



AMERICAN ACADEMY *of* ACTUARIES

Common Stock Covariance – Instruction Clarifications

Presented by the American Academy of Actuaries Life-Risk Based Capital Committee to National Association of Insurance Commissioners Life Risk-Based Capital Working Group

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Exhibit III

Note: The changes recommended by the Academy's LRBC Committee are underlined and deleted material is shown by a strike-through.

UNAFFILIATED PREFERRED AND COMMON STOCK

LR005

Basis of Factors

Unaffiliated Preferred Stock

The preferred stock factors were changed in 1997 to reflect a recent study by Moody's of preferred stock cumulative dividend impairment rates (1980-94) and cumulative default rates on corporate bonds (1970-95). The risk for preferred stock is based on risk of default as well as the risk of passed dividends. The class 5 factor is based on judgement since data is not available.

Unaffiliated Common Stock

Non-government money market mutual funds are more like cash than common stock, therefore it is appropriate to use the same factor as for cash. Federal Home Loan Bank Stock has characteristics more like a fixed-income instrument rather than common stock. A 2.3 percent factor was chosen. The factor for other unaffiliated common stock is based on studies conducted at two large life insurance companies. Both of these studies focused on well diversified portfolios with characteristics similar to the Standard and Poors 500 and indicate that a 30 percent factor is needed to provide capital to cover approximately 95 percent of the greatest losses in common stock value over a two-year future period. This factor assumes capital losses are unrealized and not subject to favorable tax treatment at the time loss in market value occurs.

Two adjustments are made to the 30 percent factor to account for differences between the insurer's portfolio and the Standard and Poors 500: first, the factor for publicly traded unaffiliated common stock is adjusted up or down by the weighted average beta of the insurer's portfolio subject to a maximum of 45% and a minimum of 22.5%, and, second, a common stock concentration component is calculated, adding an additional requirement equal to 50% of the beta adjusted basic requirement for the five largest holdings of common stock in the insurer's portfolio.

Specific Instructions for Application of the Formula

Lines (1) through (6)

Column (1) amounts are from the Asset Valuation Reserve Default Component, Page 42, Column 1, Lines 10 through 15 of the Annual Statement. Since affiliated amounts are included for affiliated companies without an AVR in the Asset Valuation Reserve Default Component, Lines 10 through 15, these affiliated amounts should be deducted in Column (2). Affiliated companies with an AVR are reported on the Asset Valuation Reserve Default Component, Line 16 and should not be included in Column (2).

Line (7)

Column (1) should equal Annual Statement Assets, Page 2, Column 4, Line 2.1 less Asset Valuation Reserve Default Component Column 1 Line 16. Column (2) should equal Schedule D Summary by Country, Column 5, Line 39 less Asset Valuation Reserve Default Component, Column 1, Line 16.

Line (10)

Amounts should reflect only those money market mutual funds reported on Schedule D, Part 2, Section 2. Money market funds qualifying for Schedule DA treatment or reported on Schedule D, Part 1 should not be included on this line. Refer to the NAIC's *Purposes and Procedures of the Securities Valuation Office* for a discussion on those money market funds that qualify for Schedule DA treatment.

Line (11)

Exhibit III

Federal Home Loan Bank common stock reported on Schedule D, Part 2, Section 2 of the Annual Statement should be reflected on this line.

Line (12)

The factor for other unaffiliated common stock should be equal to 30% increased in the case of publicly traded stock by the weighted average beta for the insurers portfolio of common stock, subject to a minimum factor of 22.5% and a maximum factor of 45%. The calculation of the beta adjustment should follow the procedures laid out for the similar adjustment in the Asset Valuation Reserve calculation. Insurers that chose not to calculate a beta for their portfolio should use the maximum factor of 45%.

Line (13)

Column (1) should equal Annual Statement Schedule D Summary by Country, Column 2, Line 54 less Schedule D Summary by Country, Column 2, Line 53 less Line (10) money market funds less Line (11) Federal Home Loan Bank stock.

Lines (15) and (16)

To the extent that a modco or funds withheld transaction is backed by common stock included in line (12) of the ceding company's RBC calculation, the ceding company's credit and assuming reinsurer's charge should include a beta adjustment that is calculated in a manner consistent with the line (12) calculation of the ceding insurer.

