Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force [ ] Health RBC (E) Working Group [ ] Life RBC (E) Working Group
[ ] Catastrophe Risk (E) Subgroup [ ] Investment RBC (E) Working Group [ ] Operational Risk (E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup [ ] P/C RBC (E) Working Group [ ] Longevity Risk (A/E) Subgroup

DATE: 4/27/21	**FOR NAIC USE ONLY**
CONTACT PERSON: Eva Yeung	Agenda Item # 2021-08-P
TELEPHONE: 816-783-8407	Year 2021
EMAIL ADDRESS: eyeung@naic.org	**DISPOSITION**
ON BEHALF OF: P/C RBC (E) Working Group	[X] ADOPTED 6/30/21
NAME: Tom Botsko	[ ] REJECTED
TITLE: Chair	[ ] DEFERRED TO
AFFILIATION: Ohio Department of Insurance	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS: 50 West Town Street, Suite 300	[ ] EXPOSED
Columbus, OH 43215	[ ] OTHER (SPECIFY)

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

[ ] Health RBC Blanks [x] Property/Casualty RBC Blanks [ ] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions [x] Property/Casualty RBC Instructions [ ] Life and Fraternal RBC Blanks
[ ] OTHER _____

DESCRIPTION OF CHANGE(S)

1) Incorporate 20 NAIC Designation Category Bond Factors; 2) Modify Bond Size Factor formula and 3) Reclassification of Hybrid Securities in PR006, PR011 and PR015. Modify the instructions to incorporate references for the bonds.

REASON OR JUSTIFICATION FOR CHANGE **

This expansion will provide more robust and accurate results, primarily as it increases the granularity of the formula and reduces the cliffs between the different factors for the different categories.

Additional Staff Comments:

The P/C RBC WG exposed this proposal for a 30-day comment period ended by 5/26/21.
The P/C RBC WG adopted this proposal on 6/9/21.
6/30/21 (jdb) Factors adopted by the Task Force.

**** This section must be completed on all forms.** **Revised 2-2019**

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ASSETS
PR006 – PR014

PR006 - Bonds and Bond Size Factor Adjustment

Basis of General Bond Factors

The bond risk factors for investment grade bonds (NAIC Designation Category 1.A – 2.C) are based on cash flow modeling. Each bond of a portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by NAIC Designation category and that year's economic environment. The default probabilities were based on historical data intended to reflect a complete cycle of favorable and unfavorable credit environment. The risk of default was measured over a 5-year time horizon, selected considering the duration of property/casualty assets and liabilities.

The factors for NAIC Designation Category 3.A to 6 recognize that these non-investment grade bonds are reported at the lower of amortized cost or fair value. These bond risk factors are based on the market value fluctuation for each of the NAIC designation category compared to the market value fluctuation of stocks during the 2008-2009 financial crisis.

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

Bond Size Factor

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

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

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

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

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

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

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

PR007 - Unaffiliated Preferred and Common Stock

Unaffiliated Preferred Stock

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

Unaffiliated Common Stock

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

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

PR009 - Miscellaneous Assets

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

The factor for cash is 0.3%. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. This factor was based on the original unaffiliated NAIC 01 bond risk factor prior to the increased granularity of the NAIC Designation Categories in 2021, and reflects the short-term nature of this risk. The required risk-based capital for cash will not be less than zero, even if the company's cash position is negative.

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

The Short-Term Investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3% factor is equal to the factor for cash. The amount entered for short-term bonds should equal the total short-term investments found in Schedule DA Part 1 C7 L8399999. This amount is subtracted from the total of short-term investments as they are captured with bonds on PR006.

PR011 - Asset Concentration

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

Concentrated investments in certain types of assets are not expected to represent an additional risk over and above the general risk of the asset itself. Therefore, prior to determining the 10 largest issuers, you should exclude those assets that are exempt from the asset concentration factor. Asset types that are excluded from the calculation include: NAIC 06 bonds and preferred stock, affiliated common stock, affiliated preferred stock, property and equipment, U.S. government guaranteed bonds, NAIC Designation Category 1.A to 1.G bonds, NAIC

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01 unaffiliated preferred stock and investment companies (mutual funds) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940 [Section 5(b) (1)]. The pro rata share of individual securities within an investment company (mutual fund) or common trust fund are to be included in the determination of concentrated investments, subject to the exclusions identified.

