

*2024 Summer National Meeting  
Chicago, Illinois*

**CAPITAL ADEQUACY (E) TASK FORCE**

Wednesday, August 14, 2024  
1:30 – 2:30 p.m.

**Meeting Summary Report**

The Capital Adequacy (E) Task Force met Aug. 14, 2024. During this meeting, the Task Force:

1. Adopted its June 28 and April 30 minutes. During these meetings, the Task Force took the following action:
  - A. Adopted proposal 2024-09-CA (Underwriting Risk Investment Risk Factor).
  - B. Adopted proposal 2024-13-CA (Receivable for Securities Factors).
  - C. Adopted proposal 2024-15-L (Collateral Loans).
  - D. Adopted proposal 2024-17-L (BA Mortgages Omitted AVR Line Factor).
  - E. Adopted proposal 2024-12-H (Modified Health Care Receivable Factors).
  - F. Adopted proposal 2024-14-P (PC Underwriting Line 1 Factors).
  - G. Adopted the Risk-Based Capital Investment Risk and Evaluation (E) Working Group's June 25 meeting summary.
  - H. Adopted proposal 2024-18-CA (Residual Factor for PC & Health).
  - I. Adopted proposal 2024-04-L (TAC for Non-Admitted Affiliate).
  - J. Adopted proposal 2024-05-L (BA Mortgages Omitted AVR Line).
  - K. Adopted proposal 2024-08-CA (Column 12 Affiliated Investment).
  - L. Adopted proposal 2024-10-P (PR019 Other Health Line).
  - M. Adopted proposal 2024-11-P (2024 and 2025 Underwriting Risk Lines 4 and 8 Factors).
  - N. Adopted proposal 2023-17-CR (Climate Scenario Analysis). However, the Financial Condition (E) Committee adopted proposal 2024-20-CR to replace the 2023-17-CR during its Aug. 2 meeting.
  - O. Received updates from the Statutory Accounting Principles (E) Working Group on the potential revisions to Schedule BA collateral loans disclosures and reporting lines.
  - P. Discussed proposal 2024-16-CA (Revised Preamble).
  - Q. Discussed the possibility of establishing a new working group to evaluate the non-investment risk issues.
  - R. Discussed and exposed a referral from the Statutory Accounting Principles (E) Working Group regarding the investment in tax credit structures.
  - S. Forwarded a referral regarding the issue of asset concentration to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group.
  - T. Referred issues regarding geographic concentration to the Catastrophe Risk (E) Subgroup.
2. Adopted its Spring National Meeting minutes.
3. Adopted the report of the Health Risk-Based Capital (E) Working Group, which met July 25. During this meeting, the Working Group took the following action:
  - A. Adopted its June 24, June 6, and April 16 minutes, which included the following action:

- i. Adopted its Feb. 22 minutes.
  - ii. Referred proposal 2024-09-CA to the Capital Adequacy (E) Task Force.
  - iii. Heard an update from the American Academy of Actuaries (Academy) on the health care receivables and H2 – Underwriting Risk review projects.
  - iv. Exposed a referral letter on pandemic risk to the Financial Analysis Solvency Tools (E) Working Group and Financial Examiners Handbook (E) Technical Group.
  - v. Discussed the excessive growth charge.
  - vi. Exposed proposal 2024-12-H for a 30-day public comment period that ended May 16.
  - vii. Exposed proposal 2024-12-H (MOD) for a 14-day public comment period that ended June 20.
  - viii. Adopted proposal 2024-12-H (MOD) by e-vote.
  - B. Adopted the 2024 health risk-based capital (RBC) newsletter.
  - C. Adopted the 2023 health RBC statistics.
  - D. Received an update from the Academy on the H2 – Underwriting Risk review project.
  - E. Directed NAIC staff to forward a referral letter on pandemic risk to the Risk-Focused Surveillance (E) Working Group.
  - F. Adopted its 2024 working agenda.
4. Adopted the report of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, which met Aug. 14. During this meeting, the Working Group took the following action:
- A. Adopted its June 21, May 22, and April 12 minutes. During these meetings, the Working Group took the following action:
    - i. Discussed a review of year-end 2023 data reported for residual tranches.
    - ii. Heard a presentation from the NAIC’s Structured Securities Group (SSG).
    - iii. Discussed comment letters received on Oliver Wyman’s residual tranche risk analysis.
    - iv. Discussed comment letters received on a memorandum requesting additional feedback from industry stakeholders to substantiate their request for an additional one-year delay in implementing the 45% RBC factor for residual tranches.
    - v. Discussed comment letters received on proposal 2024-19-I and other potential alternative proposals.
    - vi. Discussed the American Council of Life Insurers’ (ACLI’s) survey data on residual ownerships by life insurers.
    - vii. Voted to retain the original adoption of the 45% charge to be applied to all residuals.
  - B. Adopted its Spring National Meeting minutes.
  - C. Received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.
  - D. Heard an update from the Academy on a structured securities RBC project.
  - E. Discussed referrals related to funds and discussed moving forward in considering RBC formula and instruction changes to reflect Securities Valuation Office (SVO)-assigned designations in U.S. Securities and Exchange Commission (SEC)-registered funds as well as to review and consider convergence with exposure aggregations for funds consistently with the Supplemental Investment Risk Interrogatory (SIRI).
  - F. Adopted its 2024 working agenda
5. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met Aug. 14 and took the following action:

