

2024 Spring National Meeting
Phoenix, Arizona

CAPITAL ADEQUACY (E) TASK FORCE

Sunday, March 17, 2024
1:30 – 2:30 p.m.

Meeting Summary Report

The Capital Adequacy (E) Task Force met March 17, 2024. During this meeting, the Task Force:

1. Adopted its Jan. 31, 2024, minutes. During this meeting, the Task Force took the following action:
 - A. Adopted proposal 2023-16-CR (2023 Cat Event List).
 - B. Exposed proposal 2024-02-CA (Residual Structure PC & Health) for a 30-day public comment period that ended March 2.
 - C. Exposed proposal 2024-06-CA (Repurchase Agreements PC & Health) for a 30-day public comment period that ended March 2.
2. Adopted its 2023 Fall National Meeting minutes.
3. Adopted the report of the Health Risk-Based Capital (E) Working Group, which met Feb. 22. During this meeting, the Working Group took the following action:
 - A. Adopted its Nov. 8, 2023, minutes, which included the following action:
 - i. Adopted its July 25 minutes.
 - ii. Adopted proposal 2023-11-H for page XR014 Fee-For-Service and Other Risk Revenue for Medicare and Medicaid.
 - iii. Received an update from the American Academy of Actuaries (Academy) on the health care receivables and H2-underwriting risk review projects.
 - iv. Discussed pandemic risk and heard a presentation from the Texas Department of Insurance (TDI).
 - v. Received an overview of the Risk Evaluation Ad Hoc group.
 - vi. Discussed questions on the 2022 health risk-based capital (RBC) statistics.
 - B. Exposed proposal 2024-09-CA (Underwriting Risk Investment Income Adjustment Factors).
 - C. Discussed comments received on the Academy health care receivables presentation.
 - D. Discussed pandemic risk and agreed to send a referral to the Financial Analysis Solvency Tools (E) Working Group and the Financial Examiners Handbook (E) Technical Group.
 - E. Adopted its 2024 working agenda.
 - F. Heard an update on the Academy H2 – Underwriting Risk review project.
4. Adopted the report of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, which met March 17. During this meeting, the Working Group took the following action:
 - A. Adopted its 2023 Fall National Meeting minutes.
 - B. Received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.

- C. Received an update from the Academy on asset-backed securities (ABS) RBC.
 - D. Discussed residual tranches.
 - E. Discussed next steps.
5. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met March 17. During this meeting, the Working Group took the following action:
- A. Adopted its 2023 Fall National Meeting minutes.
 - B. Adopted its Jan. 25 minutes, which included the following action:
 - i. Discussed the American Council of Life Insurers' (ACLI's) repurchase agreements proposal.
 - ii. Discussed the proposal to add a line for total adjusted capital (TAC) adjustment for non-admitted affiliates.
 - iii. Discussed the proposal to add a line to Schedule BA mortgages for omitted asset valuation reserves (AVR).
 - C. Received updates from the Generator of Economic Scenarios (GOES) (E/A) Subgroup, Longevity Risk (E/A) Subgroup, and Variable Annuities Capital and Reserve (E/A) Subgroup.
 - D. Discussed repurchase agreements.
 - E. Discussed covariance.
6. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup, which met March 17 in joint session. During this meeting, the Working Group and Subgroup took the following action:
- A. Adopted their Jan. 30 minutes, which included the following action:
 - i. Adopted proposal 2023-16-CR (2023 Cat Event List).
 - B. Adopted the Catastrophe Risk (E) Subgroup's Jan. 29 minutes, which included the following action:
 - i. Adopted the 2023 U.S. and non-U.S. catastrophe event lists.
 - C. Adopted their 2023 Fall National Meeting minutes.
 - D. Adopted proposal 2023-13-CR (Cat Risk Insurance Program Interrogatory).
 - E. Adopted proposal 2024-01-P (Schedule P Short Tails).
 - F. Adopted proposal 2023-14-P (Pet Insurance).
 - G. Adopted proposal 2023-15-CR (Convective Storm for Information Purposes Only Structure).
 - H. Adopted the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup's working agenda.
 - I. Exposed proposal 2024-10-P (Other Health Line).
 - J. Discussed proposal 2023-17-CR (Climate Scenario Analysis).
 - K. Discussed wildfire and convective storm impact analysis.
 - L. Discussed underwriting risk factors and investment income adjustment factors.
7. Received updates from the Risk-Based Capital Purposes & Guidelines Ad Hoc Subgroup, Asset Concentration Ad Hoc Subgroup, and Geographic Concentration Ad Hoc Subgroup. The Task Force agreed to take the following action:
- A. Sent referrals to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group and the Catastrophe Risk (E) Subgroup to further review the asset concentration and geographic concentration issues, respectively, based on the Ad Hoc Subgroups' findings.

- B. Appointed the Risk-Based Capital Purposes & Guidelines Subgroup to address the issues of: 1) the RBC Permeable; and 2) the possibility of removing authorized control level (ACL) and TAC data in the Annual Statement Five-year Historical Data page.
- 8. Adopted proposal 2023-13-CR (Cat Risk Insurance Program Interrogatory).
- 9. Adopted proposal 2023-14-P (Pet Insurance).
- 10. Adopted proposal 2023-15-CR (Convective Storm for Information Purposes Only Structure).
- 11. Adopted proposal 2021-01-P (Schedule P Short Tails).
- 12. Adopted its working agenda.
- 13. Exposed proposal 2024-08-CA (Col 12 Affiliated Investments) for a 30-day public comment period ending April 16.
- 14. Heard an update from the Health Risk-Based Capital (E) Working Group on the H2 component project. These changes are anticipated to affect the structure and factors for health, life, and property/casualty (P/C) RBC formulas.
- 15. Exposed the collateral loan memorandum from the Statutory Accounting Principles (E) Working Group for a 45-day public comment period ending May 1.
- 16. Exposed proposal 2024-02-CA (Residual Structure PC & Health) for a 30-day public comment period ending April 16.
- 17. Exposed the repurchase agreements referral from the Life Risk-Based Capital (E) Working Group for a 30-day public comment period ending April 16.