

## NAIC BLANKS (E) WORKING GROUP

### Blanks Agenda Item Submission Form

<p style="text-align: right;">DATE: <u>03/07/2013</u></p> <p>CONTACT PERSON: <u>Dave Fleming</u></p> <p>TELEPHONE: <u>816-783-8121</u></p> <p>EMAIL ADDRESS: <u>dfleming@naic.org</u></p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Mark Birdsall</u></p> <p>TITLE: <u>Chair Life RBC Working Group</u></p> <p>AFFILIATION: <u>Kansas Insurance Department</u></p> <p>ADDRESS: <u>420 SW 9<sup>th</sup> ST</u> <u>Topeka, KS 66612-1678</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2013-19BWG MOD</u></p> <p>Year <u>2013</u></p> <p>Changes to Existing Reporting [ X ]</p> <p>New Reporting Requirement [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ]</p> <p>Modifies Required Disclosure [ ]</p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment</p> <p>[ ] Referred To Another NAIC Group</p> <p>[ ] Received For Public Comment</p> <p>[ X ] Adopted Date <u>06/13/2013</u></p> <p>[ ] Rejected Date _____</p> <p>[ ] Deferred Date _____</p> <p>[ ] Other (Specify) _____</p>
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#### BLANK(S) TO WHICH PROPOSAL APPLIES

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT           | <input type="checkbox"/> QUARTERLY STATEMENT  |   |
| <input checked="" type="checkbox"/> INSTRUCTIONS               | <input type="checkbox"/> CROSSCHECKS          | <input checked="" type="checkbox"/> BLANK |
| <input checked="" type="checkbox"/> Life and Accident & Health | <input type="checkbox"/> Property/Casualty    | <input type="checkbox"/> Health           |
| <input checked="" type="checkbox"/> Separate Accounts          | <input checked="" type="checkbox"/> Fraternal | <input type="checkbox"/> Title            |
| <input type="checkbox"/> Other Specify _____                   |   |   |

Anticipated Effective Date: Annual 2013

#### IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the instructions for the AVR Basic Contribution, Reserve Objective and Maximum Reserve Calculation for the Default Component and Equity and Other Invested Asset Component to reflect elimination of the Mortgage Experience Adjustment Factor used to adjust factors for certain lines. The same lines on the blank will be modified to reflect the new specific factors.

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

The risk factors for commercial mortgages are being modified in the Life and Fraternal Risk-Based Capital formulas to much more accurately reflect the actual risk profile of individual mortgage loans and eliminate the use of the Mortgage Experience Adjustment Factor. This more robust methodology will be proposed for the AVR for 2014. This proposal modifies the AVR for 2013 to eliminate the use of the Mortgage Experience Adjustment Factor to be consistent with Risk-Based Capital and incorporates factors that represent the mid-range of the factors that will be used upon full implementation.

#### NAIC STAFF COMMENTS

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

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

Revised 6/13/2009

ANNUAL STATEMENT INSTRUCTIONS – LIFE AND FRATERNAL

**DEFAULT COMPONENT –  
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**



**Detail Eliminated To Conserve Space**

Lines 35 through 50 – Mortgage Loans

Report the book/adjusted carrying value of all Schedule B and Schedule DL, Part 1 mortgage loans owned in Column 1. Any related party encumbrances should be deducted in Column 2. Categorize the mortgage loans as indicated on Lines 35 through 50. Report the difference of Column 1 less Column 2 in Column 4. Multiply the amount in Column 4 for each category by the reserve factors ~~calculated for~~ in Columns 5, 7 and 9, and report the products by category in Columns 6, 8 and 10, respectively.

NOTE: Related party encumbrances are loans from the reporting entity and the amount deducted in Column 2 should be reflected in Column 2 in the corresponding section of the AVR worksheet. If the affiliated entity to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount deducted in Column 2 should be based on the reporting entity's ownership percentage.

