



Draft date: 2/23/24

*Virtual Meeting*

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

Thursday, April 25, 2024

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

**ROLL CALL**

Tom Botsko, Chair	Ohio	Melissa Robertson	New Mexico
Wanchin Chou, Vice Chair	Connecticut	Ni Qin	New York
Charles Hale	Alabama	Will Davis	South Carolina
Rolf Kaumann/Eric Unger	Colorado	Miriam Fisk	Texas
Virginia Christy	Florida	Adrian Jaramillo	Wisconsin
Sandra Darby	Maine		

NAIC Support Staff: Eva Yeung

**AGENDA**

1. Consider Adoption of Proposal 2023-17-CR (Climate Scenario Analysis)  
—*Wanchin Chou (CT)* Attachment One
2. Consider Adoption of Proposal 2024-10-P (Other Health Line)  
— *Tom Botsko (OH)* Attachment Two
3. Consider Adoption of Proposal 2024-11-P (Underwriting Risk Lines 4 & 8 Factors)—*Tom Botsko (OH)* Attachment Three
4. Consider Exposure of Proposal 2024-14-P (Underwriting Risk Line 1 Factors) —*Tom Botsko (OH)* Attachment Four
5. Discuss Any Other Matters Brought Before the Working Group—*Tom Botsko (OH)*
6. Adjournment

## 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"/> P/C RBC (E) Working Group         | <input type="checkbox"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: <u>1/23/24</u></p> <p><b>CONTACT PERSON:</b> <u>Dan Daveline</u></p> <p><b>TELEPHONE:</b> _____</p> <p><b>EMAIL ADDRESS:</b> <u>ddaveline@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Solvency Workstream of the Climate &amp; Resiliency (EX ) Task Force</u></p> <p><b>NAME:</b> _____</p> <p><b>TITLE:</b> _____</p> <p><b>AFFILIATION:</b> _____</p> <p><b>ADDRESS:</b> _____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2023-17-CR</u></p> <p>Year <u>2024</u></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input checked="" type="checkbox"/> SUBGROUP (SG) <u>04/23/2024</u></p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input checked="" type="checkbox"/> SUBGROUP (SG) <u>01/29/2024 03/17/24</u></p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (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"/> Property/Casualty RBC Blanks       | <input type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input type="checkbox"/> Health RBC Instructions | <input checked="" type="checkbox"/> Property/Casualty RBC Instructions | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula      | <input checked="" type="checkbox"/> Property/Casualty RBC Formula      | <input type="checkbox"/> Life and Fraternal RBC Formula      |
| <input type="checkbox"/> OTHER _____             |  |  |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The Solvency Workstream of the Climate & Resiliency (EX) Task Force was tasked with considering the development of climate scenario analysis. The workstream held three public panels on the topic in 2022 and in 2023 learned that commercial CAT modelers have products known as “Climate Conditioned Catalogs” that reflect adjusted frequency and severity for certain time horizons (e.g. 2040 or 2050) that if compared side by side with existing RBC data in PR027 would provide an estimate of climate change for hurricane and wildfire. The information is intended to be useful for domestic regulators holding conversations with insurers that may have a greater degree of risk levels for these perils.

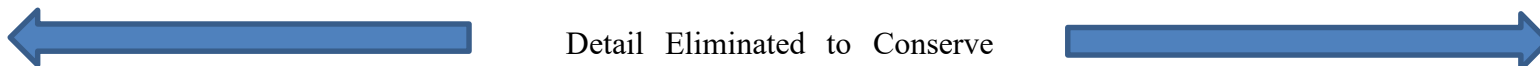
#### Additional Staff Comments:

4/22/24 – the proposal was revised based on the regulator inputs.

