



**NATIONAL MEETING
SPRING 2022**

Date: 3/16/22

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

CAPITAL ADEQUACY (E) TASK FORCE

Monday, March 28, 2022

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

ROLL CALL

Judith L. French, Chair	Ohio	Kathleen A. Birrane	Maryland
Doug Ommen, Vice Chair	Iowa	Chlora Lindley-Myers	Missouri
Jim L. Ridling	Alabama	Troy Downing	Montana
Lori K. Wing-Heier	Alaska	Edward M. Deleon Guerrero	N. Mariana Islands
Peni Itula Sapini Teo	American Samoa	Eric Dunning	Nebraska
Ricardo Lara	California	Marlene Caride	New Jersey
Andrew N. Mais	Connecticut	Mike Causey	North Carolina
Trinidad Navarro	Delaware	Elizabeth Kelleher Dwyer	Rhode Island
Karima M. Woods	District of Columbia	Raymond G. Farmer	South Carolina
David Altmaier	Florida	Cassie Brown	Texas
Dana Popish Severinghaus	Illinois	Mike Kreidler	Washington
Vicki Schmidt	Kansas	Nathan Houdek	Wisconsin
Sharon P. Clark	Kentucky		

NAIC Support Staff: Jane Barr

AGENDA

1. Consider Adoption of its Jan. 27, 2022, Dec. 20, 2021, and Fall 2021 National Meeting Minutes —*Tom Botsko (OH)*
 - Attachment One
 - Attachment Two
 - Attachment Three

2. Consider Adoption of its Working Group Reports and Minutes —*Tom Botsko (OH)*
 - A. Health Risk-Based Capital (E) Working Group Attachment Four
 - B. Life Risk-Based Capital (E) Working Group Attachment Five
 - C. Property and Casualty Risk-Based Capital (E) Working Group Attachment Six
 - D. Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group Attachment Seven

3. Consider Adoption of Proposal 2021-18-H-MOD (Investment Income Guidance)—*Steve Drutz (WA)* Attachment Eight

4. Consider Adoption of Proposal 2021-15-CR (Approve Third-Party Vendor)—*Wanchin Chou (CT)* Attachment Nine
5. Consider Adoption of Proposal 2021-17-CR (Information Only Wildfire Peril)—*Wanchin Chou (CT)* Attachment Ten
6. Consider Adoption of Proposal 2021-14-P (R3 Factor Adjustment)—*Tom Botsko (OH)* Attachment Eleven
7. Consider Adoption of its Working Agenda—*Tom Botsko (OH)* Attachment Twelve
8. Discuss Any Other Matters Brought Before the Task Force—*Tom Botsko (OH)*
9. Adjournment

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2022 National Meeting/Agendas

Draft: 12/29/21

Capital Adequacy (E) Task Force
Virtual Meeting
December 20, 2021

The Capital Adequacy (E) Task Force met Dec. 20, 2021. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko (OH); Cassie Brown, Vice Chair, represented by Mike Boerner and Rachel Hemphill (TX); Lori K. Wing-Heier represented by Wally Thomas (AK); Jim L. Ridling represented by Charles Hale (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Kathy Belfi (CT); David Altmaier represented by Virginia Christy and Ray Spudeck (FL); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Vincent Tsang (IL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy (KY); Grace Arnold represented by Fred Andersen (MN); Chlora Lindley-Myers represented by William Leung (MO); Mike Causey represented by Jackie Obusek (NC); Eric Dunning represented Michael Muldoon (NE); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI). Also participating were: Philip Barlow (DC); Kevin Clark (IA); Lindsay Crawford and Justin Schrader (NE); and Bill Carmello (NY).

1. Discussed the RBC Investment Risk and Evaluation (E) Working Group

Mr. Botsko said the Financial Condition (E) Committee recently adopted the formation of the Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group. He asked if there are any questions on the charges of the Working Group. He also mentioned that two tasks were sent down from the Committee for the Working Group: 1) follow-up on Phase II of the Moody's bond study, which is a modernization of the analysis; and 2) review *Statement of Statutory Accounting Principles (SSAP) No. 43—Loan-Backed and Structured Securities* in regard to residual tranches and the potential for an extremely high-risk default and that impact on RBC. The Statutory Accounting Principles (E) Working Group recently adopted changes to have this investment move from Schedule D reporting to Schedule BA.

Mr. Barlow added that it would be important to have members of the RBC Investment Risk and Evaluation (E) Working Group include members from the Health Risk-Based Capital (E) Working Group, the Life Risk-Based Capital (E) Working Group, the Property and Casualty Risk-Based Capital (E) Working Group, the Valuation of Securities (E) Task Force, and the Statutory Accounting Principles (E) Working Group to further promote coordination between the working groups under the Financial Condition (E) Committee.

Mr. Botsko said past referrals that were tabled by the Capital Adequacy (E) Task Force will be prioritized by the RBC Investment Risk and Evaluation (E) Working Group, and a long-term goal of the Working Group will be to conduct a holistic review of the investment schedules in the RBC formulas and coordinate consistency where it is warranted or categorize the investments in a consistent manner.

Mr. Carmello asked if the RBC Investment Risk and Evaluation (E) Working Group would be defining what a bond is and whether other assets would be considered if they were not considered a bond. Mr. Botsko said the Working Group should be looking at the investments as a whole (e.g., the residual tranches are currently treated as a bond, but that does not mean it will be treated that way in the future; it may be treated as an equity investment). Mr. Clark said he has joined the Working Group, been heavily involved as vice chair of the Statutory Accounting Principles (E) Working Group and the Valuation of Securities (E) Task Force, and can help with the coordination of the groups. Mr. Spudeck confirmed Florida's involvement with the RBC Investment Risk and Evaluation (E) Working Group, as well as Mr. Boerner and other members with investment expertise for Texas. Mr. Leung said Missouri will be participating, as well as Mr. Andersen from Minnesota who has been following on the reserve side. Mr. Tsang confirmed his membership to the Working Group. Ms. Crawford confirmed her and Mr. Schrader's participation, as well as others on her staff that have experience with macroprudential efforts that will be useful to the Working Group. Mr. Botsko said any interested parties should reach out to Jane Barr (NAIC) to be included on the list for meeting notifications. Edward L. Toy (Risk & Regulatory Consulting LLC) said he would be happy to assist with historical RBC investment schedules, and he suggested that the Working Group look at the inconsistencies regarding granularity between the life formula and the property/casualty (P/C) and health formulas. Mr. Botsko concurred that this is an important issue, and the Affiliate Investment Ad Hoc Group will be referring its proposals to the Health Risk-Based Capital (E) Working Group, the Life Risk-Based Capital (E) Working Group, the Property and Casualty Risk-Based Capital (E) Working Group, and the Capital Adequacy (E) Task Force for further discussion on when inconsistencies are warranted. Mr. Barlow said that specific topic should occur at the task force level.

Ms. Barr said a call is tentatively set for Jan. 12, 2022, and will be a joint call with the Financial Condition (E) Committee. The Committee web page has been set up for the RBC Investment Risk and Evaluation (E) Working Group, and the call information will be posted.

Having no further business, the Capital Adequacy (E) Task Force adjourned.

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Draft: 2/2/22

Capital Adequacy (E) Task Force
E-Vote
January 27, 2022

The Capital Adequacy (E) Task Force conducted an e-vote that concluded Jan. 27, 2022. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko (OH); Doug Ommen, Vice Chair, represented by Mike Yanacheak (IA); Lori K. Wing-Heier represented by Wally Thomas (AK); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); David Altmaier (FL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy and Bill Clark (KY); Chlora Lindley-Myers represented by John Rehagen (MO); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Cassie Brown represented by Mike Boerner and Rachel Hemphill (TX); Mike Kreidler represented by Steve Drutz (WA), and Nathan Houdek represented by Mark Afable (WI).

1. Adopted the Updated 2021 U.S. and Non-U.S. Catastrophe Risk Event Lists

The Task Force conducted an e-vote to consider adoption of proposal 2021-16-CR (2021 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Mr. Barlow made a motion, seconded by Mr. Chou, to adopt the 2021 U.S. and Non-U.S. Catastrophe Risk Event Lists (Attachment XX). The motion passed unanimously.

Having no further business, the Capital Adequacy (E) Task Force adjourned.

<https://naiconline.sharepoint.com/:f/r/teams/FRSRBC/Capital%20Adequacy%20CapAd%20Task%20Force/2022%20Calls/Jan%202022?csf=1&web=1&e=H9A4kO>

Draft: 11/16/21

Capital Adequacy (E) Task Force
Virtual Meeting (*in lieu of meeting at the 2021 Fall National Meeting*)
November 17, 2021

The Capital Adequacy (E) Task Force met Nov. 17, 2021. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko (OH); Doug Slape, Vice Chair, represented by Rachel Hemphill (TX); Lori K. Wing-Heier represented by David Phifer (AK); Jim L. Ridling represented by Charles Hale (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); David Altmaier represented by Carolyn Morgan and Ray Spudeck (FL); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Kevin Fry (IL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy (KY); Chlora Lindley-Myers represented by John Rehagen and William Leung (MO); Eric Dunning represented Michael Muldoon (NE); Mike Causey represented by Jackie Obusek (NC); Glen Mulready represented by Eli Snowbarger (OK); Raymond G. Farmer represented by Michael Shull (SC); Mike Kreidler represented by Steve Drutz (WA); and Mark Afable represented by Amy Malm (WI).

1. Adopted its Sept. 30 Minutes

The Task Force conducted an e-vote to adopt its 2022 proposed charges. No significant changes were made to the charges.

Mr. Drutz made a motion, seconded by Mr. Chou to adopt the Task Force's Sept. 30 minutes (Attachment One). The motion passed unanimously.