Exhibit III

COMMON STOCK CONCENTRATION FACTOR

LR010a

Basis of Factors

The purpose of the common stock concentration factor is to reflect the additional risk of high concentrations in a single exposure of common stock. The common stock concentration factor increases by 50% the risk-based capital factor for the five largest common stock exposures. The 50% increase was chosen by comparing the total variance of particular holdings of common stock to the portion of the variance that can be explained by movements of the overall stock market. Since the risk-based capital of the assets included in the unaffiliated common stock concentration factor has already been counted once in the basic formula, this factor itself only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis, however the common stock concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double counting.

Specific Instructions for Application of the Formula

The five largest common stock exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance and investment subsidiaries. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process effects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand alone" basis.

The five largest holdings should exclude common stock in the FHLB, investment companies (mutual funds) and common trust funds, that are diversified with the meaning of the Investment Company Act, and affiliated investments other than investments in non-insurance subsidiaries. For non-insurance subsidiaries, i.e. those with affiliate code 6 on LR033 (the portion of holding companies in excess of indirect subsidiaries) and those with affiliate code 12 (other subsidiaries), the total stock investment including both preferred and common stock should be used.

Assets should be aggregated by issuer before determining the five largest exposures.

The statement value of each asset is listed in Column (2).

Exhibit III

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

Recognizing the diverse nature of Schedule BA assets, the RBC is calculated by assigning different risk factors according to the different type of assets. Assets with underlying characteristics of bonds and preferred stocks rated by the NAIC Securities Valuation Office (SVO) have different factors according to the SVO assigned classification. Unrated fixed-income securities will be treated the same as Other Schedule BA Assets and assessed a 30 percent charge. Rated surplus and capital notes have the same factors applied as Schedule BA assets with the characteristics of preferred stock. Where it is not possible to determine the RBC classification of an asset, a 30 percent factor is applied.

Specific Instructions for Application of the Formula

Line (42)

Total Schedule BA assets [[LR008 Other Long-Term Assets Column \(1\) Line \(39b\)](#) plus LR008 Other Long-Term Assets Column (1) Line (42) plus LR007 Real Estate Column (1) | Line (20) plus LR009 Schedule BA Mortgages Column (1) Line (8)] should equal the total Schedule BA assets reported in the Annual Statement Page 2 Column 4 Line 8.

Exhibit III

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL LR025

Basis of Factors

The purpose of the formula is to estimate the risk-based capital levels required to manage losses that can be caused by a series of catastrophic financial events. However, it is remote that all such losses will occur simultaneously. The covariance adjustment states that the combined effect of the C-1_o, C-1cs, C-2 and C-3 and a portion of the C-4 risks are not equal to their sum but are equal to the square root calculation described below. It is statistically assumed that the C-1_o risk and a portion of the C-3 risk are correlated, while the C-1cs risk, the C-2 risk, the balance of the C-3 risk and a portion of the C-4 risk are independent of both. The split of the C-3 and C-4 risks allows for general consistency with the MCO-RBC formula. This assumption provides a reasonable approximation of the capital requirements needed at any particular level of losses.

Authorized Control Level Risk-Based Capital is 50 percent of the sum of the C-0 plus the C-4a risk-based capital and the square root of the sum of the C-1_o and C-3a risk-based capital squared, the C-1cs risk capital squared, the C-2 risk-based capital squared, the C-3b risk-based capital squared and the C-4b risk-based capital squared.

Mandatory Control Level Risk-Based Capital is 70 percent of Authorized Control Level Risk-Based Capital.

Specific Instructions for Application of the Formula

All amounts reflected for the calculation of Authorized Control Level Risk-Based Capital will be calculated automatically by the software.

