

Notes from Johnson Regarding the Proposed Changes to P/C Percentage Ownership Calculation

Purpose:

to modify the formula in PR003, PR004 and PR005 in such a way that the percentage ownership of an insurance affiliate is based on the ownership of common stock and preferred stock combined basis.

(Under the combined percentage ownership, the RBC charge for the preferred stock will no longer be on the excess basis, and should subject to the same charge as the common stock)

PR003:

There will be only 13 columns instead of 14 columns as there will be only one percentage ownership apply to both common stock and preferred stock.

The formula in column 11, 12 and 13 will be modified with the current formula for common stock charge by applying to the combination of common stock and preferred stock BACV.

We also add identifications of affiliate type in Rows 119 to 218 which will be used for PR004 and PR005. Under this modification, we can eliminate the tab "AFFILCALC" which is considered to be redundant under the new changes.

We can consider moving lines 116 and subsequent to PR004 so that the formulae can be protected.

PR004:

Reduce the number of columns, column 1 shows the number of affiliates in each affiliate type and column 2 shows the RBC charge for both common stock and preferred stock holding of each affiliate type.

Formula 1 and 2 are modified so that they directly link to PR003 instead of to tab "AFFILCALC".

PR005:

Formula of column 3 are modified so that they directly link to PR003 instead of to tab "AFFILCALC".

PR007:

Line 20 of PR007 should also be changed in according to the change in PR003.

PR030 to PR032:

The line numbers and RBC O&I reference should be changed in according to the changes made in PR004. We made changes to PR031 Line 42.

AFFILCALC:

We believe this tab can be deleted under the above changes.

AFFILIATED STOCKS PR003 – PR005

There are fifteen categories of subsidiary and affiliated investments that are subject to RBC requirement for common stock **and** preferred stock holdings. Those fifteen categories are:

1. Directly Owned P&C Insurance Affiliates Subject to RBC
2. Directly Owned Life Insurance Affiliates Subject to RBC
3. Directly Owned Health Insurance Affiliates Subject to RBC
4. Indirectly Owned P&C Insurance Affiliates Subject to RBC
5. Indirectly Owned Life Insurance Affiliates Subject to RBC
6. Indirectly Owned Health Insurance Affiliates Subject to RBC
7. Investment Affiliates
8. Directly Owned Alien Insurance Affiliates
9. Indirectly Owned Alien Insurance Affiliates
10. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates
11. Investments in Upstream Affiliate (Parent)
12. P&C Insurance Affiliates Not Subject to RBC
13. Life Insurance Affiliates Not Subject to RBC
14. Health Insurance Affiliates Not Subject to RBC
15. Other Affiliates

Enter applicable items for each affiliate in the Details for Affiliated Stocks worksheet. The program will automatically calculate the RBC charge for each affiliate. 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 diskette will display the number of subsidiaries and affiliates. These numbers should be reviewed to ensure that all subsidiaries and affiliates are appropriately reported.

Affiliated investments fall into two broad categories: (a) Insurance Affiliates that are Subject to RBC; and (b) Affiliates that are Not Subject to RBC. The RBC for these two broad groups differs, therefore, the general treatment is explained below.

Insurance Affiliates that are Subject to RBC

For purposes of Affiliate Risk all references to Total Risk-Based Capital After Covariance of the subsidiary or affiliate means:

- For a Health subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (XR025, Line (37));
- For a P/C subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (68)); and
- For a Life subsidiary RBC filing, the sum of
 - (a) Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (67)); and
 - (b) Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (71)).

