

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|--|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input checked="" 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"/> SMI RBC (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Stress Testing (E) Subgroup |

<p style="text-align: right;">DATE: <u>10/25/2021</u></p> <p>CONTACT PERSON: <u>Crystal Brown</u></p> <p>TELEPHONE: <u>816-783-8146</u></p> <p>EMAIL ADDRESS: <u>cbrown@naic.org</u></p> <p>ON BEHALF OF: <u>Health RBC (E) Working Group</u></p> <p>NAME: <u>Steve Drutz</u></p> <p>TITLE: <u>Chief Financial Analyst/Chair</u></p> <p>AFFILIATION: <u>WA Office of Insurance Commissioner</u></p> <p>ADDRESS: <u>5000 Capitol Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2021-18-H-MOD</u></p> <p>Year <u>2022</u></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p><input checked="" type="checkbox"/> ADOPTED <u>2/25/22/ CapAd 3/28/22</u></p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input checked="" type="checkbox"/> EXPOSED <u>Dec. 3, 2021, Jan. 28, 2022</u></p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
--	---

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

- | | | |
|--|--|--------------------------------------|
| <input type="checkbox"/> Health RBC Blanks | <input checked="" type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Life and Fraternal RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Instructions | |
| <input type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Instructions | |

DESCRIPTION OF CHANGE(S)

Incorporate benchmarking guidelines for the Working Group to follow in updating the investment income adjustment in the underwriting risk factors for Comprehensive Medical, Medicare Supplement and Dental & Vision.

REASON OR JUSTIFICATION FOR CHANGE **

The reason for the change is to clearly identify the frequency and parameters to use in adjusting the underwriting risk factors for investment income in the Comprehensive Medical, Medicare Supplement and Dental & Vision lines.

Additional Staff Comments:

11-4-21 cgb The WG exposed for 30-day public comment period ending on Dec. 3, 2021.
 12-16-21 cgb One comment letter received.
 12-16-21 cgb The Working Group adopted the proposal.
 01-28-22 cgb The Working Group re-exposed with alternative language for 15 days. Comments due back on 02-14-22. The purpose of the alternative language is to add further clarity
 02-14-22 cgb No comments received.
 02-25-22 cgb The WG re-adopted the proposal as modified with the alternative language to be used in place of the originally proposed language.
 03-28-22 cgb – The Capital Adequacy (E) Task Force adopted the proposal on 3/28/22

** This section must be completed on all forms.

Revised 11-2013

UNDERWRITING RISK - L(1) THROUGH L(21)
XR013



Detail Eliminated to Conserve Space



Line (12) Underwriting Risk Claims Ratio. For Columns (1) through (5), Line (11) / Line (6). If either Line (6) or Line (11) is zero or negative, Line (12) is zero.

Line (13) Underwriting Risk Factor. A weighted average factor based on the amount reported in Line (6), Underwriting Risk Revenue. The factors for Column (1) through (3) have incorporated an investment income yield of 0.5%.

	\$0 – \$3 Million	\$3 – \$25 Million	Over \$25 Million
Comprehensive Medical & Hospital	0.1493	0.1493	0.0893
Medicare Supplement	0.1043	0.0663	0.0663
Dental & Vision	0.1195	0.0755	0.0755
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151
Other Health	0.130	0.130	0.130
Other Non-Health	0.130	0.130	0.130

The investment income yield was incorporated into the Comprehensive Medical & Hospital, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 0.5% income yield that was based on the yield of a 6-month US Treasury Bond. Each year, the Working Group will identify the yield of the 6-month Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modifications to the 0.5% adjustment are needed. Any adjustments will be rounded up to the nearest 0.5%.

Line (14) Base Underwriting Risk RBC. Line (6) x Line (12) x Line (13).



Detail Eliminated to Conserve Space

