228</b>	<b>217,729,952</b>	<b>244,501,604</b>	<b>251,776,333</b>

**Table 4**  
**Life RBC By Components, 1994-1998**

	Aggregates for 1543 Companies (000) 1994	Aggregates for 1475 Companies (000) 1995	Aggregates for 1463 Companies (000) 1996	Aggregates for 1369 Companies (000) 1997	Aggregates for 1334 Companies (000) 1998
<b>C0 - Asset Risk - Affiliates</b>					
Direct P&C Insurers	429,844	548,463	423,852	450,033	684,804
Direct Life Insurers	10,522,095	11,100,355	12,067,429	13,127,332	12,976,224
Indirect P&C Insurers	1,156,856	1,081,328	1,161,782	1,122,536	1,120,698
Indirect Life Insurers	690,136	1,197,262	780,806	943,259	1,314,184
Affiliated Alien Insurers – Canadian	227,307	254,108	305,843	287,366	250,558
Affiliated Alien Insurers – All Other	1,088,523	809,733	892,619	1,065,099	1,300,900
Off-Balance Sheet Items	349,384	457,826	314,301	434,895	477,444
Total C0	14,494,145	15,449,075	15,946,631	17,430,519	18,124,812
<b>C1 - Asset Risk - All Other</b>					
Bonds After Size Factor	10,340,516	10,269,478	10,578,274	12,005,564	13,593,281
Mortgages	6,979,951	6,711,532	6,424,898	4,930,051	5,068,440
Unaffiliated Common/Pref'd Stock	6,028,982	7,296,919	8,006,948	10,273,871	10,410,234
Affil Com/Pref'd Stock – Invest Subs	710,787	924,911	583,269	368,580	665,459
Affil Com/Pref'd Stock – Holding Co.	880,584	490,081	1,187,330	681,659	920,783
Affil Com/Pref'd Stock – Parent	421,558	631,490	323,730	494,818	524,983
Affil Com/Pref'd Stock – P/C not Subj.	N/A	75	378	1,243	322
Affil Com/Pref'd Stock – Life not Subj.	N/A	93	2,985	76	106,750
Affil Com/Pref'd Stock – All Other	2,013,350	3,083,538	2,618,294	3,193,466	3,515,695
Separate Accounts with Guarantees	431,512	513,676	417,680	360,644	487,477
Synthetic GIC's	N/A	N/A	N/A	2,473	82
Surplus in non-Guaranteed Sep. Accts	285,449	372,802	557,281	639,060	782,883
Real Estate (gross of encumbrances)	4,966,504	4,715,381	4,256,724	3,713,591	3,010,348
Schedule BA Assets	4,851,795	4,658,802	4,478,995	1,651,131	1,557,293
Other Long-Terms Assets	N/A	N/A	N/A	3,201,357	4,206,618
Asset Concentration Factor	1,890,699	1,794,816	1,805,801	1,850,172	1,878,281
Miscellaneous Assets	157,683	199,330	142,049	233,969	234,716
Reinsurance	217,076	277,220	316,782	345,385	434,723
Total C1	40,176,446	41,940,146	41,701,418	43,947,108	47,398,368
<b>C2 - Insurance Risk</b>					
Individual & Industrial Life Insurance	4,712,011	4,945,790	5,170,291	5,405,899	5,338,467
Group & Credit Life Insurance	2,931,600	3,008,801	3,139,415	3,480,090	3,402,062
Total Health Insurance	11,215,434	11,945,981	12,110,972	12,607,303	11,536,777
Premium Stabilization Reserve Credit	-3,027,570	-2,472,573	-2,320,846	-2,537,396	-2,333,864
Total C2	15,831,475	17,427,999	18,099,833	18,955,895	17,943,442
<b>C3a - Interest Rate Risk</b>					
Interest Rate Risk – Low	3,652,241	3,678,947	3,711,486	3,836,916	3,964,732
Interest Rate Risk – Medium	2,170,264	2,332,404	2,300,115	2,237,858	2,181,362
Interest Rate Risk – High	4,156,865	4,379,306	4,533,832	4,727,467	4,982,599
Synthetic GIC's	N/A	N/A	N/A	879	2,256
Total C3a	9,979,370	10,390,658	10,545,433	10,803,119	11,130,949
<b>C3b - Health Credit Risk</b>					
Total C3b	N/A	N/A	N/A	N/A	24,040
<b>C4 - Business Risk</b>					
Subtotal C4a Business Risk	N/A	N/A	N/A	N/A	3,350,624
Subtotal C4b Health Admin Expense	N/A	N/A	N/A	N/A	464,787
Total C4	3,003,655	3,184,929	3,209,542	3,386,324	3,815,411
<b>Total RBC</b>	<b>83,485,091</b>	<b>88,392,806</b>	<b>89,502,856</b>	<b>94,522,967</b>	<b>98,437,022</b>
RBC After Covariance*	75,358,334	78,549,923	79,618,540	84,387,071	87,755,200
<b>Total Adjusted Capital</b>	<b>178,868,114</b>	<b>199,318,228</b>	<b>217,729,952</b>	<b>244,501,604</b>	<b>251,776,333</b>

