

CAPITAL ADEQUACY (E) TASK FORCE
WORKING AGENDA ITEMS FOR CALENDAR YEAR 2020

2020 #	Owner	2020 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – Life RBC							
1	Life RBC WG	Ongoing	Ongoing	Make technical corrections to Life RBC instructions, blank and /or methods to provide for consistent treatment among asset types and among the various components of the RBC calculations for a single asset type.			
2	Life RBC WG	1	2019 or later	A. Evaluate the overall effectiveness of the C3 Phase 2 and AG 43 methodologies by conducting an in-depth analysis of the models, modeling assumptions, processes, supporting documentation and results of a sample of companies writing variable annuities with guarantees and to make recommendations to the Capital Adequacy Task Force or Life Actuarial Task Force on any changes to the methodologies to improve their overall effectiveness. B. Develop and recommend changes to C-3 Phase II and AG 43 that implement, for 2018 adoption, the Variable Annuities Framework for Change.	CATF	Being addressed by the Variable Annuities Capital and Reserve (E/A) Subgroup	
3	Life RBC WG	1	2019 or later	Provide recommendations for recognizing longevity risk in statutory reserves and/or RBC, as appropriate.	New Jersey	Being addressed by the Longevity (E/A) Subgroup	
Carry-Over Items Currently being Addressed – Life RBC							
4	Life RBC WG	1	2019 or later	Update the current C-3 Phase I or C-3 Phase II methodology to include indexed annuities	AAA		
5	Life RBC WG	2	2019 or later	Develop guidance, for inclusion in the proposed NAIC contingent deferred annuity (CDA) guidelines, for states as to how current regulations governing risk-based capital requirements, including C-3 Phase II, should be applied to contingent deferred annuities (CDAs). Recommend a process for reviewing capital adequacy for insurers issuing CDAs and prepare clarifying guidance, if necessary, due to different nomenclature then used with regard to CDAs. The development of this guidance does not preclude the Working Group from reviewing CDAs as part of any ongoing or future charges where applicable and is made with the understanding that this guidance could change as a result of such a review.	10/21/13 Referral from A Committee	It is important to consider the implications of work being done by the CDA and VA Issues Working Groups to ensure consistency in addressing these charges. The Working Group is monitoring the progress of that work.	
6	Life RBC WG	1	2019	Review and evaluate company submissions for the RBC Shortfall schedule and corresponding adjustment to Total Adjusted Capital.			10/16/2015
7	Life RBC WG	1	2019	Review and evaluate company submissions for the Primary Security Shortfall schedule and corresponding adjustment to Authorized Control Level.			10/16/2015
8	Life RBC WG	1	2019	Continue consideration impacts and modifications necessary due to the Federal Tax Cuts and Jobs Act and develop guidance for users of RBC on those impacts.			3/24/2018
9	Life RBC WG	1	2019	Determine if any adjustment is needed to the XXX/AXXX RBC Shortfall calculation to address surplus notes issued by captives.	11/1/17 Referral from the Reinsurance (E) Task Force		3/24/2018
New Items - Life RBC							
10	Life RBC WG	1	2019	Address changes needed due to elimination of the fraternal annual statement blank.			9/1/2018
11	Life RBC WG	1	2019	Determine if any adjustment is needed due to the changes made to the <i>Life and Health Guaranty Association Model Act, Model #520</i> .			9/1/2018
12	Life RBC WG	1	2019	Determine if any adjustment is needed to the reinsurance credit risk in light of changes related to collateral and the changes made to the property RBC formula.			9/1/2018

Priority 1 – High priority
Priority 2 – Medium priority
Priority 3 – Low priority

