Draft date: 7/6/26

Virtual Meeting

HEALTH RISK-BASED CAPITAL (E) WORKING GROUP
Wednesday, July 15, 2026
3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

ROLL CALL

Steve Drutz, Chair	Washington	Tish Becker	Kansas
Danielle Smith, Vice Chair	Missouri	Michel Laverdiere	New York
Wanchin Chou	Connecticut	Diana L. Sherman	Pennsylvania
Kyle Collins	Florida	Bing Wu/Sean Fulton	Texas

NAIC Committee Support: Derek Noe/Maggie Chang

AGENDA

1. Consider Adoption of its May 7 Minutes—*Steve Drutz (WA)* — Attachment 1

2. Discuss the 2025 Health Risk-Based Capital (RBC) Statistics—*Steve Drutz (WA)* — Attachment 2

3. Consider Adoption of the 2026 Health RBC Newsletter—*Steve Drutz (WA)* — Attachment 3

4. Receive Comments on the Request for Additional Data Analysis Ideas —*Steve Drutz (WA)* — Attachment 4
   A. AHIP — Attachment 5
   B. United HealthGroup (UHG) — Attachment 6

5. Discuss Time Horizon in Factor Development—*Steve Drutz (WA)* — Attachment 7

6. Discuss Medicaid Pass-Through and State Payment Terms—*Steve Drutz (WA)*

7. Discuss Any Other Matters Brought Before the Working Group —*Steve Drutz (WA)*

8. Adjournment

Draft: 5/22/26

Health Risk-Based Capital (E) Working Group
Virtual Meeting
May 7, 2026

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met May 7, 2026. The following Working Group members participated: Steve Drutz, Chair (WA); Danielle Smith, Vice Chair (MO); Kyle Collins (FL); Sarah Smith (KS); Margaret Otto (NE); and Bing Wu (TX).

1. Adopted its Spring National Meeting Minutes

The Working Group met March 23 and took the following action: 1) adopted its Feb. 13 minutes; 2) referred proposal 2025-15-CA MOD to the Capital Adequacy (E) Task Force; 3) exposed proposal 2026-03-CA; 4) exposed the underwriting factor three-year phase-in analysis; and 5) heard a presentation from the American Academy of Actuaries (Academy).

Smith made a motion, seconded by Otto, to adopt the Working Group's March 23 minutes (*see NAIC Proceedings – Spring 2026, Capital Adequacy (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Referred Proposal 2026-03-CA to the Capital Adequacy (E) Task Force

Drutz said that proposal 2026-03-CA is the annual update to the investment income adjustment for comprehensive medical, Medicare supplement, and dental and vision lines of business. The proposal uses the line of business expansion found in proposal 2025-15-CA and includes a standalone line for the income adjustment factors. The proposal was exposed during the Spring National Meeting for a 30-day comment period ending April 22, and no comments were received. Drutz recommended referring the proposal to the Capital Adequacy (E) Task Force for re-exposure to all lines of business.

Smith made a motion, seconded by Collins, to refer the proposal to the Capital Adequacy (E) Task Force. The motion passed unanimously.

3. Heard Comments on the Phase-In Analysis Document

The Working Group exposed a phase-in analysis document during the Spring National Meeting for a 30-day comment period ending April 22, and three comment letters were received.

Ray Neslon (AHIP) said that AHIP supports a three-year phase-in to implement the changes to the factors and premium tier thresholds presented in the Academy's report. He noted that the original impact analysis indicated that 153 companies would experience an adverse change in risk-based capital (RBC) percentage when using the full change from the Academy's report. He asked if the analysis could be further broken down by company size and include a change to RBC percentage in the broken-out categories, as well as in total, to better grasp the magnitude of the change. He also asked for an update on the letter the Working Group sent to the Academy, which was presented during the Feb. 13 Working Group meeting, and for answers to the questions within it.

