

2020 Fall National Meeting

CAPITAL ADEQUACY (E) TASK FORCE
Thursday November 19, 2020
1:00 – 2:00 p.m.

Meeting Summary Report

The Capital Adequacy (E) Task Force met Nov. 19, 2020. During this meeting, the Task Force:

1. Adopted its Oct. 17 minutes, which included the following action:
 - a. Adopted its Sept. 25 e-vote minutes.
 - b. Exposed proposal 2020-10-CA to included hybrid securities and pull the bonds form schedules D, DA and schedule E footnotes, for a 45-day comment period ending Dec. 11.
 - c. Received proposal 2020-09-CA, to clarify the asset concentration factor for mutual funds.
2. Adopted the Health Risk-Based Capital (E) Working Group's Oct. 29 and Aug. 18 minutes, which included the following action:
 - a. Adopted its Sept. 11 Meeting minutes.
 - b. Referred the Health Care Receivable Guidance to the Blanks (E) Working Group.
 - c. Adopted proposal 2020-07-H (Split Bonds and Miscellaneous assets into sperate pages).
 - d. Received an update from the American Academy of Actuaries on Investment Income in the Underwriting Risk Component.
 - e. Received an update on the Excessive Growth Charge Ad Hoc Group.
 - f. Received an update on the Health Test Ad Hoc Group.
 - g. Adopted its July 30 minutes.
 - h. Adopted the 2020 Health RBC Newsletter.
 - i. Exposed a referral letter to the Academy to add investment income to the underwriting risk in the Health RBC Formula.
 - j. Adopted updates to its 2020 Working Agenda.
 - k. Exposed the health care receivable guidance.
 - l. Discussed the impact of COVID-19 and Pandemic Risk to the Health RBC Formula.
3. Adopted the Life Risk-Based Capital (E) Working Group's Nov. 10 report, which included the following action:
 - a. Adopted its Oct. 9, Sept. 25, Sept. 11, Aug. 21, and Summer National Meeting minutes, which included the following action:
 1. Adopted industry requested risk-based capital (RBC) mortgage reporting guidance and directed NAIC staff to work with industry on 2021 instructional changes.
 2. Received a memorandum from the Financial Condition (E) Committee on bond factors.
 3. Heard an update from the American Academy of Actuaries (Academy) C2 Mortality Risk Work Group.
 4. Heard an update from the Academy C-3 Work Group.
 - b. Received an update on economic scenario generators (ESGs).
 - c. Discussed possible enhancement to the RBC statistics report.
 - d. Adopted an updated working agenda.
4. Adopted the joint Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup's Nov. 11 e-vote minutes, which included the following action:
 - a. Adopted the 2020 U.S. and Non-U.S. Catastrophe Risk Event Lists.
5. Adopted the Property and Casualty Risk-Based Capital (E) Working Group's Oct. 27 report, which included the following action:
 - a. Adopted its Summer National Meeting minutes.
 1. Adopted the report of the Catastrophe Risk (E) Subgroup, which included the following action:
 2. Adopted its Summer National Meeting minutes.
 3. Exposed proposal 2020-08-CR (Clarification to PR027 Interrogatories).
 4. Discussed the possibility of adding wildfire peril to the Rcat component.
 5. Discussed the internal catastrophe model evaluation process.
 6. Adopted its Feb. 3 minutes, which included the following action:
 - i. Adopted its Feb. 3 minutes.
 - ii. Heard a presentation from Karen Clark & Company (KCC) on its catastrophe model.

- iii. Discussed the possibility of allowing additional third-party commercial vendor models.
 - iv. Discussed the internal catastrophe model evaluation process.
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- b. Adopted the 2020 Property/Casualty (P/C) Risk-Based Capital (RBC) Newsletter.
 - c. Exposed proposal 2020-11-CR (Remove Operational Risk Factor from Rcat).
 - d. Discussed Ref #2019-49: Retroactive Reinsurance Exception from the Statutory Accounting Principles (E) Working Group.
 - e. Discussed a referral from the Restructuring Mechanisms (E) Subgroup.
 - f. Discussed its 2020 working agenda.
 - g. Discussed line 1 underwriting risk reserves and premium methodology.
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- 6. Adopted Proposal 2020-02-CA (ACA Fee Sensitivity Test Removal).
 - 7. Adopted Proposal 2020-04-H (Safe Growth/Safe Harbor Max Function).
 - 8. Adopted Proposal 2020-07-H (Split Bonds and Misc. Assets).
 - 9. Adopted Proposal 2020-12-CR (2020 Cat Event Lists).
 - 10. Adopted its working agenda and voted to disband the Investment Risk-Based Capital (E) Working Group.

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