\* 1996 Covariance Formula used for 1994-1997 data, 1998 Covariance Formula used for 1998 data.

N/A – Not Available

**Table 4 (Continued)**  
**Life RBC By Components, 1994-1998**

	Percent of Total RBC				
	1994	1995	1996	1997	1998
<b>C0 - Asset Risk - Affiliates</b>					
Direct P&C Insurers	0.51%	0.62%	0.47%	0.48%	0.70%
Direct Life Insurers	12.64%	12.56%	13.48%	13.89%	13.18%
Indirect P&C Insurers	1.39%	1.22%	1.30%	1.19%	1.14%
Indirect Life Insurers	0.83%	1.35%	0.87%	1.00%	1.34%
Affiliated Alien Insurers – Canadian	0.27%	0.29%	0.34%	0.30%	0.25%
Affiliated Alien Insurers – All Other	1.30%	0.92%	1.00%	1.13%	1.32%
Off-Balance Sheet Items	0.42%	0.52%	0.35%	0.46%	0.49%
Total C0	17.36%	17.48%	17.82%	18.44%	18.41%
<b>C1 - Asset Risk – All Other</b>					
Bonds After Size Factor	12.39%	11.62%	11.82%	12.70%	13.81%
Mortgages	8.36%	7.59%	7.18%	5.22%	5.15%
Unaffiliated Common/Pref'd Stock	7.22%	8.26%	8.95%	10.87%	10.58%
Affil Com/Pref'd Stock – Invest Subs	0.85%	1.05%	0.65%	0.39%	0.68%
Affil Com/Pref'd Stock – Holding Co.	1.05%	0.55%	1.33%	0.72%	0.94%
Affil Com/Pref'd Stock – Parent	0.50%	0.71%	0.36%	0.52%	0.53%
Affil Com/Pref'd Stock – P/C not Subj.	N/A	0.00%	0.00%	0.00%	0.00%
Affil Com/Pref'd Stock – Life not Subj.	N/A	0.00%	0.00%	0.00%	0.11%
Affil Com/Pref'd Stock – All Other	2.41%	3.49%	2.93%	3.38%	3.57%
Separate Accounts with Guarantees	0.52%	0.58%	0.47%	0.38%	0.50%
Synthetic GIC's	N/A	N/A	N/A	0.00%	0.00%
Surplus in non-Guaranteed Sep. Accts	0.34%	0.42%	0.62%	0.68%	0.80%
Real Estate (gross of encumbrances)	5.95%	5.33%	4.76%	3.93%	3.06%
Schedule BA Assets	5.81%	5.27%	5.00%	1.75%	1.58%
Other Long-Terms Assets	N/A	N/A	N/A	3.39%	4.27%
Asset Concentration Factor	2.26%	2.03%	2.02%	1.96%	1.91%
Miscellaneous Assets	0.19%	0.23%	0.16%	0.25%	0.24%
Reinsurance	0.26%	0.31%	0.35%	0.37%	0.44%
Total C1	48.12%	47.45%	46.59%	46.49%	48.15%
<b>C2 – Insurance Risk</b>					
Individual & Industrial Life Insurance	5.64%	5.60%	5.78%	5.72%	5.42%
Group & Credit Life Insurance	3.51%	3.40%	3.51%	3.68%	3.46%
Total Health Insurance	13.43%	13.51%	13.53%	13.34%	11.72%
Premium Stabilization Reserve Credit	-3.63%	-2.80%	-2.59%	-2.68%	-2.37%
Total C2	18.96%	19.72%	20.22%	20.05%	18.23%
<b>C3a – Interest Rate Risk</b>					
Interest Rate Risk – Low	4.37%	4.16%	4.15%	4.06%	4.03%
Interest Rate Risk – Medium	2.60%	2.64%	2.57%	2.37%	2.22%
Interest Rate Risk – High	4.98%	4.95%	5.07%	5.00%	5.06%
Synthetic GIC's	N/A	N/A	N/A	0.00%	0.00%
Total C3a	11.95%	11.76%	11.78%	11.43%	11.31%
<b>C3b – Health Credit Risk</b>					
Total C3b	N/A	N/A	N/A	N/A	0.02%
<b>C4 – Business Risk</b>					
Subtotal C4a Business Risk	N/A	N/A	N/A	N/A	3.40%
Subtotal C4b Health Admin Expense	N/A	N/A	N/A	N/A	0.47%
Total C4	3.60%	3.60%	3.59%	3.58%	3.88%
<b>Total RBC</b>					
RBC After Covariance*	100.0%	100.0%	100.0%	100.0%	100.0%
	90.27%	88.86%	88.96%	89.28%	89.15%
<b>Total Adjusted Capital</b>					
	214.25%	225.49%	243.27%	258.67%	255.77%