Drutz asked what basis the company size should be ranked on for the additional analysis. Nelson replied that his initial thought would be premium size, as the underwriting risk uses premium for the risk tiers. Drutz asked how the increase in RBC charge would be calculated. Nelson said that it could be determined by comparing the current risk charge required capital to the proposed risk charge required capital, and expressing the difference as a percentage increase or decrease. Drutz said the Working Group would talk with NAIC committee support to determine what additional analysis could be provided, and that the Working Group was using the one-year time horizon 87.5% risk level factors for the current analysis, but the Working Group would have further discussion in the coming meetings about which factors set from the Academy report are appropriate.

Carl Labus (Blue Cross Blue Shield Association—BCBSA) said that BCBSA would like to see other stratifications of the analysis presented and believed the methods discussed by Nelson would be reasonable. Labus also noted that the letter to the Academy contained many questions, and BCBSA was awaiting answers and wondering whether there was anything that could be done to help. BCBSA supports the three-year phase-in approach. Drutz said that NAIC committee staff reached out to the Academy regarding the response to the Working Group's letter, but the Academy did not provide a date for the response. Drutz noted that in the letter, BCBSA calls out premium size and capital size as possible ways to separate companies by size and asked whether the expected analysis would be based on one variable or both in tandem. Labus said the analysis would be conducted on an individual basis and that either the premium size or the capital held could be used to classify the companies into size categories. Drutz asked if diversification would be a separate analysis. Labus clarified that being able to see the effects of the new risk charges based on the number of lines of business written by companies would be valuable.

James Braue (UnitedHealth Group—UHG) said UHG remains concerned about the time period used in the Academy's analysis, the unusual events that occurred during that period, and the lack of Medicaid tiering. UHG is concerned that contemplating a phase-in with these open questions could result in inappropriate factors being implemented. The diversification benefit could affect nearly half of the companies in the analysis, and the diversification credit may be necessary to implement the factors. Drutz asked which years would need data changes to remove the effects of the Affordable Care Act (ACA) or COVID from the analysis. Braue said UHG does not believe the COVID impact should be removed but that the effect should be reduced in the data. The impact is concentrated in the years 2020 and 2021, and the data would be treated as a once-in-10-year event in the current analysis. An analysis that includes the COVID years and excludes them could be combined to produce factors that would reduce the event's impact. The ACA was primarily implemented in 2013 and 2014, but year-by-year data should be analyzed to ensure this accounts for the majority of the impact.

Braue said that while there are changes affecting the industry every year, UHG does not believe future changes will have the same impact on company solvency that the ACA did. UHG believes that the ACA should be excluded entirely, but a weighted average of the factors, including the ACA, should be used, depending on the Working Group's assessment of the likelihood of a future event similar to the ACA. Drutz said the Academy had proposed revisiting the factors every five years and asked whether UHG wanted the analysis to be more often or if the five-year time frame seemed reasonable. Braue said that five-year revisits seemed reasonable but that this should be revisited in the future. The main concern of UHG is the years used in the Academy's report and the outsized impact that the ACA and COVID could have on the factors that would make them larger than they would be otherwise. Drutz said the three-year phase-in would allow the diversification credit to be developed before the total factors are in effect, and to implement the first third of the factors while the credit is developed.

4. Discussed Managed Care Credit Drafting Group

Drutz said the Working Group exposed a draft of an annual statement managed care credit expansion in November 2025 and received four comment letters during its February 2026 meeting. The industry expressed concerns about the clarity of the instructions and definitions for the various managed care credit lines, as well as the structure of the instructions. The Working Group sent questions about the draft in the letter to the Academy and wants to start discussions about the types of managed care credits and definitions.

Drutz asked if there would be interest in a drafting group to develop the definitions and descriptions for the managed care credit. AHIP, BCBSA, and UHG all expressed interest in joining a drafting group. Drutz said he would work with the committee support to create the drafting group.

5. Discussed Data Used in the Academy's H-2 Underwriting Risk Report

Drutz said a common theme in interested party comments on the Academy's H-2 Underwriting Risk Report was that the data was old, and the ACA and COVID may have made the years volatile. NAIC committee support analyzed the underwriting profit and loss by data year, and Drutz asked NAIC committee support to present the analysis.