2. Adopted the Reports and Minutes of its Working Groups

a. Health Risk-Based Capital (E) Working Group

Mr. Drutz noted some items of interest from the Health Risk-Based Capital (E) Working Group's Nov. 4 minutes (Attachment Two), which was to expose benchmark guidelines for Investment Income Adjustment for the Underwriting Risk Factors for a 30-day comment period and discussed incorporating pandemic risk into the Health RBC Formula.

b. Life Risk-Based Capital (E) Working Group

Mr. Botsko said that the Life Risk-Based Capital (E) Working Group met Nov. 9 (Attachment Three) and took the following action: 1) exposed guidance on the bond factor changes for a 30-day comment period and 3) exposed the American Academy of Actuaries' C2 Mortality Risk Work Group recommendation on mortality factor updates for a 60-day comment period.

c. Catastrophe Risk (E) Subgroup

Mr. Chou said the Subgroup met Oct. 27 (Attachment Four) and Sept. 28 (Attachment Five). During the meeting, the Subgroup took the following action: 1) adopted the Sept. 28 minutes; 2) heard a presentation from Karen Clark & Company (KCC) regarding the KCC U.S. wildfire model, which included the current wildfire trends and an overview of the KCC U.S. wildfire model; 3) discussed the possibility of allowing additional third-party models or adjustments to the vendor models and 4) Heard updates from Catastrophe Model Technical Review Ad Hoc Group.

d. Property and Casualty Risk-Based Capital (E) Working Group

Mr. Botsko said the Working Group met Oct. 25 (Attachment Six). During the meeting, the Working Group took the following action: 1) adopted its Summer National Meeting minutes; 2) heard a report from the Catastrophe Risk (E) Subgroup; 3) exposed a draft recommendation to the Restructuring Mechanism (E) Subgroup for a 30-day public comment period ending Nov. 24. The draft recommendation was developed by the Property and Casualty Risk-Based Capital (E) Working Group, which included the findings and recommendation of the runoff companies; 4) exposed proposal 2021-14-P (R3 Factor Adjustment) for a 30-day public comment period ending Nov. 24; and 5) heard an update on the status of the research on recommend adjustments to the formulas for premium and reserve risk to reflect the impact of interest rates from the Academy.

Mr. Chou made a motion, seconded by Mr. Reedy to adopt the Risk-Based Capital (E) Working Group's Fall National Meeting minutes. The motion passed unanimously.

3. Adopted Proposal 2021-16-CR (2021 Catastrophe Event List)

Mr. Chou said the Catastrophe Risk (E) Subgroup and the Property and Casualty Risk-Based Capital (E) Working Group jointly conducted an e-vote that concluded Nov. 12 to adopt the 2021 (January through October) Catastrophe Event List. Both Groups are planning to conduct another e-vote in January 2022 to adopt any November and December catastrophe events.

Mr. Chou made a motion, seconded by Mr. Reedy, to adopt proposal 2021-16 CR (2021 Catastrophe Event List) (Attachment Seven). The motion passed unanimously.

4. Adopted its Working Agenda

Mr. Drutz said that Item 19 was added to the Health RBC Working Agenda section to evaluate the underwriting risk factors for an adjustment of investment income based on a 6-month US Treasury bond on an annual basis. The second change was to item 29 for bond evaluation, which was to change the priority status to a 3 and the expected completion date to Year-end 2023 or later.

Mr. Drutz made a motion, seconded by Mr. Muldoon, to adopt its working agenda (Attachment Eight). The motion passed unanimously.

5. Discussed Memorandum to the Financial Condition (E) Committee

Mr. Botsko said that the Task Force has received numerous referrals over the past several years regarding investments that could potentially start being evaluated by the Security Valuation Office and reported with an NAIC designation in the investment schedules of the annual statement. The purpose of this working group will be to evaluate the impact this could have and whether or not those changes are significant to change the current structure of the RBC formula and if the added granularity is beneficial to determine the appropriate capital standard. He noted that an informal group was recently formed to discuss investment schedule reporting in the annual statement and unlike the Investment Risk-Based Capital (E) Working Group that was recently disbanded, their focus was strictly with bond reporting and the RBC investment formula and factors has been in place for twenty years, so a formal group is warranted to documents its analysis for updates or justification of no changes to the factors and formula.

6. Heard a Presentation from Risk Management Solutions' (RMS) Regarding its North America Wildfire High-Definition Model

Mr. Michael Young (RMS) provided a brief overview on its North America Wildfire High-Definition Model regarding 1) the rationale for development of its model; 2) key features and differentiators of the model; 3) factors influencing wildfire losses; and 4) application of wildfire mitigation to insured property exposure. Mr. Chou encouraged all the interested parties to review this presentation and provide comments in the upcoming conference call.

Mr. Chou also stated that a Subgroup member met with the three wildfire modelers - AIR, KCC and RMS earlier to discuss the result of the impact analysis earlier. He believed that gaining a better understanding of the modeling results will be able to develop a better wildfire structure in the Risk-Based Capital formula. Mr. Chou expected that the initial Risk-Based Capital structure for wildfire will be ready for discussion in December meeting. Thoughts and ideas on the structure are welcome in the upcoming meeting to complete this project effectively

7. Discussed Other Matters

Having no further business, the Capital Adequacy (E) Task Force adjourned.

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NAIC NATIONAL MEETING SPRING 2022

Date: 3/15/22

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

HEALTH RISK-BASED CAPITAL (E) WORKING GROUP

Friday, March 18, 2022

11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 – 10:00 a.m. MT / 8:00 – 9:00 a.m. PT

Meeting Summary Report

The Health Risk-Based Capital (E) Working Group met March 18, 2022. During this meeting, the Working Group:

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

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2022 National Meeting/Summaries

NAIC NATIONAL MEETING SPRING 2022

Date: 3/23/22

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

LIFE RISK-BASED CAPITAL (E) WORKING GROUP

Wednesday, March 23, 2022

12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

Meeting Summary Report

The Life Risk-Based Capital (E) Working Group met March 23, 2022. During this meeting, the Working Group:

1. Adopted its March 10, 2022; Jan. 20, 2022; Dec. 16, 2021; and 2021 Fall National Meeting minutes, which included the following action:
 - A. Discussed the American Academy of Actuaries (Academy) C2 Work Group recommendation on mortality.
 - B. Discussed the asset valuation reserve (AVR) and bond factor changes.
 - C. Adopted guidance on bond factor changes.
2. Adopted its working agenda.
3. Discussed reinsurance and comfort trusts.
4. Discussed bond funds.

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NAIC NATIONAL MEETING SPRING 2022

Date: 3/24/22

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

PROPERTY AND CASUALTY RISK-BASED CAPITAL (E) WORKING GROUP

Wednesday, March 23, 2022

1:00 – 2:00 p.m. ET / 12:00 – 1:00 p.m. CT / 11:00 a.m. – 12:00 p.m. MT / 10:00 – 11:00 a.m. PT

Meeting Summary Report

The Property and Casualty Risk-Based Capital (E) Working Group met March 23, 2022. During this meeting, the Working Group:

1. Adopted the report of the Catastrophe Risk (E) Subgroup, including its March 22 minutes. During this meeting, the Subgroup took the following action:
 - A. Adopted its Feb. 22, 2022; Jan. 25, 2022; and 2021 Fall National Meeting minutes, which included the following action:
 - i. Adopted proposal 2021-15-CR (Adding KCC Models), which the Subgroup exposed for a 30-day public comment period ending Nov. 26, 2021.
 - ii. 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.
 - iii. 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)*.
 - iv. 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.
 - v. 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.
 - vi. 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.
 - vii. Heard a presentation from Milliman regarding the private flood market.
 - B. Discussed its 2022 working agenda.
 - C. 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.
 - D. Exposed proposal 2021-17-CR MOD (Wildfire Information-Only Reporting Exemption) for a 14-day public comment period ending April 5. 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.
 - E. 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.

- F. Discussed the issue of double counting in the R5 component.
- 2. Adopted proposal 2021-15-CR (Adding KCC Model).
- 3. Adopted proposal 2021-17-CR (Adding Wildfire Peril for Informational Purposes Only).
- 4. Adopted proposal 2021-14-P (R3 Factor Adjustment).
- 5. Exposed proposal 2022-01-P (Removing Trend Test for Informational Purposes Only Footnote) for a 30-day public comment period ending April 22.
- 6. Heard an update on current property/casualty (P/C) risk-based capital (RBC) projects from the American Academy of Actuaries (Academy).

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**NATIONAL MEETING
SPRING 2022**

Date: 3/22/22

Virtual Meeting

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

RISK-BASED CAPITAL (RBC) INVESTMENT RISK AND EVALUATION (E) WORKING GROUP

Tuesday, March 22, 2022

1:00 – 2:00 p.m. ET / 12:00 – 1:00 p.m. CT / 11:00 a.m. – 12:00 p.m. MT / 10:00 – 11:00 a.m. PT

Meeting Summary Report

The RBC Investment Risk and Evaluation (E) Working Group met March 22, 2022. During this meeting, the Working Group:

1. Adopted its Feb. 22 minutes, which included the following action:
 - A. Discussed its formation, charges, and the Financial Condition (E) Committee's direction.
 - B. Heard a high-level overview of investment development from NAIC staff.
 - C. Discussed desired outcomes investment reporting perspectives and next steps.
2. Adopted its working agenda.
3. Discussed comment letters received on its request to solicit feedback.
4. Discussed next steps.