\* 1996 Covariance Formula used for 1994-1997 data, 1998 Covariance Formula used for 1998 data.

N/A – Not Available

# 1998 HMO RBC Industry Results

by NAIC Staff

As of Dec. 31, 1999, more than 440 HMO Risk-Based Capital (RBC) filings have been received and uploaded to the NAIC database for calendar year 1998. This article summarizes the industry results and discusses some of the trends noted in the 1998 filings.

The RBC test is one of many different tests used by regulators to help ensure that insurance companies remain solvent. The NAIC RBC formula generates the regulatory minimum amount of capital that a company is required to maintain to avoid regulatory action. There are five levels of action that a company can trigger under the formula. The base action level is the Authorized Control Level. If a company's actual capital dips below its Authorized Control Level Risk-Based Capital, the state insurance regulator has the authority to place the company under regulatory control. Therefore, the Authorized Control Level (ACL) is used as the base level, and the other regulatory intervention levels are defined relative to the ACL. The five action levels are:

- 1) No Action, which means that a company's total adjusted capital (TAC) is at least twice its ACL;
- 2) Company Action Level (CAL), which means that a company's TAC is at least 1.5 times its ACL but less than twice its ACL;
- 3) Regulatory Action Level (RAL), which means that the company's TAC is at least equal to its ACL but less than 1.5 times its ACL;
- 4) Authorized Control Level, which means that a company's TAC is at least 0.70 times its ACL but less than its ACL; and
- 5) Mandatory Control Level (MCL), which means that the company's TAC is less than 0.70 times its Authorized Control Level RBC.

Most companies fall into the "No Action" level. This level does not necessarily mean that the company is in strong financial condition. It simply means that the company has not triggered one of the regulatory intervention levels. A company can be in weak condition and still pass the RBC test.

## Aggregate Industry Results

As can be seen in Table 1, three quarters of the managed care organizations that made an RBC filing for 1998 did not trigger one of the regulatory intervention levels.

The Managed Care Discount Factor determines the percentage of underwriting risk RBC that is carried down in the RBC calculation. It is based upon the type of managed care arrangement a company has with its providers. The median discount factors for 1998 are broken out by company asset size in Table 2. It may appear on the surface that larger companies tend to have smaller discount factors, hence larger percentage discounts toward RBC. To keep things in perspective it must be noted that there is considerable variation in the discount factor within each asset category because of the different types of arrangements possible between company and provider.

Table 2 also shows the median RBC ratio by asset size for 1998. The RBC ratio is the ratio of a company's TAC to its ACL RBC. The median RBC ratio is a function of size. Larger insurers tend to operate with lower capital margins (the ratio of capital to assets). This usually results in lower RBC ratios, which might lead one to believe that an insurer is not as stable as another company with a higher ratio. In reality larger insurers tend to be more stable, and thus are able to operate in a way that might lower RBC ratios while maintaining that stability. Situations like this merely emphasize the inappropriateness of comparing RBC ratios between insurers.

The aggregate RBC by major covariance elements for 1998 is shown in Table 3. As might be expected, the greatest portion (more than 70 percent) of RBC comes directly from net under-writing risk. The next greatest portion is due to credit risk, and weighs in at a mere 8.65 percent.

