

# NAIC Health Risk-Based Capital Newsletter

August 2017

Volume 19.1



## What RBC Pages Should Be Submitted?

For the year-end 2017 health risk-based capital (RBC) filing, submit hard copies of pages **XR001 through XR027** to any state that requests a hard copy in addition to the electronic filing. Beginning with year-end 2007, a hard copy of the RBC filings was not required to be submitted to the NAIC. Other pages, such as the capitations worksheet, do not need to be submitted. Those pages would need to be retained by the company as documentation.

## Business Risk—Excessive Growth Charge For Start-Up Companies

As a result of the adoption of agenda item 2014-28-H (MOD) by the Capital Adequacy (E) Task Force at the 2016 Fall National Meeting, new footnotes were added to page XR021 for the use of projected amounts in prior year Line (13) and Line (15), along with an explanation of the projections used.

## Money Market Mutual Funds

As a result of the reclassification of money market mutual funds (MMMFs) to cash equivalents by the Statutory Accounting Principles (E) Working Group, the Capital Adequacy (E) Task Force adopted agenda item 2016-15-CA at the Spring National Meeting. MMMFs will be isolated on their own line under the Miscellaneous Fixed Income Assets section on page XR007 and subtracted from the cash equivalents. The Annual Statement Source will be Schedule E, Part 2, Column 7, Line 8599999.

### In This Issue:

What RBC Pages to Submit .....	1
Business Risk-Excessive Growth Charge For Start-Up Companies .....	1
Money Market Mutual Funds .....	1
Operational Risk .....	1
Supplemental Benefits Within Stand-Alone Medicare Part D Coverage .....	1
Stop Loss .....	1
Unaffiliated Common Stock Money Market Mutual Funds .....	1
Editorial Changes .....	2

## Operational Risk

As a result of a technical issue that was presented during the June 28 Capital Adequacy (E) Task Force conference call, implementation of a risk factor for Operational Risk has been deferred for at least a year. The Task Force adopted agenda item 2016-13-O at the Spring National Meeting and modified it on its June 28 conference call. At the Spring National Meeting, the Task Force in essence voted to “go live” for 2017 reporting by adopting the structural change to remove the basic operational risk options from the informational-only page, but retain the growth risk portion in the informational-only page, and move the “add-on” approach for basic operational risk to Page XR025. On its June 28 conference call, the Task Force adopted the operational risk instructions for pages XR002, XR022 and XR024-XR025, but voted to reduce the recommended RBC charge from 1.5% to 0% for 2017 to allow the Operational Risk (E) Subgroup to address the technical concerns raised.

## Supplemental Benefits within Stand-Alone Medicare Part D Coverage

As a result of the adoption of agenda item 2016-16-CA by the Capital Adequacy (E) Task Force at the Spring National Meeting, the factor for Supplemental Benefits within Stand-Alone Medicare Part D Coverage (Page XR014, Line (22.1)) was increased to 0.500 and will be applied to claims incurred.

## Stop Loss

As a result of the adoption of agenda item 2016-17-CA by the Capital Adequacy (E) Task Force at the Spring National Meeting, a tiered factor approach will be applied to stop loss premiums. A footnote was added to page XR014, Line (22) to apply a factor of 0.350 to the first \$25,000,000 in stop loss premium and a factor of 0.250 would be applied to premium in excess of \$25,000,000.

## Unaffiliated Common Stock Money Market Mutual Funds

As a result of the adoption of agenda item 2017-06-CA, by the Capital Adequacy (E) Task Force on its June 28 conference call, the factor was modified to 0% on Line (17) on page XR009. The purpose of the modification was to avoid the double counting of MMMFs in both cash equivalents and common stock. The instructions were also revised to reflect the change.

### Editorial Changes

1. On page XR002, the column name was updated in Column 4 to reflect the changes to page XR025, page PR032 and page LR031 for Operational Risk. The column name was changed to “Affiliate’s RBC After Covariance Before Operational Risk” and the line number for life was changed to Line (67) + (70) and the line number for P&C was changed to (73).
2. On page XR022, the references to P&C Supp. Sch. F, Pt1, C5, L0899999 and P&C Supp. Sch. F, Pt1, C5, L0999999 were removed from the Reference column for Line (2), Line (3), Line (6) and Line (7) as a result of Proposal 2017-01BWG, adopted by the Blanks (E) Working Group on its June 14 conference call.
3. The column reference in the instructions for Line (18) on page XR023 was corrected from “Column (2)” to “Column (3).”
4. The annual statement reference was updated from Note 5I to Note 5M on Line (23) and (24) on page XR007 as a result of proposal 2017-13BWG (MOD), adopted by the Blanks (E) Working Group on its June 14 conference call.

© 2017 National Association of Insurance Commissioners

Health Risk-Based Capital Newsletter Volume 19.1. Published annually or whenever needed by the NAIC for insurance regulators, professionals and consumers.

Direct correspondence to: Crystal Brown, RBC Newsletters, NAIC, 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197. Phone: (816) 783-8146. Email: [cbrown@naic.org](mailto:cbrown@naic.org).

Address corrections requested. Please mail the old address label with the correction to: NAIC Publications Department, 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197. Phone: (816) 783-8300. Email: [prod-serv@naic.org](mailto:prod-serv@naic.org).