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

Capital Adequacy (E) Task Force

RBC Proposal Form

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|---|--|--|
| <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"/> Investment RBC (E) Working Group | <input type="checkbox"/> SMI RBC (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Stress Testing (E) Subgroup |

<p style="text-align: right;">DATE: <u>10/25/2021</u></p> <p>CONTACT PERSON: <u>Crystal Brown</u></p> <p>TELEPHONE: <u>816-783-8146</u></p> <p>EMAIL ADDRESS: <u>cbrown@naic.org</u></p> <p>ON BEHALF OF: <u>Health RBC (E) Working Group</u></p> <p>NAME: <u>Steve Drutz</u></p> <p>TITLE: <u>Chief Financial Analyst/Chair</u></p> <p>AFFILIATION: <u>WA Office of Insurance Commissioner</u></p> <p>ADDRESS: <u>5000 Capitol Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2021-18-H-MOD</u></p> <p>Year <u>2022</u></p> <p style="text-align: center;">DISPOSITION</p> <p><input checked="" type="checkbox"/> ADOPTED <u>Feb. 25, 2022</u></p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input checked="" type="checkbox"/> EXPOSED <u>Dec. 3, 2021, Jan. 28, 2022</u></p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION OF CHANGE(S)

Incorporate benchmarking guidelines for the Working Group to follow in updating the investment income adjustment in the underwriting risk factors for Comprehensive Medical, Medicare Supplement and Dental & Vision.

REASON OR JUSTIFICATION FOR CHANGE **

The reason for the change is to clearly identify the frequency and parameters to use in adjusting the underwriting risk factors for investment income in the Comprehensive Medical, Medicare Supplement and Dental & Vision lines.

Additional Staff Comments:

11-4-21 cgb The WG exposed for 30-day public comment period ending on Dec. 3, 2021.
 12-16-21 cgb One comment letter received.
 12-16-21 cgb The Working Group adopted the proposal.
 01-28-22 cgb The Working Group re-exposed with alternative language for 15 days. Comments due back on 02-14-22. The purpose of the alternative language is to add further clarity
 02-14-22 cgb No comments received.
 02-25-22 cgb The WG re-adopted the proposal as modified with the alternative language to be used in place of the originally proposed language.

** This section must be completed on all forms.

Revised 11-2013

UNDERWRITING RISK - L(1) THROUGH L(21)
XR013



Detail Eliminated to Conserve Space



Line (12) Underwriting Risk Claims Ratio. For Columns (1) through (5), Line (11) / Line (6). If either Line (6) or Line (11) is zero or negative, Line (12) is zero.

Line (13) Underwriting Risk Factor. A weighted average factor based on the amount reported in Line (6), Underwriting Risk Revenue. The factors for Column (1) through (3) have incorporated an investment income yield of 0.5%.

	\$0 – \$3 Million	\$3 – \$25 Million	Over \$25 Million
Comprehensive Medical & Hospital	0.1493	0.1493	0.0893
Medicare Supplement	0.1043	0.0663	0.0663
Dental & Vision	0.1195	0.0755	0.0755
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151
Other Health	0.130	0.130	0.130
Other Non-Health	0.130	0.130	0.130

The investment income yield was incorporated into the Comprehensive Medical & Hospital, 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 0.5% income yield that was based on the yield of a 6-month US Treasury Bond. Each year, the Working Group will identify the yield of the 6-month Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modifications to the 0.5% adjustment are needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (14) Base Underwriting Risk RBC. Line (6) x Line (12) x Line (13).



Detail Eliminated to Conserve Space



Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input type="checkbox"/> Life RBC (E) Working Group |
| <input checked="" type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> Investment RBC (E) Working Group | <input type="checkbox"/> Operational Risk (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |

DATE: <u>10/27/21</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2020-15-CR</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2022</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>Catastrophe Risk (E) Subgroup</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Wanchin Chou</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Connecticut Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>153 Market Street, 7th Floor</u>	<input checked="" type="checkbox"/> EXPOSED <u>10/27/21</u>
<u>Hartford, CT 06103</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION OF CHANGE(S)

The proposed change would add the KCC as one of the approved third party commercial vendor catastrophe models.

REASON OR JUSTIFICATION FOR CHANGE **

To keep the consistency with other third party commercial vendors for earthquake and hurricane catastrophe models. KCC has got the approval from the Florida Commission on hurricane loss projection methodology on 6/19/2019 and 6/4/2021.

Additional Staff Comments:

10/27/21 – The Subgroup agreed to expose this proposal for a 30-day public comment period ending Nov. 26.
 12/16/21 – The Subgroup adopted this proposal during the Dec. 16, 2021, virtual meeting.

** This section must be completed on all forms.

Revised 2-2019

**CALCULATION OF CATASTROPHE RISK CHARGE RCAT
PR027**

Detail Eliminated To Conserve Space

The projected losses can be modeled using the following NAIC approved third party commercial vendor catastrophe models: AIR, ~~EQECAT~~CoreLogic, RMS, ~~KCC~~, the ARA HurLoss Model, or the Florida Public Model for hurricane, as well as catastrophe models that are internally developed by the insurer or that are the result of adjustments made by the insurer to vendor models to represent the own view of catastrophe risk (hereinafter “own models”).

However, an insurer seeking to use an own model must first obtain written permission to do so by the domestic or lead state insurance regulator. In the situation where the model output is used to determine the catastrophe risk capital requirement for a single entity, the regulator granting permission to use the own model is the domestic state. In the situation where the model output is used to determine the catastrophe risk capital requirement for a group, the grantor is the lead state regulator. In the situation where the insurer seeking permission is a non-U.S. insurer, the grantor shall be the lead state regulator. Under all scenarios, the regulator that is granting permission should inform other domestic states that have a catastrophe risk exposure and share the results of the review.

To obtain permission to use the own model, the insurer must provide the domestic or lead state insurance regulator with written evidence of each of the following:

1. The use of the own model is reasonable considering the nature, scale, and complexity of the insurer’s catastrophe risk;
2. The own model is used for catastrophe risk management, capital assessment, and the capital allocation process and the model has been used for at least the last 3 years;
3. The perils included in the RBC Catastrophe Risk Charge have been validated by the insurer and that these perils include both US and global exposures, where applicable;
4. The own model has been developed using reasonable data and assumptions and that model results used in determining the RBC Catastrophe Risk Charge reflect exposure data that is no older than six months;
5. The insurer has individuals with experience in developing, testing and validating internal models or engages third parties with such experience. The insurer must provide supporting model documentation and a copy of the latest validation report and the insurer is solely responsible for the relevant cost. For each peril included in the RBC Catastrophe Risk Charge, the validation report should attest that the projected losses are a reasonable quantification of the exposure of the reporting entity. The validation report must provide a description of the scope, content, results and limitations of the validation, the individual qualifications of validation team and the date of the validation. Both the model documentation and the model validation report must be provided at a minimum once every five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer’s exposure to catastrophe exposure.
6. The results of the own model should be compared with the results produced by at least one of the following models: AIR, ~~EQECAT~~CoreLogic, RMS, ~~KCC~~, ARA HurLoss, or the Florida Public Model. The insurer must provide the comparison and an explanation of the drivers of differences between the results produced by the internal model vs. results produced by the selected prescribed model.
7. If the own model has been approved or accepted by the non-U.S. group-wide supervisor for use in the determination of regulatory capital, the insurer must submit evidence, if available, from the non-US group-wide supervisor of the most recent approval/acceptance including the description of scope, content, results and limitations of the approval/acceptance process and dates of any planned future approval/acceptance, if known. The name and the contact information of a contact person at the non-US group-wide supervisor should also be provided for questions on the approval/acceptance process.

If the lead or domestic state determines that permission to use the own model cannot be granted, the insurer shall be required to determine the RBC Catastrophe Risk Charge through the use of one of the third party commercial vendor models (AIR, ~~EQECAT~~CoreLogic, RMS, ~~KCC~~, ARA HurLoss (hurricane only)), or the Florida Public Model for hurricane, as advised by the lead state or domestic state.

If the lead or domestic state determines that permission to use the own model can be granted to determine the RBC Catastrophe Risk Charge, the model will be subject to additional review through the ongoing examination process. If, as a result of the examination, the lead or domestic state determines that permission to use the own model should be revoked, the insurer may be required to resubmit the risk-based capital filing and any past filings so impacted where own model was used, as directed by the lead state or domestic state. If the insurer obtains permission to use the own model, it cannot revert back to using third party commercial vendor models to determine the RBC Catastrophe Risk Charge in subsequent reporting periods, unless this is agreed with the lead or domestic state that granted permission.

The contingent credit risk charge should be calculated in a manner consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Note that no tax effect offsets or reinstatement premiums should be included in the modeled losses. Further note that the catastrophe risk charge is for earthquake and hurricane risks only.

As per the footnote on this page, modeled losses to be entered PR027A and PR027B in Lines (1) through (4) are to be calculated using one of the third party commercial vendor models – AIR, [EQECATCorelogic](#), RMS, [KCC](#), ARA HurLoss (hurricane only); or the Florida Public Model (hurricane only), or the insurer’s own catastrophe model; and using the insurance company’s own insured property exposure information as inputs to the model. The insurance company may elect to use the modeled results from any one of the models, or any combination of results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions but will be expected to use the same exposure data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. Any exceptions must be explained in the required *Attestation Re: Catastrophe Modeling Used in RBC Catastrophe Risk Charges* within this RBC Report.