Exhibit III

UNAFFILIATED PREFERRED AND COMMON STOCK

		(1)	(2)	(3)	(4)
	<u>Annual Statement Source</u>	<u>Statement Value</u>	<u>Less Affiliated Preferred Stock Without AVR</u>	<u>RBC Subtotal</u>	<u>RBC Requirement</u>
<u>Unaffiliated Preferred Stock</u>					
(1) Asset Class 1	AVR Default Component Column 1 Line 10			X 0.009 =	
(2) Asset Class 2	AVR Default Component Column 1 Line 11			X 0.025 =	
(3) Asset Class 3	AVR Default Component Column 1 Line 12			X 0.060 =	
(4) Asset Class 4	AVR Default Component Column 1 Line 13			X 0.135 =	
(5) Asset Class 5	AVR Default Component Column 1 Line 14			X 0.250 =	
(6) Asset Class 6	AVR Default Component Column 1 Line 15			X 0.300 =	
(7) Total Unaffiliated Preferred Stock	Sum of Lines (1) through (6)				
	(Column (1) should equal Page 2 Column 4 Line 2.1 less Asset Valuation Reserve Default Component Column 1 Line 16.)				
	(Column (2) should equal Schedule D Summary Column 5 Line 39 less Asset Valuation Reserve Default Component Column 1 Line 16.)				
<u>(7a) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements</u>	<u>Company Records</u>				
<u>(7b) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements</u>	<u>Company Records</u>				
<u>(7c) Total Unaffiliated Preferred Stock (including MODCO/Funds Withheld.)</u>	<u>Lines (7) - (7a) + (7b)</u>				
<u>Unaffiliated Common Stock</u>					
(8) Total Common Stock	Schedule D Summary Column 2 Line 54				
(9) Less Affiliated Common Stock	Schedule D Summary Column 2 Line 53				
(10) Less Money Market Funds	Included in Schedule D Part 2 Section 2			X 0.003 =	
(11) Less Federal Home Loan Bank Common Stock	Included in Schedule D Part 2 Section 2			X 0.023 =	
<u>(11a) Less Unaffiliated Private Common Stock</u>	<u>AVR Equity Component Column 1 Line 2</u>			X 0.300 =	
(12) Net Other Unaffiliated <u>Public</u> Common Stock	Lines (8) - (9) - (10) - (11) - <u>(11a)</u>			X <u>0.300</u> † =	
(13) Total Unaffiliated Common Stock	Lines (10) + (11) + <u>(11a)</u> + (12)				
	(Column 1 should equal Page 2 Column 4 Line 2.2 less Schedule D Summary by Country Column 2 Line 53)				
<u>(14) Total Unaffiliated Preferred and Common Stock (pre-MODCO/Funds Withheld)</u>	<u>Line (7) + Line (13)</u>				
(15) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records				

Exhibit III

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|--|--------------------------|--|
| (16) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements | Company Records | |
| (17) Total Unaffiliated Preferred and Common Stock (including MODCO/Funds Withheld.) | Lines (14) - (15) + (16) | |

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† The factor for publicly traded common stock should equal 30% adjusted up or down by the weighted average beta for the publicly traded common stock portfolio subject to a minimum of 22.5% and a maximum of 45% in the same manner that the similar 20% factor for publicly traded common stock in the AVR calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR instructions.

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

Exhibit III

OTHER LONG-TERM ASSETS

		(1) Statement Value	(2) Unrated Items †	(3) RBC Subtotal ‡	Factor	(4) RBC Requirement
<u>Annual Statement Source</u>						
<u>Schedule BA - Fixed Income - Bonds</u>						
(1)	Exempt Obligations	AVR Equity Component Column 1 Line 22			X 0.000 =	
(2)	Asset Class 1	AVR Equity Component Column 1 Line 23			X 0.003 =	
(3)	Asset Class 2	AVR Equity Component Column 1 Line 24			X 0.010 =	
(4)	Asset Class 3	AVR Equity Component Column 1 Line 25			X 0.040 =	
(5)	Asset Class 4	AVR Equity Component Column 1 Line 26			X 0.090 =	
(6)	Asset Class 5	AVR Equity Component Column 1 Line 27			X 0.200 =	
(7)	Asset Class 6	AVR Equity Component Column 1 Line 28			X 0.300 =	
(8)	Total Schedule BA Bonds (pre-MODCO/Funds Withheld)	Sum of Lines (1) through (7)				
(9)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records				
(10)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records				
(11)	Total Schedule BA Bonds (including MODCO/Funds Withheld.)	Lines (8) - (9) + (10)				
<u>Schedule BA - Fixed Income - Preferred Stock</u>						
(12.1)	Asset Class 1	AVR Equity Component Column 1 Line 30				
(12.2)	Less Rated Class 1 Surplus Notes and Capital Notes	Column (1) Line (22) + Column (1) Line (32)				
(12.3)	Net Asset Class 1	Line (12.1) - (12.2)			X 0.009 =	
(13)	Asset Class 2	AVR Equity Component Column 1 Line 31			X 0.025 =	
(14)	Asset Class 3	AVR Equity Component Column 1 Line 32			X 0.060 =	
(15)	Asset Class 4	AVR Equity Component Column 1 Line 33			X 0.135 =	
(16)	Asset Class 5	AVR Equity Component Column 1 Line 34			X 0.250 =	
(17)	Asset Class 6	AVR Equity Component Column 1 Line 35			X 0.300 =	
(18)	Total Schedule BA Preferred Stock (pre-MODCO/Funds Withheld)	Sum of Lines (12.3) through (17)				
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records				
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records				
(21)	Total Schedule BA Preferred Stock (including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)				