~~For farm and commercial mortgages (all other) in good standing, the reserve factors for Columns 5, 7, and 9 are calculated by multiplying the factors shown below by a ratio of company to industry experience (referred to as the Experience Adjustment Factor – EAF).~~

$$\begin{aligned} \text{Factor} \times \text{EAF} &= \text{Column Reserve Factor} \\ \text{Factor} * &: \text{Column 5} = .63\% \\ & \text{Column 7} = 1.20\% \\ & \text{Column 9} = 1.90\% \\ \text{EAF} &= \text{AvCEF} / \text{AvIEF} \end{aligned}$$

~~\* The column reserve factors reported in Columns 5, 7 and 9 must be within a range of one-half (0.5) to three and one-half (3.5) times the factor for that particular column (e.g., for Column 5, the factor range is .315% to 2.205%). For companies with less than five years mortgage experience, the minimum factor is the factor for that particular column (e.g., Column 5 is .63%). The column reserve factor will depend upon your company's experience relative to the industry's experience.~~

~~For restructured mortgage loans in good standing, Column 9 is the greater of 6.4% without any EAF adjustments or a company's EAF adjusted In Good Standing (IGS) factor plus 150 basis points. Columns 5 and 7 are 28% and 62%, respectively of Column 9.~~

~~The EAF is calculated by dividing the Company's Experience Factor (CEF) by the Industry's Experience Factor (IEF). The Company's Experience Factor is the average of the ratios calculated for each of the preceding eight quarters, with the eighth quarter being as of September 30 of the current statement year. The company will calculate each quarterly ratio (CEFQ<sub>t</sub>) by taking:~~

$$\begin{aligned} \text{CEFQ}_t = & \\ & .01 \times \text{Mean Value of Commercial Mortgage Loans restructured and in good standing; plus} \\ & .02 \times \text{Mean Value of Farm and Commercial Mortgage Loans Delinquent More than 90 Days; plus} \\ & .025 \times \text{Mean Value of Commercial Mortgage Loans in Process of Foreclosure; plus} \\ & .12 \times \text{Value of Mortgage Loans Foreclosed, Transferred to Real Estate} \end{aligned}$$

~~DIVIDED BY:~~

~~Mean Value of Farm and Commercial Mortgage Loans; plus  
.5 x Value of Mortgage Loans Foreclosed, Transferred to Real Estate During Quarter~~

~~Where mean value is the average of the values as of beginning and end of the quarter.~~

~~Calculate the company's quarterly ratio for each of the eight preceding quarters (the eighth being the quarter as of September 30 of the current statement year), and then average the eight calculated ratios (AvCEF).~~

~~Where AvCEF = Two Year Average Company's Experience Factor and~~

$$\text{AvCEF} = (\text{CEFQ1} + \text{CEFQ2} + \text{CEFQ3} + \text{CEFQ4} + \text{CEFQ5} + \text{CEFQ6} + \text{CEFQ7} + \text{CEFQ8}) / 8$$

~~Divide this resulting average Company's Experience Factor by the average Industry's Experience Factor (AvIEF), which will be updated each quarter by the NAIC, to determine the Company's EAF.~~

~~Where AvIEF = Two Year Average Industry's Experience Factor~~

$$\text{AvIEF} = (\text{IEFQ1} + \text{IEFQ2} + \text{IEFQ3} + \text{IEFQ4} + \text{IEFQ5} + \text{IEFQ6} + \text{IEFQ7} + \text{IEFQ8}) / 8$$

~~The industry rates will be provided by the NAIC.~~

~~Companies not required to file quarterly statements will calculate the EAF as if quarterly statements had been prepared.~~

~~The data for the company's quarterly ratios should be obtained from the following quarterly and annual statement sources:~~

~~The value of the commercial mortgage loans in good standing comes from:~~

~~Schedule B, Part 1, Column 8, Lines 0499999 plus 0599999 in the annual statement and the corresponding quarterly statement amount.~~