For those insurance affiliates of the reporting company that are reported under the equity method, and for which unamortized admitted goodwill is zero or non-existent for the reported book/adjusted carrying value, the RBC charge of the ownership of ~~common stock in~~ these affiliates is limited to the lesser of (a) the Total RBC After Covariance of the affiliate times the percentage of ownership of ~~total common stock~~ the affiliate; or (b) the ~~common stock sum of the~~ book/adjusted carrying value of the common stock and preferred stock greater than zero at which the affiliates ~~are~~ carried. To establish the percentage of ownership of ~~common stock~~ an affiliate, the book/adjusted carrying value of the insurance affiliate's common stock must be entered in Column (5) of the appropriate worksheet and the total outstanding common stock of that affiliate must be entered in Column (7), and the book/adjusted carrying value of the insurance affiliate's preferred stock (if any) must be entered in Column (9) of the appropriate worksheet and the total outstanding preferred stock of that affiliate must be

~~entered in Column (10). The percentage of ownership of the affiliate is equal to the sum of the booked / adjusted carrying value of the common stock and preferred stock divided by the sum of the total outstanding common stock and total outstanding preferred stock.~~

For all other insurance affiliates of the reporting company, the RBC charge of the ownership of common stock in these affiliates consists of two components:

- (1) The R₀ component, which is limited to the lesser of (a) the Total RBC After Covariance of the affiliate times the percentage of ownership of ~~the affiliate~~total common stock; or
 - (b) the statutory surplus of the affiliate times the percentage of ownership of ~~total common stock~~the affiliate.
- (2) The R₂ component, which is computed in the following manner:
 If the Total RBC After Covariance of the affiliate times the percentage of ownership of ~~total common stock~~the affiliate is greater than the sum of the book / adjusted carrying value of the common stock and preferred stock, the R₂ component is set equal to the amount of the book / adjusted carrying value of the ~~common stock~~sum of the common stock and preferred stock of the affiliate that exceeds the value obtained from the R₀ component (step (1)(b) above).

Otherwise, the R₂ component is set equal to the larger of (a) 22.5 percent times the excess of the sum of book / adjusted carrying value of the common stock and preferred stock over the pro rata statutory surplus value for the affiliate; and (b) the amount that Total RBC After Covariance of the affiliate times the percentage of ownership of ~~total common stock~~the affiliate exceeds the value obtained from the R₀ component.

In any case, the R₂ component is limited to a floor of zero.

~~The RBC charge for ownership of preferred stock on these affiliates is somewhat more complex and depends on whether there is excess RBC over and above the total value of the outstanding common stock. Excess RBC is defined as the amount that the Total RBC After Covariance of the affiliate exceeds the common stock book/adjusted carrying value for the investment in that affiliate. If the Total RBC After Covariance of the affiliate is less than the common stock book/adjusted carrying value for the investment in that affiliate, then there is no excess RBC and there is no RBC charge for the ownership of the preferred stock. If there is excess RBC, then the charge for ownership of the preferred stock is the lesser of (a) the pro rata share of the excess RBC; or (b) the reporting company's book/adjusted carrying value of the preferred stock greater than zero. The pro rata ownership of preferred stock is the ratio of the affiliate's preferred stock in Column (10) of the affiliated worksheet to the value of all outstanding preferred stock in Column (11). The pro rata share is multiplied by the excess RBC and compared to the carrying value of preferred stock in Column (10).~~

To determine the value of total outstanding common stock and/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 9). For example:

Affiliated Insurance Company	Owner's <u>Common/Preferred Stock</u> Book / Adjusted Carrying Value	Percentage Ownership	Total Common/ <u>Preferred</u> Stock Outstanding
Affiliate #1	\$1,000,000	100%	\$1,000,000
Affiliate #2	\$1,000,000	75%	\$1,333,333
Affiliate #3	\$1,000,000	50%	\$2,000,000
Affiliate #4	\$1,000,000	25%	\$4,000,000
Affiliate #5	\$1,000,000	10%	\$10,000,000

~~In some instances, a company may own preferred stock in an affiliate subject to RBC yet hold no common stock. In this instance, the company must compute the notional value of the outstanding value of the affiliate's common and/or preferred stock to determine if there is any excess. Valuation of the total outstanding common and preferred stock must be based on one of the accepted methods outlined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.~~

*In the rare case where Total RBC After Covariance exceeds the carrying value (market), which in turn exceeds statutory surplus, the formula will apply 100 percent of the difference between the market and surplus values as an additional RBC charge to the R₂ component. The amount of statutory surplus (adjusted for percentage ownership) continues to be added to the formula's R₀ component.

