

Draft date: 4/23/26

*Virtual Meeting*

**HEALTH RISK-BASED CAPITAL (E) WORKING GROUP**

Thursday, May 7, 2026

3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

**ROLL CALL**

Steve Drutz, Chair	Washington	Margaret Otto	Nebraska
Danielle Smith, Vice Chair	Missouri	Michel Laverdiere	New York
Wanchin Chou	Connecticut	Diana Sherman	Pennsylvania
Kyle Collins	Florida	Bing Wu/Sean Fulton	Texas
Tish Becker	Kansas		

NAIC Committee Support: Derek Noe/Maggie Chang

**AGENDA**

1. Consider Adoption of its Spring National Meeting Minutes—*Steve Drutz (WA)* Attachment 1
2. Refer Proposal 2026-03-CA (Investment Income Adjustment) to the Capital Adequacy (E) Task Force—*Steve Drutz (WA)* Attachment 2
3. Receive comments on the Phase-In Analysis Document—*Steve Drutz (WA)*
  - A. AHIP Attachment 3
  - B. Blue Cross Blue Shield Association (BCBSA) Attachment 4
  - C. UnitedHealth Group (UHG) Attachment 5
4. Discuss a Possible Managed Care Credit Drafting Group—*Steve Drutz (WA)*
5. Discuss Interested Parties’ Concerns About Data Used in the American Academy of Actuaries’ (Academy’s) H-2 Underwriting Risk Report—*Steve Drutz (WA)* Attachment 6
5. Discuss Any Other Matters Brought Before the Working Group—*Steve Drutz (WA)*
6. Adjournment

**Draft Pending Adoption**

Attachment Two  
 Capital Adequacy (E) Task Force  
 3/25/26

Draft: 3/30/26

Health Risk-Based Capital (E) Working Group  
 San Diego, California  
 March 23, 2026

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 23, 2026. The following Working Group members participated: Steve Drutz, Chair, and Katy Bardsley (WA); Danielle Smith, Vice Chair (MO); Wanchin Chou (CT); Kyle Collins (FL); Chut Tee (KS); and Rachel Hemphill (TX). Also participating were: Tom Botsko (OH); Andy Schallhorn (OK); and John Tudino (RI).

1. Adopted its Feb. 13 Minutes

Drutz said the Working Group met Feb. 13. During this meeting, the Working Group took the following action: 1) adopted its Nov. 6, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment One*); 2) received comments on the referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group; 3) received comments on proposal 2025-15-CA and exposed 2025-15-CA MOD; 4) received comments on the managed care credit draft; 5) discussed its letter to the American Academy of Actuaries (Academy); and discussed H2 risk factor implementation.

Chou made a motion, seconded by Smith, to adopt the Working Group's Feb. 13 minutes (Attachment Two-A). The motion passed unanimously.

2. Referred Proposal 2025-15-CA MOD to the Capital Adequacy (E) Task Force

Drutz said the proposal implements the structural change outlined in the Academy's H2 Underwriting Risk Report as well as the alternate risk charge. The materials include a letter from the Academy answering the industry's question about the implementation of the alternate risk charge in the proposal. In the letter, the Academy agreed that the implementation of the alternate risk charge was consistent with the Academy's recommendation (Attachment Two-B).

Derek Noe (NAIC) said the Academy submitted a letter to the Working Group explaining how to implement the stand-alone investment income adjustment as requested by the industry. To facilitate this change, line 12 was split into lines 12.1 and 12.2, allowing the initial premium factor and excess premium factor to have separate income adjustment amounts as presented by the Academy.

Drutz said that the proposal would impact health, life, and property/casualty (P/C) risk-based capital (RBC) formulas and recommended referring the proposal to the Capital Adequacy (E) Task Force for a 30-day re-exposure.

Chou made a motion, seconded by Smith, to adopt the referral recommendation. The motion passed unanimously.

3. Exposed Proposal 2026-03-CA (Underwriting Risk Inv Income Update)

Drutz said proposal 2026-03-CA was the annual update of underwriting risk factors for comprehensive medical, Medicare supplement, and dental and vision for the investment income adjustment. The proposal was based on the structure and instructions in proposal 2025-15-CA, which expands the lines of business detail and implements

## Draft Pending Adoption

Attachment Two  
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the investment income adjustment as a stand-alone factor. The yield for the six-month U.S. Treasury bond ranged from 3.56% to 3.63% in January, so a 4.0% adjustment was applied based on the guidance adopted in 2022. He reminded the participants that the proposal will affect health, life, and P/C RBC blanks and that the Working Group would first expose the proposal before referring it to the Capital Adequacy (E) Task Force for re-exposure.

Drutz exposed the proposal for a 30-day public comment period ending April 22 (Attachment Two-C).