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Carry-Over Items Currently being Addressed – P&C RBC							
13	Cat Risk SG	1		Continue development of RBC formula revisions to include a risk charge based on catastrophe model output:			
			Year-end 2020	a) Evaluate other catastrophe risks for possible inclusion in the charge - determine whether to recommend developing charges for any additional perils, and which perils or perils those should be.			
			Year-end 2020	b) Evaluate the AEP vs OEP factors.			
14	P&C RBC WG	1	Year-end 2020 or later	Evaluate a) the current growth risk methodology whether it is adequately reflects both operational risk and underwriting risk; b) the premium and reserve based growth risk factors either as a stand-alone task or in conjunction with the ongoing underwriting risk factor review with consideration of the operational risk component of excessive growth; c) whether the application of the growth factors to NET proxies adequately accounts for growth risk that is ceded to reinsurers that do not trigger growth risk in their own right.	Refer from Operational Risk Subgroup	1) Sent a referral to the Academy on 6/14/18 conference call.	1/25/2018
15	P&C RBC WG	1	Year-end 2020	Evaluate the impact to RBC on a) Pre-Tax vs. After Tax; b) Tax reform on Total Adjusted Capital			1/25/2018
16	P&C RBC WG	1	2020 Summer Meeting or later	Continue development of RBC formula revisions based on the Covered Agreement: a) consider eliminating the different treatment of uncollateralized reinsurance recoverable from authorized versus unauthorized, unrated reinsurers; b) consider whether the factor for uncollateralized, unrated reinsurers, runoff and captive companies should be adjusted; c) Evaluate the possibility of using NAIC as a centralized location for reinsurer designations.		12/5/19 - The WG exposed Proposal 2018-19-P (Vulnerable 6 or unrated risk charge) for a 45-day exposure period.	8/4/2018
17	P&C RBC WG	1	Year-end 2021 or later	Evaluate the proposed changes from the Affiliated Investment Ad Hoc Group related to P/C RBC Affiliated Investments			6/10/2019
18	P&C RBC WG	1	2021 Summer Meeting or later	Continue working with the Academy to review the methodology and revise the underwriting (Investment Income Adjustment, Loss Concentration, LOB UW risk) charges in the PRBC formula as appropriate.			6/10/2019
New Items – P&C RBC							
19	Cat Risk SG	1	Year-end 2020 or later	Evaluate the possibility of allowing additional third party models to calculate the cat model losses			12/6/2019
Ongoing Items – Health RBC							

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20	Health RBC WG	3	Year-end 2021 RBC or later	Evaluate the impact of Federal Health Care Law on the Health RBC Formulas	4/13/2010 CATF Call	Adopted 2014-01H Adopted 2014-02H Adopted 2014-05H Adopted 2014-06H Adopted 2014-24H Adopted 2014-25H Adopted 2016-01-H Adopted 2017-09-CA Adopted 2017-10-H The Working Group will continually evaluate any changes to the health formula as a result of ongoing federal discussions and legislation.	
21	Health RBC WG	3	Year-end 2021 RBC or later	Discuss and monitor the development of federal level programs and actions and the potential impact of these changes to the HRBC formula: - Development of the state reinsurance programs; - Association Health Plans; - Cross-border sales	HRBCWG	Discuss and monitor the development of federal level programs and the potential impact on the HRBC formula.	1/11/2018
Carry-Over Items Currently being Addressed – Health RBC							
22	Health RBC WG	3	Year-End 2023 RBC or Later	Consider changes for stop-loss insurance or reinsurance.	AAA Report at Dec. 2006 Meeting	(Based on Academy report expected to be received at YE-2016) 2016-17-CA	
23	Health RBC WG	2	Year-end 2023 RBC or later	Review the individual factors for each health care receivables line within the Credit Risk H3 component of the RBC formula.	HRBC WG	Adopted 2016-06-H Rejected 2019-04-H	
24	Health RBC WG	1	Year-end 2022 or later	Establish an Ad Hoc Group to review the Health Test and annual statement changes for reporting health business in the Life and P/C Blanks	HRBCWG	Evaluate the applicability of the current Health Test in the Annual Statement instructions in today's health insurance market. Discuss ways to gather additional information for health business reported in other blanks.	8/4/2018
25	Health RBC WG	1	Year-end 2020 RBC or later	Review the Managed Care Credit calculation in the Health RBC formula - specifically Category 2a and 2b.	HRBCWG	Review the Managed Care Category and the credit calculated, more specifically the credit calculated when moving from Category 0 & 1 to 2a and 2b.	12/3/2018
26	Health RBC WG	1	Year-end 2020 or later	Review referral letter from the Operational Risk (E) Subgroup on the excessive growth charge and the development of an Ad Hoc group to charge.	HRBCWG	Review if changes are required to the Health RBC Formula	4/7/2019

Ongoing Items – Task Force

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27	CADTF	2	2018	Affiliated Investment Subsidiaries Referral Ad Hoc group formed Sept. 2016	Ad Hoc Group	Ad Hoc group will provide periodic updates on their progress.	