Derek Noe (NAIC) said the analysis used the data sent to the Academy for use in the H-2 Underwriting Risk Report, and then the years 2022, 2023, 2024, and 2025 were added. The analysis uses the underwriting profit or loss as reported on line 24 of page seven of the Health Annual Statement. Companies that reported zero profit or loss on line 24 were excluded from the analysis. The data set shows that after 2021, the industry reports lower underwriting profits, with a decreasing percentage of companies reporting profits. Drutz asked whether any analyses could be provided to address the concerns of interested parties about the data used in the Academy's H-2 Underwriting risk report. To facilitate this, the Working Group exposed the analysis for a 32-day comment period ending June 8 to receive comments on what additional analysis the industry would like to see to help alleviate or substantiate data concerns.

6. Discussed Other Matters

Drutz said that proposal 2025-15-CA, A&H Underwriting Risk Structure Change, would be considered for adoption during the Capital Adequacy (E) Task Force meeting on May 14 and that proposal 2026-03-CA would be re-exposed.

Having no further business, the Health Risk-Based Capital (E) Working Group adjourned.

Aggregated Health Risk-Based Capital Data
2025 Data as of 6/1/2026

	2025 Health RBC	2024 Health RBC	2023 Health RBC	2022 Health RBC	2021 Health RBC	2020 Health RBC Excluding ACA Fees	2020 Health RBC
Companies that have an RBC loaded on the database	1145	1143	1146	1143	1095	1067	1067
Companies with action levels excluding trend test:	23	21	16	28	12	15	15
Percentage of total RBC's loaded	2.01%	1.84%	1.40%	2.45%	1.10%	1.41%	1.41%
(5) Company Action Level - Trend Test	20	18	5	13	15	12	12
(1) Company Action Level	9	8	4	6	5	4	4
(2) Regulatory Action Level	4	2	4	10	2	3	3
(3) Authorized Control Level	3	7	3	0	2	2	2
(4) Mandatory Control Level	7	4	5	12	3	6	6
Total H0 (H0 - Asset Risk - Affiliates w/RBC)	8,036,379,175	6,664,812,697	6,173,504,244	6,291,267,994	6,077,847,595	5,192,392,682	5,192,392,682
Total H1 (H1 - Asset Risk - Other)	17,618,109,777	15,296,110,720	15,575,455,266	14,838,262,774	15,015,094,709	11,292,103,225	11,292,103,225
Total H2 (H2 - Underwriting Risk)	77,888,580,646	65,691,287,678	60,486,797,414	58,513,470,158	52,350,782,384	45,819,164,666	45,819,164,666
Total H3 (H3 - Credit Risk)	7,607,840,848	7,057,569,411	6,586,546,767	5,526,140,601	4,762,549,718	4,199,732,859	4,199,732,859
Total H4 (H4 - Business Risk)	10,586,521,875	9,720,659,424	9,128,612,495	8,609,609,597	7,882,405,838	7,481,764,896	7,481,764,896
Total RBC Before Covariance	121,737,432,321	104,430,439,930	97,950,916,186	93,778,751,124	86,088,680,244	73,985,158,328	73,985,158,328
Net Basic Operational Risk	2,776,481,886	2,364,481,422	2,197,013,488				
Total Adjusted Capital	255,583,920,713	238,880,653,855	235,574,847,325	220,326,411,094	211,045,740,619	193,852,790,008	193,859,548,232
ACA Fees						6,758,224	
Authorized Control Level RBC *	47,885,122,516	40,584,351,341	37,756,237,282	36,522,419,595	33,256,637,840	28,853,148,695	28,853,148,695
Aggregate RBC %	534%	589%	624%	603%	635%	672%	672%
Median RBC %	656%	648%	643%	628%	633%	706%	707%
# of Companies with an RBC Ratio of > 10,000%	136	134	143	148	121	143	143
# of Companies with an RBC Ratio of ≤ 10,000% & > 1,000%	272	265	262	232	243	259	259
# of Companies with an RBC Ratio of ≤ 1,000% & > 500%	305	308	327	333	356	320	320
# of Companies with an RBC Ratio of ≤ 500% & > 300%	350	364	363	341	301	278	278
# of Companies with an RBC Ratio of ≤ 300% & > 250%	34	27	16	35	32	N/A	N/A
# of Companies with an RBC Ratio of ≤ 250% & > 200%	25	24	19	25	28	N/A	N/A
# of Companies with an RBC Ratio of ≤ 300% & > 200%	NA	N/A	N/A	N/A	N/A	52	52
# of Companies with an RBC Ratio of ≤ 200% & ≠ 0%	22	19	16	28	12	14	14
# of Companies with an RBC Ratio of Zero	1	2	0	1	2	1	1
Total Companies with RBC	1,145	1,143	1,146	1,143	1,095	1,067	1,067
Total Revenue	1,308,369,355,932	1,161,250,484,760	1,086,198,599,716	998,270,459,614	888,638,436,244	806,712,759,846	806,712,759,846
Underwriting Deductions	1,316,830,138,909	1,162,830,527,950	1,067,113,764,391	973,220,456,829	873,483,482,222	774,563,533,665	774,563,533,665
Aggregate Premium†	1,234,928,909,965	340,088,219,385	309,397,623,307	285,669,735,439	278,391,052,611	277,819,028,596	277,819,028,596
Aggregate Net Incurred Claims	1,117,016,371,651	975,056,294,889	885,831,331,032	806,428,955,513	721,841,094,774	622,491,724,778	622,491,724,778