~~The value of restructured commercial mortgage loans comes from:~~

~~Schedule B, Part 1, Column 8, Lines 1299999 plus 1399999 in the annual statement and the corresponding quarterly statement amount.~~

~~The value of commercial mortgage loans delinquent more than 90 days comes from:~~

~~Schedule B, Part 1, Column 8, Lines 2099999 plus 2199999, in the annual statement and the corresponding quarterly statement amount.~~

~~The value of commercial mortgage loans in process of foreclosure comes from:~~

~~Schedule B, Part 1, Column 8, Lines 2899999 plus 2999999, in the annual statement and the corresponding quarterly statement amount.~~

~~The value of farm mortgages in good standing comes from:~~

~~Schedule B, Part 1, Column 8, Line 0199999 in the annual statement and the corresponding quarterly statement amount.~~

~~The value of restructured farm mortgages comes from:~~

~~Schedule B, Part 1, Column 8, Line 0999999 in the annual statement and the corresponding quarterly statement amount.~~

~~The value of farm mortgage loans delinquent more than 90 days comes from:~~

~~Schedule B, Part 1, Column 8, Line 1799999, in the annual statement and the corresponding quarterly statement amount.~~

~~The value of farm mortgage loans in process of foreclosure comes from:~~

~~Schedule B, Part 1, Column 8, Line 2599999, in the annual statement and the corresponding quarterly statement amount.~~

~~For the first quarter, the value transferred to real estate during the quarter is year to date value transferred to real estate. For other quarters, the value transferred to real estate is the difference between the year to date value transferred to real estate from Schedule B and the corresponding year to date value transferred to real estate prior quarter.~~

~~Mean values are obtained by averaging the book/adjusted carrying values as of the beginning and end of the quarter.~~

Line 51 – Total Schedule B Mortgage Loans on Real Estate

Column 1 should agree with Page 2, Line 3.1 + 3.2, Column 3 plus Schedule DL, Part 1, Column 6, Line 8799999.

Line 52 – Total Schedule DA Mortgages

Report the book/adjusted carrying value of all Schedule DA mortgage loans (Lines 8499999 and 8799999) and any applicable investments from Schedule DL, Part 1, Line 8999999 owned in Column 1. Any related encumbrances should be deducted in Column 2. Multiply the amount in Column 4 by the reserve factors ~~calculated~~ for the Schedule B mortgages and report the products in Columns 6, 8 and 10.

Line 53 – Total Mortgage Loans on Real Estate

Column 6 must be reported on the Asset Valuation Reserve Page, Line 7, Column 2.

Column 8 must be reported on the Asset Valuation Reserve Page, Line 10, Column 2.

Column 10 must be reported on the Asset Valuation Reserve Page, Line 9, Column 2.

**EQUITY AND OTHER INVESTED ASSET COMPONENT –**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**

=====**Detail Eliminated To Conserve Space**=====

Lines 5  
through 15 – Subsidiary, Controlled or Affiliated Common Stock – Investment Subsidiaries

Report the book/adjusted carrying value of all common stocks owned in an investment subsidiary or that portion of the book/adjusted carrying value of holding company subsidiaries that represents investments in investment subsidiaries in Column 1, any related party encumbrances on these common stocks in Column 2, and any third party encumbrances on these common stocks in Column 3. If a portion of the book/adjusted carrying value of a holding company subsidiary is reflected in Column 1, the debt of that holding company subsidiary should be reflected in Columns 2 and 3. However, the total holding company debt to be reflected in Columns 2 and 3 should not exceed the aggregate book/adjusted carrying value of any investment subsidiaries on the holding company subsidiary books. (An investment subsidiary is any subsidiary, other than a holding company subsidiary, engaged or organized to engage primarily in the ownership and management of investments authorized as investments for the reporting entity. A broker-dealer or money management firm that manages outside funds is not an investment subsidiary. This definition is intended to be identical to the investment subsidiary definition for Risk-Based Capital (RBC) purposes and will be amended if the RBC definition is changed.) Allocate the common stock value in Column 1 and the encumbrances in Columns 2 and 3 among Lines 5 through 15 based on the nature of the underlying investment held by the investment subsidiary. Follow the Securities Valuation Office guidelines and categorize these assets as if the SVO had assigned a class of 1 through 6, P1 through P6, or RP1 through RP6. Report the sum of Columns 1, 2, and 3 in Column 4.