Also, note that the formula compares the amount generated by 22.5 percent of market carrying value less statutory surplus to the amount of RBC After Covariance less statutory surplus and increases the R_2 component by the larger amount. This is done in order to satisfy the initial requirement that the RBC charge for ownership of ~~such common stock~~ the affiliate is limited to the lesser of RBC After Covariance or the financial statement carrying value of the insurer (both adjusted for percentage ownership). The situation can occur where the market carrying value is greater than RBC After Covariance, which in turn is greater than statutory surplus, which leads to the need to make this comparison.

Directly Owned U.S. Property & Casualty Insurance Affiliates

Enter information regarding any top-layer directly owned U.S. property & casualty insurance affiliates in the Directly Owned U.S. Property & Casualty Insurance Affiliates worksheet. For each affiliate enter its name, affiliate code, NAIC company code, affiliate's Total RBC After Covariance, book/adjusted carrying value of the common stock from Schedule D Part 6 Section 1, and total outstanding common stock of that affiliate in Columns (1) through (8). The required RBC will be automatically calculated by the program. If no value is entered in the Total Value of Affiliate's Common Stock column, Column (7) but value entered in Column (5), then the program will assume 100 percent ownership of common stock. If the reporting company does not own any of the affiliate's common stock but does own preferred stocks, the Total Value of Affiliate's Common Stock must be entered in Column (7) so that the program can calculate ~~whether any excess RBC exists~~ the percentage of ownership. ~~The RBC charge for the ownership of the affiliate's common stock will be automatically calculated; however, the required RBC cannot exceed the book/adjusted carrying value of the common stock in Column (5).~~

The book / adjusted carrying value of any preferred stock must be entered in Column (9) and the total outstanding value of the affiliate's preferred stock must be entered in Column (10). If no value is entered in the Total Value of Affiliate's Preferred Stock column, Column (10) but value entered in column (9), the program will assume 100 percent ownership of preferred stock. Again, the percentage of ownership and the RBC required for the ownership of preferred stock will be automatically calculated. Even if the reporting company does not own any of the affiliate's preferred stock, the total outstanding value of that affiliate's preferred stock must be entered so that the program will correctly calculate any excess RBC.

The risk-based capital to be entered for each affiliate property and casualty insurer should be obtained by using a separate copy of the RBC program for each affiliate. Monoline financial guaranty insurers, monoline mortgage guaranty insurers and title insurers are not subject to risk-based capital. These affiliates and other similar affiliates should be reported as P&C Insurance Affiliates Not Subject to RBC.

Directly Owned U.S. Life Insurance Affiliates

Enter information regarding any top-layer directly owned U.S. life insurance affiliates in the schedule for directly owned companies in the Affiliated Stocks worksheet. For each affiliate enter the same information as that required for directly owned P&C insurance affiliates that are subject to RBC. If a U.S. life insurance affiliate is not subject to RBC, then it should be treated as Life Insurance Affiliates Not Subject to RBC.

The risk-based capital of each Life affiliate should be obtained by using a separate copy of the Life RBC program for each affiliate.

Directly Owned Health Insurance Affiliates

Enter information regarding any top-layer directly owned Health Insurance affiliates in the schedule for directly owned companies in the Affiliated Bonds and Stock worksheet. For each affiliate enter the same information as that required for directly owned P&C insurance affiliates that are subject to RBC. If a HEALTH INSURANCE affiliate is not subject to RBC, then it should be treated as Health Insurance Affiliates Not Subject to RBC.

The risk-based capital of each Health Insurance affiliate should be obtained by using a separate copy of the Health RBC program for each affiliate.