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

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

FIXED INCOME ASSETS	EQUITY ASSETS
Bonds –NAIC Designation Category 2.A	Unaffiliated Preferred Stock –NAIC 02
Bonds – NAIC Designation Category 2.B	Unaffiliated Preferred Stock –NAIC 03
Bonds – NAIC Designation Category 2.C	Unaffiliated Preferred Stock –NAIC 04
Bonds –NAIC Designation Category 3.A	Unaffiliated Preferred Stock –NAIC 05
Bonds –NAIC Designation Category 3.B	
Bonds –NAIC Designation Category 3.C	
Bonds –NAIC Designation Category 4.A	
Bonds –NAIC Designation Category 4.B	
Bonds –NAIC Designation Category 4.C	Unaffiliated Common Stock
Bonds –NAIC Designation Category 5.A	Investment Real Estate
Bonds –NAIC Designation Category 5.B	Encumbrances on Inv. Real Estate
Bonds –NAIC Designation Category 5.C	Schedule BA Assets (excluding Collateral Loans)
Collateral Loans	Receivable for Securities
Mortgage Loans	Aggr Write-ins for Invested Assets
Working Capital Finance Investments – NAIC 02	Derivatives
Federal Guaranteed Low Income Housing Tax Credits	
Federal Non-Guaranteed Low Income Housing Tax Credits	
State Guaranteed Low Income Housing Tax Credits	
State Non-Guaranteed Low Income Housing Tax Credits	
All Other Low Income Housing Tax Credits	

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

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

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

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

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

Specific Instructions for Application of the Formula

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

Off-balance sheet collateral included in General Interrogatories Part 1, Lines 24.04 and 24.05 of the Annual Statement should agree with Line (40), Column (1).

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Lines (1) through (26) – Bonds
Bond factors described on PR006 – Bonds and Bond Size Factor Adjustment

Line (28) through (33) – Preferred Stocks
Preferred stock factors described on PR007 – Unaffiliated Preferred and Common Stock

Lines (35) – Common Stock
Common stock factors described on PR007 – Unaffiliated Preferred and Common Stock

Line (36) – Real Estate and Schedule BA - Other Invested Assets
Real Estate and other invested asset factors described on PR008 – Other Long-Term Assets

Line (37) – Other Invested Assets
Other invested assets factors described on PR009 – Miscellaneous Assets

Line (38) – Mortgage Loans on Real Estate
Mortgage Loans on Real Estate factor described on PR009 – Miscellaneous Assets

Line (39) – Cash, Cash Equivalents, Short-Term Investments
Cash, Cash Equivalents and Short-Term Investments factors described on PR007 – Unaffiliated Preferred, Common Stock and Hybrid Securities and PR009 – Miscellaneous Assets

