Item	Formula			
RBC Ratio Action Levels	**Action Level**	**RBC Ratio**	**Commissioner Action**	**Company Action**
	Company Action Level	$150\% - 200\%$	None (Initially)	Submit Action Plan
	Regulatory Action Level	$100\% - 150\%$	May Take Corrective Action	Submit Action Plan
	Authorized Control Level	$70\% - 100\%$	May Take Control of Company	None (Initially)
	Mandatory Control Level	$< 70\%$	Must Take Control of Company	None (Initially)
RBC Ratio	$\frac{\text{Total Adjusted Capital (TAC)}}{\text{Authorized Control Level Capital (ACL)}}$			
Total Adjusted Capital (TAC)	Policy Holder Surplus $-$ Non-Tabular Discount $-$ Tabular Discount on **Medical** Reserves			
Authorized Control Level Capital (ACL)	$(0.50) * (\text{RBC Capital Required})$			
RBC Capital Required	$R_0 + \sqrt{R_1^2 + R_2^2 + R_3^2 + R_4^2 + R_5^2}$			
Trend Test	1. If RBC Ratio $\in [200\%, 300\%]$, the company is subject to the trend test 2. If Combined Ratio $> 120\%$, the company fails the trend test and is subject to company action level			
Combined Ratio	$\frac{\text{Incurred Loss and LAE}}{\text{Net EP}} + \frac{\text{Other UW Expenses}}{\text{Net WP}} + \frac{\text{Policyholder Dividends}}{\text{Net EP}}$			

R_0 Risk Charge	$\sum_{i=1}^{n} (\text{RBC Factor})_i (\text{Value of Item}_i \text{ Subject to } R_0 \text{ Charge})$ for $i = 1, 2, \dots, n$ items subject to R_0 charge

R_1 Risk Charge	Basic Charge + BSC + ACC
R_1 Basic Charge	$\sum_{i=1}^{n} (\text{RBC Factor})_i (\text{Value of Item}_i \text{ Subject to } R_1 \text{ Charge})$
R_1 Bond Size Charge (BSC)	$(\text{BSF} - 1)(R_1 \text{ Bond Charges that are Subject to BSF})$
R_1 Bond Size Factor (BSF)	$\frac{2.5 * (\text{First 50 Issuers}) + 1.3 * (\text{Next 50}) + 1.0 * (\text{Next 300}) + .9 * (\text{All Remaining})}{\text{Total Number of Issuers}}$ • If Bond Count > 1300, BSF $= 0$
R_1 Asset Concentration Charge (ACC)	$\sum_{i=1}^{n} (\text{RBC Factor})_i (\text{Value of Item Subject to } R_1 \text{ ACC})_i$
	• If given Asset Concentration Factor (ACF), ACC $= (\text{ACF})(\text{Total Value of Assets Subject to } R_1 \text{ ACC})$

R_2 Risk Charge	Basic Charge + ACC
R_2 Basic Charge	$\sum_{i=1}^{n} (\text{RBC Factor})_i (\text{Value of Item}_i \text{ Subject to } R_2 \text{ Charge})$
R_2 Asset Concentration Charge (ACC)	$\sum_{i=1}^{n} (\text{RBC Factor})_i (\text{Value of Item}_i \text{ Subject to } R_2 \text{ ACC})$
	• If given Asset Concentration Factor (ACF), ACC $= (\text{ACF})(\text{Total Value of Assets Subject to } R_2 \text{ ACC})$

R_3 Risk Charge	$\sum_{i=1}^{n}(\text{RBC Factor})_i(\text{Value of Item}_i \text{ Subject to } R_3 \text{ Charge})$ • If $R_4 > (R_3 \text{ RBC Charge for Non} - \text{Invested Assets}) + \frac{1}{2}(\text{Reinsurance Recoverable RBC Charge})$, then the reinsurance recoverable charge should be split 50/50 between R_3 and R_4. • Otherwise 100% goes to R_3 • Note: The reinsurance recoverable should be net of the provision for reinsurance

R_4 Risk Charge	Final Charge for Reserves + Excessive Growth Charge + 1/2 Reinsurance Recoverable
R_4 Final Charge for Reserves	$[\text{Basic Charge for Reserves} - \text{LSD}] * (\text{LCF})$
R_4 Basic Charge for Reserves	$(\text{Net Loss and LAE Reserves})(\text{RBC Factor})$ • RBC Factor $= (\text{Investment Income Adjustment Factor})(\text{Company RBC \%} + 1) - 1$ • Company RBC % $= \left[\frac{(\text{Industry Loss and LAE RBC})\left(\frac{\text{Company Average Loss and LAE LDF}}{\text{Industry Average Loss and LAE LDF}}+1\right)}{2}\right]$ • Company Average Loss and LAE LDF capped at 400%
R_4 Loss Sensitive Discount (LSD)	$[(0.3)(\text{\% Direct Loss Sensitive}) + (0.15)(\text{\% Assumed Loss Sensitive})][\text{Basic Charge for Reserves}]$
R_4 Loss Concentration Factor (LCF)	$0.7 + 0.3 * \frac{\text{Max Reserve of a Line}}{\text{Total Reserves of All Lines}}$
R_4 Excessive Growth Charge	$(0.45)(\text{Excess Growth \%})(\text{Net Loss and LAE Reserves})$
R_4 Excessive Growth %	$(\text{Average Gross Premium Growth Over Last 3 Years}) - 10\%$ • Note: The gross premium growth for each year is capped at 40%
R_4 Reinsurance Recoverable	• If $R_4 > (R_3 \text{ RBC Charge for Non} - \text{Invested Assets}) + \frac{1}{2}(\text{Reinsurance Recoverable RBC Charge})$, then the reinsurance recoverable charge should be split 50/50 between R_3 and R_4 • Otherwise 100% goes to R_3 • Note: The reinsurance recoverable should be net of the provision for reinsurance

R_5 Risk Charge	Final Charge for NWP + Excessive Growth Charge
R_5 Final Charge for NWP	$[\text{Basic Charge for NWP} - \text{LSD}] * (\text{LCF})$

R_5 Basic Charge for NWP	$(\text{NWP})(\text{RBC Factor})$
	• RBC Factor $= (\text{Inv Inc Adjustment Factor})(\text{Company RBC Loss Ratio}) + \text{Expense Ratio} - 1$
	• Company RBC Loss Ratio $= \left[\frac{(\text{Industry Loss and LAE Ratio})\left(\frac{\text{Company Average Loss and LAE Ratio}}{\text{Industry Average Loss and LAE Ratio}}+1\right)}{2}\right]$
	  • Company Average Loss and LAE Ratio is capped at 300% for each accident year
	  • Expense ratio is capped at 400%

R_5 Loss Sensitive Discount (LSD)	$[(0.3)(\text{\% Direct Loss Sensitive}) + (0.15)(\text{\% Assumed Loss Sensitive})](\text{Basic Charge for NWP})$
R_5 Premium Concentration Factor (PCF)	$0.7 + 0.3 * \frac{\text{Max NWP of a Line}}{\text{Total NWP of all Lines}}$
R_5 Excessive Growth Charge	$(0.225)(\text{Excess Growth \%})(\text{NWP})$
R_5 Excessive Growth %	$(\text{Average Gross Premium Growth Over Last 3 Years}) - 10\%$ • Note: The gross premium growth for each year is capped at 40%