**\*\* This section must be completed on all forms.**

**Revised 2-2023**

**CALCULATION OF CATASTROPHE RISK CHARGE RCAT  
PR027A, PR027B, PR027C, PR027, PR027B2, PR027C2 AND PR027INT**



**DISCLOSURE OF CLIMATE CONDITIONED CAT EXPOSURE  
PR027B2, PR027C2**

These disclosures aim at collecting the impact of climate related risks on the modeled losses for the perils of hurricane and wildfire that have been used in PR027B and PR027C respectively. These disclosures will be effective for YE 2024, YE 2025 and YE 2026 reporting. The intent of these disclosures is for informational purposes only and not to determine a new RCAT charge. The impact should be estimated using the following specific instructions:

- Representative Concentration Pathway (RCP) represents a set of projections that are meant to serve as an input for climate modeling, pattern scaling and atmospheric chemistry modeling. For purposes of these instructions, companies should utilize an RCP of 4.5 (or equivalent SSP).
- The impact should be assessed separately under two-time horizons 2040 and 2050.
- Assume a static in-force book of business at year end (no changes to book of business, to reinsurance strategy or to total insured value (TIV) inflation over the projected time horizon).
- The impact can be modeled using either a Climate Conditioned Catalog developed by a commercial CAT model vendor or equivalent view of climate risk internally developed by the insurer or that is the result of adjustments made by the insurer to vendor provided catalogs to represent the own view of climate risk.

The same basic information is required to be completed for this PR027B2 and PR027C2 as the previous pages PR027B and PR027C, including specifically as follows:

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.

In addition, the insurer should provide the following information about the view of climate risk used to determine the climate conditioned modeled losses under each time horizon:

- If a Climate Conditioned Catalog developed by a commercial CAT model vendor is used, provide name and version of the catalog.
- If it is internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers, provide a brief description of assumptions/adjustments made including the sources of climate science research used

**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) <b>Worst Year in 1000</b>	<b>Company Records</b>				
				(5) Y/N	
(6) Has the company reported above, its modeled hurricane losses using an occurrence exceedance probability (OEP) basis?					
		(6) Amount	Factor	(7) RBC Requirement (C(6) * Factor)	
(7) Net Hurricane Risk	L(2) C(2)		0 1.000	0	
(8) Contingent Credit Risk for Hurricane Risk	L(2) C(3) - C(4)		0 0.018	0	
(9) Total Hurricane Catastrophe Risk (AEP Basis)	If L(6) C(5) = "N", L(9) C(6) = L(7) C(7)+ L(8) C(7), otherwise "0"		0 1.000	0	
(10) Total Hurricane Catastrophe Risk (OEP Basis)	If L(6) C(5) = "Y", L(10) C(6) = L(7) C(7)+ L(8) C(7), otherwise "0"		0 1.000	0	
(11) Total Hurricane Catastrophe Risk	L(9) C(7) + L(10) C(7)			0	

Lines (1)-(5): 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.

**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) <b>Worst Year in 1000</b>	<b>Company Records</b>				
				(5) Y/N	
(6) Has the company reported above, its modeled wildfire losses using an occurrence exceedance probability (OEP) basis?					
				(6) Amount	(7) RBC Requirement (C(6) * Factor)
		Reference		Factor	
(7) Net Wildfire Risk		L(2) C(2)		0 1.000	0
(8) Contingent Credit Risk for Wildfire Risk		L(2) C(3) - C(4)		0 0.018	0
(9) Total Wildfire Catastrophe Risk (AEP Basis)		If L(6) C(5) = "N", L(9) C(6) = L(7) C(7)+ L(8) C(7), otherwise "0"		0 1.000	0
(10) Total Wildfire Catastrophe Risk (OEP Basis)		If L(6) C(5) = "Y", L(10) C(6) = L(7) C(7)+ L(8) C(7), otherwise "0"		0 1.000	0
(11) Total Wildfire Catastrophe Risk		L(9) C(7) + L(10) C(7)			0
<u>Disclosure in lieu of model-based reporting:</u>				(8)	(9)
(12) For a company qualifying for the exemption under PR027INT C (10), complete 11a through 11c below:				Direct and Assumed	Net
a. Provide the company's gross and net 1-in-100-year wildfire losses on a best estimate basis in lieu of model-based reporting.					
b. Provide details on how the company estimated the amounts shown in 11a.					
c. Provide a narrative disclosure about how the company manages its wildfire risk.					

Lines (1)-(5): 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.

**DISCLOSURE OF CLIMATE CONDITIONED CAT EXPOSURE FOR HURRICANE PR027BI  
(For Informational Purposes Only)**

Climate Conditioned Modeled Losses for 2040

Hurricane	Reference	(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(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) Worst Year in 1000	Company Records			

View of climate risk used

(6) If a Climate Conditioned Catalog developed by a commercial CAT model vendor is used, provide name and version of the catalog

(7) If it is internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers, provide a brief description of assumptions/adjustments made including the sources of climate science research used:

Lines (1)-(5): Modeled losses to be entered on these lines are to be calculated using the same commercial vendor-catastrophe model, or combination of models used to calculate the CAT Risk Charge.