For Lines 5 through 11, multiply the amount in Column 4 by the appropriate bond, preferred stock, or other fixed income instrument (excluding mortgage loans) reserve factors (as listed in Columns 5, 7 and 9 of the various sections of the Equity Component schedule) and report the products in Columns 6, 8 and 10, respectively.

For Line 12, multiply the amount in Column 4 by the reserve factors calculated for Columns 5, 7 and 9 (see instructions for Line 1 of this schedule) and report the products in Columns 6, 8 and 10, respectively.

For Line 13, multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

For Line 14, multiply the amounts included in Column 4 by the appropriate reserve factors ~~calculated for Page 31, Lines 35 through 50, in~~ Columns 5, 7 and 9, and report the products in Columns 6, 8 and 10, respectively. (Note – Related party encumbrances are loans from the reporting entity and the amount reflected in Column 2 should be deducted in Column 2 in the corresponding section of the AVR worksheet. If the investment subsidiary to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount reflected in Column 2 should be based on the reporting entity's ownership percentage. The amount of the third party encumbrances without recourse to be reflected in Column 3 is limited to the extent that the maximum reserve (Columns 6, 8 and 10, respectively) should not exceed the sum of the book/adjusted carrying value (Column 1) plus related party encumbrances (Column 2) and third party encumbrances with recourse which are included in Column 3).

For Line 15, multiply the amounts included in Column 4 by the reserve factors and breakdowns used for directly owned real estate and report the products in Columns 6, 8 and 10, respectively.



**Detail Eliminated To Conserve Space**



Lines 39  
through 54

– Other Invested Assets with Underlying Characteristics of Mortgage Loans

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to mortgage loans (Lines 0999999 and 1099999 and the portion of Lines 1399999 and 1499999 that applies to fixed income instruments similar to mortgage loans), excluding any mortgage-backed/asset-backed securities included in Lines 23 through 29 above, in Columns 1 and 4. Categorize the mortgage loans as indicated in Lines 39 through 54.

Multiply the amount in Column 4 for each category by the reserve factors ~~calculated for Page 31, in~~ Columns 5, 7 and 9, Lines 35 through 50. Report the products by category in Columns 6, 8 and 10, respectively.