The Grand Total (PR027) page includes an interrogatory to support an exemption from filing the catastrophe risk charge. Any company qualifying for exemption from the earthquake risk charge must identify the particular criteria from among (1a), (1b), (2) and (3) that provides its qualification for exemption, and may leave the other three items from this group of four possible qualifications for exemption blank; except identification of criteria (3) as the basis for the exemption requires a further answer to (3a) and (3b). If an insurer does not write or assume earthquake risks leaving no gross exposure, enter an “X” in interrogatory 3, with no need to fill in (3a) and (3b). Any company qualifying for exemption from the hurricane risk charge must identify the particular criteria from among (4a), (4b), (5) and (6) that provides its qualification for exemption, and may leave the other three items from this second group of four possible qualifications for exemption blank. If the company qualifies for exemption from the earthquake risk charge, page PR027A and line (1) on this page may be left blank. If the company qualifies for exemption from the hurricane risk charge, page PR027B and line (2) on this page may be left blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an “X” in interrogatory 6.

In general, the following conditions will qualify a company for exemption: if it uses an intercompany pooling arrangement or quota share arrangement with U.S. affiliates covering 100% of its earthquake and hurricane risks such that there is no exposure for these risks; if it has a ratio of Insured Value – Property to surplus as regards policyholders of less than 50%; or if it writes Insured Value – Property that includes hurricane and/or earthquake coverage in catastrophe-prone areas representing less than 10% of its surplus as regards policyholders.

“Insured Value – Property” includes aggregate policy limits for structures and contents for policies written and assumed in the following annual statement lines – Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril.

“Catastrophe-Prone Areas in the U.S.” include:

- i. For hurricane risks, Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean and/or the Gulf of Mexico including Puerto Rico.
- ii. For earthquake risk or for fire following earthquake, any of the following commonwealth or states: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.

Detail Eliminated To Conserve Space

CALCULATION OF CATASTROPHE RISK CHARGE FOR EARTHQUAKE PR027A

		<u>Modeled Losses</u>			
Earthquake	<u>Reference</u>	(1) <u>Direct and Assumed</u>	(2) <u>Net</u>	3† <u>Ceded Amounts Recoverable</u>	(4)†† <u>Ceded Amounts Recoverable with zero Credit Risk Charge</u>
(1) Worst Year in 50	Company Records				
(2) Worst Year in 100	Company Records				
(3) Worst Year in 250	Company Records				
(4) Worst Year in 500	Company Records				
				(5) Y/N	
(5) Has the company reported above, its modeled earthquake losses using an occurrence exceedance probability (OEP) basis?					
		(6) <u>Amount</u>	(7) <u>Factor</u>	(7) <u>RBC Requirement (C(6) * Factor)</u>	
(6) Net Earthquake Risk	L(2) C(2)		0.1000	0	
(7) Contingent Credit Risk for Earthquake Risk	L(2) C(3) - C(4)		0.018	0	
(8) Total Earthquake Catastrophe Risk (AEP Basis)	If L(5) C(5) = "N", L(8) C(6) = L(6) C(7) + L(7) C(7), otherwise "0"		1.000	0	
(9) Total Earthquake Catastrophe Risk (OEP Basis)	If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7) + L(7) C(7), otherwise "0"		1.000	0	
(10) Total Earthquake Catastrophe Risk	L(8) C(7) + L(9) C(7)			0	

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, Corelogic, RMS, or KCC, the ARA HurLoss Model, or the Florida Public Model for hurricane; or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

†† Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

Denotes items that must be manually entered on the filing software

CALCULATION OF CATASTROPHE RISK CHARGE FOR HURRICANE PR027B

Hurricane	Reference	Modeled Losses			
		(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable	(4)†† Ceded Amounts Recoverable with zero Credit Risk Charge
(1) Worst Year in 50	Company Records				
(2) Worst Year in 100	Company Records				
(3) Worst Year in 250	Company Records				
(4) Worst Year in 500	Company Records				
				(5) Y/N	
(5) Has the company reported above, its modeled hurricane losses using an occurrence exceedance probability (OEP) basis?					
		(6) Amount	(7) Factor	(7) RBC Requirement (C(6) * Factor)	
(6) Net Hurricane Risk	L(2) C(2)		0 1.000	0	
(7) Contingent Credit Risk for Hurricane Risk	L(2) C(3) - C(4)		0 0.018	0	
(8) Total Hurricane Catastrophe Risk (AEP Basis)	If L(5) C(5) = "N", L(8) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"		0 1.000	0	
(9) Total Hurricane Catastrophe Risk (OEP Basis)	If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"		0 1.000	0	
(10) Total Hurricane Catastrophe Risk	L(8) C(7) + L(9) C(7)			0	

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, CoreLogic, RMS, KCC, the ARA HurLoss Model, or the Florida Public Model for hurricane; or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

††Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

Denotes items that must be manually entered on the filing software

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input type="checkbox"/> Life RBC (E) Working Group |
| <input checked="" type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> Investment RBC (E) Working Group | <input type="checkbox"/> Operational Risk (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |

DATE: <u>12/16/21</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2021-17-CR</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2022</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>Catastrophe Risk (E) Subgroup</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Wanchin Chou</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Connecticut Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP
ADDRESS: <u>153 Market Street, 7th Floor</u>	<input checked="" type="checkbox"/> EXPOSED <u>12/16/22</u>
<u>Hartford, CT 06103</u>	<input checked="" type="checkbox"/> OTHER (SPECIFY) <u>3/22/22 (2022-01-CR MOD)</u>

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION OF CHANGE(S)

The proposed change may add wildfire as one of the catastrophe risk perils for informational purposes only in the Reat component.

REASON OR JUSTIFICATION FOR CHANGE **

While the Catastrophe Risk (E) Subgroup reviewed the possibility of expanding the current catastrophe framework to include other perils that may experience a greater tail risk under projected climate-related trends, the wildfire has been identified as one of the major drivers of the U.S. insured losses. The Subgroup decided to consider adding wildfire as one of the catastrophe perils in the Reat component.

Additional Staff Comments:

12/16/21 – The Catastrophe Risk (E) Subgroup exposed the proposal for a 60-day comment period ending by 02-13-22.
 2/22/22 – The Catastrophe Risk (E) Subgroup adopted this proposal during the Feb. 22, 2022, virtual meeting.
 3/22/22 -Modification of this proposal can be found in 2022-01-CR

** This section must be completed on all forms.

Revised 2-2019

CALCULATION OF CATASTROPHE RISK CHARGE RCAT
PR027A, PR027B, PR027C, PR027, AND PR027INT

The catastrophe risk charge for earthquake (PR027A), ~~and~~ hurricane (PR027B), and wildfire for Informational purposes only (PR027C) risks is calculated by multiplying the RBC factors by the corresponding modeled losses and reinsurance recoverables. The risk applies on a net basis with a corresponding contingent credit risk charge for certain categories of reinsurers. Data must be provided for the worst year in 50, 100, 250, and 500; however, only the worst year in 100 will be used in the calculation of the catastrophe risk charge. While projected losses modeled on an Aggregate Exceedance Probability basis is preferred, companies are permitted to report on an Occurrence Exceedance Probability basis if that is consistent with the company's internal risk management process.

The projected losses can be modeled using the following NAIC approved third party commercial vendor catastrophe models: AIR, Corelogic, RMS, KCC, the ARA HurLoss Model, or the Florida Public Model for hurricane, as well as catastrophe models that are internally developed by the insurer or that are the result of adjustments made by the insurer to vendor models to represent the own view of catastrophe risk (hereinafter "own models").

However, an insurer seeking to use an own model must first obtain written permission to do so by the domestic or lead state insurance regulator. In the situation where the model output is used to determine the catastrophe risk capital requirement for a single entity, the regulator granting permission to use the own model is the domestic state. In the situation where the model output is used to determine the catastrophe risk capital requirement for a group, the grantor is the lead state regulator. In the situation where the insurer seeking permission is a non-U.S. insurer, the grantor shall be the lead state regulator. Under all scenarios, the regulator that is granting permission should inform other domestic states that have a catastrophe risk exposure and share the results of the review.

To obtain permission to use the own model, the insurer must provide the domestic or lead state insurance regulator with written evidence of each of the following:

1. The use of the own model is reasonable considering the nature, scale, and complexity of the insurer's catastrophe risk;
2. The own model is used for catastrophe risk management, capital assessment, and the capital allocation process and the model has been used for at least the last 3 years;
3. The perils included in the RBC Catastrophe Risk Charge have been validated by the insurer and that these perils include both US and global exposures, where applicable;
4. The own model has been developed using reasonable data and assumptions and that model results used in determining the RBC Catastrophe Risk Charge reflect exposure data that is no older than six months;
5. The insurer has individuals with experience in developing, testing and validating internal models or engages third parties with such experience. The insurer must provide supporting model documentation and a copy of the latest validation report and the insurer is solely responsible for the relevant cost. For each peril included in the RBC Catastrophe Risk Charge, the validation report should attest that the projected losses are a reasonable quantification of the exposure of the reporting entity. The validation report must provide a description of the scope, content, results and limitations of the validation, the individual qualifications of validation team and the date of the validation. Both the model documentation and the model validation report must be provided at a minimum once every five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer's exposure to catastrophe exposure.
6. The results of the own model should be compared with the results produced by at least one of the following models: AIR, Corelogic, RMS, KCC, ARA HurLoss, or the Florida Public Model. The insurer must provide the comparison and an explanation of the drivers of differences between the results produced by the internal model vs. results produced by the selected prescribed model.
7. If the own model has been approved or accepted by the non-U.S. group-wide supervisor for use in the determination of regulatory capital, the insurer must submit evidence, if available, from the non-US group-wide supervisor of the most recent approval/acceptance including the description of scope, content, results and limitations of the approval/acceptance process and dates of any planned future approval/acceptance, if known. The name and the contact information of a contact person at the non-US group-wide supervisor should also be provided for questions on the approval/acceptance process.