* Authorized Control Level RBC amount reported in the Health RBC Excluding ACA Fees column is pulled from Line (18), page XR026, and the Authorized Control Level RBC amount reported in the Health RBC column is pulled from Line (4), page XR027.
† Aggregate Premium before 2025 did not include Medicare or Medicaid Premium

Source: NAIC Financial Data Repository

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Newsletter Items for Adoption in 2026 for Health RBC

Date: July 2026
Volume: 28.1

Page 1: Introduction

What Risk-Based Capital Pages Should Be Submitted?

For the year-end 2026 health risk-based capital (RBC) filing, submit hard copies of pages **XR001 through XR027** to any state that requests a hard copy in addition to the electronic filing. Other pages outside of XR001 through XR027 do not need to be submitted but should be retained by the company as documentation. Beginning with year-end 2007 RBC, hard copies of RBC filings are no longer required to be submitted to the NAIC.

Page 1+: Items Adopted for 2026

RBC Preamble

The Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force adopted revisions to the RBC Preamble during their joint meeting on June 18. The purpose of the revisions was to better articulate the purpose, use, and limitations of the RBC formula and filings. The revised RBC Preamble included a newly developed section titled "Principles for RBC Requirements." These principles are intended to provide a shared framework for how the Task Forces consider transparency, consistency, and accountability in the RBC adjustment process.

Accident and Health Underwriting Risk Structure Change

The Capital Adequacy (E) Task Force adopted proposal 2025-15-CA MOD during its May 14 meeting. This proposal incorporates the structural and alternate risk charge changes presented in the American Academy of Actuaries' (Academy's) *H2–Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report*. The proposal separates comprehensive medical and dental and vision columns into the individual lines of business, matching the Analysis of Operations by Lines of Business on page 7 of the annual statement. The proposal impacts the following pages: XR013, XR014, XR015, XR016, XR017, XR022, and XR024.

Remove Investment Affiliate Code 4

The Capital Adequacy (E) Task Force adopted proposal 2026-05-CA during its May 15 meeting. This proposal updates the RBC instructions and blanks for items adopted by the Statutory Accounting Principles (E) Working Group (Ref #2024-21) and Blanks (E) Working Group (2025-20BWG). The proposal removes Affiliate Type 4, Investment Subsidiary, from the Affiliated Investments pages. This proposal affects pages XR002, XR003, XR004, XR024, and XR025.