Carry-Over Items not Currently being Addressed – Task Force

28	CADTF	2-3	2021	Receivable for Securities factor		Consider evaluating the factor every 3 years. (2018, 2021, 2024 etc.)	
29	CADTF	3	2020	NAIC Designation for Schedule D, Part 2 Section 2 - Common Stocks	Referral from SAPWG 8/13/2018	Exposed for a 30-day Comment period ending 11/8/2019	10/11/2018

New Items – Task Force

30	CADTF	3	2020 or Later	Structured Notes	Referral from SAPWG April 16, 2019	Exposed for a 30-day Comment period ending 11/8/2019	8/4/2019
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Carry-Over Items Currently being Addressed – Task Force

31	CADTF	3	2020	Comprehensive Fund Review for investments reported on Schedule D Pt 2 Sn2	Referral from VOSTF 9/21/2018	Discussed during Spring Mtg. NAIC staff to do analysis. Exposed for a 30-day comment period ending 11/8/19	11/16/2018
32	CADTF	2	2020 or Later	XXX/AXXX Captive Reinsurance RBC Shortfall	Referral from Reinsurance Task Force /RITF	Referred to Life RBC WG for consideration and comment	11/1/2017
33	CADTF	2	2020 or Later	Payout Annuities for RBC	Referral from Allstate and IL DOI	Referred to Life RBC WG for consideration and comment	3/25/2018
34	CADTF	2	2020 or Later	Guaranty Association Assessment Risk	Referral from Receivership and Insolvency (E) Task Force 5/1/2018	Referred to the Life RBC WG and Health RBC WG for consideration and comment.	6/30/2018

Investment Risk-Based Capital Working Group

Carry-Over Items Currently being Addressed – Investment RBC

35	Investment RBC WG	1	2020 or later	The Solvency Modernization Initiative (EX) Task Force and the Capital Adequacy (E) Task Force have been discussing reform of the RBC formulae for life, property/casualty and health insurers. The Working Group recommends a comprehensive review of RBC, including a review of whether all RBC formulae should have greater granularity.	Rating Agency WG Referral March 2010		
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Carry-Over Items not Currently being Addressed – Investment RBC

36	Investment RBC WG	2	Year-End 2021	Consideration should be given to recalibrate the RBC formulae to require different levels of capital for municipal, corporate and structured securities.	Rating Agency WG Referral March 2010		
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37	Investment RBC WG	1	Year-End 2021	Ensure that the RBC formulae, for all business types, for common stock and bonds are consistent with respect to statistical safety levels, modeling assumptions, where appropriate.	CAdTF	Consolidated with items #42, 43 and 44 from the 2015 Working Agenda	2/10/2015 8/17/2015
38	Investment RBC WG	2	Year-End 2021	Consider modifications for investment risk to capture more than credit risk to place less reliance on the rating agencies. Consider modifications to better identify liquidity and asset concentration.	CDS WG referrals		
39	Investment RBC WG	2	Year-End 2021	The asset valuation reserve (AVR) establishes a reserve to offset potential credit-related investment losses on all invested asset categories. Similar to RBC, consideration should be given to making complementary adjustments to AVR to be consistent with changes to RBC.	Rating Agency WG Referral March 2010		

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#REF!	Investment RBC WG	1	2018 or later
#REF!	Investment RBC WG	2	Year-End 2019
#REF!	Investment RBC WG	1	Year-End 2019
#REF!	Investment RBC WG	2	Year-End 2019
#REF!	Investment RBC WG	2	Year-End 2019

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Investment Risk-Based Capital Working Group

Carry-Over Items Currently being Addressed – Investment RBC

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Consideration should be given to recalibrate the RBC formulae to require different levels of capital for municipal, corporate and structured securities.	Rating Agency WG Referral March 2010
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Consider modifications for investment risk to capture more than credit risk to place less reliance on the rating agencies. Consider modifications to better identify liquidity and asset concentration.	CDS WG referrals
The asset valuation reserve (AVR) establishes a reserve to offset potential credit-related investment losses on all invested asset categories. Similar to RBC, consideration should be given to making complementary adjustments to AVR to be consistent with changes to RBC.	Rating Agency WG Referral March 2010

Carry-Over Items not Currently being Addressed – Investment RBC

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Each RBC Working Group has analyze their formual and will determine if granularity is necessary to their respecitve RBC's.	
Should this fall under each Working Group's agenda?	
Consoldated with items #42, 43 and 44 from the 2015 Working Agenda	2/10/2015 8/17/2015
If an AVR Subgroup is created, this item should be moved to that Subgroup.	