#### 4. Exposed the Underwriting Factor Three-Year Phase-In Analysis

Noe said the three-year phase-in had three parts: the initial premium factors, the excess premium factors, and the premium tiers as presented in the Academy's report. The analysis was performed for increasing the factors alone and for increasing the factors and tiers in tandem, and it focused strictly on the first year of the phase-in. The 2025 recalculation data was pulled on March 10, 2026. While more companies are expected to file, 1,025 were included in the 2025 recalculation and 1,143 in the 2024 recalculation. In 2025, 24 companies were adversely impacted by the factor increase alone, and 40 by the factor and tier increase in tandem, an increase of 16 companies from the factor increase alone. In 2024, 27 companies were adversely impacted by the factor increase alone, and 57 by the factor and tier increase in tandem, an increase of 30 companies from the factor increase alone.

The companies adversely impacted by the year-one phase-in of the tier and factor in tandem amount to approximately one-third of the 153 companies adversely impacted by the complete tier and factor change, based on the analysis presented in September 2025. Interested parties had discussed wanting the Academy to develop and implement a diversification credit based on the more granular reporting of the new structure; therefore, a chart showing the number of lines of business under the new structure each company filed in 2024 was included. The chart showed that approximately 54% of companies that filed health RBC in 2024 had fewer than two lines of business included in the Academy's proposed structure.

Drutz reminded participants that the initial analysis was performed using the 87.5% risk percentile and a one-year time horizon from the Academy's report, but the Working Group has not decided on the final factor set.

Ray Nelson (AHIP) said AHIP supports a three-year phase-in of factors. In the questions submitted on the report, many asked the Academy about the inclusion of new data years, data from the life blank, and additional lower-risk percentiles based on the increased granularity of the reporting. He stressed that the Working Group and interested parties should keep the final factors in mind as the discussion continues.

Carl Labus (Blue Cross Blue Shield Association—BCBSA) said there are other moving parts. The managed care credit broken out by line of business results in a more conservative charge, which impacts smaller companies, and many of the companies under the BCBSA are single-state non-profit organizations. The companies under BCBSA have to earn their capital, and some have assets under a billion dollars.

Drutz said that implementing the higher risk factors will have a material impact, based on the analysis completed in 2025. Based on feedback from interested parties, he believes implementing the higher-risk factors over a three-year period, starting in 2027, would help impacted companies prepare for any additional capital that could be required. The three-year phase-in would also allow for the investigation and development of a diversification credit, with the goal of implementation during the third year of the phase-in. Drutz said based on the analysis, 54% of companies would not benefit from the diversification credit.

## Draft Pending Adoption

Attachment Two  
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Bardsley asked what zero lines of business reported on XR013 meant in the chart. Noe said the chart showed the companies that wrote business on page XR013, and that zero lines meant the company had no premium to report on XR013.

Drutz said that the Academy report had many variables that the Working Group would need to decide. The Working Group sent a letter to the Academy, and the answers should help the Working Group decide on new tier cut-offs and discuss the appropriateness of the 87.5% risk percentile and the one-year time horizon factor set.

The Working Group exposed the impact analysis of a three-year phase-in implementation of the one-year time horizon, 87.5% risk percentile underwriting risk factors from the Academy's H2—Underwriting Risk Report for a 30-day public comment period ending April 22 (Attachment Two-D).

### 5. Heard a Presentation from the Academy on the RBC Impairment Project

Steve Jackson (Academy) said that the project started as a way to explore the relationship between authorized control level (ACL) RBC ratios and impairment. The study examines health, life, and P/C companies in aggregate and also analyzes each line individually. The study provides preliminary answers to three questions: are RBC ratios and probability of impairment highly correlated among all companies in a sector; if the sample is restricted by excluding small companies and companies with high RBC ratios, is the relationship stronger; and what probabilities of impairment are implied with the best estimate. Previous studies of the relationship have been conducted, but none have examined qualitative impacts or conducted multivariate analysis. Impairment is defined to match the AM Best definition, as the Academy is utilizing their data (Attachment Eleven).

Jackson said that to answer the first two questions, the Academy performed a regression to estimate the likelihood of impairment for a company based on its RBC ratio. For the entire data set, the relationship between the RBC ratio and impairment was low. When restricting the sample, the relationship becomes stronger but remains only moderately correlated. The probability that a company will become impaired over the next year is 9% for a company with an RBC ratio of 300%, and at an RBC ratio of 1,000%, all companies have a less than 1% chance of becoming impaired over the next one to five years. The next steps in the analysis are to perform sensitivity testing and add additional variables to the model to see the predictive effect on impairment.

Drutz asked whether the Academy would include capital infusions in future analysis. Jackson noted that he believed the Academy would include capital changes in future analyses and would ensure capital was included.

### 6. Discussed Other Matters

Drutz informed the participants that the Working Group is starting projects with the Academy's stop-loss and long-term care (LTC) groups, and that the Working Group was still developing the managed care credit expansion.

Having no further business, the Health Risk-Based Capital (E) Working Group adjourned.