† 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).

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

**DISCLOSURE OF CLIMATE CONDITIONED CAT EXPOSURE FOR HURRICANE PR027BII**  
**(For Informational Purposes Only)**

Climate Conditioned Modeled Losses for 2050

Hurricane	Reference	(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(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) Worst Year in 1000	Company Records			

View of climate risk used

(6) If a Climate Conditioned Catalog developed by a commercial CAT model vendor is used, provide name and version of the catalog

(7) If it is internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers, provide a brief description of assumptions/adjustments made including the sources of climate science research used:

Lines (1)-(5): Modeled losses to be entered on these lines are to be calculated using the same commercial vendor-catastrophe model, or combination of models used to calculate the CAT Risk Charge.

† 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).

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

**DISCLOSURE OF CLIMATE CONDITIONED CAT EXPOSURE FOR WILDFIRE PR027CI**  
**(For Informational Purposes Only)**

		<u>Climate Conditioned Modeled Losses for 2040</u>		
Wildfire	<u>Reference</u>	(1) <u>Direct and Assumed</u>	(2) <u>Net</u>	3† <u>Ceded Amounts Recoverable</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) Worst Year in 1000	Company Records			

**View of climate risk used**

(6) If a Climate Conditioned Catalog developed by a commercial CAT model vendor is used, provide name and version of the catalog

(7) If it is internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers, provide a brief description of assumptions/adjustments made including the sources of climate science research used:

Lines (1)-(5): Modeled losses to be entered on these lines are to be calculated using the same commercial vendor catastrophe model, or combination of models used to calculate the CAT Risk Charge.

† 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).

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



**DISCLOSURE OF CLIMATE CONDITIONED CAT EXPOSURE FOR WILDFIRE PR027CII**  
**(For Informational Purposes Only)**

Wildfire	Reference	Climate Conditioned Modeled Losses for 2050		
		(1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable
(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) Worst Year in 1000	Company Records			

**View of climate risk used**

(6) If a Climate Conditioned Catalog developed by a commercial CAT model vendor is used, provide name and version of the catalog

[Redacted]

(7) If it is internally developed by the company or developed in collaboration with external climate specialists and/or reinsurance brokers, provide a brief description of assumptions/adjustments made including the sources of climate science research used:

[Redacted]

Lines (1)-(5): Modeled losses to be entered on these lines are to be calculated using the same commercial vendor catastrophe model, or combination of models used to calculate the CAT Risk Charge.

† 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).

[Redacted] 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 type="checkbox"/> Catastrophe Risk (E) Subgroup                        | <input type="checkbox"/> Investment RBC (E) Working Group     | <input type="checkbox"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input checked="" type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;"><b>DATE:</b> <u>1/10/24</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>P/C RBC (E) Working Group</u></p> <p><b>NAME:</b> <u>Tom Botsko</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <hr/> <p>Agenda Item # <u>2024-10-P</u> Year <u>2024</u></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WF) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>03/17/24</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (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"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions      | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula      | <input type="checkbox"/> Property/Casualty RBC Formula           | <input type="checkbox"/> Life and Fraternal RBC Formula      |
| <input type="checkbox"/> OTHER _____             |  |  |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal included the following changes:

- 1) Add "in part" to the Line 25 Annual Statement Source.
- 2) Update Column 1, Line 25 to "Company Record".

The reason for the change is to eliminate the double-counting issue for those companies that have stop-loss premium as the stop loss premium is expected to be entered on Line 9 of PR019.

