

September 12, 2022

Distributed to the Health Risk-Based Capital (E) Working Group Members, Interested Regulators, and Interested Parties:

The Health Risk-Based Capital (E) Working Group discussed a request for input on run-off companies on their Sept. 9 call. The Working Group is requesting comment on the following questions:

- 1) What is the process for running off a health company? Are there any specific considerations to address for health companies?
- 2) Are there concerns with the functionality of the current health RBC formula for a health company in run-off? Are changes needed to the health RBC formula for a run-off company?
- 3) Could a company in run-off trigger the trend test or an excessive growth charge? If so, should the instructions be modified to include an exemption of these calculations if a company is in run-off?
- 4) Are there concerns with handling this process for health companies in the same manner as outlined by the P/C RBC Working Group?
- 5) The Property/Casualty Risk-Based Capital Working Group defined a run-off company as one that “voluntary or involuntary, should include the following characteristics: 1) no renewing of policies for at least 12 months; 2) no new direct or new assumed business; and 3) no additional runoff blocks of business. In addition, the amount of renewal premium to reserves has also been identified as a characteristic of these types of companies when this ratio is de minimis.”

For health companies a similar definition could be considered with some modification due to differences in the type of business and distinguish a run-off company from a start-up company or shell. A health run-off company, voluntary or involuntary, should include the following characteristics: 1) no renewing of policies for at least 12 months; 2) no plans or intentions to write new direct or new assumed business; 3) no additional runoff blocks of business; and 4) reserves were reported for the remaining run-off business.

Please submit comments by **Tuesday, October 11, 2022** to support staff [Crystal Brown](#).

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