If the lead or domestic state determines that permission to use the own model cannot be granted, the insurer shall be required to determine the RBC Catastrophe Risk Charge through the use of one of the third-party commercial vendor models (AIR, Corelogic, RMS, KCC, ARA HurLoss (hurricane only)), or the Florida Public Model for hurricane, as advised by the lead state or domestic state.

If the lead or domestic state determines that permission to use the own model can be granted to determine the RBC Catastrophe Risk Charge, the model will be subject to additional review through the ongoing examination process. If, as a result of the examination, the lead or domestic state determines that permission to use the own model should be revoked, the insurer may be required to resubmit the risk-based capital filing and any past filings so impacted where own model was used, as directed by the lead state or domestic state.

If the insurer obtains permission to use the own model, it cannot revert back to using third party commercial vendor models to determine the RBC Catastrophe Risk Charge in subsequent reporting periods, unless this is agreed with the lead or domestic state that granted permission.

The contingent credit risk charge should be calculated in a manner consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Note that no tax effect offsets or reinstatement premiums should be included in the modeled losses. Further note that the catastrophe risk charge is for earthquake and hurricane risks only.

As per the footnote on this page, modeled losses to be entered PR027A, ~~and PR027B~~ and PR27C in Lines (1) through (4) are to be calculated using one of the third party commercial vendor models – AIR, Corelogic, RMS, KCC, ARA HurLoss (hurricane only); or the Florida Public Model (hurricane only) or the insurer’s own catastrophe model; and using the insurance company’s own insured property exposure information as inputs to the model. The insurance company may elect to use the modeled results from any one of the models, or any combination of results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions but will be expected to use the same exposure data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. Any exceptions must be explained in the required *Attestation Re: Catastrophe Modeling Used in RBC Catastrophe Risk Charges* within this RBC Report.

The ~~Grand Total (PR027) page includes an i~~interrogatory on page (PR027INT) ~~to~~ supports an exemption from filing the catastrophe risk charge.

Any company qualifying for exemption from the earthquake risk charge must identify the particular criteria from among (1a), (1b), (2) and (3) that provides its qualification for exemption and may leave the other three items from this group of four possible qualifications for exemption blank; except identification of criteria (3) as the basis for the exemption requires a further answer to (3a) and (3b). If an insurer does not write or assume earthquake risks leaving no gross exposure, enter an “X” in PR027INT interrogatory 3, with no need to fill in (3a) and (3b). If the company qualifies for exemption from the earthquake risk charge, page PR027A and line (1) on ~~this page~~PR027 may be left blank.

Any company qualifying for exemption from the hurricane risk charge must identify the particular criteria from among (4a), (4b), (5) and (6) that provides its qualification for exemption and may leave the other three items from this second group of four possible qualifications for exemption blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an “X” in PR027INT interrogatory 6. If the company qualifies for exemption from the hurricane risk charge, page PR027B and line (2) on ~~this page~~PR027 may be left blank.

Any company qualifying for exemption from the wildfire risk charge must identify the particular criteria from among (7a), (7b), (8) and (9) that provides its qualification for exemption and may leave the other three items from this third group of four possible qualifications for exemption blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an “X” in PR027INT interrogatory 9. If the company qualifies for exemption from the wildfire risk charge, page PR027C and line (3) on PR027 may be left blank.

In general, the following conditions will qualify a company for exemption: if it uses an intercompany pooling arrangement or quota share arrangement with U.S. affiliates covering 100% of its earthquake, ~~and~~ hurricane ~~and~~ wildfire risks such that there is no exposure for these risks; if it has a ratio of Insured Value – Property to surplus as regards policyholders of less than 50%; or if it writes Insured Value – Property that includes hurricane ~~and/or~~ earthquake ~~and/or~~ wildfire coverage in catastrophe-prone areas representing less than 10% of its surplus as regards policyholders.

“Insured Value – Property” includes aggregate policy limits for structures and contents for policies written and assumed in the following annual statement lines – Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril.

“Catastrophe-Prone Areas in the U.S.” include:

- i. For hurricane risks, Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean and/or the Gulf of Mexico including Puerto Rico.
- ii. For earthquake risk or for fire following earthquake, any of the following commonwealth or states: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.
- iii. For wildfire risk, California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

Specific Instructions for Application of the Formula

Column (1) – Direct and Assumed Modeled Losses

These are the direct and assumed modeled losses per the first footnote. Include losses only; no loss adjustment expenses. For companies that are part of an inter-company pooling arrangement, the losses in this column should be consistent with those reported in Schedule P, i.e. losses reported in this column should be the gross losses for the pool multiplied by the company’s share of the pool.

Column (2) – Net Modeled Losses

These are the net modeled losses per the footnote. Include losses only; no loss adjustment expenses.

Column (3) - Ceded Amounts Recoverable

These are the modeled losses ceded under any reinsurance contract. Include losses only, no loss adjustment expenses, and should be associated with the Net Modeled Losses.

Column (4) - Ceded Amounts with Zero Credit Risk Charge

Per the footnote, modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

Column (6) – Amount

These are automatically calculated based on the previous columns.

Column (7) - RBC Requirement

A factor of 1.000 is applied to the reported modeled catastrophe losses calculated on both AEP and OEP basis, and a factor of 0.018 is applied to the reinsurance recoverables. The RBC Requirement is based on either AEP reported results or OEP reported results (not both), consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Column (5) – Y/N

Please indicate “Y” for OEP basis and “N” for AEP basis. This column should not be blank.

ATTESTATION RE: CATASTROPHE MODELING USED IN RBC CATASTROPHE RISK CHARGES PR002

(1) [Redacted Company Name] hereby certifies that the modeled catastrophe losses for earthquake risk, hurricane risk, and wildfire risk entered on lines 1 through 4 of Schedule PR027 of this Risk-Based Capital Report were applying the same catastrophe models or combination of models to the same underlying exposure data, and using the same modeling assumptions, as the company uses in its own internal risk managemnt process, with the following exceptions:

(1a) [Redacted]

These exceptions, if any, are made for the following reasons:

(1b) [Redacted]

The following describes the company's application of catastrophe modeling to the determination of the Reat risk charges: (Include which models are used in what combinations for each of the Reat charges; what key modeling assumptions are used, including but not limited to time dependency, secondary uncertainty, storm surge, demand surge, and fire following earthquake; and the rationale for treatment of each issue or item): (provide attachments if necessary):

(2) [Redacted]

The company further certifies that the underlying exposure data used in the catastrophe modeling process is accurate and complete to the best of our knowledge and ability, with the following limitations:

(3) [Redacted]

The following describes the extent to which the exposure location data is accurate to GPS coordinates; to zip code; and to a level less accurate than zip code: (provide attachments if necessary):

(4) [Redacted]

The following describes the steps taken to validate, to the best of the Company's knowledge and belief, the accuracy and completeness of the exposure data used in the modeling process to determine the Reat catastrophe risk charges (provide attachments if necessary):

(5) [Redacted]

Provide an explanation of the methodology used to derive the amounts in columns 3 and 4 of page PR027A, PR027B and PR027C.

(6) [Redacted]

(7) Completed on behalf of: [Redacted] (7) Completed By: [Redacted] Last [Redacted] First [Redacted] Middle [Redacted] Title [Redacted]

(7) Email: [Redacted] (7) Phone: [Redacted] Date: [Redacted]

CALCULATION OF CATASTROPHE RISK CHARGE FOR WILDFIRE PR027C FOR INFORMATIONAL PURPOSES ONLY

Wildfire	Reference	Modeled Losses			
		(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable	(4)†† Ceded Amounts Recoverable with zero Credit Risk Charge
(1) Worst Year in 50	Company Records				
(2) Worst Year in 100	Company Records				
(3) Worst Year in 250	Company Records				
(4) Worst Year in 500	Company Records				
				(5) Y/N	
(5) Has the company reported above, its modeled wildfire losses using an occurrence exceedance probability (OEP) basis?					
		(6) Reference	(6) Amount	Factor	(7) RBC Requirement (C(6) * Factor)
(6) Net Wildfire Risk		L(2) C(2)		0 1.000	0
(7) Contingent Credit Risk for Wildfire Risk		L(2) C(3) - C(4)		0 0.018	0
(8) Total Wildfire Catastrophe Risk (AEP Basis)		If L(5) C(5) = "N", L(8) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"		0 1.000	0
(9) Total Wildfire Catastrophe Risk (OEP Basis)		If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"		0 1.000	0
(10) Total Wildfire Catastrophe Risk		L(8) C(7) + L(9) C(7)			0

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, RMS, or KCC† or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

††Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

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

CALCULATION OF CATASTROPHE RISK CHARGE PR027

	<u>Reference</u>	<u>(1)</u> <u>RBC Amount</u>
(1) Total Earthquake Catastrophe Risk	PR027A L(10) C(7)	0
(2) Total Hurricane Catastrophe Risk	PR027B L(10) C(7)	0
(3) Total Wildfire Catastrophe Risk	PR027C L(10)C(7)	0
(4) Total Catastrophe Risk (R _{cat})	$\text{SQRT}(L(1)^2 + L(2)^2)$	0
(4a) Total Catastrophe Risk (R_{cat} For Informational Purposes Only)	$\text{SQRT}(L(1)^2 + L(2)^2 + L(3)^2)$	0

Lines 3 and 4a are for informational purposes only

INTERROGATORY TO SUPPORT EXEMPTION FROM COMPLETING PR027 (To be completed by companies reporting no RBC charge in either Lines 1 through 3) PR027INT

Place an "X" in the appropriate cell for the criteria under which the company is claiming an exemption

A Earthquake Exemption (To be completed by companies reporting no RBC charge in PR027 Line 1) -

- (1) The company has not entered into a reinsurance agreement covering earthquake exposure with a non-affiliate or a non-US affiliate and, either
 - (1a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for earthquake risks; Or
 - (1b) the company cedes 100% of its earthquake exposures to its US affiliate(s), leaving no net exposure for earthquake risks
- (2) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%
- (3) The company has written Insured Value - Property that includes earthquake coverage in the Earthquake-Prone areas representing less than 10% of its surplus as regards policyholders

For any company qualifying for the exemption under 3 provide details about how the "geographic areas in the New Madrid Seismic Zone" were determined.

