

2020 Summer National Meeting

CAPITAL ADEQUACY (E) TASK FORCE
Wednesday, August 5, 2020
1:00 – 2:00 p.m.

Meeting Summary Report

The Capital Adequacy (E) Task Force met Aug. 5, 2020. During this meeting, the Task Force:

1. Adopted its June 30 minutes, which included the following action:
 - a. Adopted its 2019 Fall National Meeting minutes.
 - b. Adopted its Jan. 27 and April 30 minutes, which included the following action:
 1. Adopted the 2019 Catastrophe Event List.
 2. Adopted proposal 2019-16-CA (20 Designation Bond Structure for Year-End 2020).
 3. Adopted proposal 2019-13-L (Longevity Risk Structure).
 - c. Adopted its working group proposals.
 1. Proposal 2020-05-CA (Table of Contents).
 2. Proposal 2020-06-L (Longevity Risk for Life/Fraternal Instructions).
 3. Proposal 2018-19-P (Vulnerable 6 or Unrated Risk Charge).
 4. Proposal 2020-01-P (Line 1 Premium and Reserve Underwriting Factors).
2. Adopted the Health Risk-Based Capital (E) Working Group's July 30 report, which included the following action:
 - a. Adopted its Dec. 17, 2019 minutes, which included the following action:
 1. Adopted its Fall National Meeting minutes.
 2. Discussed the Draft Health Bond Structure, specifically the bond portfolio adjustment; investment grade bond factors; investment income; and the time horizon.
 - b. Approved the 2019 Health Risk-Based Capital (RBC) Statistics to be posted on the Working Group's webpage.
 - c. Discussed and referred the federal Affordable Care Act (ACA) Fee Sensitivity Test proposal to the Capital Adequacy (E) Task Force for exposure for all formulas.
 - d. Adopted proposal 2020-04-H to add the MAX Function to the formula included in the RBC forecasting file for Line 17 of the excessive growth charge on page XR021 of the health RBC formula.
 - e. Heard comments on the Health Bond Factors from the American Academy of Actuaries (Academy) to address questions raised regarding investment income and the time horizon used in the development of the factors.
 - f. Adopted updates to the 2020 health RBC working agenda.
 - g. Discussed the impact of COVID-19 and pandemic risk in the health RBC formula.
 - h. Heard comments on the Health Care Receivable Guidance.
 - i. Heard an update on the Health Test Ad Hoc Group.
3. Adopted the Life Risk-Based Capital (E) Working Group's July 30 report, which included the following action:
 - a. Adopted its July 10, June 30, June 11, and Spring National Meeting minutes, which included the following action:
 1. Adopted industry requested risk-based capital (RBC) mortgage reporting guidance for:
 - a. Construction loans.
 - b. Origination and valuation dates, property values, and 90 days past due.
 - c. Contemporaneous property values.
 2. Deferred industry requested RBC mortgage reporting guidance for net operating income (NOI).
 3. Adopted the instruction and factors for 2020 longevity risk.
 4. Adopted its Feb. 14 and 2019 Fall National Meeting minutes.
 5. a. Adopted proposal 2019-13-L (Longevity Risk Structure).
 6. b. Adopted proposal 2020-03-L (C-3 Instructional Changes and C-3 Guidance)
 - b. Adopted the Life RBC Newsletter.
 - c. Discussed the 2019 RBC statistics.
 - d. Heard an update from industry on their request for RBC reporting guidance for NOI.
 - e. Discussed the Working Group's working agenda and upcoming conference calls.
4. Adopted the Investment Risk-Based Capital (E) Working Group's Feb. 25 minutes, which included the following action:
 - a. Discussed comments received on the bond proposal.
 - b. Re-exposed the bond proposal to include updates to the 2020 annual statement blanks.

5. Adopted the Property and Casualty Risk-Based Capital (E) Working Group’s July 30 report, which included the following action:
 - a. Adopted its Feb. 3 minutes, which included the following action:
 1. Adopted its Fall National Meeting minutes.
 2. Adopted its Jan. 22 e-vote minutes.
 3. Adopted proposal 2019-19-P (Vulnerable 6 or Unrated Risk Charge) and agreed to refer the Schedule F proposal to the Blanks (E) Working Group.
 4. Received referrals from the Statutory Accounting Principles (E) Working Group and the Restructuring Mechanisms (E) Subgroup.
 - b. Adopted the Catastrophe Risk (E) Subgroup’s July 29 report, which included the following action:
 1. Adopted its Feb. 3 minutes.
 2. Heard a presentation from Karen Clark & Company (DCC) on its catastrophe model.
 3. Discussed the possibility of allowing an additional third-party commercial vendor models.
 4. Discussed the internal catastrophe model evaluation process.
 - c. Adopted the 2020 property/casualty (P/C) RBC newsletter.
 - d. Discussed 2020 P/C RBC statistics.
 - e. Discussed the possibility of using the NAIC as a centralized location for reinsurer designations.
 - f. Discussed the R3 credit risk and Rcat contingent credit risk charges.
 - g. Discussed referrals from the Statutory Accounting Principles (E) Working Group
 - h. Forwarded the request for extension to the Restructuring Mechanisms (E) Subgroup
 - i. Discussed 2020 P/C RBC working agenda.
 - j. Heard updates on current P/C RBC projects from the American Academy of Actuaries (Academy).
 - k. Discussed Line 1 underwriting risk reserves and premium methodology.
6. Adopted its working agenda and voted to disband the Investment Risk-Based Capital (E) Working Group.
7. Exposed Proposal 2020-02-CA (ACA Fee Sensitivity Test Removal) for a 30-day public comment period ending Sept. 4.
8. Exposed its 2021 proposed charges for a 30-day public comment period ending Sept. 4.
9. Adopted proposal 2020-03-L (C-3 Instructional Changes and C-3 Guidance).

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