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BONDS PR006

		Annual Statement Source	(1) Long-Term Bonds Schedule D, Part 1 Book/Adjusted Carrying Value L2 thru 26 = Sch D Pt1F	(2) Short-Term Investments Schedule DA, Part 1 Book/Adjusted Carrying Value L2 thru 26 = Sch DA Pt1F	(3) Cash Equivalents Schedule E, Part 2 Book/Adjusted Carrying Value L2 thr 26 = Sch E Pt2F	(4) Subtotal C(1) + C(2) + C(3)	Factor	(5) RBC Requirement
(1)	NAIC 1.A - U.S. Government Full Faith and Credit, Other U.S. Government Obligations, and NAIC U.S. Government Money Market Fund List (Refer to A/S Instructions)	C(1)=Sch D, Pt 1, C11 L0599999 C(2)=Sch DA, Pt 1, C7 L0599999 C(3)=Sch E, Pt 2, C7 L0599999 + L8599999						
			0	0	0	0	0.000	0
(2)	NAIC Designation Category 1.A	Footnote Amt 1 L000001A- L(1)	0	0	0	0	0.002	0
(3)	NAIC Designation Category 1.B	Footnote Amt 2 L000001A	0	0	0	0	0.004	0
(4)	NAIC Designation Category 1.C	Footnote Amt 3 L000001A	0	0	0	0	0.006	0
(5)	NAIC Designation Category 1.D	Footnote Amt 4 L000001A	0	0	0	0	0.008	0
(6)	NAIC Designation Category 1.E	Footnote Amt 5 L000001A	0	0	0	0	0.010	0
(7)	NAIC Designation Category 1.F	Footnote Amt 6 L000001A	0	0	0	0	0.013	0
(8)	NAIC Designation Category 1.G	Footnote Amt 7 L000001A	0	0	0	0	0.015	0
(9)	Total NAIC 01 Bonds	Sum of Ls (1) through (8)	0	0	0	0		0
(10)	NAIC Designation Category 2.A	Footnote Amt 1 L000001B	0	0	0	0	0.018	0
(11)	NAIC Designation Category 2.B	Footnote Amt 2 L000001B	0	0	0	0	0.021	0
(12)	NAIC Designation Category 2.C	Footnote Amt 3 L000001B	0	0	0	0	0.025	0
(13)	Total NAIC 02 Bonds	Sum of Ls (10) through (12)	0	0	0	0		0
(14)	NAIC Designation Category 3.A	Footnote Amt 1 L000001C	0	0	0	0	0.055	0
(15)	NAIC Designation Category 3.B	Footnote Amt 2 L000001C	0	0	0	0	0.060	0
(16)	NAIC Designation Category 3.C	Footnote Amt 3 L000001C	0	0	0	0	0.066	0
(17)	Total NAIC 03 Bonds	Sum of Ls (14) through (16)	0	0	0	0		0
(18)	NAIC Designation Category 4.A	Footnote Amt 1 L000001D	0	0	0	0	0.071	0
(19)	NAIC Designation Category 4.B	Footnote Amt 2 L000001D	0	0	0	0	0.077	0
(20)	NAIC Designation Category 4.C	Footnote Amt 3 L000001D	0	0	0	0	0.087	0
(21)	Total NAIC 04 Bonds	Sum of Ls (18) through (20)	0	0	0	0		0
(22)	NAIC Designation Category 5.A	Footnote Amt 1 L000001E	0	0	0	0	0.098	0
(23)	NAIC Designation Category 5.B	Footnote Amt 2 L000001E	0	0	0	0	0.109	0
(24)	NAIC Designation Category 5.C	Footnote Amt 3 L000001E	0	0	0	0	0.120	0
(25)	Total NAIC 05 Bonds	Sum of Ls (22) through (24)	0	0	0	0		0
(26)	Total NAIC 06 Bonds	Footnote Amt 1 L000001F	0	0	0	0	0.300	0
(27)	Subtotal - Bonds Subject to Bond Size Factor	L(9) - L(1) + L(13) + L(17) + L(21) + L(25) + L(26)	0	0	0	0		0
(28)	Number of Issuers		0	0	0	0		
(29)	Bond Size Factor							6.800
(30)	Bond Size Factor RBC	C(5)L(27) x C(5)L(29)						0
(31)	Total Bonds RBC	L(27) + L(30)						0

Denotes items that must be vendor linked.

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

UNAFFILIATED PREFERRED AND COMMON STOCK ~~AND HYBRID SECURITIES~~ PR007

	Unaffiliated Preferred Stock	Annual Statement Source	(1) Book/Adjusted Carrying Value	Factor	(2) RBC Requirement
(1)	NAIC 01 Preferred Stock	Sch D Pt 2 Sn 1	0	0.003	0
(2)	NAIC 02 Preferred Stock	Sch D Pt 2 Sn 1	0	0.010	0
(3)	NAIC 03 Preferred Stock	Sch D Pt 2 Sn 1	0	0.020	0
(4)	NAIC 04 Preferred Stock	Sch D Pt 2 Sn 1	0	0.045	0
(5)	NAIC 05 Preferred Stock	Sch D Pt 2 Sn 1	0	0.100	0
(6)	NAIC 06 Preferred Stock	Sch D Pt 2 Sn 1	0	0.300	0
(7)	**TOTAL** - UNAFFILIATED PREFERRED STOCK (should equal P2 L2.1 C3 less Sch D-Sum C1 L18)	Sum of Ls(1) through (6)	0		0
	Unaffiliated Common Stock				
(8)	Total Common Stock	Sch D - Summary C1 L25	0		
(9)	Affiliated Common Stock	Sch D - Summary C1 L24	0		
(10)	Non-Admitted Unaffilated Common Stock	P2 C2 L2.2 - Sch D Pt6 Sn1 C10 L1899999	0		
(11)	Admitted Unaffiliated Common Stock	**L(8) - L(9) - L(10)**	0	0.150	0
(12)	Fair Value Excess Affiliated Common Stock	PR003 C(14) L(9999999)			0
(13)	Total Unaffiliated Common Stock	**L(11) + L(12)**	0		0