- A. Adopted its June 18 and April 19 minutes. During these meetings, the Working Group took the following action:
    - i. Adopted proposal 2024-15-L.
    - ii. Adopted proposal 2024-17-L.
    - iii. Adopted proposal 2024-04-L.
    - iv. Adopted proposal 2024-05-L.
    - v. Discussed covariance.
    - vi. Discussed C-3 risk.
    - vii. Discussed proposal 2024-03-L.
    - viii. Discussed proposal 2024-07-L.
  - B. Adopted its Spring National Meeting minutes.
  - C. Received updates from its subgroups:
    - i. Generator of Economic Scenarios (GOES) (E/A) Subgroup
    - ii. Longevity Risk (E/A) Subgroup
    - iii. Variable Annuities Capital and Reserve (E/A) Subgroup
  - D. Adopted the 2024 RBC newsletter.
  - E. Adopted its 2023 life RBC statistics.
  - F. Received a referral from the Statutory Accounting Principles (E) Working Group on investments in tax credit structures.
  - G. Discussed the Schedule BA proposal for non-bond debt securities.
  - H. Adopted its working agenda.
6. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup, which met in joint session Aug. 14. During this meeting, the Working Group and Subgroup took the following action:
- A. Adopted the Property and Casualty Risk-Based Capital (E) Working Group’s June 17 and April 25 minutes. During these meetings, the Working Group took the following action:
    - i. Adopted proposal 2023-14-P (Underwriting Risk Line 1 Factors), which it had exposed for a 30-day public comment period that ended May 25.
    - ii. Adopted proposal 2023-17-CR (Climate Scenario Analysis), which it had re-exposed for a 22-day public comment period that ended April 8. However, the Financial Condition (E) Committee adopted proposal 2024-20-CR to replace the 2023-17-CR during its Aug. 2 meeting.
    - iii. Adopted proposal 2024-10-P (Other Health Line), which it had exposed for a 30-day public comment period that ended April 16.
    - iv. Adopted proposal 2024-11-P (Underwriting Risk Lines 4 & 8 Factors), which it had exposed for a 30-day public comment period that ended April 16.
    - v. Discussed potential modifications in the RBC statistics.
    - vi. Discussed the study of flood risk in the Catastrophe Risk (E) Subgroup.
    - vii. Heard updates from the Academy on its current underwriting risk projects.
  - B. Adopted the Catastrophe Risk (E) Subgroup’s June 10 and April 23 minutes. During these meetings, the Subgroup took the following action:
    - i. Adopted proposal 2023-17-CR (Climate Scenario Analysis), which it had re-exposed for a 22-day public comment period that ended April 8.

- ii. Exposed a referral from the Capital Adequacy (E) Task Force regarding the geographic concentration issue.
  - iii. Discussed wildfire peril impact analysis.
  - iv. Discussed CoreLogic's wildfire model review.
  - v. Discussed the possibility of adding flood peril to the Rcat component.
  - vi. Heard an update regarding severe convective storm peril.
  - C. Adopted their Spring National Meeting minutes.
  - D. Adopted the 2024 property and casualty (P/C) RBC newsletter.
  - E. Discussed 2023 P/C RBC statistics.
  - F. Discussed their working agenda.
  - G. Discussed the geographic concentration issue.
  - H. Heard updates on the severe convective storm peril.
  - I. Discussed the wildfire peril impact analysis.
  - J. Discussed the CoreLogic wildfire model review.
  - K. Discussed the possibility of adding flood peril to the Rcat component.
  - L. Discussed how to handle flood peril with the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM).
  - M. Heard an update from the Academy on current and future research topics.
7. Adopted its working agenda with a few edits to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group section.
8. Exposed its revised procedures document for a 30-day public comment period ending Sept. 13.
9. Exposed its 2025 proposed charges for a 30-day public comment period ending Sept. 13.
10. Exposed a memorandum to the Financial Condition (E) Committee regarding the request for a new working group for a 30-day public comment period ending Sept. 13.