**Detail Eliminated To Conserve Space**



ANNUAL STATEMENT BLANK – LIFE, FRATERNAL AND SEPARATE ACCOUNTS

ASSET VALUATION RESERVE (Continued)  
 BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS  
 DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Basic Contribution Amount (Cols. 4x5)		7 Reserve Objective Amount (Cols. 4x7)		9 Maximum Reserve Amount (Cols. 4x9)	
							Factor	Amount	Factor	Amount	Factor	Amount
DERIVATIVE INSTRUMENTS												
26		Exchange Traded.....										
27	1	Highest Quality.....	XXX		XXX		0.0004	0.0004	0.0023	0.0030	0.0030	
28	2	High Quality.....	XXX		XXX		0.0004	0.0004	0.0023	0.0030	0.0030	
29	3	Medium Quality.....	XXX		XXX		0.0019	0.0019	0.0058	0.0090	0.0090	
30	4	Low Quality.....	XXX		XXX		0.0093	0.0093	0.0340	0.0340	0.0340	
31	5	Lower Quality.....	XXX		XXX		0.0213	0.0213	0.0550	0.0750	0.0750	
32	6	In or Near Default.....	XXX		XXX		0.0432	0.0432	0.1100	0.1700	0.1700	
33		Total Derivative Instruments.....	XXX		XXX		XXX	XXX	XXX	XXX	XXX	
34		Total (Lines 9+ 17+ 25+ 33)	XXX		XXX		XXX	XXX	XXX	XXX	XXX	
MORTGAGE LOANS												
In Good Standing:												
35		Farm Mortgages.....			XXX		0.0035	0.0100	0.0100	0.0130	0.0130	
36		Residential Mortgages - Insured or Guaranteed			XXX		0.0003	0.0006	0.0006	0.0010	0.0010	
37		Residential Mortgages - All Other.....			XXX		0.0013	0.0030	0.0030	0.0040	0.0040	
38		Commercial Mortgages - Insured or Guaranteed			XXX		0.0003	0.0006	0.0006	0.0010	0.0010	
39		Commercial Mortgages - All Other.....			XXX		0.0035	0.0100	0.0100	0.0130	0.0130	
40		In Good Standing With Restructured Terms.....			XXX		0.0035	0.0100	0.0100	0.0130	0.0130	
Overdue, Not in Process:												
41		Farm Mortgages.....			XXX		0.0420	0.0760	0.0760	0.1200	0.1200	
42		Residential Mortgages - Insured or Guaranteed			XXX		0.0005	0.0012	0.0012	0.0020	0.0020	
43		Residential Mortgages - All Other.....			XXX		0.0025	0.0058	0.0058	0.0090	0.0090	
44		Commercial Mortgages - Insured or Guaranteed			XXX		0.0005	0.0012	0.0012	0.0020	0.0020	
45		Commercial Mortgages - All Other.....			XXX		0.0420	0.0760	0.0760	0.1200	0.1200	
In Process of Foreclosure:												
46		Farm Mortgages.....			XXX		0.0000	0.1700	0.1700	0.1700	0.1700	
47		Residential Mortgages - Insured or Guaranteed			XXX		0.0000	0.0040	0.0040	0.0040	0.0040	
48		Residential Mortgages - All Other.....			XXX		0.0000	0.0130	0.0130	0.0130	0.0130	
49		Commercial Mortgages - Insured or Guaranteed			XXX		0.0000	0.0040	0.0040	0.0040	0.0040	
50		Commercial Mortgages - All Other.....			XXX		0.0000	0.1700	0.1700	0.1700	0.1700	
51		Total Schedule B Mortgages (Sum of Lines 35 through 50).....	XXX		XXX		XXX	XXX	XXX	XXX	XXX	
52		Schedule DA Mortgages.....			XXX		0.0030	0.0100	0.0100	0.0130	0.0130	
53		Total Mortgage Loans on Real Estate (Lines 51 + 52)	XXX		XXX		XXX	XXX	XXX	XXX	XXX	

(\*) Times the company's experience adjustment factor (EAF)  
 (b) Column 9 is the greater of 6.4% without any EAF adjustments or a company's EAF-adjusted In-Good Standing (IGS) factor plus 150 basis points. Columns 5 and 7 are 28% and 62% respectively of Column 9.

(c) Determined using the same factors and breakdowns used for directly owned mortgage loans.