MISCELLANEOUS ASSETS PR009

		Annual Statement Source	(1) Book/Adjusted Carrying Value	Factor	(2) RBC Requirement
(1)	Receivable for Securities	P2C3L9	0	0.025	0
(2)	Aggregate W/I for Invest Assets	P2C3 L11	0	0.050	0
(3)	Cash	P2 L5, inside amt 1	0	0.003	0
(4)	Cash Equivalents	P2 L5, inside amt 2	0		
(5)	**Less: Cash Equivalents, Total Bonds**	Sch E Pt 2 C7 L8399999	0		
(6)	**Less: Exempt Money Market Mutual Funds as Identified by SVO**	Sch E Pt 2 C7 L8599999	0		
(7)	Net Cash Equivalents	L(4)-L(5)-L(6)	0	0.003	0
(8)	Short-Term Investments	P2 L5, inside amt 3	0		
(9)	**Short-Term Bonds**	Sch DA Pt 1 C7 L8399999	0		
(10)	Total Other Short-Term Investments	L(8)-L(9)	0	0.003	0
(11)	Collateral Loans	Sch BA Pt1 C12 L2999999+3099999	0		
(12)	Less: Non-Admitted Collateral Loans	P2 L8 C2 in part	0		
(13)	Net Admitted Collateral Loans	L(11) - L(12)	0	0.050	0
(14)	Derivatives	P2C3 L7	0	0.050	0
(15)	Total Miscellaneous Assets	L(1)+L(2)+L(3)+L(7)+L(10)+L(13)+L(14)	0		0

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

ASSET CONCENTRATION PR011

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

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

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

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

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

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR030 R0-R1

	R0 —Subsidiary Insurance Companies and Misc. Other Amounts	PRBC O&I Reference	(1) RBC Amount
(1)	Affiliated US P&C Insurers - Directly Owned	PR004 L(1)C(4)	0
(2)	Affiliated US P&C Insurers - Indirectly Owned	PR004 L(4)C(4)	0
(3)	Affiliated US Life Insurers - Directly Owned	PR004 L(2)C(4)	0
(4)	Affiliated US Life Insurers - Indirectly Owned	PR004 L(5)C(4)	0
(5)	Affiliated US Health Insurer - Directly Owned	PR004 L(3)C(4)	0
(6)	Affiliated US Health Insurer - Indirectly Owned	PR004 L(6)C(4)	0
(7)	Affiliated Alien Insurers - Directly Owned	PR004 L(8)C(4)	0
(8)	Affiliated Alien Insurers - Indirectly Owned	PR004 L(9)C(4)	0
(9)	Misc Off-Balance Sheet - Non-Controlled Assets	PR014 L(15) C(3)	0
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	0
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	0
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	0
(14)	Total R0	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)	0
R1 - Asset Risk - Fixed Income			
(15)	Bonds Subject to Size Factor	PR006 L(27)C(**5**)	0
(16)	Bond Size Factor RBC	PR006 L(30)C(**5**)	0
(17)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(27)C(4)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, Cash Equi, non-govt MMF & S.T. Invest and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	0
(19)	Other Long- Term Assets - Mortgage Loans, LIHTC & WCFI	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+L(20)+L(21)C(2)	0
(20)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	0
(21)	Misc Assets - Cash	PR009 L(3)C(2)	0
(22)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	0
(23)	Misc Assets - Other Short-Term Investments	PR009 L(10)C(2)	0
(24)	Replication -Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(25)	Asset Concentration RBC - Fixed Income	PR011 L(21)C(3) Grand Total Page	0
(26)	Total R1	L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)	0

