Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force
[x] Health RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Catastrophe Risk (E) Subgroup
[ ] Investment RBC (E) Working Group
[ ] SMI RBC (E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup
[ ] P/C RBC (E) Working Group
[ ] Stress Testing (E) Subgroup

DATE: 04/01/2020

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ON BEHALF OF: Health RBC (E) Working Group

NAME: Steve Drutz

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FOR NAIC USE ONLY

Agenda Item # 2020-04-H

Year 2020

DISPOSITION

[ ] ADOPTED _____

[ ] REJECTED _____

[ ] DEFERRED TO _____

[ ] REFERRED TO OTHER NAIC GROUP

[ ] EXPOSED _____

[ ] OTHER (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

[x] Health RBC Blanks
[ ] Health RBC Instructions
[ ] Other _____

[ ] Life and Fraternal RBC Blanks
[ ] Life and Fraternal RBC Instructions

[ ] Property/Casualty RBC Blanks
[ ] Property/Casualty RBC Instructions

DESCRIPTION OF CHANGE(S)

Add a MAX function to the calculation of Line 17 – RBC Safe Growth Safe Harbor on Page XR021 to match the validation and start the calculation at 0.

REASON OR JUSTIFICATION FOR CHANGE **

NAIC staff received an inquiry from a software vendor on an inconsistency between the HRBC formula within the forecasting file and the validation for the MAX function in the validation of line 17 of the excessive growth charge. The attachment shows how the current calculation in the formula of the forecasting file is working without the MAX function while the validation includes the MAX function which will convert a negative amount to 0. The last screen shot shows the difference in the charge if the MAX function were incorporated into the formula within the forecasting file. The MAX function is included within other parts of the HRBC formula, while it is specifically excluded from the Underwriting portion on page XR012.

Additional Staff Comments:

**** This section must be completed on all forms.** **Revised 11-2013**

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Current Forecasting with out the MAX function in Line 17 of the Excessive Growth Charge

E31 =IF(+E27>+E28,0,IF(+E27=0,0,((E28/E27)+0.1)*E29))

	A	B	C	E	G
1	Men Colo		Company Name Cocode: 00000		
26	Excessive Growth Risk				
27	(13)	UW Risk Revenue, Prior Year	2018 XR012, Col (7), Line (6) (*manual entry*) †	($20,000,000)	
28	(14)	UW Risk Revenue, Current Year	2019 XR012, Col (7), Line (6)	$1,500,000	
29	(15)	Net UW Risk RBC, Prior Year	2018 XR012, Col (7), Line (21) (*manual entry*) †	($1,000,000)	
30	(16)	Net UW Risk RBC, Current Year	2019 XR012, Col (7), Line (21)	$1,000,000	
31	(17)	RBC Growth Safe Harbor	[L(14)/L(13)+.10] x L(15)	($25,000)	
32	(18)	Excess of RBC Growth Over Safe Harbor	Max{0,L(16) - L(17)}	$1,025,000	
33	(19)	Excessive Growth Risk RBC	.5 x L(18)		$512,500

Current validation for Line 17 that includes the MAX Function

- X2019RBCBUSRSK (Table)
  - XYARN000938 (RBCBUSRSKC1L17=((C1L14/L13)+0.1)*C1L15)
    - Rule Iteration: No Iteration
    - Test 1 - [X2019RBCBUSRSK, 13, amt] > [X2019RBCBUSRSK, 14, amt]
    - Test 2 - [X2019RBCBUSRSK, 17, amt] = 0
    - Test 3 - [X2019RBCBUSRSK, 13, amt] = 0
    - Test 4 - [X2019RBCBUSRSK, 17, amt] = Max(0, Round((([X2019RBCBUSRSK, 14, amt] / [X2019RBCBUSRSK, 13, amt]) + .1) * [X2019RBCBUSRSK, 15, amt], 0))
    - Test 5 - [X2019RBCBUSRSK, 17, amt] = 0

