



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meeting

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

CAPITAL ADEQUACY (E) TASK FORCE

Tuesday, March 23, 2021

12:00 – 1:00 p.m.

Summary Report

The Capital Adequacy (E) Task Force met March 23, 2021. During this meeting, the Task Force:

1. Adopted its Feb. 1 minutes, which included the following action:
 - a. Adopted the 2020 Catastrophe Event List.
 - b. Adopted its 2020 Fall National Meeting minutes.

2. Adopted the report of the Health Risk-Based Capital (E) Working Group, including its March 17 minutes. The report included the following action:
 - a. Received, exposed and discussed the American Academy of Actuaries (Academy) report on the inclusion of investment income in the underwriting risk component and the impact analysis.
 - b. Met March 5 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to discuss the company specific impact analysis.
 - c. Referred the Health Care Receivable Proposal to the Blanks (E) Working Group for consideration in 2021 reporting.
 - d. Exposed proposal 2021-02-CA (Managed Care Credit – Incentives) for a 30-day public comment period ending March 12.
 - e. Received an update on the bond factor impact analysis.
 - f. Received a summary of the Blanks (E) Working Group’s proposals related to health business reporting and discussed the next steps for the Health Test Ad Hoc Group. Heard an update on the Health Test Ad Hoc Group.
 - g. Adopted its 2021 working agenda.
 - h. Referred proposal 2021-02-CA (Managed Care Credit – Incentives) to the Capital Adequacy (E) Task Force for exposure for a 30-day public comment period.
 - i. Received the Academy’s letter on the recommended underwriting factors adjusted for investment income. Discussed the impact analysis for including the adjusted factors for a 0.5%, 1%, 1.5% and 2% return yield and the frequency for adjusting the factors. Exposed proposal 2021-04-CA for a 30-day public comment period ending April 16.
 - j. Received an update on the bond factor impact analysis.

3. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met March 12 and took the following action:
 - a. Adopted its Feb. 26, 2021; Feb. 11, 2021; Jan. 21, 2021; Dec. 17, 2020; and 2020 Fall National Meeting minutes, which included the following action:
 1. Adopted updated mortgage reporting guidance.
 2. Discussed the American Council of Life Insurers’ (ACLI’s) real estate proposal.
 3. Discussed the Moody’s Analytics Bond Report.
 4. Adopted revisions to its working agenda.
 - b. Continued discussion of the ACLI’s real estate proposal.



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4. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met March 15 and took the following action:
 - a. Adopted the Catastrophe Risk (E) Subgroup's Spring National Meeting minutes, which included the following action:
 1. Adopted its Jan. 27 minutes.
 2. Adopted proposal 2020-08-CR (Clarification to PR027 Interrogatories), which the Subgroup exposed for a 30-day public comment period ending Nov. 18, 2020.
 3. Adopted proposal 2020-11-CR (Remove Operational Risk Factor from Rcat), which the Subgroup exposed for a 35-day public comment period ending Dec. 1, 2020.
 4. Discussed the progress of developing wildfire modeling and a risk-based capital (RBC) charge.
 5. Discussed its 2021 working agenda.
 6. Discussed the Internal Catastrophe Model Evaluation Process.
 - b. Adopted the joint Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup's Jan. 27 minutes.
 - c. Adopted proposal 2020-08-CR (Clarification to PR027 Interrogatories), which the Subgroup exposed for a 30-day public comment period ending Nov. 18, 2020.
 - d. Adopted proposal 2020-11-CR (Remove Operational Risk Factor from Rcat), which the Subgroup exposed for a 35-day public comment period ending Dec. 1, 2020.
 - e. Heard an update from the Catastrophe Risk (E) Subgroup on the development process of wildfire modeling and an RBC charge.
 - f. Exposed proposal 2021-03-P (Credit Risk Instruction Modification) for a 30-day public comment period ending April 14.
 - g. Discussed its 2021 working agenda.
 - h. Heard updates on the development of the Property and Casualty Risk-Based Capital Underwriting Risk factors from the American Academy of Actuaries (Academy).
5. Received a guaranty fund memorandum.
6. Adopted proposal 2020-10 (Bond Structure- Health and P/C).
7. Exposed proposal 2021-02-CA (Managed Care Credit) for a 30-day public comment period ending April 22
8. Adopted proposal 2020-08-CR (Clarification to PR027 Interrogatories).
9. Adopted proposal 2020-11-CR (Remove Operational Risk Factor from Rcat).
10. Adopted its working agenda.

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