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/CADTF/2026/1Spring/Health/HRBC%20SpNM%20Minutes%20TPRd.docx>

## Capital Adequacy (E) Task Force

### RBC Proposal Form

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Capital Adequacy (E) Task Force                      | <input checked="" type="checkbox"/> Health RBC (E) Working Group | <input type="checkbox"/> Life RBC (E) Working Group                         |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup                        | <input type="checkbox"/> P/C RBC (E) Working Group               | <input type="checkbox"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup       | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: _____</p> <p><b>CONTACT PERSON:</b> <u>Derek Noe</u></p> <p><b>TELEPHONE:</b> <u>816-783-8973</u></p> <p><b>EMAIL ADDRESS:</b> <u>dnoe@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Health Risk-Based Capital (E) Working Group</u></p> <p><b>NAME:</b> <u>Steve Drutz</u></p> <p><b>TITLE:</b> <u>Chief Financial Analyst/Chair</u></p> <p><b>AFFILIATION:</b> <u>WA Office of Insurance Commissioner</u></p> <p><b>ADDRESS:</b> <u>5000 Capital Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <hr/> <p>Agenda Item # <u>2026-03-CA</u> Year <u>2026</u></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>3/23/2026</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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#### IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- |   |  |   |
|---|--|---|
| <input checked="" type="checkbox"/> Health RBC Blanks       | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks       | <input checked="" type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input checked="" type="checkbox"/> Health RBC Instructions | <input checked="" type="checkbox"/> Property/Casualty RBC Instructions | <input checked="" type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula                 | <input type="checkbox"/> Property/Casualty RBC Formula                 | <input type="checkbox"/> Life and Fraternal RBC Formula                 |
| <input type="checkbox"/> OTHER _____                        |  |   |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Annual update of the underwriting factors for Comprehensive Medical, Medicare Supplement, and Dental & Vision for the investment income adjustment.

Update the Underwriting factors for Comprehensive Medical, Medicare Supplement, and Dental & Vision on pages XR013, LR019, LR020, PR019, and PR020 for the investment income adjustment.

Implements the stand-alone investment income factor.

#### Additional Staff Comments:

**\*\* This section must be completed on all forms.**

**Revised 2-2023**

## 2025 Investment Yield for Investment Income Adjustment

<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

Date ↑	1 Mo ↑	1.5 Mo ↑	2 Mo ↑	3 Mo ↑	4 Mo ↑	6 Mo ↑	1 Yr ↑	2 Yr ↑	3 Yr ↑
01/02/2026	3.72	3.71	3.66	3.65	3.62	3.58	3.47	3.47	3.55
01/05/2026	3.71	3.68	3.64	3.64	3.61	3.57	3.47	3.46	3.53
01/06/2026	3.70	3.70	3.61	3.63	3.58	3.56	3.48	3.47	3.54
01/07/2026	3.70	3.69	3.60	3.62	3.60	3.56	3.48	3.47	3.53
01/08/2026	3.70	3.69	3.63	3.62	3.60	3.56	3.48	3.49	3.56
01/09/2026	3.70	3.68	3.63	3.62	3.62	3.57	3.52	3.54	3.59
01/12/2026	3.71	3.68	3.64	3.67	3.63	3.58	3.53	3.54	3.59
01/13/2026	3.72	3.72	3.66	3.67	3.63	3.59	3.51	3.53	3.57
01/14/2026	3.72	3.71	3.66	3.67	3.65	3.58	3.50	3.51	3.56
01/15/2026	3.75	3.73	3.69	3.68	3.66	3.60	3.54	3.56	3.62
01/16/2026	3.75	3.72	3.68	3.67	3.66	3.60	3.55	3.59	3.67
01/20/2026	3.75	3.71	3.69	3.70	3.65	3.61	3.53	3.60	3.68
01/21/2026	3.75	3.71	3.70	3.70	3.67	3.62	3.53	3.60	3.66
01/22/2026	3.79	3.71	3.72	3.71	3.67	3.61	3.53	3.61	3.68
01/23/2026	3.78	3.71	3.72	3.70	3.67	3.61	3.53	3.60	3.67
01/26/2026	3.77	3.71	3.70	3.67	3.67	3.62	3.52	3.56	3.66
01/27/2026	3.77	3.72	3.70	3.67	3.66	3.61	3.50	3.53	3.65
01/28/2026	3.76	3.72	3.71	3.68	3.70	3.63	3.52	3.56	3.66



February 27, 2026

Steve Drutz  
Chair, Health Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners (NAIC)

Re: Request for a standalone Investment Income Adjustment factor to incorporate into the Underwriting Risk Component of the Health Risk-Based Capital (HRBC) Formula

Dear Mr. Drutz:

On behalf of the Health Underwriting Risk Factors Analysis Work Group of the Health Solvency Subcommittee of the American Academy of Actuaries (Academy),<sup>1</sup> I am writing in response to the Health Risk-Based Capital (E) Working Group's request for guidance on how to calculate a standalone Investment Income Adjustment (IIA) factor for use within the H2–Underwriting Risk component of the Health Risk-Based Capital (HRBC) formula.

