Current instruction for C-3 Phase I showing changes which will be adopted for 2015 and are being posted as 2014 guidance for Life and Fraternal RBC filings:

Appendix 1a – Cash Flow Testing for C-3 RBC Methodology

Single Scenario C-3 Measurement Considerations

1. GENERAL METHOD - This approach incorporates interim values, consistent with the approach used for bond, mortgage and mortality RBC factor quantification. The approach establishes the risk measure in terms of an absolute level of risk (e.g., solvency) rather than volatility around an expected level of risk. It also recognizes reserve conservatism, to the degree that such conservatism hasn't been used elsewhere.

2. INITIAL ASSETS = RESERVES - Consistent with appointed actuary practice, the cash flow models are run with initial assets equal to reserves; that is, no surplus assets are used.

3. AVR - Existing AVR-related assets should not be included in the initial assets used in the C-3 modeling **unless AVR has been excluded from TAC due to its use in the asset adequacy analysis supporting reserves. AVR-related assets may be included with C-3 testing to the extent that the AVR has been used in the cash flow testing and is therefore excluded from TAC, and that portion of the AVR-related assets relates to the business being tested.** These assets are available for future **asset** loss deviations over and above expected **asset** losses. These deviations are covered by C-1 risk capital. **Regardless**, future AVR contributions should not be modeled. However, the expected **asset** losses should be in the **C-3** modeling. (Deviations from expected are covered by both the AVR and the C-1 risk capital.)

Instruction adopted for C-3 Phase II on 6/27/14:

INTEREST RATE RISK AND MARKET RISK

LR027

The amount reported on Line (37) is calculated using a nine-step process. **As in Step 3 of the Single Scenario C-3 Measurement Considerations section of Appendix 1a – CashFlow Testing for C-3 RBC Methodology, existing AVR-related assets should not be included in the initial assets used in the C-3 modeling unless AVR has been excluded from TAC due to its use in the asset adequacy analysis supporting reserves. AVR-related assets may be included with C-3 testing to the extent that the AVR has been used in the cash flow testing and is therefore excluded from TAC, and that portion of the AVR-related assets relates to the business being tested. These assets are available for future asset loss deviations over and above expected asset losses. These deviations are covered by C-1 risk capital. Regardless, future AVR contributions should not be modeled. However, the expected asset losses should be in the C-3 modeling. (Deviations from expected are covered by both the AVR and C-1 risk capital and should not be modeled as part of C-3).**

IMR assets should be used for C-3 modeling. If negative cash flows are handled by selling assets, then appropriate modeling of contributions to and amortization of the IMR need to be reflected in the modeling.