The excessive growth risk under H4 – Business Risk is determined through a process that compares the current year's data to that of the previous year. As 1998 is the first year for the RBC calculation, the excessive growth risk cannot be calculated until 1999. Thus the risk for the 1998 calculation is recorded as zero.

In general, company asset size makes little difference in the percentage makeup of RBC. The only notable difference is that H0 – Affiliates Assets Risk makes up 11 percent of total RBC, on average, for companies with assets more than \$250 million. This is in comparison to less than 1 percent for companies with assets less than

\$250 million.

Though time series analysis of RBC ratios is not possible this year, a word of caution is in order. The ratios for 1998 and 1999 will not be exactly comparable to the ratios for later years because of phase-in aspects of the RBC formula. For 1998, the ACL RBC is set at 0.40 times the Risk-Based Capital After Covariance. For 1999, ACL RBC is 0.45 times Risk-Based Capital After Covariance. Beginning in 2000, the ACL RBC is equal to half of the Risk-Based Capital After Covariance. Since the Company Action Level RBC is equal to twice the ACL RBC, beginning in 2000 and thereafter the Risk-Based Capital After Covariance and the CAL RBC are equivalent.

**Table 1**  
**1998 Industry Results By Action Level**

No Action	334
Company Action Level	35
Regulatory Action Level	28
Authorized Control Level	21
Mandatory Control Level	28
Total	446
Percent At "No Action" Level	74.9%

**Table 2**  
**1998 Median RBC Ratios By Asset Size**

Asset Size	1998 Median Managed Care Discount Factor	1998 Median RBC Ratio
Less than \$10 Million	0.814	573%
\$10 million to \$25 million	0.811	288%
\$25 million to \$100 million	0.756	322%
\$100 million to \$250 million	0.706	289%
More than \$250 million	0.715	276%
All Companies	0.784	341%

**Table 3**  
**1998 HMO RBC By Component**

	Aggregates for 446 Companies 1998	Percent of Total RBC 1998
<b>H0 - Asset Risk - Affiliates</b>		
Off-Balance Sheet	1,840,504	0.03%
Direct Insurers	5,050,686	0.08%
Indirect Insurers	0	0.00%
Direct MCOs	244,650,462	3.95%
Indirect MCOs	1,980,302	0.03%
Alien Insurers	0	0.00%
Total H0	253,521,954	4.09%
<b>H1 - Asset Risk - Other</b>		
Investment Subsidiary	18,620,923	0.30%
Holding Company Excess of Subs	714,320	0.01%
Investment in Parent	0	0.00%
Other Affiliates	13,051,786	0.21%
Fixed Income Assets	44,515,204	0.72%
Unaffiliated Preferred Stock	2,014,753	0.03%
Unaffiliated Common Stock	55,767,135	0.90%
Property & Equipment	208,947,880	3.37%
Asset Concentration	49,350,933	0.80%
Total H1	392,982,934	6.34%
<b>H2 - Underwriting Risk</b>		
Net Underwriting Risk	4,450,986,238	71.83%
Rate Guaranty - 15-36 Months	37,128,659	0.60%
Rate Guaranty - Over 36 Months	9,166,700	0.15%
Assessment Risk (Non-Guaranty Fund)	52,236,284	0.84%
Premium Stabilization Reserve	-4,378,723	-0.07%
Total H2	4,545,139,158	73.35%
<b>H3 - Credit Risk</b>		
Total Reinsurance RBC	784,239	0.01%
Intermediaries Credit Risk RBC	409,276,161	6.61%
Total Other Receivables RBC	125,949,145	2.03%
Total H3	536,009,545	8.65%
<b>H4 - Business Risk</b>		
Administrative Expenses Base RBC	415,028,456	6.70%
Non-Underwritten and Limited Risk Business RBC	16,318,081	0.26%
Premiums Subject to Guaranty Fund Assessment	37,312,795	0.60%
Excessive Growth Risk RBC	0	0.00%
Total H4	468,659,332	7.56%
<b>Total RBC</b>	<b>6,196,312,923</b>	<b>100.00%</b>
RBC After Covariance	5,173,962,893	83.50%
<b>Total Adjusted Capital</b>	<b>6,283,065,736</b>	<b>101.40%</b>