#### **Definition of a standalone IIA factor**

Using the previously provided Investment Income Adjusted Tiered Risk-Based Capital (RBC) Factors table (reproduced in Attachment A), a standalone IIA factor for a given product and tier can be calculated as a ratio:

$$\text{IIA}_{p,t}(r) = \frac{F_{p,t}(r)}{F_{p,t}(0.0\%)}$$

where:

- $p$  = product (e.g., Comprehensive Medical),
- $t$  = tier (e.g., High Tier or Low Tier),
- $r$  = assumed investment return, and
- $F_{p,t}(r)$  = the investment-income-adjusted tiered RBC factor from Attachment A at return  $r$ .

Under this approach, the IIA factor can be used as a multiplicative adjustment to reflect alternative investment return assumptions. If the working group elects to apply an IIA factor directly to an existing base underwriting factor (rather than re-basing to a 0.0% reference), the denominator should be aligned to the return assumption embedded in that base factor.

#### **Calculation steps**

1. Identify the applicable product and tier in Attachment A.
2. Select the assumed investment return  $r$ .

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<sup>1</sup> The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

3. Obtain  $F_{p,t}(r)$  from the table. If  $r$  falls between listed rows, a linear interpolation between the adjacent rows is likely reasonable.
4. Obtain the corresponding  $F_{p,t}(0.0\%)$  from the 0.0% row for that same product and tier.
5. Compute  $\text{IIA}_{p,t}(r) = F_{p,t}(r)/F_{p,t}(0.0\%)$ .

**Worked examples (from Attachment A)**

- **Comprehensive Medical, High Tier, 4.0% return:**  
 $F(4.0\%) = 14.47\%$  and  $F(0.0\%) = 15.00\%$ , so  
 $\text{IIA} = 14.47\%/15.00\% = 0.965$ .
- **Comprehensive Medical, Low Tier, 4.0% return:**  
 $F(4.0\%) = 8.50\%$  and  $F(0.0\%) = 9.00\%$ , so  
 $\text{IIA} = 8.50\%/9.00\% = 0.944$ .

\*\*\*\*\*

If you have any questions or would like to discuss further, please contact Katie Dzurec, the Academy's State Public Policy Outreach Director, at [Dzurec@actuary.org](mailto:Dzurec@actuary.org).

Sincerely,

Derek Skoog, MAAA, FSA  
Chairperson, Health Underwriting Risk Factors Analysis Work Group  
American Academy of Actuaries

Cc: Derek Noe, Health RBC Analyst, Financial Regulatory Services, NAIC

**Attachment A**—Investment Income Adjusted Tiered RBC Factors (excerpted from Feb. 2, 2023, Academy response)

**Investment Income Adjusted Tiered RBC Factors**

<b>Assumed Investment Return</b>	<b>Comprehensive Medical (CM)</b>	<b>Medicare Supplement</b>	<b>Dental/Vision</b>
	High Tier (i.e., less than \$3M or less than \$25M)		
0.0%	15.00%	10.50%	12.00%
3.5%	14.53%	10.01%	11.63%
4.0%	14.47%	9.94%	11.58%
4.5%	14.40%	9.87%	11.53%
5.0%	14.34%	9.80%	11.48%
5.5%	14.27%	9.73%	11.43%
6.0%	14.21%	9.67%	11.38%
	Low Tier		
0.0%	9.00%	6.70%	7.60%
3.5%	8.56%	6.23%	7.25%
4.0%	8.50%	6.16%	7.20%
4.5%	8.44%	6.09%	7.16%
5.0%	8.38%	6.03%	7.11%
5.5%	8.32%	5.96%	7.06%
6.0%	8.25%	5.90%	7.01%

**Health Instructions****Page XR013, Line 12**

Detail Eliminated to Conserve Space



Line (12) Investment Income Adjustment Factor. The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond ([U.S. Department of the Treasury](#)) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

**P/C Instructions****Page PR020, Line 12**

Detail Eliminated to Conserve Space

Line (12) Investment Income Adjustment Factor

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

**Life Instructions****LR020, Line 12**

Detail Eliminated to Conserve Space

Line (12) Investment Income Adjustment Factor

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Confidential when Completed

UNDERWRITING RISK

Experience Fluctuation Risk

		(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non- Health	(11) Total
	Line of Business											
(1)	† Premium											
(2)	† Other Health Risk Revenue					XXX					XXX	
(3)	Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(4)	Underwriting Risk Revenue (1) + (2) - (3)											
(5)	† Net Incurred Claims										XXX	
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	XXX	XXX	
(7)	† Fee-For-Service Offset					XXX					XXX	
(8)	Underwriting Risk Incurred Claims (5) - (6) - (7)										XXX	
(9)	Underwriting Risk Claim Ratio (8)/(4)										1.000	XXX
(10)	Underwriting Risk Factor for Initial Amounts of Premium‡	0.1500	0.1500	0.1500	0.1500	0.105	0.12	0.12	0.251	0.130	0.130	XXX
(11)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	0.130	0.130	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX	XXX	XXX
(13)	Composite Underwriting Risk Factor									0.130	0.130	XXX
(14)	Base Underwriting Risk RBC = (4) x (9) x (13)											
(15)	Managed Care Discount Factor*									XXX	XXX	XXX
(16)	RBC After Managed Care Discount = Lines (14) x (15)										XXX	XXX
(17)	Alternate Risk Charge	\$500,000	\$500,000	\$500,000	\$500,000	\$50,000	\$50,000	\$50,000	\$150,000	\$50,000	XXX	XXX
(18)	Net Alternate Risk Charge***										XXX	
(19)	Net Underwriting Risk RBC (MAX{Line (16), Line (18)}) for Columns (1) through (9), Column (10), Line (14)											