Indirectly Owned U.S. P&C Insurance Affiliates

The first step in entering information on indirectly owned U.S. insurance affiliates that are subject to RBC is to allocate the reporting entity's book/adjusted carrying value of the holding company between any top-layer, indirectly owned insurance affiliates and the Holding Company Value in Excess of Indirectly Owned Insurance Affiliates. To do that, the carrying value of the holding company is first allocated based on the values shown on the holding company's balance sheet. The following example shows a hypothetical holding company, Holder Inc., that is 100 percent owned by Bigun Insurance Company and shows the allocation of Holder's carrying value among these categories:

Balance Sheet Holder, Inc. 12/31/XXXX			
ABC Life	\$4,000,000	Long-Term Debt	\$14,000,000
XYZ Casualty	\$2,000,000	Other Liabilities	\$5,000,000
Non-U.S. Casualty	\$6,000,000		
GX Todd Real Estate	\$4,000,000		
Cash	\$5,000,000	Equity	\$5,000,000
Other Assets	\$3,000,000		
Total Assets	\$24,000,000	Total Liab & Equity	\$24,000,000

Since ABC Life Insurance Company makes up 1/6 (\$4,000,000/\$24,000,000) of the total assets for Holder, Inc., then this indirectly owned U.S. affiliate represents 1/6 of the carrying value of Holder, Inc. on the statement of Bigun Insurance Company. Similarly, the indirectly owned U.S. affiliate XYZ Casualty represents 1/12 of the carrying value (\$2,000,000/\$24,000,000) of Holder on Bigun's annual statement. Non-U.S. Casualty, which is an alien insurance affiliate, represents 1/4 of the carrying value (\$6,000,000/\$24,000,000) of Holder on Bigun's annual statement. One-half of the carrying value of Holder, Inc. (\$12,000,000/\$24,000,000) represents the Holding Company Value in Excess of Indirectly Owned Insurance Affiliates. If Bigun Insurance Company carries Holder, Inc. on its annual statement at \$30,000,000 (assume that this is the current fair value of shares in Holder, which was a publicly traded corporation of which Bigun has just acquired 100 percent ownership), then Bigun will allocate 1/6 of that \$30,000,000 to ABC Life, 1/12 of that \$30,000,000 to XYZ Casualty, 1/4 of that \$30,000,000 to Non-U.S. Casualty, and 1/2 to Holder under the category Holding Company Value in Excess of Indirectly Owned Insurance Affiliates. The RBC charge for the indirect ownership of common stock in ABC Life will be computed as the lesser of ABC Life's Total RBC After Covariance or \$5,000,000 (1/6 of \$30,000,000). The RBC charge for the indirect ownership of XYZ Casualty will be the lesser of XYZ's Total RBC After Covariance or \$2,500,000 (1/12 of \$30,000,000).

If Bigun only acquired 50 percent of the shares of Holder, then these values must be adjusted to reflect Bigun's partial ownership and a determination made as to the nature of the carrying value of Holder. If Holder's carrying value is based on other than fair value, then the allocations follow as described in (a). If the carrying value of Holder is based on its fair value, then the allocations and any additional RBC due to the use of fair value are described in (b).

- (a) Now the carrying value (not based on fair value) on Bigun's annual statement is \$15,000,000 which is allocated as \$2,500,000 to ABC Life (1/6 of \$15,000,000), \$1,250,000 to XYZ Casualty (1/12 of \$15,000,000) as Indirectly Owned U.S. Insurance Affiliates, \$3,750,000 to Non-U.S. Casualty (1/4 of \$15,000,000) as Indirectly Owned Alien Insurance Affiliate, and \$7,500,000 to Holder as the Holding Company Value in Excess of Indirectly Owned Insurance Affiliates. The RBC After Covariance for the indirectly owned U.S. insurance affiliates is also adjusted by 50% to reflect Bigun's percentage of ownership. Therefore, Bigun will enter \$2,500,000 as the carrying value for ABC Life in Column (5) and \$5,000,000 (\$2,500,000 / 0.50) as the total outstanding common stock in Column (7).
- (b) In this example, the carrying value (based on fair value) on Bigun's annual statement is \$18,000,000, which will be allocated in the same manner described in (a) above. However, one additional step is added regarding the indirectly* owned U.S. Insurance Affiliates that are subject to RBC. For example, assume that the carrying value (based on fair value) of ABC on Bigun's annual statement is larger than ABC's RBC After Covariance (prorated 50 percent for its partial ownership), the amount of Holder applicable to ABC Life (\$3,000,000: 1/6 of \$18,000,000) will be reduced by its statutory surplus** (prorated 50 percent for its partial ownership), and if a positive amount results, then the larger of that

amount times 22.5 percent or the excess of ABC's RBC After Covariance (prorated 50 percent for its ownership) over the value obtained from step (a) will be reported as a R2 component of such stock in the formula. The same will apply to XYZ Casualty.