**Additional Staff Comments:**

**\*\* This section must be completed on all forms.**

**Revised 2-2023**

**HEALTH PREMIUMS PR019**

		(1)	(2)
	Annual Statement Source	Statement Value	RBC Requirement
<u>Medical Insurance Premium - Individual</u>			
(1)	Comprehensive (Medical and Hospital)	Earned Premium (Schedule H Part 1 Column 3 Line 2)	XXX
(2)	Medicare Supplement	Earned Premium (Schedule H Part 1 Column 7 Line 2 in part)	XXX
(3)	Dental & Vision	Earned Premium (Schedule H Part 1 Columns 9 + 11 Line 2 in part)	XXX
(3.1)	Stand-Alone Medicare Part D Coverage	Earned Premium (Schedule H Part 1 Line 2 in part)	XXX
(3.2)	Supplemental Benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0
(3.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0
(4)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0
(5)	AD&D (Maximum Retained Risk Per Life) 0	Earned Premium (Schedule H Part 1 Line 2 in part)	0
(6)	Other Accident	Earned Premium (Schedule H Part 1 Line 2 in part)	0
<u>Medical Insurance Premium - Group and Credit</u>			
(7)	Comprehensive (Medical and Hospital)	Earned Premium (Schedule H Part 1 Column 5 Line 2)	XXX
(8)	Dental & Vision	Earned Premium (Schedule H Part 1 Columns 9 + 11 Line 2 in part)	XXX
(9)	Stop Loss and Minimum Premium	Earned Premium (Schedule H Part 1 Line 2 in part)	0
(10)	Medicare Supplement	Earned Premium (Schedule H Part 1 Column 7 Line 2 in part)	XXX
(10.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (Schedule H Part 1 Line 2 in part)	XXX
(10.2)	Supplemental benefits within Stand-Alone Part D Coverage (Claims Incurred)	Company Records	0
(10.3)	Medicaid Pass-Through Payments Reported as Premium	Company Records	0
(11)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0
(12)	AD&D (Maximum Retained Risk Per Life) 0	Earned Premium (Schedule H Part 1 Line 2 in part)	0
(13)	Other Accident	Earned Premium (Schedule H Part 1 Line 2 in part)	0
(14)	Federal Employee Health Benefit Plan	Earned Premium (Schedule H Part 1 Column 13, Line 2)	0
<u>Disability Income Premium</u>			
(15)	Noncancellable Disability Income - Individual Morbidity	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
(16)	Other Disability Income - Individual Morbidity	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
(17)	Disability Income - Credit Monthly Balance Plans	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
(18)	Disability Income - Group Long-Term	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
(19)	Disability Income - Credit Single Premium with Additional Reserve	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
(20)	Disability Income - Credit Single Premium without Additional Reserve	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
(21)	Disability Income - Group Short-Term	Earned Premium (Schedule H Part 1 Column 21 Line 2 in part)	0
<u>Long-Term Care</u>			
(22)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium (Schedule H Part 1 Column 23 Line 2 in part)	0
(23)	Other Long-Term Care Premium ‡ ‡	Earned Premium (Schedule H Part 1 Column 23 Line 2 in part)	0 ‡ ‡
<u>Health Premium with Limited Underwriting Risk</u>			
(24)	ASC Business with Premium Revenue	Earned Premium (Schedule H Part 1 Line 2 in part)	0
<u>Other Health</u>			
(25)	Other Health	Earned Premium (Schedule H Part 1 Column 25 Line 2 in part)	0
(26)	Total Earned Premiums	Sum of Lines (1) through (25)	0
C(1), L(26) should equal Schedule H Part 1 Column 1 Line 2			
(27)	Additional Reserves for Credit Disability Plans	Company records	§
(28)	Additional Reserves for Credit Disability Plans, prior year	Company records	§

† The premium amounts in these lines are transferred to PR020 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement, Dental & Vision and Stand-Alone Medicare Part D Coverage Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into, the company may also complete PR021 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete PR012 Health Credit Risk in the formula. If there are amounts in any of lines (1), (2), (3), (7), (8) or (10) on page PR019 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of PR023.

‡ The two tiered calculation is illustrated in the risk-based capital instructions for PR019 Health Premiums.

‡ ‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on Page PR023. The premium is shown to allow totals to check to Schedule H.

\* If there is premium included on either or both of these lines, the RBC value in Column (2) will include 3.5% of such premium and \$50,000 (included in the line with the larger premium).

\*\* The factor applies to all Noncancellable premium.

§ These amounts are used to adjust the premium base for single premium credit disability plans that carry additional tabular reserves.

¥ A factor of .350 will be applied to the first \$25,000,000 in Column (1), Line (9) and a factor of .250 will be applied to the remaining premium in excess of \$25,000,000.