Initial Premium Amount‡										
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage	Other Health	Other Non- Health
	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$25,000,000	N/A	N/A

Denotes items that must be manually entered on filing software.

† The Annual Statement Sources are found on page XR014.

\* This row uses the factors calculated on page XR018

\*\*\* Limited to the largest of the applicable alternate risk adjustments, prorated if necessary.

UNDERWRITING RISK

Experience Fluctuation Risk

	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Total
Line of Business									
(1.1) Individual Premium †		XXX							
(1.2) Group Premium †	XXX								
(1.3) Total Premium† (1.1) + (1.2)									
(2) Other Health Risk Rev†					XXX				
(3) Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(4) Underwriting Risk Revenue (1.3) + (2) - (3)									
(5) Net Incurred Claims†									
(6) Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(7) Fee-For-Service Offset†					XXX				
(8) Underwriting Risk Incurred Claims (5) - (6) - (7)									
(9) Underwriting Risk Claim Ratio (8)/(4)									XXX
(10) Underwriting Risk Factor for Initial Amounts of Premium‡	0.1500	0.1500	0.1500	0.1500	0.1050	0.1200	0.1200	0.251	XXX
(11) Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	XXX
(12.1) Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX
(12.2) Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX
(13) Composite Underwriting Risk Factor									XXX
(14) Base Underwriting Risk RBC = (4) x (9) x (13)									
(15) Managed Care Discount Factor (LR022 Line 17)									XXX
(16) RBC After Managed Care Discount = Lines (14) x (15)									
(17) Alternate Risk Charge	\$500,000	\$500,000	\$500,000	\$500,000	\$50,000	\$50,000	\$50,000	\$150,000	
(18) Net Alternate Risk Charge									
(19) Net Underwriting Risk RBC (MAX{Line (16), Line (18)})									

† The Annual Statement Sources are found on page LR020-A.

Initial Premium Amount‡								
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$25,000,000

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

**UNDERWRITING RISK - PREMIUM RISK FOR COMPREHENSIVE MEDICAL, MEDICARE SUPPLEMENT AND DENTAL & VISION PR020**  
 (Experience Fluctuation Risk in Life RBC Formula)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<u>Comprehensive Medical Individual</u>	<u>Comprehensive Medical Group</u>	<u>Title XVIII-Medicare</u>	<u>Title XIX-Medicaid</u>	<u>Medicare Supplement</u>	<u>Vision Only</u>	<u>Dental Only</u>	<u>Stand-Alone Medicare Part D Coverage</u>	<u>TOTAL</u>
(1.1) Individual Premium	0	0	0	0	0	0	0	0	0
(1.2) Group Premium	0	0	0	0	0	0	0	0	0
(1.3) Total Premium	0	0	0	0	0	0	0	0	0
(2) Other Health Risk Revenue†	0	0	0	0	XXX	0	0	0	0
(3) Medicaid Pass-Through Payments Reported as Premium	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(4) Underwriting Risk Revenue = Lines (1.3) + (2) - (3)	0	0	0	0	0	0	0	0	0
(5) Net Incurred Claims	0	0	0	0	0	0	0	0	0
(6) Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(7) Fee-for-Service Offset†	0	0	0	0	XXX	0	0	0	0
(8) Underwriting Risk Incurred Claims = Lines (5) - (6) - (7)	0	0	0	0	0	0	0	0	0
(9) Underwriting Risk Claim Ratio (8)/(4)	0	0	0	0	0	0	0	0	XXX
(10) Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1500	0.1500	0.1500	0.1500	0.1050	0.1200	0.1200	0.251	XXX
(11) Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	XXX
(12.1) Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX
(12.2) Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX
(13) Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000	XXX
(14) Base Underwriting Risk RBC = Line (4) x Line (9) x Line (13)	0	0	0	0	0	0	0	0	XXX
(15) Managed Care Discount Factor = PR021 Line (12)	0	0	0	0	0	0	0	0	XXX
(16) Base RBC After Managed Care Discount = Line (14) x Line (15)	0	0	0	0	0	0	0	0	0
(17) Alternate Risk Charge	500,000	500,000	500,000	500,000	50,000	50,000	50,000	150,000	XXX
(18) Net Alternate Risk Charge	0	0	0	0	0	0	0	0	0
(19) Net Underwriting Risk RBC (Maximum of Line (16) or Line (18) )	0	0	0	0	0	0	0	0	0

† Source is company records unless already included in premiums.