The information for all top-layer, indirectly owned U.S. property and casualty insurance affiliates and indirectly owned U.S. life insurance affiliates is entered in the appropriate columns in the Affiliated Stocks worksheet. For each affiliate enter its name, affiliate code, NAIC company code and the pro-rata share of risk-based capital along with all other information required in Columns (1) through (10~~4~~). If the amount in Column (5) is based on fair value, then place an "AF" in Column (6) and the affiliate's statutory capital and surplus (adjusted for ownership) in Column (8). The RBC charge (if any) will be calculated by the formula with the result appearing in Columns (1~~23~~) and (1~~34~~).

Indirectly Owned U.S. Life Insurance Affiliates

Indirectly owned U.S. life insurance affiliates are treated in a manner similar to indirectly owned P&C insurance affiliates. Note that the insurance affiliate must be subject to RBC and file an RBC report to be included in this section. Otherwise, the affiliate's value will be included in the Holding Company Value in Excess of Insurance Affiliates section.

Indirectly Owned Managed Care Organizations

Indirectly owned Managed Care affiliates are treated in a manner similar to indirectly owned P&C insurance affiliates. Note that the insurance affiliate must be subject to RBC and file an RBC report to be included in this section. Otherwise, the affiliate's value will be included in the Holding Company Value in Excess of Insurance Affiliates section.

Affiliates that are Not Subject to RBC

This category includes these categories of affiliated investments:

7. Investment Affiliates
8. Directly Owned Alien Insurance Affiliates
9. Indirectly Owned Alien Insurance Affiliates
10. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates
11. Investment in Upstream Affiliate (Parent)
12. P&C Insurance Affiliates Not Subject to RBC
13. Life Insurance Affiliates Not Subject to RBC
14. Health Insurance Affiliates Not Subject to RBC
15. Other Affiliates

The RBC charge for these investments is calculated by multiplying a factor times the book/adjusted carrying value of the common stocks and preferred stocks of those affiliates.

Investment Affiliates

An investment affiliate is an affiliate that exists only to invest the funds of the parent company. The term investment affiliate is strictly defined in the annual statement instructions as any affiliate, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment affiliate 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 Affiliate is 0.225 times the carrying value of the common and preferred stock.

Directly Owned Alien Insurance Affiliates

For purposes of this formula, the risk-based capital of each directly owned alien insurance affiliate is the annual statement carrying value of the reporting company's interest in the affiliate multiplied by 0.500. Enter information for any non-U.S. insurance affiliates; life, property and casualty and health insurers. For each affiliate, enter the name of the affiliate, Alien Insurer Identification Number, the book/adjusted carrying value of common stock and preferred stock.

Indirectly Owned Alien Insurance Affiliates

The risk-based capital of each indirectly owned alien insurance affiliate is the carrying value of the holding company's interest in the affiliate multiplied by 0.500, and adjusted to reflect the reporting company's ownership on the holding company. In the prior example, in the case that Bigun acquired 100 percent of the shares of Holder, Bigun will enter \$7,500,000 (1/4 of \$30,000,000) as the carrying value for Non-U.S. Casualty and the RBC charge for the indirect ownership of this alien insurance affiliate will be \$3,750,000 (0.500 times \$7,500,000). In the case that Bigun only acquired 50 percent of Holder, Bigun will enter \$3,750,000 (50 percent of 1/4 of \$30,000,000) for Non-U.S. Casualty and the RBC charge for this indirectly owned alien insurance affiliate will be \$1,875,000 (0.500 times \$3,750,000).

Holding Company Value in Excess of Indirectly Owned Insurance Affiliates

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 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).