(3a) What resource was used to define the New Madrid Seismic Zone?

--

(3b) Was exposure determined based on zip codes or counties in the zone, was it based on all of the earthquake exposure in the identified states or was another methodology used? Describe any other methodology used.

Note: "Earthquake-Prone areas" include any of the following states or commonwealths: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.

B Hurricane Exemption (To be completed by companies reporting no RBC charge in PR027 Line 2) -

- (4) The company has not entered into a reinsurance agreement covering hurricane exposure with a non-affiliate or a non-US affiliate and, either
 - (4a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for hurricane risks; Or
 - (4b) the company cedes 100% of its hurricane exposures to its US affiliate(s), leaving no net exposure for hurricane risks
- (5) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%
- (6) The company has written Insured Value - Property that includes hurricane coverage in the Hurricane-Prone areas representing less than 10% of its surplus as regards policyholders

Note: "Hurricane-Prone areas" include Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean, and/or Gulf of Mexico including Puerto Rico.

C Wildfire Exemption (To be completed by companies reporting no RBC charge in PR027 Line 3) -

- (7) The company has not entered into a reinsurance agreement covering wildfire exposure with a non-affiliate or a non-US affiliate and, either
 - (7a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for wildfire risks; Or
 - (7b) the company cedes 100% of its wildfire exposures to its US affiliate(s), leaving no net exposure for wildfire risks
- (8) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%
- (9) The company has written Insured Value - Property that includes wildfire coverage in the wildfire-Prone areas representing less than 10% of its surplus as regards policyholders

Note: "Wildfire-Prone areas" include any of the following states: California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

Denotes items that must be manually entered on the filing software.
* Item C is for informational purposes only.

Calculation of Total Risk-Based Capital After Covariance PR032 R4-Rcat

(1)

R4 - Underwriting Risk - Reserves		PRBC O&I Reference	RBC Amount
(56)	One half of Reinsurance RBC	If R4 L(57)>(R3 L(51) + R3 L(52)), R3 L(52), otherwise, 0	0
(57)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR017 L(15)C(20)	0
(58)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	0
(59)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	0
(60)	Total R4	L(56)+L(57)+L(58)+L(59)	0
R5 - Underwriting Risk - Net Written Premium			
(61)	Total Adjusted NWP RBC	PR018 L(15)C(20)	0
(62)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	0
(63)	Total Net Health Premium RBC	PR022 L(21)C(2)	0
(64)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	0
(65)	Total R5	L(61)+L(62)+L(63)+L(64)	0
Rcat - Catastrophe Risk			
(66)	Total Rcat	PR027 L(4) C(1)	0
(67)	Total RBC After Covariance Before Basic Operational Risk = $R0 + \text{SQRT}(R1^2 + R2^2 + R3^2 + R4^2 + R5^2 + Rcat^2)$		0
(68)	Basic Operational Risk = $0.030 \times L(67)$		0
(69)	C-4a of U.S. Life Insurance Subsidiaries (from Company records)		0
(70)	Net Basic Operational Risk = Line (68) - Line (69) (Not less than zero)		0
(71)	Total RBC After Covariance including Basic Operational Risk = $L(67) + L(70)$		0
(72)	Authorized Control Level RBC including Basic Operational Risk = $.5 \times L(71)$		0

SCHEDULE P PART 1X - LINE OF BUSINESS PR1XX

Column 28III = Column 28C - Column 28I - Column 28II

	(3) Premiums	(24) Total Net Losses and Expenses	(28) Total Losses and Expenses	Earthquake and Hurricane Experience*				(28C) Total Losses and Expenses Incurred, Net excluding Earthquake and Hurricane Losses	Wildfire Catastrophe Experience*				(28III) Total Losses and Expenses Incurred, Net excluding Earthquake, Hurricane and Wildfire Losses	
				(24A) Total U.S. Net Losses Unpaid	(28A) Total U.S. Losses Incurred, Net	(24B) Total Non-U.S. Net Losses Unpaid	(28B) Total Non-U.S. Losses Incurred, Net		(24I) Total U.S. Net Losses Unpaid	(28I) Total U.S. Losses Incurred, Net	(24II) Total Non-U.S. Net Losses Unpaid	(28II) Total Non-U.S. Losses Incurred, Net		
(2) 2013	0		0		0		0		0		0		0	0
(3) 2014	0		0		0		0		0		0		0	0
(4) 2015	0		0		0		0		0		0		0	0
(5) 2016	0		0		0		0		0		0		0	0
(6) 2017	0		0		0		0		0		0		0	0
(7) 2018	0		0		0		0		0		0		0	0
(8) 2019	0		0		0		0		0		0		0	0
(9) 2020	0		0		0		0		0		0		0	0
(10) 2021	0		0		0		0		0		0		0	0
(11) 2022	0		0		0		0		0		0		0	0
(12) Totals		0		0		0			0		0		0	0

Vendor link items
Manual data entry items

*Please provide losses only; no expenses. Catastrophe losses should 1.) be the net losses incurred for the reporting entity, not net losses incurred for the group; 2.) be a subset of, and therefore, less than, total net losses reported in Column (28); 3.) be reported in 000s to be consistent with all values reported in this exhibit; and 4.) not be reported as negative amounts.

**If this line of business has incurred U.S. catastrophe losses arising from events either included on the list of U.S. catastrophe events approved by the Catastrophe Risk Subgroup as available on the NAIC's website or numbered and labeled by PCS as a hurricane, tropical storm, or earthquake, provide only the amount of those catastrophe losses in Catastrophe Experience columns (24A) and (28A).

***If this line of business has incurred non-U.S. catastrophe losses arising from a hurricane, tropical storm, or earthquake from an event included on the list of non-U.S. catastrophe events approved by the Catastrophe Risk Subgroup as available on the NAIC's website, provide only the amount of those catastrophe losses in Catastrophe Experience Columns (24B) and (28B).

****Columns 24I through 28III are for informational purposes only.

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input 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"/> Investment RBC (E) Working Group | <input type="checkbox"/> Operational Risk (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input checked="" type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |

DATE: <u>10/1/2021</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u> TELEPHONE: <u>816-783-8407</u> EMAIL ADDRESS: <u>eyeung@naic.org</u> ON BEHALF OF: <u>P/C RBC (E) Working Group</u> NAME: <u>Tom Botsko</u> TITLE: <u>Chair</u> AFFILIATION: <u>Ohio Department of Insurance</u> ADDRESS: <u>50 W. Town Street, Third Floor – Suite 300</u> <u>Columbus, OH 43215</u>	Agenda Item # <u>2021-14-P</u> Year <u>2022</u> <b style="text-align: center;"><u>DISPOSITION</u> <input type="checkbox"/> ADOPTED _____ <input type="checkbox"/> REJECTED _____ <input type="checkbox"/> DEFERRED TO _____ <input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____ <input checked="" type="checkbox"/> EXPOSED <u>10/25/21</u> <input type="checkbox"/> OTHER (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

DESCRIPTION OF CHANGE(S)

The proposed change would remove the embedded 2% operational risk contained in the R3 credit risk component.

REASON OR JUSTIFICATION FOR CHANGE **

When the reinsurance recoverable credit risk charge was implemented in 2018, a load of operational risk was embedded in the charge. Now, the operational risk is separately addressed in RBC as a standard-alone capital add-on, it results with duplication of the operational risk charge on the reinsurance recoverable component. This proposal intends to eliminate the double-counting effect of the operational risk charge on the component.

Additional Staff Comments:

10/25/21 – The PCRBC WG exposed it for a 30-day public comment period ending Nov. 24.

** This section must be completed on all forms.

Revised 2-2019

PR012 – Credit Risk for Receivables

Reinsurance Recoverables

Detail Eliminated To Conserve Space

Reinsurer Designation Equivalent Rating Category and Corresponding Factors—For RBC R3 Credit Risk Charge						
Description	Secure 1	Secure 2	Secure 3	Secure 4	Secure 5	Vulnerable 6 or Unrated
A.M. Best	A++	A+	A	A-	B++, B+	B, B-, C++, C+, C, C-, D, E, F
Standard & Poor's	AAA	AA+, AA, AA-	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R
Moody's	Aaa	Aa1, Aa2, Aa3	A1, A2	A3	Baa1, Baa2, Baa3	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C
Fitch	AAA	AA+, AA, AA-	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R
Collateralized Amounts Factors	1.6%	2.1%	2.8%	3.0%	3.0%	3.0%
Uncollateralized Amounts Factors	1.6%	2.1%	2.8%	3.3%	5.1%	12.0%

Detail Eliminated To Conserve Space

2020 P&C RBC - Comparison of Action Levels
Current RBC Action Levels vs Alternative RBC Action Level
 Alternative RBC: 2% Reduction on Reinsurance Recoverable RBC Charge for ALL Reinsurance Designation Equivalents

(Excluding Companies with Negative TAC)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL	9						9
	ACL		2					2
	RAL		1	2				3
	CAL			1	13			14
	Trend Test				2	22		24
	No Action			1		2	2,420	2,423
	Total		9	3	4	15	24	2,420

(Companies with TAC Between \$0 and \$5 Million)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL	6						6
	ACL		1					1
	RAL			2				2
	CAL				6			6
	Trend Test				1	5		6
	No Action			1			236	237
	Total		6	1	3	7	5	236