**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS  
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Basic Contribution (Cols. 4x5)		7 Reserve Objective Amount (Cols. 4x7)		9 Maximum Reserve Amount (Cols. 4x9)	
							Factor	Amount	Factor	Amount	Factor	Amount
<b>COMMON STOCK</b>												
1		Unaffiliated Public		XXX	XXX		0.0000	0.1300 (d)	0.1300 (d)	0.1300 (d)		
2		Unaffiliated Private		XXX	XXX		0.0000	0.1600	0.1600	0.1600		
3		Federal Home Loan Bank		XXX	XXX		0.0000	0.0050	0.0050	0.0080		
4		Affiliated Life with AVR		XXX	XXX		0.0000	0.0000	0.0000	0.0000		
Affiliated Investment Subsidiary:												
5		Fixed Income Exempt Obligations					XXX	XXX	XXX	XXX		
6		Fixed Income Highest Quality					XXX	XXX	XXX	XXX		
7		Fixed Income High Quality					XXX	XXX	XXX	XXX		
8		Fixed Income Medium Quality					XXX	XXX	XXX	XXX		
9		Fixed Income Low Quality					XXX	XXX	XXX	XXX		
10		Fixed Income Lower Quality					XXX	XXX	XXX	XXX		
11		Fixed Income In or Near Default					XXX	XXX	XXX	XXX		
12		Unaffiliated Common Stock Public					0.0000	0.1300 (4a)	0.1300 (4a)	0.1300 (4a)		
13		Unaffiliated Common Stock Private					0.0000	0.1600	0.1600	0.1600		
14		Mortgage Loans					0.0030 (e)	0.0100 (e)	0.0130 (e)	0.0130 (e)		
15		Real Estate					(e)	(e)	(e)	(e)		
16		Affiliated-Certain Other (See SYO Purposes & Procedures Manual)		XXX	XXX		0.0000	0.1300	0.1300	0.1300		
17		Affiliated - All Other		XXX	XXX		0.0000	0.1600	0.1600	0.1600		
18		Total Common Stock (Sum of Lines 1 through 17)					XXX	XXX	XXX	XXX		
<b>REAL ESTATE</b>												
19		Home Office Property (General Account only)					0.0000	0.0750	0.0750	0.0750		
20		Investment Properties					0.0000	0.0750	0.0750	0.0750		
21		Properties Acquired in Satisfaction of Debt					0.0000	0.1100	0.1100	0.1100		
22		Total Real Estate (Sum of Lines 19 through 21)					XXX	XXX	XXX	XXX		
<b>OTHER INVESTED ASSETS</b>												
<b>INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF BONDS</b>												
23		Exempt Obligations		XXX	XXX		0.0000	0.0000	0.0000	0.0000		
24	1	Highest Quality		XXX	XXX		0.0004	0.0023	0.0023	0.0030		
25	2	High Quality		XXX	XXX		0.0019	0.0058	0.0058	0.0090		
26	3	Medium Quality		XXX	XXX		0.0093	0.0230	0.0230	0.0340		
27	4	Low Quality		XXX	XXX		0.0213	0.0530	0.0530	0.0750		
28	5	Lower Quality		XXX	XXX		0.0432	0.1100	0.1100	0.1700		
29	6	In or Near Default		XXX	XXX		0.0000	0.2000	0.2000	0.2000		
30		Total with Bond Characteristics (Sum of Lines 23 through 29)		XXX	XXX		XXX	XXX	XXX	XXX		