Investment in Upstream Affiliate (Parent)

The risk-based capital for an investment in an upstream parent is 0.225 times the carrying value of the common and preferred stock, regardless of whether that upstream parent is subject to RBC. Enter the appropriate information in Columns (1) through (11).

Property & Casualty Insurance Affiliates Not Subject to RBC

Insurance affiliates that are not subject to RBC, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guaranty insurers are classified as P&C Insurance Affiliates Not Subject to RBC. The risk-based capital for P&C Insurance Affiliates Not Subject to RBC is 0.225 times the book/adjusted carrying value of the common stock and preferred stock of those affiliates.

Life Insurance Affiliates Not Subject to RBC

The risk-based capital for Life Insurance Affiliates Not Subject to RBC is 0.225 times the book/adjusted carrying value of the common stock and preferred stock of those affiliates.

Health Insurance Affiliates Not Subject to RBC

The risk-based capital for Health Insurance Affiliates Not Subject to RBC is 0.225 times the book/adjusted carrying value of the common stock and preferred stock of those affiliates.

Other Affiliates

Non-insurance affiliates and insurance affiliates that are not included elsewhere, are classified as Other Affiliates. The risk-based capital for an investment in an Other Affiliate is 0.225 times the carrying value of the common and preferred stock.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Name of Affiliate	Afil Type	NAIC Company Code or Alien ID Number	Affiliate's RBC After Covariance before Basic Operational Risk* LR031 L67 + L71 PR032 L68 XR025 L37	Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock**	Valuation Basis of Column (5) E - Equity Method with zero/no unamortized goodwill A - All Other	Total Value of Affiliate's Outstanding Common Stock	Statutory Surplus of Affiliate Subject to RBC	Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned	RBC Required	Fair Value Excess Component Affiliate Common Stock RBC Required (R2 Component)
000001										100.000%	0	0
000002										100.000%	0	0
000003										100.000%	0	0
000004										100.000%	0	0
000005										100.000%	0	0
000006										100.000%	0	0
000007										100.000%	0	0
000008										100.000%	0	0
000009										100.000%	0	0
000010										100.000%	0	0
000011										100.000%	0	0
000012										100.000%	0	0
000013										100.000%	0	0
000014										100.000%	0	0
000015										100.000%	0	0
000016										100.000%	0	0
000017										100.000%	0	0
000018										100.000%	0	0
000019										100.000%	0	0
000020										100.000%	0	0
000021										100.000%	0	0
000022										100.000%	0	0
000023										100.000%	0	0
000024										100.000%	0	0
000025										100.000%	0	0
000026										100.000%	0	0
000027										100.000%	0	0
000028										100.000%	0	0
000029										100.000%	0	0
000030										100.000%	0	0
000031										100.000%	0	0
000032										100.000%	0	0
000033										100.000%	0	0
000034										100.000%	0	0
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000036										100.000%	0	0
000037										100.000%	0	0
000038										100.000%	0	0
000039										100.000%	0	0
000040										100.000%	0	0
000041										100.000%	0	0
000042										100.000%	0	0
000043										100.000%	0	0
000044										100.000%	0	0
000045										100.000%	0	0
000046										100.000%	0	0
000047										100.000%	0	0
000048										100.000%	0	0
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000051										100.000%	0	0
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000087										100.000%	0	0
000088										100.000%	0	0
000089										100.000%	0	0
000090										100.000%	0	0
000091										100.000%	0	0
000092										100.000%	0	0
000093										100.000%	0	0
000094										100.000%	0	0
000095										100.000%	0	0
000096										100.000%	0	0
000097										100.000%	0	0
000098										100.000%	0	0
000099										100.000%	0	0
000100										100.000%	0	0
(9999999) Total	XXX	XXX		0	0	XXX	XXX		0	XXX	0	0

* Enter carrying value of underlying insurers for Holding Company (Affiliate Code 10) in Column (4).
 ** Enter Book/Adjusted Carrying Value in excess of the carrying value for Holding Company (Affiliate Code 10) in Column (5).