(Companies with TAC Between \$5 and \$25 Million)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL	3						3
	ACL							0
	RAL							0
	CAL			1	5			6
	Trend Test				1	8		9
	No Action					1	761	762
	Total		3	0	1	6	9	761

(Companies with TAC Between \$25 Million and \$75 Million)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL							0
	ACL		1					1
	RAL		1					1
	CAL							0
	Trend Test					5		5
	No Action					1	578	579
	Total		0	2	0	0	6	578

(Companies with TAC Between \$75 Million and \$250 Million)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL							0
	ACL							0
	RAL							0
	CAL				2			2
	Trend Test					2		2
	No Action						430	430
	Total		0	0	0	2	2	430

(Companies with TAC Between \$250 Million and \$1 Billion)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL							0
	ACL							0
	RAL							0
	CAL							0
	Trend Test					1		1
	No Action						267	267
	Total		0	0	0	0	1	267

(Companies with TAC Greater Than \$1 Billion)

		2020 RBC Action Level under Current RBC Formula						Total
		MCL	ACL	RAL	CAL	Trend Test	No Action	Total
2020 RBC Action Level under Alternative RBC Formula	MCL							0
	ACL							0
	RAL							0
	CAL							0
	Trend Test					1		1
	No Action						148	148
	Total		0	0	0	0	1	148

Distributions of Percentage Change in 2020 RBC Ratios by Company Size under Alternative RBC Formula
 Alternative RBC: 2.0% Reduction on Reinsurance Recoverable RBC Charge for ALL Reinsurance Designation Equivalents

RBC Ratio Change\TAC Range	\$0 to \$5	\$5 to \$25	\$25 to \$75	\$75 to \$250	\$250 to \$1,000	Over \$1,000	Total
Less than -50%	0	0	0	0	0	0	0
-50% to -25%	0	0	0	0	0	0	0
-25% to -15%	0	0	0	0	0	0	0
-15% to -5%	0	0	0	0	0	0	0
-5% to 5%	227	662	494	381	249	140	2,153
5% to 15%	12	56	33	22	9	8	140
15% to 25%	9	21	15	11	2		58
25% to 50%	5	18	21	12	5	1	62
Greater than 50%	5	23	23	8	3		62
Subtotal	258	780	586	434	268	149	2,475

Comparison of 2020 RBC Charge under Alternative RBC Formula
 Alternative RBC: 2.0% Reduction on Reinsurance Recoverable RBC Charge for ALL Reinsurance Designation Equivalents

TAC Range (\$ Million)	\$0 to \$5	\$5 to \$25	\$25 to \$75	\$75 to \$250	\$250 to \$1,000	Over \$1,000	Total
R3 - Current	71,884,508	267,078,272	829,927,624	1,471,721,675	1,935,441,255	5,794,628,606	10,370,681,940
R3 - Alternative	56,439,676	183,797,021	536,125,852	916,477,625	1,278,922,632	4,052,194,696	7,023,957,502
Percentage Change	-21.5%	-31.2%	-35.4%	-37.7%	-33.9%	-30.1%	-32.3%
R4 - Current	394,872,924	798,332,703	2,428,351,877	7,678,683,209	19,336,240,504	99,340,612,630	129,977,093,847
R4 - Alternative	385,941,326	773,790,796	2,382,242,619	7,519,699,697	19,005,250,705	97,621,362,500	127,688,287,643
Percentage Change	-2.3%	-3.1%	-1.9%	-2.1%	-1.7%	-1.7%	-1.8%
RBC After Covariance (incl. Oper Risk) - Current	562,635,300	1,914,873,807	5,366,308,507	14,478,094,005	36,933,609,966	314,404,511,521	373,660,033,106
RBC After Covariance (incl. Oper Risk) - Alternative	547,596,925	1,852,681,348	5,154,973,034	14,028,875,322	36,390,326,203	312,701,382,248	370,675,835,080
Percentage Change	-2.7%	-3.2%	-3.9%	-3.1%	-1.5%	-0.5%	-0.8%

2022 #	Owner	2022 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – Life RBC							
1	Life RBC WG	Ongoing	Ongoing	Make technical corrections to Life RBC instructions, blank and /or methods to provide for consistent treatment among asset types and among the various components of the RBC calculations for a single asset type.			
2	Life RBC WG	1	2022 or later	1. Monitor the impact of the changes to the variable annuities reserve framework and risk-based capital (RBC) calculation and determine if additional revisions need to be made. 2. Develop and recommend appropriate changes including those to improve accuracy and clarity of variable annuity (VA) capital and reserve requirements.	CATF	Being addressed by the Variable Annuities Capital and Reserve (E/A) Subgroup	
3	Life RBC WG	1	2022 or later	Provide recommendations for the appropriate treatment of longevity risk transfers by the new longevity factors.	New Jersey	Being addressed by the Longevity (E/A) Subgroup	
Carry-Over Items Currently being Addressed – Life RBC							
4	Life RBC WG	1	2022 or later	Update the current C-3 Phase I or C-3 Phase II methodology to include indexed annuities with consideration of contingent deferred annuities as well	AAA		
5	Life RBC WG	1	2022 or later	Work with the Life Actuarial (A) Task Force and Conning to develop the economic scenario generator for implementation.			
6	Life RBC WG	1	2021	Develop guidance for regulators as it relates to the potential impact of the bond factor changes on 2021 RBC results and the trend test			
6	Life RBC WG	1	2022 or later	Review companies at action levels, including previous years, to determine what drivers of the events are and consider whether changes to the RBC statistics are warranted.			
7	Life RBC WG	1	2022	Update the C-2 mortality treatment based on the Academy's recommendation.			
Carryover Items – RBC IR & E							
8	RBC IRE	2	2022 or Later	Supplementary Investment Risks Interrogatories (SIRI)	Referred from CADTF Referral from Blackrock and IL DOI	The Task Force received the referral on Oct. 27. This referral will be tabled until the bond factors have been adopted and the TF will conduct a holistic review all investment referrals	1/12/2022 11/19/2020
9	RBC IRE	2	2022 or Later	NAIC Designation for Schedule D, Part 2 Section 2 - Common Stocks Equity investments that have an underlying bond characteristic should have a lower RBC charge? Similar to existing guidance for SVO-identified ETFs reported on Schedule D-1, are treated as bonds.	Referred from CADTF Referral from SAPWG 8/13/2018	10/8/19 - Exposed for a 30-day Comment period ending 11/8/2019 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	1/12/2022 10/11/2018
10	RBC IRE	2	2022 or Later	Structured Notes - defined as an investment that is structured to resemble a debt instrument, where the contractual amount of the instrument to be paid at maturity is at risk for other than the failure of the borrower to pay the contractual amount due. Structured notes reflect derivative instruments (i.e. put option or forward contract) that are wrapped by a debt structure.	Referred from CADTF Referral from SAPWG April 16, 2019	10/8/19 - Exposed for a 30-day Comment period ending 11/8/2019 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	1/12/2022 8/4/2019
11	RBC IRE	2	2022 or Later	Comprehensive Fund Review for investments reported on Schedule D Pt 2 Sn2	Referred from CADTF Referral from VOSTF 9/21/2018	Discussed during Spring Mtg. NAIC staff to do analysis. 10/8/19 - Exposed for a 30-day comment period ending 11/8/19 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	1/12/2022 11/16/2018
Ongoing Items – RBC IR&E							

2022 #	Owner	2022 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda	
				New Items - RBC IR &E				
12			2023 or later	Evaluate the appropriate RBC treatment of Asset-Backed Securites (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securites carrying similar types of tail risk (Complex Assets).	Request from E Committee, SAPWG, VOSTF	Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework.	1/12/2022	
13			2025 or later	Phase 2 Bond analysis - evaluate and develop an approach to map other ABS to current bond factors following the established principles from Phase 1 where the collateral has an assigned RBC. This project will likely require an outside consultant and the timeline could exceeds 2-3 years.	Request from E Committee	Per the request of E Committee commest were solicited requesting the need for outside review.	1/12/2022	

Carry-Over Items Currently being Addressed – P&C RBC

14	Cat Risk SG	1		Continue development of RBC formula revisions to include a risk charge based on catastrophe model output:			
			Year-end 2022 or later	a) Evaluate other catastrophe risks for possible inclusion in the charge - determine whether to recommend developing charges for any additional perils, and which perils or perils those should be.	Referral from the Climate and Resiliency Task Force. March 2021	4/26/21 - The SG exposed the referral for a 30-day period. 6/1/21 - The SG forwarded the response to the Climate and Resiliency Task Force. 2/22/22 - The SG adopted proposal 2021-17-CR (adding the wildfire peril for informational purposes only). The SG continues reviewing other perils for possible inclusion in the Rcat	4/26/2021
15	P&C RBC WG	1	Year-end 2020 or later	Evaluate a) the current growth risk methodology whether it is adequately reflects both operational risk and underwriting risk; b) the premium and reserve based growth risk factors either as a stand-alone task or in conjunction with the ongoing underwriting risk factor review with consideration of the operational risk component of excessive growth; c) whether the application of the growth factors to NET proxies adequately accounts for growth risk that is ceded to reinsures that do not trigger growth risk in their own right.	Refer from Operational Risk Subgroup	1) Sent a referral to the Academy on 6/14/18 conference call.	1/25/2018

