

NAIC NATIONAL MEETING SPRING 2022

Date: 3/15/22

Virtual Meeting

(in lieu of meeting at the 2022 Spring National Meeting)

Capital Adequacy (E) Task Force

Monday, March 28, 2022

2:00 p.m. – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 – 12:00 p.m. PT

Meeting Summary Report

The Capital Adequacy (E) Task Force met March 28, 2022. During this meeting, the Task Force:

1. Adopted its Jan. 27, 2022; Dec. 20, 2021; and 2021 Fall National Meeting minutes, which included the following action:
 - A. Adopted the 2021 Catastrophe Event List.
 - B. Discussed the formation of a new risk-based capital (RBC) working group and solicited membership for the RBC Investment Risk and Evaluation (E) Working Group.

2. Adopted the report of the Health Risk-Based Capital (E) Working Group, including its March 18 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted its Feb. 25, 2022; Jan. 28, 2022; and Dec. 16, 2021, minutes, which included the following action:
 - i. Referred the Health Test Language Proposal to the Blanks (E) Working Group.
 - ii. Referred a memorandum to the Health Actuarial (B) Task Force.
 - iii. Adopted proposal 2021-18-H as modified for instructions in evaluating the investment yield adjustment in the underwriting risk factors.
 - iv. Received the American Academy of Actuaries (Academy) report on the H2 – Underwriting Risk Review.
 - v. Reviewed the investment yields of the six-month U.S. Treasury bonds for the investment income adjustment.
 - B. Discussed next steps in moving forward on the H2 – Underwriting Review project with the Academy.
 - C. Adopted its 2022 working agenda.

3. Adopted the report of the Life Risk-Based Capital (E) Working Group, including its March 23 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted its March 10, 2022; Jan. 20, 2022; Dec. 16, 2021; and 2021 Fall National Meeting minutes, which included the following action:
 - i. Discussed the Academy's C2 Work Group recommendation on mortality.
 - ii. Discussed the asset valuation reserve (AVR) and bond factor changes.
 - iii. Adopted guidance on bond factor changes.
 - B. Adopted its working agenda
 - C. Discussed reinsurance and comfort trusts.
 - D. Discussed bond funds.

4. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, including its March 23 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted the report of the Catastrophe Risk (E) Subgroup, including its March 22 minutes. During this meeting, the Subgroup took the following action:
 - i. Adopted its Feb. 22, 2022; Jan. 25, 2022; and 2021 Fall National Meeting minutes, which included the following action:
 - a. Adopted proposal 2021-15-CR (Adding KCC Models), which the Subgroup exposed for a 30-day public comment period ending Nov. 26, 2021.
 - b. Adopted proposal 2021-17-CR (Adding Wildfire Peril for Informational Purposes Only), which the Subgroup exposed for a 60-day public comment period ending Feb. 13, 2022.
 - c. Received an update from the Catastrophe Model Technical Review Ad Hoc Group. The update included the discussion of the survey questions created by the members within the group, which was based on *Actuarial Standard of Practice (ASOP) No. 38—Catastrophe Modeling (for All Practice Areas)*.
 - d. Discussed three different kinds of catastrophe models that deviate from the vendor models. The Subgroup will focus on discussing the vendor catastrophe models with adjustments or different weight first.
 - e. Discussed the issue of double counting in the R5 component. The Subgroup asked the interested parties to review the current methodology and provide comments in the upcoming meetings.
 - f. Discussed the possibility of adding flood peril in the Rcat component. The industry asked the Subgroup to consider the materiality issue with respect to whether the flood peril is warranted, given the exposure of the industry.
 - g. Heard a presentation from Milliman on the private flood market.
 - ii. Discussed its 2022 working agenda.
 - iii. Discussed the insured loss threshold for wildfire peril. The Subgroup considered following the same minimum 25 million insured losses per event threshold as the other perils.
 - iv. Exposed proposal 2021-17-CR MOD (Wildfire Information-Only Reporting Exemption) for a 14-day public comment period ending April 5, 2022. This proposal allows an exemption for those companies where the modeling requirements would impose a cost and compliance burden during the for informational purposes only period.
 - v. Discussed the independent model review instruction in the Rcat component. Heard comments from the Missouri Department of Commerce and Insurance (DCI) regarding the Rcat instructions.
 - vi. Discussed the issue of double counting in the R5 component.
 - B. Adopted proposal 2021-15-CR (Adding KCC Model).
 - C. Adopted proposal 2021-17-CR (Adding Wildfire Peril for Informational Purposes Only).
 - D. Adopted proposal 2021-14-P (R3 Factor Adjustment).
 - E. Exposed proposal 2022-01-P (Removing Trend Test for Informational Purposes Only Footnote) for a 30-day public comment period ending April 22.
 - F. Heard an update on current property/casualty (P/C) risk-based capital (RBC) projects from the Academy.
5. Adopted the report of the RBC Investment Risk and Evaluation (E) Working Group, including its March 22 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted its Feb. 22 minutes, which included the following action:
 - i. Discussed its formation, charges, and the Financial Condition (E) Committee's direction.

- ii. Heard a high-level overview of investment development from NAIC staff.
- iii. Discussed desired outcomes investment reporting perspectives and next steps.
- B. Adopted its working agenda.
- C. Discussed comment letters received on its request to solicit feedback.
- D. Discussed next steps.
- 6. Adopted proposal 2021-18-H MOD (Investment Income Guidance).
- 7. Adopted proposal 2021-15-CR (Approve Third-Party Vendor).
- 8. Adopted proposal 2021-17-CR (Information Only Wildfire Peril).
- 9. Adopted proposal 2021-14-P (Re Factor Adjustment).
- 10. Adopted its working agenda.

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2022 National Meeting/Summaries/CADTF Summary.docx