Forecasting with the MAX function in Line 17 of the Excessive Growth Charge

E31 =MAX(IF(+E27>+E28,0,IF(+E27=0,0,((E28/E27)+0.1)*E29)),0)

	A	B	C	E	G
1	Men Colo		Company Name Cocode: 00000		
26	Excessive Growth Risk				
27	(13)	UW Risk Revenue, Prior Year	2018 XR012, Col (7), Line (6) (*manual entry*) †	($20,000,000)	
28	(14)	UW Risk Revenue, Current Year	2019 XR012, Col (7), Line (6)	$1,500,000	
29	(15)	Net UW Risk RBC, Prior Year	2018 XR012, Col (7), Line (21) (*manual entry*) †	($1,000,000)	
30	(16)	Net UW Risk RBC, Current Year	2019 XR012, Col (7), Line (21)	$1,000,000	
31	(17)	RBC Growth Safe Harbor	[L(14)/L(13)+.10] x L(15)	$0	
32	(18)	Excess of RBC Growth Over Safe Harbor	Max{0,L(16) - L(17)}	$1,000,000	
33	(19)	Excessive Growth Risk RBC	.5 x L(18)		$500,000

XR021 – Business Risk – Proposed Change

E31 =MAX(IF(+E27>+E28,0,IF(+E27=0,0,((E28/E27)+0.1)*E29)),0)

	A	B	C	D	E	F	G
1			Company Name Cocode: 00000				
2	BUSINESS RISK						
3					(1)		(2)
4	Administrative Expense Risk		Annual Statement Source		Amount	Factor*	RBC Requirement
5							
6	(1)	Claims Adjustment Expenses	Page 4, Column 2, Line 20				
7	(2)	General Administrative Expenses	Page 4, Column 2, Line 21				
8	(3)	Less the Net Amount of ASC Revenue and Expenses	Company Records				
9		Included in Lines 1 and 2					
10	(4)	Less the Net Amount of ASO Revenue and Expenses	Company Records				
11		Included in Lines 1 and 2					
12	(5)	Less Admin Expenses for Commission & Premium Taxes	Underwriting & Investment Exhibit Part 3, Line 3, in part				
13	(6)	Administrative Expenses Base RBC	Lines (1) + (2) - (3) - (4) - (5)		$0	0.070	$0
14	(7)	Proration of Admin Expense to Experience Fluctuation Risk	Lines (6) x (20)/(Lines (21) + (22))				$0
15							
16	Non-Underwritten and Limited-Risk						
17	(8)	Administrative Expenses for ASC Arrangements	Company Records			0.020	$0
18	(9)	Administrative Expenses for ASO Arrangements	Company Records			0.020	$0
19	(10)	Medical Costs Paid Through ASC Arrangements	Company Records			0.010	$0
20		(Including Fee-For Service Received From Other Health Entities)					
21	(11)	Non-Underwritten and Limited Risk Business RBC			$0		$0
22							
23	Guaranty Fund Assessment Risk						
24	(12)	Premiums Subject to Guaranty Fund Assessment	Included in Sch T - Company Records			0.005	$0
25							
26	Excessive Growth Risk						
27	(13)	UW Risk Revenue, Prior Year	2019 XR012, Column (7), Line (6) *(manual entry)* †				
28	(14)	UW Risk Revenue, Current Year	2020 XR012, Column (7), Line (6)		$0		
29	(15)	Net UW Risk RBC, Prior Year	2019 XR012, Column (7), Line (21) *(manual entry)* †				
30	(16)	Net UW Risk RBC, Current Year	2020 XR012, Column (7), Line (21)		$0		
31	(17)	RBC Growth Safe Harbor	[Lines (14)/(13)+.10] x Line (15)		$0		
32	(18)	Excess of RBC Growth Over Safe Harbor	Max{0, Lines (16) - (17)}		$0		
33	(19)	Excessive Growth Risk RBC	.5 x Line (18)				$0
34							