Underwriting Risk Factors (XR013)–Investment Income Adjustment

The Capital Adequacy (E) Task Force adopted proposal 2026-03-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 4.0% investment yield adjustment. The proposal also included lines to separately incorporate the investment adjustment factors from the underwriting factors at the request of interested parties. The investment income adjustment factors are:

	Comprehensive Medical	Medicare Supplement	Dental and Vision
Initial Premium	0.9647	0.9467	0.9650
Excess Premium	0.9444	0.9194	0.9474

Collateral Loan Source Update

The Capital Adequacy (E) Task Force adopted proposal 2026-10-CA during its June 30 meeting. This proposal updates the annual statement sources for schedule BA assets on page XR008 due to the expansion of reporting lines for collateral loan obligations (CLOs) adopted in the Blanks (E) Working Group proposal 2024-19BWG.

Page 2+: Editorial Changes

Updated the instructions for page XR017 line 43, Other Accident, to refer to line 42.

Updated the remark at the bottom of page XR002 to reference affiliate types 7a, 7b, and 7c.

Update the descriptions on lines 8 and 9 on page XR024. The line 8 description refers to XR003 lines 8, 9, and 10. The line 9 description refers to XR003 lines 11,12, and 13.

Last Page: RBC Forecasting and Warning

RBC Forecasting and Instructions

The Health RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2026 NAIC Health Risk-Based Capital Report Including Overview and Instructions for Companies*. This publication is typically published around Nov. 1 each year and is available to download in PDF or CSV format from the NAIC Resource Center at *https://content.naic.org/publications*. Please note that the user guide is no longer included in the Forecasting and Instructions.

WARNING: The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual statement software vendor should be used to create the electronic filing. If the forecasting worksheet is provided instead of an electronic filing, it will not be accepted, and the RBC will not be filed.

Last Page: 2026 National Association of Insurance Commissioners

Health Risk-Based Capital Newsletter Volume 28.1. Published annually or as needed by the NAIC for state insurance regulators, professionals, and consumers.

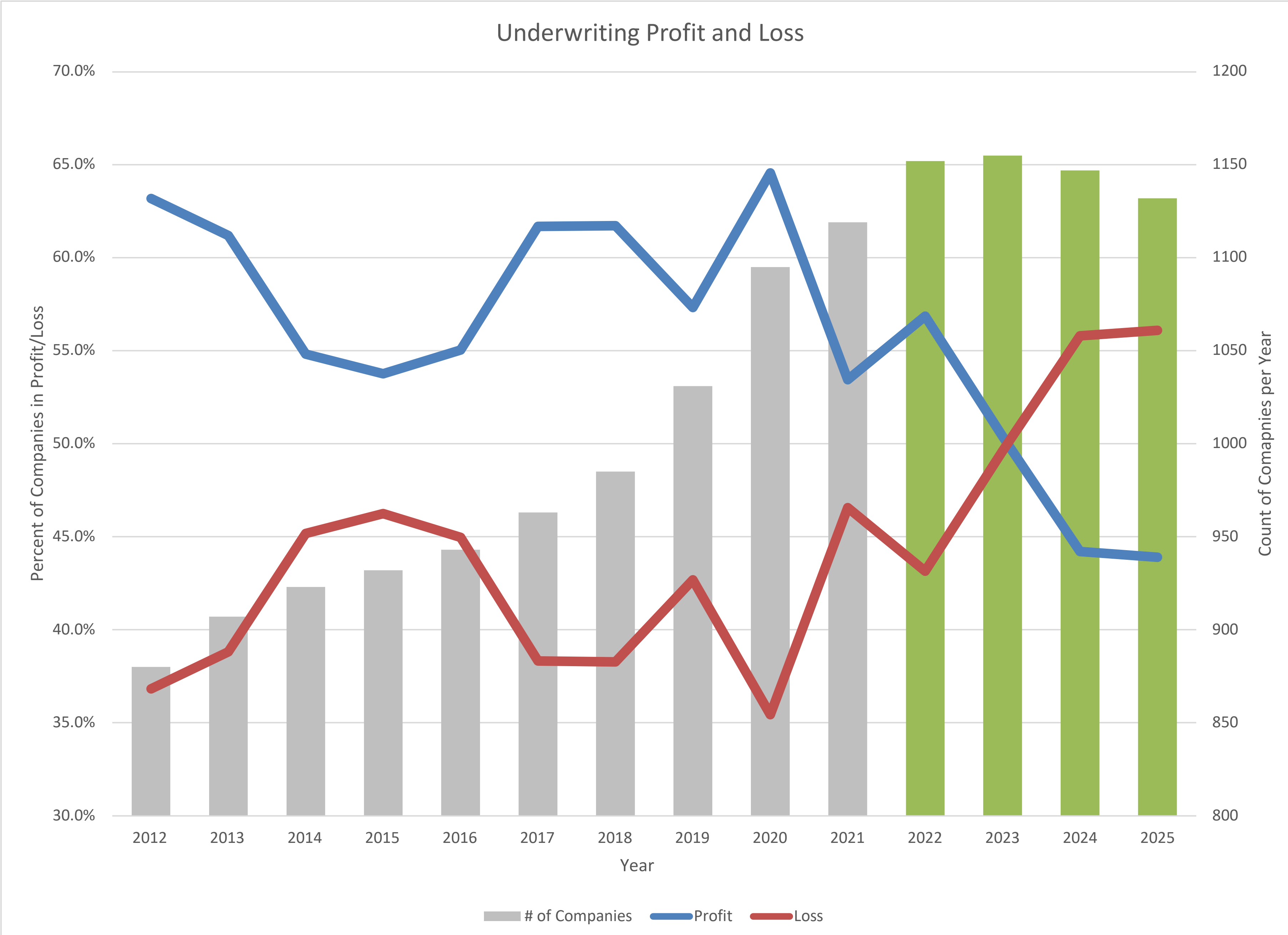
Direct correspondence to: Derek Noe, RBC Newsletters, NAIC, 1100 Walnut Street, Suite 1000, Kansas City, MO 64106-2197. Phone: 816-783-8973. Email: dnoe@naic.org.