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

	Affiliate Types	Affil Code	RBC Basis	(1)	(2)
				<u>Number of Companies</u>	<u>RBC Required for Common and Preferred Stock</u>
(1)	Directly Owned P&C Insurance Affiliates	1	Sub's RBC After Covariance	0	0
(2)	Directly Owned Life Insurance Affiliates	2	Sub's RBC After Covariance	0	0
(3)	Directly Owned Health Insurance Affiliates	3	Sub's RBC After Covariance	0	0
(4)	Indirectly Owned P&C Insurance Affiliates	4	Sub's RBC After Covariance	0	0
(5)	Indirectly Owned Life Insurance Affiliates	5	Sub's RBC After Covariance	0	0
(6)	Indirectly Owned Health Insurance Affiliates	6	Sub's RBC After Covariance	0	0
(7)	Investment Subsidiary	7	0.225	0	0
(8)	Directly Owned Alien Insurance Affiliates	8	0.5	0	0
(9)	Indirectly Owned Alien Insurance Affiliates	9	0.5	0	0
(10)	Holding Company in Excess of Indirect Subs	10	0.225	0	0
(11)	Investment in Parent	11	0.225	0	0
(12)	Other Affiliate - P&C Ins Not Subj to RBC	12	0.225	0	0
(13)	Other Affiliate - Life Ins Not Subj to RBC	13	0.225	0	0
(14)	Other Affiliate - Health Insurer Not Subj to RBC	14	0.225	0	0
(15)	Other Affiliate - Non-insurer	15	0.225	0	0
(16)	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 C9	Annual Statement Line Number	<u>Annual Statement Total</u> <u>Preferred Stock</u>	<u>Total From RBC Report</u>	<u>Difference</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 C9	Annual Statement Line Number	<u>Annual Statement Total</u> <u>Common Stock</u>	<u>Total From RBC Report</u>	<u>Difference</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

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)	Affiliated US P&C Insurers - Directly Owned	PR004 L(1)C(2)	0
(2)	Affiliated US P&C Insurers - Indirectly Owned	PR004 L(4)C(2)	0
(3)	Affiliated US Life Insurers - Directly Owned	PR004 L(2)C(2)	0
(4)	Affiliated US Life Insurers - Indirectly Owned	PR004 L(5)C(2)	0
(5)	Affiliated US Health Insurer - Directly Owned	PR004 L(3)C(2)	0
(6)	Affiliated US Health Insurer - Indirectly Owned	PR004 L(6)C(2)	0
(7)	Affiliated Alien Insurers - Directly Owned	PR004 L(8)C(2)	0
(8)	Affiliated Alien Insurers - Indirectly Owned	PR004 L(9)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)	NAIC 01 U.S. Government Agency Bonds	PR006 L(2)C(2)	0
(16)	Bonds Subject to Size Factor	PR006 L(10)C(2)	0
(17)	Bond Size Factor RBC	PR006 L(13)C(2)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(9)C(4)	0
(19)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, Cash Equi, non-govt MMF & S.T. Invest and Mort Loans on Real Est.	PR015 L(20)+(21)C(4)	0
(20)	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
(21)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	0
(22)	Misc Assets - Cash	PR009 L(3)C(2)	0
(23)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	0
(24)	Misc Assets - Other Short-Term Investments	PR009 L(10)C(2)	0
(25)	Replication -Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(26)	Asset Concentration RBC - Fixed Income	PR011 L(13)C(3) Grand Total Page	0
(27)	Total R1	L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)+L(26)	0