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

R2 - Asset Risk - Equity		PRBC O&I Reference	RBC Amount
(27)	Common - Affiliate Investment Subsidiary	PR004 L(7)C(2)	0
(28)	Common - Affiliate Hold. Company. in excess of Ins. Subs.	PR004 L(10)C(2)	0
(29)	Common - Investment in Parent	PR004 L(11)C(2)	0
(30)	Common - Aff'd US P&C Not Subj to RBC	PR004 L(12)C(2)	0
(31)	Common - Affil US Life Not Subj to RBC	PR004 L(13)C(2)	0
(32)	Common - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(2)	0
(33)	Common - Aff'd Non-insurer	PR004 L(15)C(2)	0
(34)	Preferred - Aff'd Invest Sub	PR004 L(7)C(3)	0
(35)	Preferred - Aff'd Hold. Co. in excess of Ins. Subs.	PR004 L(10)C(3)	0
(36)	Preferred - Investment in Parent	PR004 L(11)C(3)	0
(37)	Preferred - Affil US P&C Not Subj to RBC	PR004 L(12)C(3)	0
(38)	Preferred - Affil US Life Not Subj to RBC	PR004 L(13)C(3)	0
(39)	Preferred - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(3)	0
(40)	Preferred - Affil Non-insurer	PR004 L(15)C(3)	0
(41)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	0
(42)	Unaffiliated Common Stock	PR007 L(21)C(2)+PR015 L(35)C(4)	0
(43)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(44)	Other Long-Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	0
(45)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(46)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(47)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(48)	Replication - Synthetic Asset: One Half	PR010 L(9999999)(7)	0
(49)	Asset Concentration RBC - Equity	PR011 L(34)C(3) Grand Total Page	0
(50)	Total R2	**L(27)+L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34) +L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42) +L(43)+L(44)+L(45)+L(46)+L(47)+L(48)+L(49)**	0
R3 - Asset Risk - Credit			
(51)	Other Credit RBC	PR012 L(8))-L(1)-L(2)C(2)	0
(52)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(53)	Other half of Rein Recoverables	**If R4 L(57)>(R3 L(51) + R3 L(52)), 0, otherwise, R3 L(52)**	0
(54)	Health Credit Risk	PR013 L(12)C(2)	0
(55)	Total R3	**L(51) + L(52) + L(53) + L(54)**	0

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

			(1)
R4 - Underwriting Risk - Reserves		PRBC O&I Reference	RBC Amount
(56)	One half of Reinsurance RBC	If R4 L(57)>(R3 L(51) + R3 L(52)), R3 L(52), otherwise, 0	0
(57)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR0017 L(15)C(20)	0
(58)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	0
(59)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	0
(60)	Total R4	**L(56)+L(57)+L(58)+L(59)**	0
R5 - Underwriting Risk - Net Written Premium			
(61)	Total Adjusted NWP RBC	PR018 L(15)C(20)	0
(62)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	0
(63)	Total Net Health Premium RBC	PR022 L(21)C(2)	0
(64)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	0
(65)	Total R5	**L(61)+L(62)+L(63)+L(64)**	0

Rcat- Catastrophe Risk			
(66)	Total Rcat	PR027 L(3) C(1)	0

(67)	Total RBC After Covariance Before Basic Operational Risk = R0+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2+Rcat^2)	0

(68)	**Basic Operational Risk = 0.030 x L(67)**	0
(69)	C-4a of U.S. Life Insurance Subsidiaries (from Company records)	0
(70)	**Net Basic Operational Risk = Line (68) - Line (69) (Not less than zero)**	0
(71)	**Total RBC After Covariance including Basic Operational Risk = L(67)+ L(70)**	0

(72)	**Authorized Control Level RBC including Basic Operational Risk = .5 x L(71)**	0

P&C Bond Based Risk Factors

NAIC Designation Category	1A	1B	1C	1D	1E	1F	1G	2A	2B	2C	3A	3B	3C	4A	4B	4C	5A	5B	5C	6
Current (2020)	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	4.5%	4.5%	4.5%	10.0%	10.0%	10.0%	30.0%
AAA Proposed	0.2%	0.4%	0.6%	0.8%	1.0%	1.3%	1.5%	1.8%	2.1%	2.5%	5.5%	6.0%	6.6%	7.1%	7.7%	8.7%	9.8%	10.9%	12.0%	30.0%
% Change	-33.3%	33.3%	100.0%	166.7%	233.3%	333.3%	400.0%	80.0%	110.0%	150.0%	175.0%	200.0%	230.0%	57.8%	71.1%	93.3%	-2.0%	9.0%	20.0%	0.0%