† Fixed income instruments and surplus notes rated by the NAIC Securities Valuation Office (SVO) should be reported in Column (3).

‡ Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (41.3).

Exhibit III


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

Exhibit III

**OTHER LONG-TERM ASSETS
(CONTINUED)**

		(1) Statement Value	(2) Unrated Items †	(3) RBC Subtotal ‡	(4) RBC Requirement
<u>Annual Statement Source</u>				Factor	<u>Requirement</u>
<u>Rated Surplus Notes</u>					
(22) Rated Class 1 Surplus Notes	Schedule BA Part 1 Column 10 Line 1199999, in part			X 0.009 =	
(23) Rated Class 2 Surplus Notes	Schedule BA Part 1 Column 10 Line 1199999, in part			X 0.025 =	
(24) Rated Class 3 Surplus Notes	Schedule BA Part 1 Column 10 Line 1199999, in part			X 0.060 =	
(25) Rated Class 4 Surplus Notes	Schedule BA Part 1 Column 10 Line 1199999, in part			X 0.135 =	
(26) Rated Class 5 Surplus Notes	Schedule BA Part 1 Column 10 Line 1199999, in part			X 0.250 =	
(27) Rated Class 6 Surplus Notes	Schedule BA Part 1 Column 10 Line 1199999, in part			X 0.300 =	
(28) Total Rated Surplus Notes	Sum of Lines (22) through (27)				
(pre-MODCO/Funds Withheld)					
(29) Reduction in RBC for MODCO/Funds Withheld	Reinsurance Ceded Agreements	Company Records			
(30) Increase in RBC for MODCO/Funds Withheld	Reinsurance Assumed Agreements	Company Records			
(31) Total Rated Surplus Notes (including MODCO/Funds Withheld.)	Lines (28) - (29) + (30)				
<u>Rated Capital Notes</u>					
(32) Rated Class 1 Capital Notes	Schedule BA Part 1 Column 10 Line 1399999, in part			X 0.009 =	
(33) Rated Class 2 Capital Notes	Schedule BA Part 1 Column 10 Line 1399999, in part			X 0.025 =	
(34) Rated Class 3 Capital Notes	Schedule BA Part 1 Column 10 Line 1399999, in part			X 0.060 =	
(35) Rated Class 4 Capital Notes	Schedule BA Part 1 Column 10 Line 1399999, in part			X 0.135 =	
(36) Rated Class 5 Capital Notes	Schedule BA Part 1 Column 10 Line 1399999, in part			X 0.250 =	
(37) Rated Class 6 Capital Notes	Schedule BA Part 1 Column 10 Line 1399999, in part			X 0.300 =	
(38) Total Rated Capital Notes	Sum of Lines (32) through (37)				
<u>Schedule BA - All Other Unaffiliated Common Stock</u>					
(39) Schedule BA <u>Unaffiliated</u> Common Stock - <u>Private</u>	AVR Equity Component Column 1 Line 5660			X 0.300 =	
(39a) <u>Schedule BA Unaffiliated Common Stock - Public</u>	<u>AVR Equity Component Column 1 Line 55</u>			X ††	
(39b) <u>Total Schedule BA Unaffiliated Common Stock</u>	<u>Sum of Lines (39) and (39a)</u>				
(39c) <u>Reduction in RBC for MODCO/Funds Withheld</u>					
<u>Reinsurance Ceded Agreements</u>	<u>Company Records</u>				
(39d) <u>Increase in RBC for MODCO/Funds Withheld</u>					
<u>Reinsurance Assumed Agreements</u>	<u>Company Records</u>				
(39e) <u>Total Schedule BA Unaffiliated Common Stock</u>					