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR031 R2-R3

R2 - Asset Risk - Equity		PRBC O&I Reference	RBC Amount
(28)	Common & Preferred - Affiliate Investment Subsidiary	PR004 L(7)C(2)	0
(29)	Common & Preferred - Affiliate Hold. Company. in excess of Ins. Subs.	PR004 L(10)C(2)	0
(30)	Common & Preferred - Investment in Parent	PR004 L(11)C(2)	0
(31)	Common & Preferred - Aff'd US P&C Not Subj to RBC	PR004 L(12)C(2)	0
(32)	Common & Preferred - Affil US Life Not Subj to RBC	PR004 L(13)C(2)	0
(33)	Common & Preferred - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(2)	0
(34)	Common & Preferred - Aff'd Non-insurer	PR004 L(15)C(2)	0
(35)	Preferred - Aff'd Invest Sub	PR004 L(7)C(3)	0
(36)	Preferred - Aff'd Hold. Co. in excess of Ins. Subs.	PR004 L(10)C(3)	0
(37)	Preferred - Investment in Parent	PR004 L(11)C(3)	0
(38)	Preferred - Affil US P&C Not Subj to RBC	PR004 L(12)C(3)	0
(39)	Preferred - Affil US Life Not Subj to RBC	PR004 L(13)C(3)	0
(40)	Preferred - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(3)	0
(41)	Preferred - Affil Non-insurer	PR004 L(15)C(3)	0
(42)	Unaffiliated Preferred Stock and Hybrid Securities	PR007 L(15)C(2)+PR015 L(16)C(4)	0
(43)	Unaffiliated Common Stock	PR007 L(21)C(2)+PR015 L(17)C(4)	0
(44)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(45)	Other Long-Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(18)+L(19)C(4)	0
(46)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(47)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(48)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(49)	Replication - Synthetic Asset: One Half	PR010 L(9999999)(7)	0
(50)	Asset Concentration RBC - Equity	PR011 L(29)C(3) Grand Total Page	0
(51)	Total R2	L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34) +L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42) +L(43)+L(44)+L(45)+L(46)+L(47)+L(48)+L(49)+L(50)	0
R3 - Asset Risk - Credit			
(52)	Other Credit RBC	PR012 L(8))-L(1)-L(2)C(2)	0
(53)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(54)	Other half of Rein Recoverables	If R4 L(58)>(R3 L(52) + R3 L(53)), 0, otherwise, R3 L(53)	0
(55)	Health Credit Risk	PR013 L(12)C(2)	0
(56)	Total R3	L(52) + L(53) + L(54) + L(55)	0

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

(1)

R4 - Underwriting Risk - Reserves		PRBC O&I Reference	RBC Amount
(57)	One half of Reinsurance RBC	If R4 L(58)>(R3 L(52) + R3 L(53)), R3 L(53), otherwise, 0	0
(58)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR0017 L(15)C(20)	0
(59)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	0
(60)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	0
(61)	Total R4	L(57)+L(58)+L(59)+L(60)	0
R5 - Underwriting Risk - Net Written Premium			
(62)	Total Adjusted NWP RBC	PR018 L(15)C(20)	0
(63)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	0
(64)	Total Net Health Premium RBC	PR022 L(21)C(2)	0
(65)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	0
(66)	Total R5	L(62)+L(63)+L(64)+L(65)	0
Rcat- Catastrophe Risk			
(67)	Total Rcat	PR027 L(3) C(1)	0
(68)	Total RBC After Covariance Before Basic Operational Risk = $R0 + \text{SQRT}(R1^2 + R2^2 + R3^2 + R4^2 + R5^2 + Rcat^2)$		0
(69)	BasicOperational Risk = $0.030 \times L(68)$		0
(70)	C-4a of U.S. Life Insurance Subsidiaries (from Company records)		0
(71)	Net Basic Operational Risk = Line (69) - Line (70) (Not less than zero)		0
(72)	Total RBC After Covariance including Basic Operational Risk = $L(68) + L(71)$		0
(73)	Authorized Control Level RBC including Basic Operational Risk = $.5 \times L(72)$		0

type	cs stmt value	ps stmt value	cs rbc req	ps rbc req	total rbc req	count
1	0	0	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0
4	0	0	0	0	0	0
5	0	0	0	0	0	0
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	0	0	0	0	0	0
9	0	0	0	0	0	0
10	0	0	0	0	0	0
11	0	0	0	0	0	0
12	0	0	0	0	0	0
13	0	0	0	0	0	0
14	0	0	0	0	0	0
15	0	0	0	0	0	0
0	0	0	0	0	0	0
Total	0	0	0	0	0	0