Bond size factor proposed by Academy

Size band	Issuers	Factor
Up To	10	7.8
Next	90	1.75
Next	100	1
Next	300	0.8
Over	500	0.75

Current Bond size factor

Size band	Issuers	Factor
Up To	50	2.5
Next	50	1.3
Next	300	1
Over	400	0.9

2020 RBC Charges by Company Size - Current verse Proposed (Academy) Bond RBC Charges (with Reclassification of Hybrid Securities)

(Excluding Companies with Negative TAC)

($ Thousand)

TAC Size	0 - $5M	$5M - $25M	$25M - $75M	$75M - $250M	$250M - $1B	Over $1B	Total
Total Adjusted Capital	634,515	9,592,253	26,021,963	57,842,654	127,266,401	900,864,013	1,122,221,799
R0 - Current	40,467	37,368	252,348	830,601	4,792,734	68,871,235	74,824,752
R1 - Current (2020)	6,565	88,490	270,047	693,554	1,381,778	7,075,649	9,516,083
R1 - Proposed	15,834	255,738	725,539	1,700,910	2,995,355	12,818,902	18,512,278
R1 % Change	141.2%	189.0%	168.7%	145.2%	116.8%	81.2%	94.5%
R2 - Current (2020)	25,735	300,449	817,152	2,414,346	9,015,861	147,090,396	159,663,940
R2 - Proposed	25,735	299,908	815,827	2,410,391	9,008,641	147,055,400	159,615,903
R2 % Change	0.0%	-0.2%	-0.2%	-0.2%	-0.1%	0.0%	0%
R3 - Current	65,217	255,098	814,397	1,444,880	1,908,922	5,759,927	10,248,440
R4 - Current	383,941	740,177	2,343,271	7,423,651	19,030,888	98,396,748	128,318,675
R5 - Current	82,454	870,870	2,008,636	6,130,150	12,540,378	55,447,500	77,079,987
Rcat	4,268	293,618	1,035,798	2,373,169	5,750,623	45,165,271	54,622,745
ACL RBC - Current	266,814	898,288	2,561,218	7,037,246	18,039,209	155,532,161	184,334,936
ACL RBC - Proposed	268,107	931,600	2,634,848	7,152,488	18,155,000	155,815,086	184,957,128
ACL RBC % Change	0.5%	3.7%	2.9%	1.6%	0.6%	0.2%	0.3%
# of Companies	238	750	566	422	260	145	2,381

TAC Size	0 - $5M	$5M - $25M	$25M - $75M	$75M - $250M	$250M - $1B	Over $1B	Total
Current R1	6,565	88,490	270,047	693,554	1,381,778	7,075,649	9,516,083
R1 (Proposed Base Factor only)	11,128	175,257	558,089	1,421,868	2,763,457	12,737,708	17,667,507
Change from Current R	4,563	86,767	288,042	728,314	1,381,679	5,662,059	8,151,423
% Change from Current R1	69%	98%	107%	105%	100%	80%	86%
R1 (Proposed Base Factor and BSAF)	15,834	255,738	725,539	1,700,910	2,995,355	12,818,902	18,512,278
Additional Change	4,706	80,481	167,450	279,042	231,898	81,194	844,771
% Change from Current R1	71.7%	90.9%	62.0%	40.2%	16.8%	1.1%	9%

Distributions of Change in R1 Charges by Company Size under Proposed (Academy) Bond RBC Charges (with Reclassification of Hybrid Securities)

(Excluding Companies with Negative TAC)

R1 % Change\TAC	0 - $5M	$5M - $25M	$25M - $75M	$75M - $250M	$250M - $1B	Over $1B	Total
Less than -50%	4	3	3	0	0	0	10
-50% to -25%	2	5	0	2	0	0	9
-25% to -15%	0	3	0	2	0	0	5
-15% to -5%	5	9	5	1	0	0	20
-5% to 5%	106	120	34	5	6	4	275
5% to 15%	2	5	3	1	1	1	13
15% to 25%	2	3	5	0	1	0	11
25% to 50%	2	15	8	7	5	10	47
Greater than 50%	115	587	508	404	247	130	1,991
Total	238	750	566	422	260	145	2,381