Initial Premium Amount‡								
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$25,000,000

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

		Treasury Rate		Factor
		0%	4%	
Comp Med	High Tier	15.00%	14.47%	0.9647
	Low Tier	9.00%	8.50%	0.9444
Med Supp	High Tier	10.50%	9.94%	0.9467
	Low Tier	6.70%	6.16%	0.9194
Dental/vision	High Tier	12.00%	11.58%	0.9650
	Low Tier	7.60%	7.20%	0.9474



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Washington, D.C. 20004 ahip.org

April 22, 2026

Steve Drutz, Chair  
Health Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106

*Via email:* Derek Noe, [dnoe@naic.org](mailto:dnoe@naic.org)  
Maggie Chang, [mchang@naic.org](mailto:mchang@naic.org)  
Steve Drutz, [steve.drutz@oic.wa.gov](mailto:steve.drutz@oic.wa.gov)

Re: Exposure of [Phase-In Analysis Document](#)

Dear Mr. Drutz:

On behalf of AHIP<sup>1</sup>, we appreciate the opportunity to provide comments on the above referenced item that was exposed during the March 23, 2026 meeting of the NAIC Health Risk-Based Capital (E) Working Group (Working Group). AHIP acknowledges the significant work done to date by the Working Group, NAIC Staff, and the American Academy of Actuaries (the Academy) on this complex project. Following are our comments on the exposure:

- 1. Concept of Three-Year Phase-In.** Based upon the work done to date by the Academy on new H2 Underwriting Risk factors and premium thresholds, as well as the impact analysis done NAIC staff, AHIP is supportive of the concept of a three-year phase-in to implement these changes. Our understanding is that the intent is for such phase-in to begin at year-end 2027.
- 2. Impact Analysis.** The impact analysis performed by NAIC staff shows that there were 153 companies that experienced adverse change to their RBC Action Level when utilizing the full factor change and full premium tier change from the Academy report. Even when using a third of the factor and tier increase on 2024 filings and this NAIC framework, 57 companies experienced adverse change to their RBC Action Level. We have some concern about the magnitude of these results and whether recent industry financial experience merits this level of impact. Also, it may be helpful to consider additional impact analysis to better understand the breakdown and magnitude of future impacts. Some suggestions include:
  - Breaking out the impact analysis by company size. For example, separating companies into four groups based upon company size: largest companies 100%-75% quartile, next quartile of 75%-50%, next quartile of 50%-25%, and smallest 25% quartile

April 22, 2026  
Page 2

- Including an average percentage change in RBC for each of the breakout groups and in total.
3. **Request to the Academy Regarding H-2 Underwriting RBC Factors.** At the February 13, 2026 meeting, the Working Group discussed a draft letter to the Academy. This draft letter contained several questions and requests for comment related to the H-2 Underwriting Project. Does the Working Group have a response from the Academy, or a timeline for when a response is expected? We believe there is still work to be done and questions to be answered before the ultimate revised H-2 Underwriting RBC factors can be finalized. In addition to questions raised in the Academy letter referenced above, some items for future discussion could be:
- whether additional time periods should be included in the factor development analysis
  - whether additional risk percentiles should be considered
  - whether the results of the various impact analyses yield results consistent with experience.

Thank you for the opportunity to provide these comments. We look forward to continuing to work with the Health Risk-Based Capital (E) Working Group on these matters in the future.

Sincerely,

LaCosta Wix  
AHIP Senior Regulatory Counsel  
State Affairs and Policy

Cc: Miranda Motter, AHIP Senior Vice President of State Affairs and Policy  
Raymond Nelson, AHIP Consultant

<sup>1</sup>AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit [www.ahip.org](http://www.ahip.org) to learn how working together, we are Guiding Greater Health.

April 22, 2026

Steve Drutz, Chair  
Health Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

By Email to: Steve Drutz at [steve.drutz@oic.wa.gov](mailto:steve.drutz@oic.wa.gov), and Derek Noe at [dnoe@naic.org](mailto:dnoe@naic.org)

Re: Phase-in Analysis Document Exposure

Dear Mr. Drutz:

The Blue Cross Blue Shield Association (BCBSA) appreciates the opportunity to submit comments on the Phase-in Analysis Document. BCBSA continues to support the work of the Health Risk Based Capital Working Group (HRBCWG) and the American Academy of Actuaries (the Academy) in their efforts to revise the H2-Underwriting Risk component of the Health Risk Based Capital (HRBC) formula.

The Blue Cross Blue Shield Association is a national federation of independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide health care coverage for one in three Americans. BCBS Plans maintain contractual relationships with approximately 97 percent of hospitals and 83 percent of physicians nationwide and provide coverage to individuals enrolled through Medicare, Medicaid, employer-sponsored plans, and the individual market. BCBSA has long advocated for practical, data-driven solutions that promote a financially sound and competitive private insurance market while preserving consumer choice and affordability.