**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Basic Contribution		7 Reserve Objective		9 Maximum Reserve	
							Factor	Amount (Cols. 4x5)	Factor	Amount (Cols. 4x7)	Factor	Amount (Cols. 4x9)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF PREFERRED STOCKS												
31	1	Highest Quality		XXX	XXX		0.0004		0.0023		0.0030	
32	2	High Quality		XXX	XXX		0.0019		0.0058		0.0090	
33	3	Medium Quality		XXX	XXX		0.0093		0.0230		0.0340	
34	4	Low Quality		XXX	XXX		0.0213		0.0730		0.1700	
35	5	Lower Quality		XXX	XXX		0.0432		0.1100		0.2000	
36	6	In or Near Default		XXX	XXX		0.0000		0.2000		0.2000	
37		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
38		Total with Preferred Stock Characteristics (Sum of Lines 31 through 37)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF MORTGAGE LOANS												
39		In Good Standing:										
		Farm Mortgages			XXX		0.0030	0.0463	0.0100	0.0120	0.0130	0.0190
40		Residential Mortgages - Insured or Guaranteed			XXX		0.0003		0.0006		0.0010	
41		Residential Mortgages - All Other	XXX		XXX		0.0013		0.0030		0.0040	
42		Commercial Mortgages - Insured or Guaranteed			XXX		0.0003		0.0006		0.0010	
43		Commercial Mortgages - All Other			XXX		0.0030	0.0463	0.0100	0.0120	0.0130	0.0190
44		In Good Standing With Restructured Terms			XXX		0.0030	0.2800	0.0100	0.6200	0.0130	0.0000
		Overdue, Not in Process:										
45		Farm Mortgages			XXX		0.0420		0.0760		0.1200	
46		Residential Mortgages - Insured or Guaranteed			XXX		0.0005		0.0012		0.0020	
47		Residential Mortgages - All Other			XXX		0.0025		0.0058		0.0090	
48		Commercial Mortgages - Insured or Guaranteed			XXX		0.0005		0.0012		0.0020	
49		Commercial Mortgages - All Other			XXX		0.0420		0.0760		0.1200	
		In Process of Foreclosure:										
50		Farm Mortgages			XXX		0.0000		0.1700		0.1700	
51		Residential Mortgages - Insured or Guaranteed			XXX		0.0000		0.0040		0.0040	
52		Residential Mortgages - All Other			XXX		0.0000		0.0130		0.0130	
53		Commercial Mortgages - Insured or Guaranteed			XXX		0.0000		0.0040		0.0040	
54		Commercial Mortgages - All Other			XXX		0.0000		0.1700		0.1700	
55		Total with Mortgage Loan Characteristics (Sum of Lines 39 through 54)			XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE (Continued)**  
**BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS**  
**EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	5 Basic Contribution (Cols. 4x5)		7 Reserve Objective (Cols. 4x7)		9 Maximum Reserve Amount (Cols. 4x9)	
							Factor	Amount	Factor	Amount	Factor	Amount
56		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK										
57		Unaffiliated Public.....	XXX	XXX	XXX	0.0000	0.1300(d4)	0.1300(d4)	0.1300(d4)	0.1300(d4)	0.1300(d4)	
58		Unaffiliated Private.....	XXX	XXX	XXX	0.0000	0.1600	0.1600	0.1600	0.1600	0.1600	
59		Affiliated Life with AVR.....	XXX	XXX	XXX	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
60		Affiliated Certain Other (See SVO Purposes & Procedures Manual).....	XXX	XXX	XXX	0.0000	0.1300	0.1300	0.1300	0.1300	0.1300	
61		Affiliated Other - All Other.....	XXX	XXX	XXX	0.0000	0.1600	0.1600	0.1600	0.1600	0.1600	
		Total with Common Stock Characteristics (Sum of Lines 56 through 60)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
62		INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE										
63		Home Office Property (General Account only).....										
64		Investment Properties.....										
65		Properties Acquired in Satisfaction of Debt.....										
		Total with Real Estate Characteristics (Lines 62 through 64)										
66		LOW INCOME HOUSING TAX CREDIT INVESTMENTS										
67		Guaranteed Federal Low Income Housing Tax Credit.....										
68		Non-guaranteed Federal Low Income Housing Tax Credit.....										
69		State Low Income Housing Tax Credit.....										
70		All Other Low Income Housing Tax Credit.....										
		Total LIHTC										
71		ALL OTHER INVESTMENTS										
72		Other Invested Assets - Schedule BA.....	XXX	XXX	XXX	0.0000	0.1300	0.1300	0.1300	0.1300	0.1300	
73		Other Short-term Invested Assets - Schedule DA.....	XXX	XXX	XXX	0.0000	0.1300	0.1300	0.1300	0.1300	0.1300	
74		Total All Other (Sum of Lines 71 + 72).....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 30, 38, 55, 61, 65, 70 and 73)										

(e) Times the company's experience adjustment factor (EAF)  
(eb) Column 9 is the greater of 6.4% without any EAF adjustments or a company's EAF adjusted In-Good Standing (IGS) factor plus 150 basis points. Columns 5 and 7 are 28% and 62% respectively of Column 9.  
(e) Determined using the same factors and breakdowns used for directly owned mortgage loans.  
(d4) Times the company's weighted average portfolio beta (Minimum .10, Maximum .20).  
(eb) Determined using same factors and breakdowns used for directly owned real estate.