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

## Capital Adequacy (E) Task Force

### RBC Proposal Form

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|---|---|---|
| <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"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input checked="" type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;"><b>DATE:</b> <u>1/10/24</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>P/C RBC (E) Working Group</u></p> <p><b>NAME:</b> <u>Tom Botsko</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b><u>FOR NAIC USE ONLY</u></b></p> <p>Agenda Item # <u>2024-11-P</u> Year <u>2024 &amp; 2025</u></p> <p style="text-align: center;"><b><u>DISPOSITION</u></b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WF) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>3/17/24</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (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"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions      | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula      | <input type="checkbox"/> Property/Casualty RBC Formula           | <input type="checkbox"/> Life and Fraternal RBC Formula      |
| <input type="checkbox"/> OTHER _____             |  |  |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The Factors are developed based on the 2023 American Academy of Actuaries (Academy) Report for “*Update to Property and Casualty Risk-Based Capital Underwriting Factors and Investment Income Adjustment Factors*” At the 2024 Spring National Meeting, the Working Group agreed to expose the following for a 30-day public comment period ending April 16:

- 1) Reserve Factors: 2024 Reporting - 50% indicated change with capped international and product liability lines for 2024.  
2025 Reporting – 100% indicated change with capped international and product liability lines for 2025.
- 2) Premium Factors: 2024 Reporting - 50% indicated change with capped Financial Mortgage Guaranty line for 2024.  
2025 Reporting – 100% indicated change with capped Financial Mortgage Guaranty line for 2025.

#### Additional Staff Comments:

\*\* This section must be completed on all forms.

Revised 2-2023

50% Indicated Change with Capped International and Product Liability in 2024  
 100% Indicated Change with Capped International and Product Liability in 2025

PR017 Underwriting Risk - Reserves			
Proposed Line (4), Industry Loss & Expense RBC Factors			
Col.	Line of Business	2024 Factor	2025 Factor
(1)	H/F	0.220	0.226
(2)	PPA	0.192	0.205
(3)	CA	0.318	0.360
(4)	WC	0.363	0.382
(5)	CMP	0.485	0.475
(6)	MPL Occurrence	0.327	0.271
(7)	MPL Claims Made	0.224	0.172
(8)	SL	0.353	0.401
(9)	OL	0.514	0.496
(10)	Fidelity/Surety	0.479	0.586
(11)	Special Property	0.259	0.272
(12)	Auto Physical Damage	0.146	0.137
(13)	Other (Credit A&H)	0.223	0.225
(14)	Financial/Mortgage Guaranty	0.163	0.146
(15)	INTL	0.514	0.669
(16)	REIN. P&F Lines	0.367	0.319
(17)	REIN. Liability	0.626	0.596
(18)	PL	1.014	1.226
(19)	Warranty	0.363	0.355
(20)	Pet Insurance	0.259	0.272

PR017 Underwriting Risk - Reserves			
Proposed Line (8), Adjustment for Investment Income			
Col.	Line of Business	2024 Factor	2025 Factor
(1)	H/F	0.945	0.951
(2)	PPA	0.933	0.937
(3)	CA	0.919	0.926
(4)	WC	0.807	0.783
(5)	CMP	0.887	0.898
(6)	MPL Occurrence	0.863	0.861
(7)	MPL Claims Made	0.890	0.896
(8)	SL	0.887	0.884
(9)	OL	0.858	0.864
(10)	Fidelity/Surety	0.924	0.908
(11)	Special Property	0.960	0.954
(12)	Auto Physical Damage	0.977	0.978
(13)	Other (Credit A&H)	0.952	0.936
(14)	Financial/Mortgage Guaranty	0.921	0.916
(15)	INTL	0.878	0.881
(16)	REIN. P&F Lines	0.907	0.913
(17)	REIN. Liability	0.816	0.793
(18)	PL	0.843	0.844
(19)	Warranty	0.951	0.961
(20)	Pet Insurance	0.960	0.954

\*Cat Lines

50% Indicated Change with Capped Financial Mortgage Guaranty in 2024  
 100% Indicated Change with Capped Financial Mortgage Guaranty in 2025

