

## 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"/> 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: _____</p> <p><b>CONTACT PERSON:</b> <u>Derek Noe</u></p> <p><b>TELEPHONE:</b> <u>816-783-8973</u></p> <p><b>EMAIL ADDRESS:</b> <u>dnoe@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Health Risk-Based Capital (E) Working Group</u></p> <p><b>NAME:</b> <u>Steve Drutz</u></p> <p><b>TITLE:</b> <u>Chief Financial Analyst/Chair</u></p> <p><b>AFFILIATION:</b> <u>WA Office of Insurance Commissioner</u></p> <p><b>ADDRESS:</b> <u>5000 Capital Blvd SE</u> <u>Tumwater, WA 98501</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2026-03-CA</u> Year <u>2026</u></p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>6/30/2026</u></p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>5/14/2026</u></p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>3/23/2026</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 checked="" type="checkbox"/> REFERRED TO OTHER NAIC GROUP</p> <p><input type="checkbox"/> (SPECIFY) <u>Capital Adequacy (E)</u> <u>Task Force</u></p>
--	---

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

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

Annual update of the underwriting factors for Comprehensive Medical, Medicare Supplement, and Dental & Vision for the investment income adjustment.

Update the Underwriting factors for Comprehensive Medical, Medicare Supplement, and Dental & Vision on pages XR013, LR019, LR020, PR019, and PR020 for the investment income adjustment.

Implements the stand-alone investment income factor.

### Additional Staff Comments:

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

**Revised 2-2023**

2025 Investment Yield for Investment Income Adjustment

<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

Date ↑	1 Mo ↑	1.5 Mo ↑	2 Mo ↑	3 Mo ↑	4 Mo ↑	6 Mo ↑	1 Yr ↑	2 Yr ↑	3 Yr
01/02/2026	3.72	3.71	3.66	3.65	3.62	3.58	3.47	3.47	3.55
01/05/2026	3.71	3.68	3.64	3.64	3.61	3.57	3.47	3.46	3.53
01/06/2026	3.70	3.70	3.61	3.63	3.58	3.56	3.48	3.47	3.54
01/07/2026	3.70	3.69	3.60	3.62	3.60	3.56	3.48	3.47	3.53
01/08/2026	3.70	3.69	3.63	3.62	3.60	3.56	3.48	3.49	3.56
01/09/2026	3.70	3.68	3.63	3.62	3.62	3.57	3.52	3.54	3.59
01/12/2026	3.71	3.68	3.64	3.67	3.63	3.58	3.53	3.54	3.59
01/13/2026	3.72	3.72	3.66	3.67	3.63	3.59	3.51	3.53	3.57
01/14/2026	3.72	3.71	3.66	3.67	3.65	3.58	3.50	3.51	3.56
01/15/2026	3.75	3.73	3.69	3.68	3.66	3.60	3.54	3.56	3.62
01/16/2026	3.75	3.72	3.68	3.67	3.66	3.60	3.55	3.59	3.67
01/20/2026	3.75	3.71	3.69	3.70	3.65	3.61	3.53	3.60	3.68
01/21/2026	3.75	3.71	3.70	3.70	3.67	3.62	3.53	3.60	3.66
01/22/2026	3.79	3.71	3.72	3.71	3.67	3.61	3.53	3.61	3.68
01/23/2026	3.78	3.71	3.72	3.70	3.67	3.61	3.53	3.60	3.67
01/26/2026	3.77	3.71	3.70	3.67	3.67	3.62	3.52	3.56	3.66
01/27/2026	3.77	3.72	3.70	3.67	3.66	3.61	3.50	3.53	3.65
01/28/2026	3.76	3.72	3.71	3.68	3.70	3.63	3.52	3.56	3.66



February 27, 2026

Steve Drutz  
 Chair, Health Risk-Based Capital (E) Working Group  
 National Association of Insurance Commissioners (NAIC)

Re: Request for a standalone Investment Income Adjustment factor to incorporate into the Underwriting Risk Component of the Health Risk-Based Capital (HRBC) Formula

Dear Mr. Drutz:

On behalf of the Health Underwriting Risk Factors Analysis Work Group of the Health Solvency Subcommittee of the American Academy of Actuaries (Academy),<sup>1</sup> I am writing in response to the Health Risk-Based Capital (E) Working Group's request for guidance on how to calculate a standalone Investment Income Adjustment (IIA) factor for use within the H2–Underwriting Risk component of the Health Risk-Based Capital (HRBC) formula.