BCBSA appreciates the efforts of the HRBCWG and the Academy to update the H2-Underwriting Risk section of the HRBC framework and is supportive of the proposed phase-in of revised risk factors beginning in 2027.

In addition to supporting the phase-in approach, BCBSA respectfully offers the following comments for consideration:

1. The new premium tiers and the one-year, 87.5% percentile risk factors will cause more companies to have an adverse change in the Regulatory Action Level. It would be helpful to better understand the impact if additional information can be shared. For example, are these companies smaller in premium size, capital levels (HRBC ranges ratio pre and post changes) and diversification of lines of business written.

2. Several issues raised by commenters were summarized in a letter from the HRBCWG to the Academy that was discussed during the February 13, 2026, working group call. Responses were requested by March 11, 2026, and we understand that no responses have been issued to date. BCBSA recognizes and respects the substantial workload of the Academy and appreciates that responding to these comments requires additional time and effort. We look forward to receiving these responses, as they may have important implications for the currently proposed premium tiers and risk factors. We would appreciate any updated information regarding the anticipated timeline for completion of the Academy's responses.

We appreciate your consideration of our comments. If you have any questions or want additional information, please contact **Carl Labus**, Principal Analyst, Plan Financial Services, at [carl.labus@bcbsa.com](mailto:carl.labus@bcbsa.com).

Sincerely,



Clay S. McClure  
Senior Director, State Affairs  
Blue Cross Blue Shield Association

# UNITEDHEALTH GROUP

Corporate Finance – Actuarial Services Division  
185 Asylum Street, CityPlace I • Hartford, CT 06103

April 22, 2026

Mr. Steven Drutz, Chair  
Health Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

Via electronic mail to Derek Noe.

Re: Underwriting risk factor phase-in analysis.

Dear Mr. Drutz:

I am writing on behalf of UnitedHealth Group with regard to the analysis of a potential three-year phase-in of new H-2 underwriting risk factors and breakpoints, as exposed for comment by the Health Risk-Based Capital (E) Working Group (“Working Group”) on March 23, 2026. We understand the Working Group’s desire to make progress on the transition to new factors. However, we believe that such a transition is premature at this time. The Working Group’s February 2026 letter to the American Academy of Actuaries (“Academy”) raised multiple questions with regard to the proposed factors, some of which were also raised in our June 30, 2025, letter to the Working Group. As of yet, we have not seen a response from the Academy, and we believe that before any phase-in is implemented the following questions, at least, need to be answered:

1. The period studied by the Academy (namely, 2012-2021) included the implementation of the Affordable Care Act (“ACA”). What impact did that have on the factors calculated by the Academy? We believe that the implementation of the ACA should be treated as a one-time event that should not be reflected in the underwriting risk factors applicable in the future.

2. The period studied by the Academy also included the COVID-19 pandemic. What impact did that have on the factors calculated by the Academy? While it could be argued that the impact of the pandemic should legitimately be included in the quantification of underwriting risk, its inclusion in the 10-year study period effectively treats the pandemic as a once-per-decade event, which seems excessive. The underwriting risk factors should be adjusted to eliminate or reduce the impact of the pandemic.
3. While a single, non-tiered factor was proposed for Medicaid, the data provided by the Academy suggested lower underwriting risk associated with higher volumes of business, such as is reflected in the tiered factors for the other lines of business included in the Academy's study. What would be a reasonable breakpoint, and corresponding tiered underwriting risk factors, to appropriately reflect the relationship between underwriting risk and business volume for Medicaid?

Without these issues being resolved, we are concerned that a transition such as portrayed in the analysis document might move factors not only toward an incorrect ultimate value, but actually in the wrong direction: that is, a resolution of those issues might result in some proposed factors decreasing rather than increasing, especially for volumes of business above the breakpoints.

We are also concerned about the practical impact of the phase-in as indicated by the exposed analysis document. If the phase-in of the factors and breakpoints had been implemented in 2024 or 2025, it would have moved one company from Regulatory Action Level to Mandatory Control Level based on 2025 RBC results; based on 2024 results, one company would have moved from Regulatory Action Level to Authorized Control Level and three would have moved from Authorized Control Level to Mandatory Control Level. While we realize that such changes could reasonably occur based on the implementation of new factors and breakpoints, we suggest that the possibility of such serious impacts is another reason for caution in transitioning toward factors that, as noted above, may still be subject to substantial revision.

Finally, we note that the Academy has not yet provided its analysis of a possible diversification adjustment for companies that write more than one line of business. According to the phase-in analysis document, nearly half of the companies that file the Health RBC formula write multiple lines of business that would be subject to the new factors and breakpoints. We recognize that one reason for a phase-in would be to mitigate the negative consequences of not having such a diversification adjustment in place yet. However, the lack of this adjustment exacerbates the other concerns expressed above.

In light of all of the foregoing, we recommend that no phase-in be commenced until the issues noted above have been resolved. Depending on the outcome of those issues, a more rapid phase-in or even immediate implementation may be possible. Even if a three-year phase-in still seems desirable at that point, the factors being phased in would then be the most appropriate for the longer term.