PR018 Underwriting Risk - Premiums			
Proposed Line (4), Industry Losses & Loss Adjustment Expense Ratio			
Col.	Line of Business	2024 Factor	2025 Factor
(1)	H/F	0.933	0.930
(2)	PPA	0.970	0.970
(3)	CA	1.012	1.014
(4)	WC	1.041	1.037
(5)	CMP	0.878	0.873
(6)	MPL Occurrence	1.531	1.394
(7)	MPL Claims Made	1.138	1.146
(8)	SL	0.908	0.894
(9)	OL	1.003	0.993
(10)	Fidelity/Surety	0.756	0.657
(11)	Special Property	0.829	0.795
(12)	Auto Physical Damage	0.836	0.835
(13)	Other (Credit A&H)	0.931	0.926
(14)	Financial/Mortgage Guaranty	1.805	2.012
(15)	INTL	1.355	1.476
(16)	REIN. P&F Lines	1.072	0.973
(17)	REIN. Liability	1.253	1.183
(18)	PL	1.229	1.194
(19)	Warranty	0.920	0.985
(20)	Pet Insurance	0.829	0.795

PR018 Underwriting Risk - Premiums			
Proposed Line (7), Adjustment for Investment Income			
Col.	Line of Business	2024 Factor	2025 Factor
(1)*	H/F	0.960	0.966
(2)	PPA	0.931	0.937
(3)	CA	0.897	0.903
(4)	WC	0.836	0.833
(5)*	CMP	0.909	0.921
(6)	MPL Occurrence	0.781	0.795
(7)	MPL Claims Made	0.845	0.863
(8)*	SL	0.911	0.924
(9)	OL	0.827	0.837
(10)	Fidelity/Surety	0.913	0.922
(11)*	Special Property	0.953	0.957
(12)	Auto Physical Damage	0.975	0.979
(13)	Other (Credit A&H)	0.953	0.958
(14)	Financial/Mortgage Guaranty	0.888	0.891
(15)*	INTL	0.915	0.925
(16)*	REIN. P&F Lines	0.906	0.919
(17)*	REIN. Liability	0.794	0.811
(18)	PL	0.788	0.801
(19)	Warranty	0.938	0.972
(20)*	Pet Insurance	0.953	0.957

\*Cat Lines

## 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"/> Longevity Risk (A/E) Subgroup                      |
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<p style="text-align: right;">DATE: <u>4/12/24</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>P/C RBC (E) Working Group</u></p> <p><b>NAME:</b> <u>Tom Botsko</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <hr/> <p>Agenda Item # <u>2024-14-P</u> Year <u>2024</u></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WF) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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#### IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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| <input type="checkbox"/> Health RBC Formula      | <input type="checkbox"/> Property/Casualty RBC Formula           | <input type="checkbox"/> Life and Fraternal RBC Formula      |
| <input type="checkbox"/> OTHER _____             |  |  |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The proposed change would provide a routine annual update of the industry underwriting factors (premium and reserve) in the PCRBC formula.

#### Additional Staff Comments:

\*\* This section must be completed on all forms.

Revised 2-2023

Schedule P Line of Business	LOB	Proposed for adoption - 2024 Industry Average Development Ratio	2023 Industry Average Development	2022 Industry Average Development	2021 Industry Average Development	2020 Industry Average Development	2019 Industry Average Development	2018 Industry Average Development	2017 Industry Average Development	2016 Industry Average Development	2015 Industry Average Development
H/F	A	1.020	0.999	1.001	0.998	0.993	0.989	0.989	0.984	0.972	0.962
PPA	B	1.061	1.047	1.022	1.025	1.035	1.026	1.022	1.012	1.002	1.002
CA	C	1.115	1.106	1.082	1.083	1.078	1.087	1.060	1.034	1.015	0.987
WC	D	0.882	0.873	0.906	0.912	0.916	0.955	0.952	0.971	0.971	0.961
CMP	E	1.024	1.026	1.037	0.999	1.016	0.992	0.967	0.956	0.942	0.938
MM Occurrence	F1	0.910	0.906	0.887	0.874	0.861	0.864	0.871	0.868	0.841	0.966
MM Clms Made	F2	0.996	0.984	0.983	0.973	0.940	0.907	0.886	0.854	0.822	0.839
SL	G	0.996	0.994	0.990	0.976	0.963	0.938	0.933	0.926	0.919	0.975
OL	H	0.993	0.969	0.995	0.964	0.968	0.971	0.966	0.952	0.929	0.923
Fidelity / Surety	K	0.875	0.852	0.842	0.915	0.907	0.995	0.996	1.016	1.035	1.016
Special Property/Pet Insurance Plan	I/U	0.989	0.983	0.993	0.978	0.977	0.972	0.971	0.982	0.973	0.991
Auto Physical Damage	J	0.999	1.016	1.011	0.989	0.993	0.996	1.000	1.001	0.995	0.995
Other (Credut, A&H)	L	0.942	0.946	0.955	0.965	0.971	0.973	0.976	0.981	0.986	1.041
Financial / Mortgage Guaranty	S	0.493	0.674	0.694	0.723	0.682	0.788	0.870	0.820	0.853	1.185
Intl	M	2.168	2.414	3.041	1.104	1.162	1.037	0.851	0.855	0.897	1.350
Rein. Property & Financial Lines	NP	0.930	0.924	0.917	0.893	0.886	0.872	0.834	0.814	0.814	1.002
Rein. Liability	O	1.054	1.024	1.008	0.989	0.985	0.955	0.945	0.914	0.896	0.938
PL	R	0.882	0.874	0.867	0.879	0.900	0.913	0.921	0.935	0.937	1.072
Warranty	T	0.991	0.995	0.998	1.007	1.013	1.017	1.015	0.989	0.977	0.994