The data used is based on the data sent to Academy with years 2022, 2023, 2024, and 2025 added.

-Companies with zero underwriting profit or loss were removed.

-The underwriting profit or loss were pulled from Line 24 of Page 7, Analysis of Operations

-Data from Health filings only.


Underwriting Profit and Loss
70.0%
65.0%
60.0%
55.0%
50.0%
45.0%
40.0%
35.0%
30.0%
Percent of Companies in Profit/Loss
1200
1150
1100
1050
1000
950
900
850
800
Count of Comapnies per Year
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Year
# of Companies
Profit
Loss

Year	Profit	Loss	# of Companies
2012	63.2%	36.8%	880
2013	61.2%	38.8%	907
2014	54.8%	45.2%	923
2015	53.8%	46.2%	932
2016	55.0%	45.0%	943
2017	61.7%	38.3%	963
2018	61.7%	38.3%	985
2019	57.3%	42.7%	1031
2020	64.6%	35.4%	1095
2021	53.4%	46.6%	1119
2022	56.9%	43.1%	1152
2023	50.4%	49.6%	1155
2024	44.2%	55.8%	1147
2025	43.9%	56.1%	1132

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June 8, 2026

Steve Drutz, Chair
Health Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Via email: Derek Noe, dnoe@naic.org
Maggie Chang, mchang@naic.org
Steve Drutz, steve.drutz@oic.wa.gov
Danielle Smith, danielle.k.smith@insurance.mo.gov

Re: Exposure of Request for Additional Data Analysis Ideas

Dear Mr. Drutz:

On behalf of AHIP[1], we appreciate the opportunity to provide comments on the above referenced item that was exposed (Exposure) during the May 7 meeting of the Health Risk-Based Capital (E) Working Group Working Group.

AHIP acknowledges the significant work done to date by the Working Group, NAIC Staff and the American Academy of Actuaries (AAA) on this complex project. Following are our comments on the Exposure:

Additional Data and Impact Analysis. AHIP appreciates the data included in the Exposure with respect to the historical numbers and percentages of companies with underwriting gains/losses. In our prior comment letter dated April 22, 2026, AHIP requested consideration be given to providing additional impact analysis to better understand the classification and magnitude of the future impacts of factor and tier changes on insurers and insurance markets. As a reminder, AHIP's suggestions were to consider breaking out the impact analysis by company size (for example, separating companies into four groupings based upon company size) as well as including an average percentage change in RBC for each of the breakout groups and in total.

