

Virtual Meeting

(in lieu of meeting at the 2021 Summer National Meeting)

Capital Adequacy (E) Task Force

Wednesday, July 28, 2021

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

Meeting Summary Report

The Capital Adequacy (E) Task Force met July 28, 2021. During this meeting, the Task Force:

1. Adopted its June 30, April 29, and March 23 minutes, which included the following action:
 - A. Adopted proposal 2021-04-CA (Investment Income Health Underwriting Factors).
 - B. Adopted proposal 2021-07-CA (Receivables for Securities Factors).
 - C. Adopted proposal 2021-09-H (Health Bond Factors).
 - D. Adopted proposal 2021-06-L (Real Estate Factors – Modified).
 - E. Adopted proposal 2021-11-L (Life Bond Factors).
 - F. Adopted proposal 2021-13-L (Longevity Risk Factors and Instructions).
 - G. Adopted proposal 2021-03-P (Credit Risk Instructions Modification).
 - H. Adopted proposal 2021-05-P (Underwriting Risk Line 1 Factors).
 - I. Adopted proposal 2021-08-P (P/C Bond Factors).
 - J. Adopted proposal 2021-01-L (Real Estate Structure).
 - K. Adopted proposal 2021-02-CA (Managed Care Credit Incentives).
 - L. Adopted its working agenda.

2. Adopted the July 12 minutes of the Health Risk-Based Capital (E) Working Group. The minutes included the following action:
 - A. Adopted its June 8, May 25, and April 23 minutes, which included the following action:
 1. Adopted its March 17 minutes.
 2. Discussed the 20 bond designation factors.
 3. Received comments and referred the investment income adjustment to the underwriting risk factors (2021-04-CA) proposal to the Capital Adequacy (E) Task Force.
 4. Discussed, exposed, and requested the American Academy of Actuaries' (Academy's) assistance in a comprehensive review of the H2 – Underwriting Risk component.
 5. Adopted revisions to the 2021 health risk-based capital (RBC) working agenda.
 6. Adopted proposal 2021-09-H (Bond Factors).
 7. Discussed developing a process and the other lines of business to be considered for investment income in the underwriting risk factors.
 8. Received an update on the Health Test and Health RBC Excessive Growth Charge Ad Hoc Groups.
 - B. Adopted its 2021 health RBC newsletter.
 - C. Approved its 2020 health RBC statistics.
 - D. Received a response from the Academy to review the H2 – Underwriting Risk component in the health RBC formula.
 - E. Discussed reviewing the bond factors because of the adoption of the Moody's bond factors in the life RBC formula.
 - F. Discussed developing a process and the lines of business to be considered in the adjustment of the investment income in the underwriting risk factors for comprehensive medical, Medicare supplement, and dental and vision.

3. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met July 21 and took the following action:
 - A. Adopted its June 11, June 3 and June 4, May 27, May 20, April 29, April 22, April 15, April 6, March 30, and Spring National Meeting minutes, which included the following action:
 1. Adopted proposal 2021-06-L (Real Estate Factors).
 2. Adopted proposal 2021-11-L (Bond Factors).
 3. Adopted proposal 2021-13-L (Longevity Factors).
 4. Adopted proposal 2021-12-L (Reinsurance).
 - B. Adopted its 2021 life and fraternal RBC newsletter.
 - C. Approved its 2020 life and fraternal RBC statistics.
 - D. Adopted its updated working agenda.

4. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met July 22 and took the following action:
 - A. Adopted its June 9 and April 27 minutes, which included the following action:
 1. Adopted proposal 2021-05-P (Underwriting Risk Line 1 Factors).
 2. Adopted proposal 2021-08-P (P/C Bond Factors and Instructions).
 3. Adopted proposal 2021-03-P (Credit Risk Instruction Modification)
 4. Forwarded the response to the Restructuring Mechanisms (E) Subgroup.
 5. Heard a presentation on property/casualty (P/C) RBC underwriting risk factors from the Academy.
 - B. Adopted the Catastrophe Risk (E) Subgroup's July 15 minutes, which included the following action:
 1. Adopted its June 1 and April 26 minutes, which included the following action:
 - a. Forwarded the response to a request for proposed changes to the (P/C) RBC catastrophe component.
 - b. Heard an update from its Catastrophe Model Technical Review Ad Hoc Group.
 - c. Discussed the possibility of allowing additional third-party models or adjustments to the vendor models.
 2. Adopted its working agenda items.
 3. Heard an update from its Catastrophe Model Technical Review Ad Hoc Group.
 4. Heard a presentation from AIR Worldwide regarding the wildfire model.
 - C. Adopted the 2021 P/C RBC newsletter.
 - D. Adopted the 2020 P/C RBC statistics.
 - E. Adopted its 2021 working agenda.
 - F. Heard updates of different projects related to calibrating various components of the underwriting risk and reserve risk from the Academy.

5. Adopted proposal 2021-04-CA (Modified for Rounding)

6. Adopted its 2021 working agenda.

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