#### **Definition of a standalone IIA factor**

Using the previously provided Investment Income Adjusted Tiered Risk-Based Capital (RBC) Factors table (reproduced in Attachment A), a standalone IIA factor for a given product and tier can be calculated as a ratio:

$$\text{IIA}_{p,t}(r) = \frac{F_{p,t}(r)}{F_{p,t}(0.0\%)}$$

where:

- $p$  = product (e.g., Comprehensive Medical),
- $t$  = tier (e.g., High Tier or Low Tier),
- $r$  = assumed investment return, and
- $F_{p,t}(r)$  = the investment-income-adjusted tiered RBC factor from Attachment A at return  $r$ .

Under this approach, the IIA factor can be used as a multiplicative adjustment to reflect alternative investment return assumptions. If the working group elects to apply an IIA factor directly to an existing base underwriting factor (rather than re-basing to a 0.0% reference), the denominator should be aligned to the return assumption embedded in that base factor.

#### **Calculation steps**

1. Identify the applicable product and tier in Attachment A.
2. Select the assumed investment return  $r$ .

---

<sup>1</sup> The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

3. Obtain  $F_{p,t}(r)$  from the table. If  $r$  falls between listed rows, a linear interpolation between the adjacent rows is likely reasonable.
4. Obtain the corresponding  $F_{p,t}(0.0\%)$  from the 0.0% row for that same product and tier.
5. Compute  $\text{IIA}_{p,t}(r) = F_{p,t}(r)/F_{p,t}(0.0\%)$ .

**Worked examples (from Attachment A)**

- **Comprehensive Medical, High Tier, 4.0% return:**  
 $F(4.0\%) = 14.47\%$  and  $F(0.0\%) = 15.00\%$ , so  
 $\text{IIA} = 14.47\%/15.00\% = 0.965$ .
- **Comprehensive Medical, Low Tier, 4.0% return:**  
 $F(4.0\%) = 8.50\%$  and  $F(0.0\%) = 9.00\%$ , so  
 $\text{IIA} = 8.50\%/9.00\% = 0.944$ .

\*\*\*\*\*

If you have any questions or would like to discuss further, please contact Katie Dzurec, the Academy's State Public Policy Outreach Director, at [Dzurec@actuary.org](mailto:Dzurec@actuary.org).

Sincerely,

Derek Skoog, MAAA, FSA  
 Chairperson, Health Underwriting Risk Factors Analysis Work Group  
 American Academy of Actuaries

Cc: Derek Noe, Health RBC Analyst, Financial Regulatory Services, NAIC

**Attachment A—Investment Income Adjusted Tiered RBC Factors (excerpted from Feb. 2, 2023, Academy response)**

**Investment Income Adjusted Tiered RBC Factors**

<b>Assumed Investment Return</b>	<b>Comprehensive Medical (CM)</b>	<b>Medicare Supplement</b>	<b>Dental/Vision</b>
	High Tier (i.e., less than \$3M or less than \$25M)		
0.0%	15.00%	10.50%	12.00%
3.5%	14.53%	10.01%	11.63%
4.0%	14.47%	9.94%	11.58%
4.5%	14.40%	9.87%	11.53%
5.0%	14.34%	9.80%	11.48%
5.5%	14.27%	9.73%	11.43%
6.0%	14.21%	9.67%	11.38%
	Low Tier		
0.0%	9.00%	6.70%	7.60%
3.5%	8.56%	6.23%	7.25%
4.0%	8.50%	6.16%	7.20%
4.5%	8.44%	6.09%	7.16%
5.0%	8.38%	6.03%	7.11%
5.5%	8.32%	5.96%	7.06%
6.0%	8.25%	5.90%	7.01%

## **Health Instructions**

**Page XR013, Line 12**



Detail Eliminated to Conserve Space



Line (12) Investment Income Adjustment Factor. The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, 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 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond ([U.S. Department of the Treasury](#)) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

