

Part IV. Statutory Filings to Accompany the Annual Statement

TABLE 86

<i>Example</i> <i>Adjusted Book/Carrying Value for Assets Subject to Asset Concentration USD 000</i>						
Issuer Name	Fixed Income Assets		Equity Assets			Total Assets Subject to Asset Concentration
	Unaffiliated Bonds	Collateral Loans	Unaffiliated Preferred Stocks	Unaffiliated Common Stock	Investment Real Estate	
	Class 2 - 5		Class 2 - 5			
1 Aspill Drug				1,200		1,200
2 Deal Mart		1,000				1,000
3 U.S. Express	1,000					1,000
4 MacroHard Inc.	900					900
5 Dill Computing			900			900
6 Tropical Beverage Co.	820					820
7 Popsi Co.			800			800
8 Texas Oil Inc.	550					550
9 Westwood Resorts		200			35	235
10 Dakota Energy	220					220
11 Bear Pharmaceuticals				200		200
12 Mediapro	200					200
13 Pear Computer				100		100
14 Jane Moose	80					80
15 KO Media				25	50	75
Total	3,770	1,200	1,700	1,525	85	8,280

Only the first ten of these issuers (Aspill Drug through Dakota Energy) are considered in the calculation of the asset concentration factor. The asset concentration charge is computed by multiplying the RBC charge for each asset class by the associated RBC factor for that class. For simplicity, assume that each of the bond investments is class 2 and each of the preferred stock investments is class 3. Table 87 provides the calculation of the asset concentration RBC within R_1 and R_2 .

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TABLE 87

<i>Example</i> <i>Calculation of Asset Concentration RBC</i>			
Fixed Income Assets	Book/Adjusted Carrying Value	Factor	Additional RBC
Class 2 Unaffiliated Bonds	3,490	0.010	35
Class 3 Unaffiliated Bonds	-	0.020	-
Class 4 Unaffiliated Bonds	-	0.045	-
Class 5 Unaffiliated Bonds	-	0.100	-
Collateral Loans	1,200	0.050	60
Mortgage Loans	-	0.050	-
Subtotal Fixed Income	4,690	0.020	95
Equity Assets	Book/Adjusted Carrying Value	Factor	Additional RBC
Class 2 Unaffiliated Preferred Stock	-	0.010	-
Class 3 Unaffiliated Preferred Stock	1,700	0.020	34
Class 4 Unaffiliated Preferred Stock	-	0.045	-
Class 5 Unaffiliated Preferred Stock	-	0.100	-
Class 2 Unaffiliated Hybrid Securities	-	0.010	-
Class 3 Unaffiliated Hybrid Securities	-	0.020	-
Class 4 Unaffiliated Hybrid Securities	-	0.045	-
Class 5 Unaffiliated Hybrid Securities	-	0.100	-
Unaffiliated Common Stock	1,200	0.150	180
Investment Real Estate	35	0.100	4
Encumbrance on Investment Real Estate	-	0.100	-
Schedule BA Assets	-	0.050	-
Receivable for Securities	-	0.050	-
Aggregate Write-Ins for Invested Assets	-	0.050	-
Derivatives	-	0.050	-
Subtotal Equity	2,935	0.074	218
Grand Total Asset Concentration			312

The asset concentration for fixed income investments within R_1 is \$95,000 and the asset concentration for equity within R_2 is \$218,000, resulting in a total asset concentration RBC of \$312,000.

R₁ for Fictitious

To further illustrate the R_1 through R_5 charges, we used the Annual Statement for Fictitious Insurance Company to build a full example of the NAIC calculations¹⁵². Because Schedule D is

¹⁵² Note that Fictitious Insurance Company does not have any affiliated entities. Therefore the R_0 charge is zero for Fictitious.