Exhibit III

<u>(including MODCO/Funds Withheld.)</u>	<u>Lines (39b) - (39c) + (39d)</u>		
<u>Schedule BA – All other</u>			
<u>(39f) Schedule BA Affiliated Common Stock</u>	<u>Sum of AVR Equity Component Column 1</u>		<u>X 0.300 =</u>
	<u>Lines 57 through 59</u>		
(40) Schedule BA Collateral Loans	Schedule BA Part 1 Column 10 Line 1299999	_____	X 0.050 = _____
(41.1) Other Schedule BA Assets	AVR Equity Component Column 1 Line 65	_____	
(41.2) Less Class 2 thru 6 Rated Surplus Notes and Capital Notes	Column (1) Lines (23) through (27) + Column (1) Lines (33) through (37)	_____	
(41.3) Net Other Schedule BA Assets	Line (41.1) less (41.2)	_____	X 0.300 = _____
(42) Total Schedule BA Assets <u>other than</u> <u>Unaffiliated Common Stock</u>	Lines (11) + (21) + (31) + (38) + (39f) + (40) + (41.3)	_____	_____

† Fixed income instruments and surplus notes rated by the NAIC Securities Valuation Office (SVO) should be reported in Column (3).

‡ Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (41.3).

†† The factor for Schedule BA publicly traded common stock should equal 30% adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio subject to a minimum of 22.5% and a maximum of 45% in the same manner that the similar 20% factor for Schedule BA publicly traded common stock in the AVR calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR instructions.

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

Exhibit III

COMMON STOCK CONCENTRATION FACTOR

<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
<u>Issuer Name</u>	<u>Statement Value</u>	<u>Factor</u> ‡	<u>Additional RBC</u>	<u>Adjustment/ Subsidiary RBC</u>	<u>RBC Requirement</u>	
<u>(1)</u>	█	X	█	=	█	=
<u>(2)</u>	█	X	█	=	█	=
<u>(3)</u>	█	X	█	=	█	=
<u>(4)</u>	█	X	█	=	█	=
<u>(5)</u>	█	X	█	=	█	=

(6) Total

‡ The factor for each common stock holding should equal 15% adjusted in the case of publicly traded common stock by the beta of particular holding subject to a minimum of 11.25% and a maximum of 22.5%. The rules for calculating the beta adjustment are set forth in the AVR instructions.