## **P/C Instructions**

**Page PR020, Line 12**



Detail Eliminated to Conserve Space



Line (12) Investment Income Adjustment Factor

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, 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 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

## **Life Instructions**

**LR020, Line 12**



Detail Eliminated to Conserve Space



Line (12) Investment Income Adjustment Factor

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, 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 4.05% income yield that was based on the yield of a 6-month U.S. Treasury bond. Each year, the Working Group will identify the yield of the 6-month U.S. Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modification to the 4.05% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

Confidential when Completed

UNDERWRITING RISK

Experience Fluctuation Risk

	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Other Health	(10) Other Non- Health	(11) Total	
(1) †	Premium											
(2) †	Other Health Risk Revenue				XXX					XXX		
(3)	Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
(4)	Underwriting Risk Revenue (1) + (2) - (3)											
(5) †	Net Incurred Claims									XXX		
(6)	Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
(7) †	Fee-For-Service Offset				XXX					XXX		
(8)	Underwriting Risk Incurred Claims (5) - (6) - (7)									XXX		
(9)	Underwriting Risk Claim Ratio (8)/(4)									1.000	XXX	
(10)	Underwriting Risk Factor for Initial Amounts of Premium‡	0.1500	0.1500	0.1500	0.1500	0.105	0.12	0.12	0.251	0.130	0.130	XXX
(11)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	0.130	0.130	XXX
(12.1)	Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX	XXX	XXX
(12.2)	Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX	XXX	XXX
(13)	Composite Underwriting Risk Factor									0.130	0.130	XXX
(14)	Base Underwriting Risk RBC = (4) x (9) x (13)											
(15)	Managed Care Discount Factor*									XXX	XXX	XXX
(16)	RBC After Managed Care Discount = Lines (14) x (15)										XXX	
(17)	Alternate Risk Charge	\$500,000	\$500,000	\$500,000	\$500,000	\$50,000	\$50,000	\$50,000	\$150,000	\$50,000	XXX	XXX
(18)	Net Alternate Risk Charge***										XXX	
(19)	Net Underwriting Risk RBC (MAX{Line (16), Line (18)}) for Columns (1) through (9), Column (10), Line (14)											

Initial Premium Amount‡										
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage	Other Health	Other Non- Health
	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$25,000,000	N/A	N/A

Denotes items that must be manually entered on filing software.

† The Annual Statement Sources are found on page XR014.

\* This row uses the factors calculated on page XR018

\*\*\* Limited to the largest of the applicable alternate risk adjustments, prorated if necessary.

UNDERWRITING RISK

Experience Fluctuation Risk

	(1) Comprehensive (Hospital & Medical) - Individual	(2) Comprehensive (Hospital & Medical) - Group	(3) Title XVIII - Medicare	(4) Title XIX - Medicaid	(5) Medicare Supplement	(6) Vision Only	(7) Dental Only	(8) Stand-Alone Medicare Part D Coverage	(9) Total
Line of Business									
(1.1) Individual Premium †		XXX							
(1.2) Group Premium †	XXX								
(1.3) Total Premium† (1.1) + (1.2)									
(2) Other Health Risk Rev†					XXX				
(3) Medicaid Pass-Through Payments Reported as Premiums	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(4) Underwriting Risk Revenue (1.3) + (2) - (3)									
(5) Net Incurred Claims†									
(6) Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX		XXX	XXX	XXX	XXX	
(7) Fee-For-Service Offset†					XXX				
(8) Underwriting Risk Incurred Claims (5) - (6) - (7)									
(9) Underwriting Risk Claim Ratio (8)/(4)									XXX
(10) Underwriting Risk Factor for Initial Amounts of Premium‡	0.1500	0.1500	0.1500	0.1500	0.1050	0.1200	0.1200	0.251	XXX
(11) Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	XXX
(12.1) Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX
(12.2) Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX
(13) Composite Underwriting Risk Factor									XXX
(14) Base Underwriting Risk RBC = (4) x (9) x (13)									
(15) Managed Care Discount Factor (LR022 Line 17)									XXX
(16) RBC After Managed Care Discount = Lines (14) x (15)									
(17) Alternate Risk Charge	\$500,000	\$500,000	\$500,000	\$500,000	\$50,000	\$50,000	\$50,000	\$150,000	
(18) Net Alternate Risk Charge									
(19) Net Underwriting Risk RBC (MAX{Line (16), Line (18)})									

† The Annual Statement Sources are found on page LR020-A.