Distributions of Changes in ACL RBC by Company Size under Proposed (Academy) Bond RBC Charges (with Reclassification of Hybrid Securities)

(Excluding Companies with Negative TAC)

ACL RBC % Change\TAC	0 - $5M	$5M - $25M	$25M - $75M	$75M - $250M	$250M - $1B	Over $1B	Total
Less than -50%	2	2	0	0	0	0	4
-50% to -25%	1	0	0	0	0	0	1
-25% to -15%	0	0	0	0	0	0	0
-15% to -5%	1	0	2	0	0	0	3
-5% to 5%	3	22	16	11	4	0	56
5% to 15%	203	478	383	320	232	142	1,758
15% to 25%	7	47	32	20	10	1	117
25% to 50%	2	26	14	17	3	0	62
Greater than 50%	19	175	119	54	11	2	380
Total	238	750	566	422	260	145	2,381

Distributions of Changes in RBC Ratios by Company Size under Proposed (Academy) Bond RBC Charges (with Reclassification of Hybrid Securities)

(Excluding Companies with Negative TAC)

RBC Ratio % Change\TAC	0 - $5M	$5M - $25M	$25M - $75M	$75M - $250M	$250M - $1B	Over $1B	Total
Less than -50%	16	136	82	28	7	2	271
-50% to -25%	5	55	46	36	6	0	148
-25% to -15%	2	22	18	12	4	0	58
-15% to -5%	8	55	31	25	9	1	129
-5% to 5%	203	480	387	321	234	142	1,767
5% to 15%	1	0	2	0	0	0	3
15% to 25%	0	0	0	0	0	0	0
25% to 50%	1	0	0	0	0	0	1
Greater than 50%	2	2	0	0	0	0	4
Subtotal	238	750	566	422	260	145	2,381

2020 P&C RBC - Comparison of Action Levels by Company Size Between Current and Proposed (Academy) Bonds RBC Charges (with Reclassification of Hybrid Securities)

(Excluding Companies with Negative TAC)

		2020 RBC Action Level under Current RBC Formula						
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
RBC Action Level with Academy Proposed Bond RBC Charges and Reclassification of Hybrid Securities	MCL	9						9
	ACL		2					2
	RAL			4				4
	CAL				14			14
	Trend Test					21	1	22
	No Action						2,330	2,330
	Total	9	2	4	14	21	2,331	2,381

2020 P&C RBC
Industrywide Reported Book Adjusted Carrying Value on Bond Investment (Excluding U S Government Bonds)
(PR006 & PR015)

Category	BACV	Percentage	Current Risk Factor	Proposed Rosl Factor	% Change in risk factor
1A	255,703,383,562	27.1%	0.003	0.002	-33.3%
1b	63,666,739,646	6.7%	0.003	0.004	33.3%
1C	81,152,983,206	8.6%	0.003	0.006	100.0%
1D	83,707,799,486	8.9%	0.003	0.008	166.7%
1E	53,762,688,175	5.7%	0.003	0.010	233.3%
1F	88,813,399,627	9.4%	0.003	0.013	333.3%
1G	64,846,819,508	6.9%	0.003	0.015	400.0%
2A	76,354,389,147	8.1%	0.010	0.018	80.0%
2B	72,711,346,719	7.7%	0.010	0.021	110.0%
2C	46,811,089,487	5.0%	0.010	0.025	150.0%
3A	9,568,228,547	1.0%	0.020	0.055	175.0%
3B	9,318,628,752	1.0%	0.020	0.060	200.0%
3C	10,726,858,935	1.1%	0.020	0.066	230.0%
4A	5,433,699,582	0.6%	0.045	0.071	57.8%
4B	11,598,731,578	1.2%	0.045	0.077	71.1%
4C	5,367,195,481	0.6%	0.045	0.087	93.3%
5A	1,567,651,355	0.2%	0.100	0.098	-2.0%
5B	3,018,927,015	0.3%	0.100	0.109	9.0%
5C	332,366,273	0.0%	0.100	0.120	20.0%
6	575,169,235	0.1%	0.300	0.300	0.0%
Total	945,038,095,316	100.0%			