Schedule P Line of Business	LOB	Proposed 2024 Industry Average Loss & Expense Ratio	2023 Industry Average Loss & Expense Ratio	2022 Industry Average Loss & Expense Ratio	2021 Industry Average Loss & Expense Ratio	2020 Industry Average Loss & Expense Ratio	2019 Industry Average Loss & Expense Ratio	2018 Industry Average Loss & Expense Ratio	2017 Industry Average Loss & Expense Ratio	2016 Industry Average Loss & Expense Ratio	2015 Industry Average Loss & Expense Ratio
H/F	A	<b>0.695</b>	0.679	0.665	0.681	0.678	0.681	0.687	0.688	0.701	0.701
PPA	B	<b>0.799</b>	0.791	0.793	0.795	0.810	0.810	0.806	0.800	0.792	0.786
CA	C	<b>0.787</b>	0.777	0.761	0.761	0.759	0.737	0.724	0.706	0.689	0.684
WC	D	<b>0.646</b>	0.651	0.664	0.682	0.705	0.726	0.744	0.751	0.752	0.751
CMP	E	<b>0.684</b>	0.671	0.661	0.673	0.672	0.666	0.664	0.647	0.648	0.655
MM Occurrence	F1	<b>0.752</b>	0.767	0.750	0.731	0.726	0.730	0.780	0.777	0.767	0.880
MM Clms Made	F2	<b>0.828</b>	0.815	0.829	0.821	0.797	0.768	0.747	0.722	0.691	0.697
SL	G	<b>0.583</b>	0.578	0.585	0.593	0.603	0.593	0.569	0.567	0.572	0.630
OL	H	<b>0.649</b>	0.641	0.637	0.635	0.639	0.638	0.633	0.629	0.618	0.616
Fidelity / Surety	K	<b>0.375</b>	0.363	0.366	0.394	0.384	0.399	0.417	0.430	0.464	0.462
Special Property/ <b>Pet Insurance Plan</b>	I/U	<b>0.559</b>	0.550	0.547	0.559	0.553	0.554	0.563	0.555	0.559	0.571
Auto Physical Damage	J	<b>0.733</b>	0.727	0.718	0.726	0.732	0.730	0.732	0.727	0.711	0.703
Other (Credit, A&H)	L	<b>0.711</b>	0.702	0.698	0.693	0.684	0.682	0.709	0.712	0.699	0.706
Financial / Mortgage Guaranty	S	<b>0.158</b>	0.209	0.203	0.252	0.513	0.811	1.099	1.175	1.293	1.096
Intl	M	<b>1.153</b>	1.136	1.166	0.769	0.758	0.795	0.584	0.565	0.607	1.150
Rein. Property & Financial Lines	NP	<b>0.587</b>	0.578	0.566	0.558	0.534	0.522	0.486	0.459	0.512	0.723
Rein. Liability	O	<b>0.760</b>	0.743	0.725	0.713	0.708	0.679	0.666	0.609	0.600	0.749
PL	R	<b>0.594</b>	0.597	0.601	0.617	0.645	0.656	0.671	0.670	0.684	0.715
Warranty	T	<b>0.641</b>	0.652	0.665	0.681	0.691	0.695	0.732	0.645	0.611	0.799