Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

Capital Adequacy (E) Task Force
Wednesday, November 17, 2021
2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

Meeting Summary Report

The Capital Adequacy (E) Task Force met Nov. 17, 2021. During this meeting, the Task Force:

1. Adopted its Sept. 30, minutes, which included the following action:
   A. Adopted its 2022 proposed charges.

2. Adopted the report of the Health Risk-Based Capital (E) Working Group, including its Nov. 4 minutes, the Working Group took the following action:
   A. Exposed proposal 2021-18-H – benchmarking guidelines for investment income adjustment in the Underwriting Risk Factors, for a 30-day public comment period ending Dec. 3.
   B. Adopted its revised Working Agenda to add an item to review the investment income adjustment annually and revised the priority to 3 for bond factors with a completion date of year-end 2023 or later.
   C. Received an update from the American Academy of Actuaries regarding the H2 – Underwriting Risk Component Review.
   D. Received an update on the Excessive Growth Charge Ad Hoc Group and Health Test Ad Hoc Group.
   E. Discussed incorporating pandemic risk into the Health RBC Formula.

3. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met Nov. 9 and took the following action:
   A. Adopted its Summer National Meeting minutes.
   B. Exposed its guidance document on band factor changes for a 30-day comment period ending Dec. 9.

4. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met Oct. 25, and took the following action:
   A. Adopted its Summer National Meeting minutes, which included the following action:
      i. Adopted its June 9 and April 27 minutes, which included the following action:
      iii. Adopted proposal 2021-08-P (P/C Bond Factors and Instructions).
      iv. Adopted proposal 2021-03-P (Credit Risk Instruction Modification).
      v. Forwarded the response to the Restructuring Mechanisms (E) Subgroup.
      vi. Heard a presentation on property/casualty (P/C) risk-based capital (RBC) underwriting risk factors from the American Academy of Actuaries (Academy).
   B. Heard a report from the Catastrophe Risk (E) Subgroup, which included:
      i. An update from the Catastrophe Model Technical Review Ad Hoc Group, which included Karen Clark & Company’s (KCC’s) and Risk Management Solution’s (RMS’s) written responses to the ad hoc group’s questions on their wildfire models since the Summer National Meeting.
ii. An overview of Catastrophe Risk (E) Subgroup Fall National Meeting, which will include the following items:

iii. Adopt its Sept. 28 minutes, which included the following action:

iv. Discussed its 2021 working agenda.

v. Heard a presentation from KCC regarding the KCC U.S. Wildfire Model.

vi. Discuss the possibility of allowing third-party models calculate the catastrophe model losses.


ix. Hear a presentation from RMS regarding its Wildfire High Definition (HD) Model.

x. Discuss the impact analysis on different third-party commercial wildfire models.

C. 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.

D. Exposed proposal 2021-14-P (R3 Factor Adjustment) for a 30-day public comment period ending Nov. 24.

E. 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.

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

6. Adopted its Working Agenda.

7. Discussed a memorandum to the Financial Condition (E) Committee requesting a new working group under the direction of the Capital Adequacy (E) Task Force.

8. Heard a presentation from Risk Management Solutions (RMS) regarding its North America Wildfire High-Definition Model.