Initial Premium Amount‡								
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$25,000,000

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

**UNDERWRITING RISK - PREMIUM RISK FOR COMPREHENSIVE MEDICAL, MEDICARE SUPPLEMENT AND DENTAL & VISION PR020**

(Experience Fluctuation Risk in Life RBC Formula)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<u>Comprehensive Medical Individual</u>	<u>Comprehensive Medical Group</u>	<u>Title XVIII-Medicare</u>	<u>Title XIX-Medicaid</u>	<u>Medicare Supplement</u>	<u>Vision Only</u>	<u>Dental Only</u>	<u>Stand-Alone Medicare Part D Coverage</u>	<u>TOTAL</u>
(1.1) Individual Premium	0	0	0	0	0	0	0	0	0
(1.2) Group Premium	0	0	0	0	0	0	0	0	0
(1.3) Total Premium	0	0	0	0	0	0	0	0	0
(2) Other Health Risk Revenue†	0	0	0	0	XXX	0	0	0	0
(3) Medicaid Pass-Through Payments Reported as Premium	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(4) Underwriting Risk Revenue = Lines (1.3) + (2) - (3)	0	0	0	0	0	0	0	0	0
(5) Net Incurred Claims	0	0	0	0	0	0	0	0	0
(6) Medicaid Pass-Through Payments Reported as Claims	XXX	XXX	XXX	0	XXX	XXX	XXX	XXX	0
(7) Fee-for-Service Offset†	0	0	0	0	XXX	0	0	0	0
(8) Underwriting Risk Incurred Claims = Lines (5) - (6) - (7)	0	0	0	0	0	0	0	0	0
(9) Underwriting Risk Claim Ratio (8)/(4)	0	0	0	0	0	0	0	0	XXX
(10) Underwriting Risk Factor for Initial Amounts Of Premium‡	0.1500	0.1500	0.1500	0.1500	0.1050	0.1200	0.1200	0.251	XXX
(11) Underwriting Risk Factor for Excess of Initial Amount‡	0.0900	0.0900	0.0900	0.0900	0.0670	0.0760	0.0760	0.151	XXX
(12.1) Investment Income Adjustment Factor Initial Premium	0.9647	0.9647	0.9647	0.9647	0.9467	0.9650	0.9650	XXX	XXX
(12.2) Investment Income Adjustment Factor Excess Premium	0.9444	0.9444	0.9444	0.9444	0.9194	0.9474	0.9474	XXX	XXX
(13) Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.000	XXX
(14) Base Underwriting Risk RBC = Line (4) x Line (9) x Line (13)	0	0	0	0	0	0	0	0	XXX
(15) Managed Care Discount Factor = PR021 Line (12)	0	0	0	0	0	0	0	0	XXX
(16) Base RBC After Managed Care Discount = Line (14) x Line (15)	0	0	0	0	0	0	0	0	0
(17) Alternate Risk Charge	500,000	500,000	500,000	500,000	50,000	50,000	50,000	150,000	XXX
(18) Net Alternate Risk Charge	0	0	0	0	0	0	0	0	0
(19) Net Underwriting Risk RBC (Maximum of Line (16) or Line (18) )	0	0	0	0	0	0	0	0	0

† Source is company records unless already included in premiums.

Initial Premium Amount‡								
	Comprehensive (Hospital & Medical) - Individual	Comprehensive (Hospital & Medical) - Group	Title XVIII - Medicare	Title XIX - Medicaid	Medicare Supplement	Vision	Dental	Stand-Alone Medicare Part D Coverage
	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$25,000,000

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

		Treasury Rate		Factor
		0%	4%	
Comp Med	High Tier	15.00%	14.47%	0.9647
	Low Tier	9.00%	8.50%	0.9444
Med Supp	High Tier	10.50%	9.94%	0.9467
	Low Tier	6.70%	6.16%	0.9194
Dental/vision	High Tier	12.00%	11.58%	0.9650
	Low Tier	7.60%	7.20%	0.9474