Exhibit III

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL


	<u>Source</u>	<u>(1) RBC Requirement</u>
<u>Asset Risk - Affiliated Amounts (C-0)</u>		
(1) Affiliated US Property-Casualty Insurers Directly Owned	LR033 Summary for Affiliated Investments Column (4) Line (1)	_____
(2) Affiliated US Life Insurers Directly Owned	LR033 Summary for Affiliated Investments Column (4) Line (2)	_____
(3) Affiliated US Property-Casualty Insurers Indirectly Owned	LR033 Summary for Affiliated Investments Column (4) Line (3)	_____
(4) Affiliated US Life Insurers Indirectly Owned	LR033 Summary for Affiliated Investments Column (4) Line (4)	_____
(5) Affiliated Alien Life Insurers - Canadian	LR033 Summary for Affiliated Investments Column (4) Line (7)	_____
(6) Affiliated Alien Life Insurers - All Others	LR033 Summary for Affiliated Investments Column (4) Line (8)	_____
(7) Off-Balance Sheet Items	LR014 Off-Balance Sheet Items Column (2) Line (23)	_____
 (8) Total (C-0)	 Sum of Lines (1) through (7)	 =====
 <u>Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)</u>		
<u>(8a) Schedule D Unaffiliated Common Stock</u>	<u>LR005 Unaffiliated Common Stock Column (4) Line (17)</u>	_____
<u>(8b) Schedule BA Unaffiliated Common Stock</u>	<u>LR008 Schedule BA Unaffiliated Common Stock Column (4) line (39e)</u>	_____
<u>(8c) Common Stock Concentration Factor</u>	<u>LR010a Total Column (6) Line (6)</u>	_____
<u>(8d) Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subsidiaries</u>	<u>LR033 Summary for Affiliated Investments Column (4) Line (6)</u>	_____
<u>(8e) Affiliated Preferred Stock and Common Stock - All Other</u>	<u>LR033 Summary for Affiliated Investments Column (4) Line (12)</u>	_____
 <u>(8f) Total C-1cs</u>	 <u>Sum of Lines (8a) through (8e)</u>	 =====
 <u>Asset Risk - All Other (C-1o)</u>		
(9) Bonds after Size Factor	LR002 Bonds Column (2) Line (26)	_____
(10) Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (22)	_____
(11) Unaffiliated Preferred Stock and Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (4) Line (17) <u>(17c)</u>	_____
(12) Affiliated Preferred Stock and Common Stock - Investment Subsidiaries	LR033 Summary for Affiliated Investments Column (4) Line (5)	_____
(13) Affiliated Preferred Stock and Common Stock—Holding Company in Excess of Indirect Subsidiaries	LR033 Summary for Affiliated Investments Column (4) Line (6)	_____
(14) Affiliated Preferred Stock and Common Stock - Parent	LR033 Summary for Affiliated Investments Column (4) Line (9)	_____
(15) Affiliated Preferred Stock and Common Stock - Property and Casualty Insurers not Subject to Risk-Based Capital	LR033 Summary for Affiliated Investments Column (4) Line (10)	_____
(16) Affiliated Preferred Stock and Common Stock - Life Insurers not Subject to Risk-Based Capital	LR033 Summary for Affiliated Investments Column (4) Line (11)	_____
(17) Affiliated Preferred Stock and Common Stock—All Other	LR033 Summary for Affiliated Investments Column (4) Line (12)	_____
(18) Affiliated Preferred Stock and Common Stock - Publicly Traded Insurers Held at	LR033 Summary for Affiliated Investments Column (4) Line (13)	_____

Exhibit III

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL (CONTINUED)

	<u>Source</u>	<u>(1) RBC Requirement</u>
<u>Insurance Risk (C-2)</u>		
(31) Individual and Industrial Life Insurance	LR020 Life Insurance Column (2) Line (8)	_____
(32) Group and Credit Life Insurance and FEGLI/SGLI	LR020 Life Insurance Column (2) Lines (19) and (20)	_____
(33) Total Health Insurance	LR019 Health Claim Reserves Column (2) Line (16)	_____
(34) Premium Stabilization Reserve Credit	LR021 Premium Stabilization Reserves Column (2) Line (10)	_____
(35) Total (C-2)	Sum of Lines (31) through (34)	=====
<u>Interest Rate Risk (C-3a)</u>		
(36) Total Interest Rate Risk	LR022 Interest Rate Risk Column (3) Line (34)	=====
<u>Health Credit Risk (C-3b)</u>		
(37) Total Health Credit Risk	LR023 Health Credit Risk Column (2) Line (7)	=====
<u>Business Risk (C-4)</u>		
(38) Premium Component	LR024 Business Risk Column (2) Lines (11) + (22) + (33)	_____
(39) Liability Component	LR024 Business Risk Column (2) Line (36)	_____
(40) Subtotal Business Risk (C-4a)	Lines (38) + (39)	=====
(41) Health Administrative Expense Component of Business Risk (C-4b)	LR024 Business Risk Column (2) Line (54)	=====
<u>(41a) Assumed Correlation Between C-1cs and (C-1o+C-3a)</u>		<u>0.00000</u>
<u>Total Risk-Based Capital After Covariance</u>		
(42) $C-0 + C-4a + \text{Square Root of } [(C-1o + C-3a)^2 + 2(41a)(C-1o+C-3a)(C-1cs)+(C-1cs)^2 + (C-2)^2 + (C-3b)^2 + (C-4b)^2]$	REPORT AMOUNT ON PARENT COMPANY'S RISK-BASED CAPITAL IF APPLICABLE	
<u>Authorized Control Level Risk-Based Capital (After Covariance Adjustment)</u>		
(43) Total Risk-Based Capital After Covariance Times Fifty Percent	Line (42) x 0.50	=====

Exhibit III

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