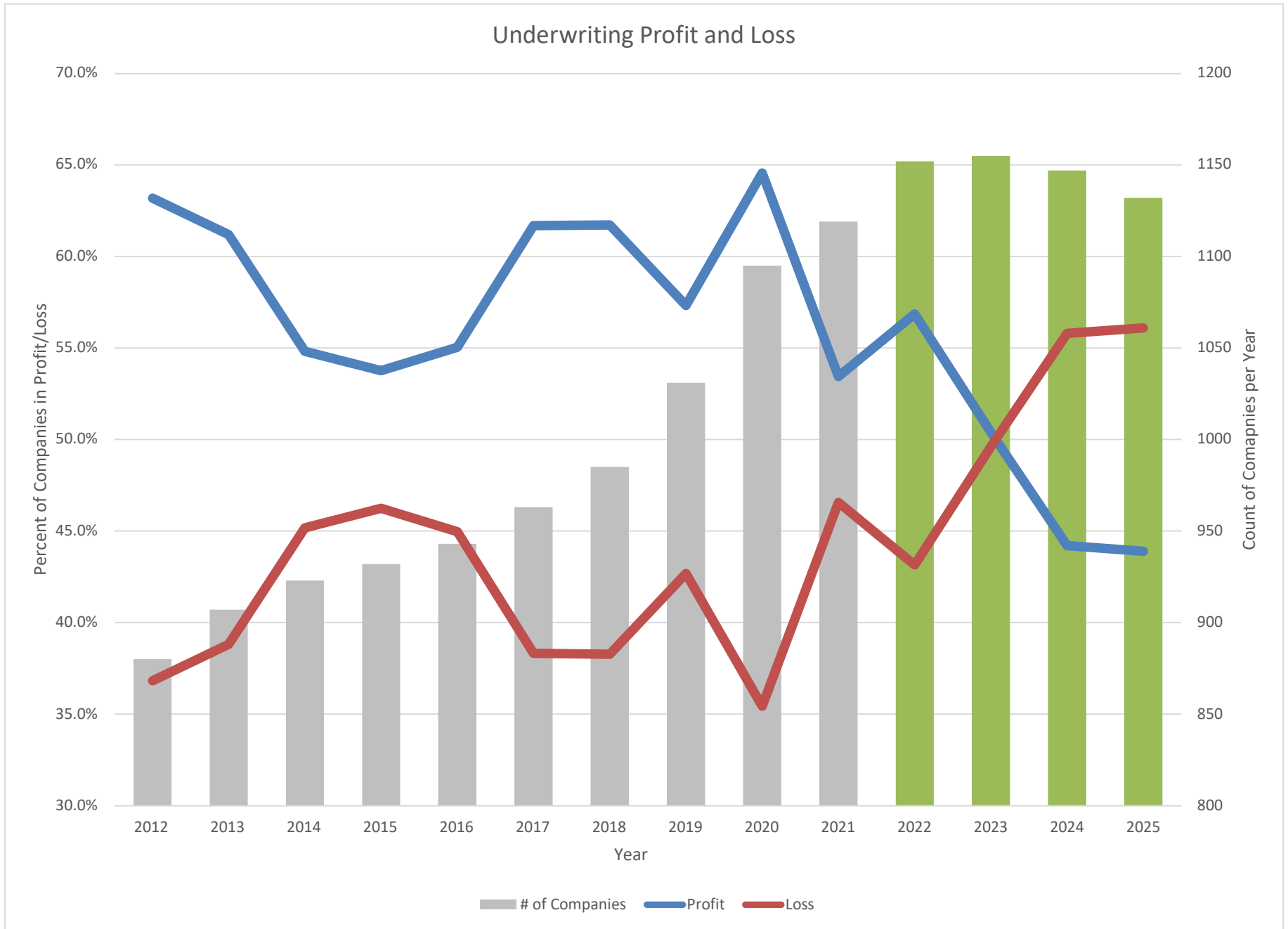
Thank you for the opportunity to provide these comments. We would be happy to discuss these comments with you and the Working Group.

Sincerely,

A handwritten signature in cursive script that reads "James R. Braue".

James R. Braue  
Vice President, Actuarial Services  
UnitedHealth Group

cc: Derek Noe, NAIC  
Alena Yankouskaya, UnitedHealth Group  
Mollie Zito, UnitedHealth Group



Year	Profit	Loss	# of Companies
2012	63.2%	36.8%	880
2013	61.2%	38.8%	907
2014	54.8%	45.2%	923
2015	53.8%	46.2%	932
2016	55.0%	45.0%	943
2017	61.7%	38.3%	963
2018	61.7%	38.3%	985
2019	57.3%	42.7%	1031
2020	64.6%	35.4%	1095
2021	53.4%	46.6%	1119
2022	56.9%	43.1%	1152
2023	50.4%	49.6%	1155
2024	44.2%	55.8%	1147
2025	43.9%	56.1%	1132