**CAPITAL ADEQUACY (E) TASK FORCE
 WORKING AGENDA ITEMS FOR CALENDAR YEAR 2022**

2022 #	Owner	2022 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
16	P&C RBC WG	1	2020 Summer Meeting or later	Continue development of RBC formula revisions based on the Covered Agreement: consider whether the factor for uncollateralized, unrated reinsurers, runoff and captive companies should be adjusted		12/5/19 - The WG exposed Proposal 2018-19-P (Vulnerable 6 or unrated risk charge) for a 30-day exposure period. 2/3/20 - The WG adopted Proposal 2018-19-P. However, the WG intended to evaluate the data annually until reaching any agreed upon change to the factor and the structure. 3/15/21 - The WG exposed Proposal 2021-03-P (Credit Risk Instruction Modification) for a 30-day exposure period. 4/27/21 - The WG adopted proposal 2021-03-P. 6/30/21- The CADTF adopted this proposal.	8/4/2018
17	P&C RBC WG	1	Year-end 2021 2022 or later	Evaluate the proposed changes from the Affiliated Investment Ad Hoc Group related to P/C RBC Affiliated Investments			6/10/2019
18	P&C RBC WG	1	2021 2023 Summer Meeting or later	Continue working with the Academy to review the methodology and revise the underwriting (Investment Income Adjustment, Loss Concentration, LOB UW risk) charges in the PRBC formula as appropriate.			6/10/2019
19	Cat Risk SG	1	Year-end 2022 or later	Evaluate the possibility of allowing additional third party models or adjustments to the vendor models to calculate the cat model losses		7/15/21 - The SG is continue evaluating this item. 10/27/21 - The SG exposed the proposal 2021-15-CR (adding KCC model). 12/16/21 - The SG adopted the proposal 2021-15-CR. 3/23/22 - The WG adopted this proposal.	12/6/2019
20	P&C RBC WG	1	2022 2023 Spring Meeting	Evaluate if changes should be made to the P/C formula to better assess companies in runoff.		1/29/20 - received a referral from the Restructuring Mechanisms (E) WG 4/27/21 - The WG forwarded a response to the Restructuring Mechanism (E) WG.	2/3/2020
21	P&C RBC WG	1	2021 2023 Summer Meeting or later	Evaluate the Underwriting Risk Line 1 Factors in the P/C formula.			7/30/2020

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22	Cat Risk-SG	1	2021 Spring Meeting	Modify instructions to PR027 Interrogatories that clarify how insurers with no gross exposure to earthquake or hurricane should complete the interrogatories		10/27/20 – expose the proposal for 30-day comment period 3/8/21 – The SG adopted the proposal-2020-08-CR at the Spring National Meeting. 3/15/21 – The WG adopted this proposal. 3/23/21 – The CADTF adopted this proposal.	10/19/2020
23	P&C-RBC-WG	4	2022-Summer Meeting	Evaluate R3 Adjustment for Operational Risk Charge		10/25/21 – The WG exposed Proposal-2021-14-P (R3 Factor Adjustment) for a 30-day exposure period. 3/23/22 – The WG adopted proposal-2021-14-P.	10/27/2020
22	Cat Risk SG	1	2022 Spring Meeting or later	Implement Wildfire Peril in the Rcat component (For Informational Purpose Only)		7/15/21 - The SG is continue studying this item. 2/22/22 - The SG adopted the proposal 2021-17-CR. 3/23/22 - The WG adopted the proposal.	3/8/2021
New Items – P&C RBC							
23	Cat Risk SG	1	Jun-22	Evaluate the possibility of modifying exemption criteria for different cat perils in the PR027 Interrogatories.		3/22/22 - The SG exposed proposal MOD 2021-17-CR for 14 day comment period.	3/22/2022
24	Cat Risk SG	2	2023 Spring Meeting or later	Evaluate the possibility of enhancing the Independent Model Instructions.			3/22/2022
25	P&C RBC WG	1	Jun-22	Remove the trend test footnote in PR033.		3/23/2022 - The WG exposed proposal 2022-02-P for 30 day comment period.	3/22/2022
Ongoing Items – Health RBC							
26	Health RBC WG	Yearly	Yearly	Evaluate the yield of the 6-month U.S. Treasury Bond as of Jan. 1 each year to determine if further modification to the 0.5% adjustment to the Comprehensive Medical, Medicare Supplement and Dental and Vision underwriting risk factors is required. Any adjustments will be rounded up to the nearest 0.5%.	HRBCWG		11/4/2021

2022 #	Owner	2022 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
27	Health RBC WG	3	Year-end-2022 RBC or later Ongoing	Evaluate the impact of Federal Health Care Law or any other development of federal level programs and actions (e.g. state reinsurance programs, associaton health plans, mandated benefits, and cross-border) for furture changes that may have an impact on the Health RBC Formula.	4/13/2010 CATF Call	Adopted 2014-01H Adopted 2014-02H Adopted 2014-05H Adopted 2014-06H Adopted 2014-24H Adopted 2014-25H Adopted 2016-01-H Adopted 2017-09-CA Adopted 2017-10-H The Working Group will continually evaluate any changes to the health formula as a result of ongoing federal discussions and legislation. Discuss and monitor the development of federal level programs and the potential impact on the HRBC formula.	1/11/2018
28	Health RBC WG	3	Year-end-2022 RBC or later	Discuss and monitor the development of federal level programs and actions and the potential impact of these changes to the HRBC formula: Development of the state reinsurance programs; Association Health Plans; Cross border sales	HRBCWG	Discuss and monitor the development of federal level programs and the potential impact on the HRBC formula.	1/11/2018
Carry-Over Items Currently being Addressed – Health RBC							
28	Health RBC WG	2	Year-End 2024 RBC or Later	Consider changes for stop-loss insurance or reinsurance.	AAA Report at Dec. 2006 Meeting	(Based on Academy report expected to be received at YE-2016) 2016-17-CA	
29	Health RBC WG	2	Year-end 2023 RBC or later	Review the individual factors for each health care receivables line within the Credit Risk H3 component of the RBC formula.	HRBC WG	Adopted 2016-06-H Rejected 2019-04-H Annual Statement Guidance (Year-End 2020) and Annual Statement Blanks Proposal (Year-End 2021) referred to the Blanks (E) Working Group	
30	Health RBC WG	1	Year-end 2023 or later	Conitnue to review the: premium and reserve ratio in the Health Test Ad Hoc Group in the Health Test and Establish an Ad Hoc Group to review the Health Test and review possible annual statement changes for reporting health business in the Life and P/C Blanks.	HRBCWG	Evaluate the applicability of the current Health Test in the Annual Statement instructions in today's health insurance market. Discuss ways to gather additional information for health business reported in other blanks. Referred Proposal 2022-06BWG to Blanks Woriking Group for exposure and consideration.	8/4/2018 2/25/2022

2022 #	Owner	2022 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
31	Health RBC WG	1	Year-end 2023 RBC or later	<p>Work with the Academy to perform a comprehensive review of the H2 - Underwriting Risk component of the Health RBC formula including the Managed Care Credit review (Item 18 above)</p> <p>Review the Managed Care Credit calculation in the Health RBC formula - specifically Category 2a and 2b.</p> <p>Review Managed Care Credit across formulas.</p> <p>As part of the H2 - Underwriting Risk review, determine if other lines of business should include investment income and how investment income would be incorporated to the existing lines if there are changes to the structure.</p>	HRBCWG	Review the Managed Care Category and the credit calculated, more specifically the credit calculated when moving from Category 0 & 1 to 2a and 2b.	4/23/2021 12/3/2018
32	Health RBC WG	1	Year-end 2023 or later	Review referral letter from the Operational Risk (E) Subgroup on the excessive growth charge and the development of an Ad Hoc group to charge.	HRBCWG	Review if changes are required to the Health RBC Formula	4/7/2019
33	Health RBC WG	2	Year-End 2023 or later	Consider impact of COVID-19 and pandemic risk in the Health RBC formula.	HRBCWG		7/30/2020
34	Health-RBC WG	1	Year-End-2021 or later	<p>Work with the Academy to evaluate incorporating and including investment income in the Underwriting Risk component of the Health RBC formula-</p> <p>* Develop a process for reviewing investment income in the underwriting risk factors-</p> <p>* Determine the frequency for which the adjustment should be updated.</p> <p>* Determine if other lines of business should include investment income-</p>	HRBCWG	<p>Referral Letter was sent to the Academy on Sept 21. -- Adopted 5/25/21 by the WG</p> <p>Added instructional changes for annual review. Adopted 2/25/22 by WG</p>	8/18/2020
34	Health RBC WG	3	Year-End 2023 or later	Discuss and determine the re-evaluation of the bond factors for the 20 designations.	Referral from Investment RBC July/2020	Working Group will use two- and five-year time horizon factors in 2020 impact analysis. Proposal 2021-09-H - Adopted 5/25/21 by the WG	9/11/2020
New Items – Health RBC							
35	Health-RBC WG	1	Year-End-2022 or later	Work with the Academy to perform a comprehensive review of the H2 – Underwriting Risk component of the Health RBC formula including the Managed Care Credit review (Item 18 above)	HRBCWG		4/23/2021
New Items – Task Force							
Ongoing Items – Task Force							
35	CADTF	2	2023	Affiliated Investment Subsidiaries Referral Ad Hoc group formed Sept. 2016	Ad Hoc Group	Structural and instructions changes will be exposed by each individual working group for comment in 2022 with an anticipated effective date of 2023.	
Carry-Over Items not Currently being Addressed – Task Force							
				All investment related items referred to the RBC Investment Risk & Evaluation (E) Working Group			1/12/2022

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36	CADTF	3	2021	Receivable for Securities factor		Consider evaluating the factor every 3 years. (2021, 2024, 2027, etc.) Factors are exposed for comment. Comments due May 28, 2021 for consideration on June 30th. Factors Adopted for 2021.	

Carry-Over Items Currently being Addressed – Task Force

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