An additional comment would be that consideration should be given to using the updated RBC factors that were developed with the 3-year or 5-year time horizons. Such time horizons would better represent the economic cycle of the business.

AHIP also reserves the right to provide additional feedback following responses by AAA to the questions raised by the Working Group in their February 2026 letter.

Additional Comments Regarding Implementation Timing of H-2 Underwriting RBC Factors/Tiers. AHIP also respectfully requests that additional discussion and consideration be given to the phase-in of the proposed factor and tier changes. For example, consideration should be given to delaying any factor changes until the full new formula is developed, refined and finalized, including finalizing the work relative to the Managed Care credit and Product Diversification credits. Consideration should also be given to a longer phase-in period. For instance, a 5-year phase-in should allow insurers to better absorb the early phase impacts in their current reinsurance arrangements and address the full impact of RBC formula updates as these reinsurance arrangements are renewed.

Thank you for the opportunity to provide these comments. AHIP looks forward to continuing the deliberate and thoughtful work with the Working Group on these important matters in the future.

Sincerely,

LaCosta Wix
AHIP Senior Regulatory Counsel
State Affairs and Policy

Cc: Miranda Motter, AHIP Senior Vice President of State Affairs and Policy
Raymond Nelson, AHIP Consultant

[1]AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are Guiding Greater Health.

UNITEDHEALTH GROUP

Corporate Finance – Actuarial Services Division
185 Asylum Street, CityPlace I ● Hartford, CT 06103

June 5, 2026

Mr. Steven Drutz, Chair
Health Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via electronic mail to Derek Noe.

Re: Underwriting profit & loss analysis.

Dear Mr. Drutz:

I am writing on behalf of UnitedHealth Group with regard to the underwriting profit and loss data that were exposed for comment by the Health Risk-Based Capital (E) Working Group ("Working Group") on May 8, 2026. We understand that the Working Group is specifically interested in comments as to how the profit and loss data could be further analyzed to provide more insight into how underwriting risk may have changed in recent years. We offer the following suggestions in that regard.

1. Profit and loss should be calculated as a percentage of premium at various percentiles.

   The exposure document indicates the percentage of companies that experienced a loss in each year, but gives no indication of whether and how the severity of the losses has changed over time. To understand the severity of the losses, profit and loss should be calculated as a percentage of premium income. Since Risk-Based Capital ("RBC") is intended to cover losses with a high degree of probability, it would be helpful to see the profit/loss percentages at various percentiles, preferably those used in the April 2025 report of the American Academy of Actuaries ("the Academy"): 50^{th}, 75^{th}, 87.5^{th}, 90^{th}, 95^{th}, 97.5^{th}, 98^{th}, 99^{th}, and 99.5^{th}.

2. Profit and loss should also be calculated as a percentage of Company Action Level RBC.

   This calculation would give an indication of how the severity of the losses relates to current RBC requirements. Ideally, the underwriting losses would be compared to the underwriting risk component of RBC; however, the distinct components of the RBC calculation are confidential information, whereas Authorized Control Level RBC is published in each company's Annual Statement, so that Company Action Level RBC could be readily determined. For most if not all of the companies included in the analysis, underwriting risk will be the predominant component of Company Action Level RBC, so that results based on the latter are likely to parallel results based on the former.

Again, it would be most useful to see this information at the percentiles indicated above. This would give some idea of the degree to which losses are likely to exceed the existing RBC benchmark.

3. Exclude companies that do not have business on page XR013 of the RBC Report.

   The phase-in analysis previously released by the Working Group indicated that in 2024, 11.4% of filers of the Health Annual Statement did not report any business on page XR013. Since at present we are concerned with the underwriting risk factors used on page XR013, it would be appropriate to exclude the companies that do not report any business on that page.

   The exposure document notes that companies with zero underwriting profit were excluded from the analysis. It is not clear to what extent this set of companies coincides with the companies that do not have business on page XR013. While it seems unlikely that a company would have business on page XR013 but coincidentally have an underwriting profit of zero, any such companies that exist should be included in the analysis.

4. Companies should be stratified by size (premium volume).

   The Academy's analysis confirmed that higher underwriting risk factors are needed for smaller volumes of business, as measured by premium income. Accordingly, it would be helpful to have the analysis performed not only in aggregate, but also with the companies stratified by size. We suggest that the best approach to stratification would be to group companies into quintiles for each year. That should result in a sufficient number of companies in each grouping to allow meaningful differences in percentiles.

5. Companies should separately be stratified by number of XR013 business lines.

   As stated in item #3 above, we are proposing that companies should be excluded from the analysis if they did not report any business on page XR013. The companies that did report business on page XR013 may have reported anywhere between 1 and 9 separate lines of business. We suggest performing an analysis stratifying companies according to the number of lines of business that were reported. While this approach would not eliminate the need for a formal study of the correlation between losses in different lines of business, it might give some insight as to whether writing multiple lines of business affects the probability that the company will experience a loss. The number of lines of business is not a precise measure of diversification, but it is easy to determine and to understand.

6. Losses could be attributed to specific lines of business.

   For entities that did experience a loss, it might be useful to see which lines of business were responsible for the loss. The exposed underwriting profit and loss results were taken from page 7 ("Analysis of Operations by Lines of Business") of the companies' Annual Statements, so detail by line of business should be available. This analysis might indicate whether recent changes in experience are largely attributable to one or a few lines of business or whether they are more widespread.

Thank you for the opportunity to provide these comments. We would be happy to discuss these comments with you and the Working Group.

Sincerely,

James R. Braue

James R. Braue
Vice President, Actuarial Services
UnitedHealth Group

cc: Derek Noe, NAIC
Alena Yankouskaya, UnitedHealth Group
Mollie Zito, UnitedHealth Group

Appendix 2.B.3: Claims Based Risk Factors, Gross of MCC Factor and Aggregate Adjustments and Rebalanced by Tier

Appendix 2.B.3

Claims Based Risk Factors, Gross of Managed Care Credit Factor and Aggregate Adjustments and Rebalanced by Tier

By Market, Horizon, and Percentile

		Tier $0 - $10M			Tier $0 - $100M			Tier $10M and above			Tier $100M and above		
Market	Percentile	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year
Comprehensive - Group	87.5				0.251	0.226	0.213				0.048	0.059	0.049
$0-$100M, $100M+	95.0				0.406	0.377	0.311				0.083	0.091	0.089
Comprehensive - Individual	87.5				0.247	0.239	0.296				0.138	0.131	0.109
$0-$100M, $100M+	95.0				0.454	0.491	0.441				0.175	0.164	0.158
Medicaid	87.5				0.083	0.074	0.066				0.083	0.074	0.066
$0-$100M, $100M+	95.0				0.148	0.135	0.137				0.148	0.135	0.137
Medicare Supplemental	87.5	0.369	0.381	0.460				0.005	0.001	0.003			
$0-$10M, $10M+	95.0	0.629	0.695	0.894				0.081	0.084	0.076			
Medicare Advantage	87.5				0.296	0.290	0.273				0.044	0.062	0.056
	95.0				0.456	0.412	0.377				0.106	0.118	0.109
Stand-alone Part D	87.5				0.267	0.151	0.145				0.060	0.046	0.019
$0-$100M, $100M+	95.0				0.477	0.279	0.270				0.093	0.106	0.098
Dental	87.5	0.164	0.156	0.162				0.011	0.012	-0.003			
$0-$10M, $10M+	95.0	0.311	0.301	0.272				0.096	0.114	0.106			
Vision	87.5	0.094	0.109	0.106				-0.057	-0.045	-0.051			
$0-$10M, $10M+	95.0	0.303	0.275	0.300				0.016	0.066	-0.024			

Note: Medicaid values reflect an aggregated tier across all revenue levels