

2023 Fall National Meeting

Orlando, Florida

CAPITAL ADEQUACY (E) TASK FORCE


Saturday, December 2, 2023


1:45 – 2:45 p.m.

Meeting Summary Report

The Capital Adequacy (E) Task Force met Dec. 2, 2023. During this meeting, the Task Force:

1. Adopted its Oct. 11 and Sept. 18 minutes, which included the following action:
 - A. Adopted its Summer National Meeting minutes.
 - B. Adopted its 2024 proposed charges, which the Task Force exposed for a 30-day public comment period that ended Sept. 13.
 - C. Adopted its revised procedures document, which the Task Force exposed for a 30-day public comment period that ended Sept. 13.
 - D. Adopted 2023 newsletters.
 - E. Received a status update from its Risk Evaluation Ad Hoc Subgroups.
 - F. Discussed a referral from the Statutory Accounting Principles (E) Working Group regarding the Schedule BA proposal for non-bond debt securities.
 - G. Exposed proposal 2023-12-CA for a 33-day public comment period that ended Nov. 13.
 - H. Discussed editorial changes in the affiliated investments.
 - I. Discussed the risk-based capital (RBC) charge for companies reported as Blank Affiliate types in the Details for Affiliated Stock page.
2. Adopted the report of the Health Risk-Based Capital (E) Working Group, which met Nov. 8. During this meeting, the Working Group took the following action:
 - A. Adopted its July 25 minutes and noted the Working Group met Oct. 2 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, which included the following action:
 - i. Adopted its May 17 and April 17 minutes.
 - ii. Adopted its 2023 health RBC newsletter.
 - iii. Adopted its 2022 health RBC statistics.
 - iv. Exposed proposal 2023-11-H.
 - v. Referred the health test proposal to the Blanks (E) Working Group.
 - vi. Received an update from the American Academy of Actuaries (Academy) on the health care receivables and H2-underwriting risk review projects.
 - vii. Adopted its updated working agenda.
 - viii. Received an update on the Excessive Growth Charge Ad hoc Group.
 - ix. Discussed pandemic risk.
 - B. Adopted proposal 2023-11-H for page XR014, Fee for Service and Other Risk Revenue for Medicare and Medicaid.

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- C. Received an update from the Academy on the health care receivables and H2-underwriting risk review projects. The Working Group agreed to expose the Academy's Health Care Receivable presentation for a 61-day public comment period ending Jan. 8, 2024.
 - D. Discussed pandemic risk and received a presentation from the Texas Department of Insurance (TDI).
 - E. Received an overview of the Risk Evaluation Ad Hoc group.
 - F. Discussed questions on the 2022 health RBC statistics.
3. Adopted the report of the Risk-Based Capital Investment and Evaluation (E) Working Group, which met Dec. 2. During this meeting, the Working Group took the following action:
 - A. Adopted its Summer National Meeting minutes.
 - B. Adopted its Oct. 17 minutes, which included the following action:
 - i. Continued discussion of the Academy candidate principles for structured securities RBC.
 - C. Received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.
 - D. Heard a presentation from the Academy on updates to its candidate principles for structured securities RBC.
 4. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met Dec. 2. During this meeting, the Working Group took the following action:
 - A. Adopted its Oct. 4 minutes, which included the following action:
 - i. Discussed C-2 mortality risk.
 - B. Adopted its Summer National Meeting minutes.
 - C. Discussed repurchase agreements.
 - D. Exposed a C-2 mortality risk memorandum for a 10-day public comment period ending Dec. 15.
 - E. Discussed its subgroups, working agenda, and 2024 priorities.
 5. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup, which met Dec. 2. During this meeting, the Working Group and Subgroup took the following action:
 - A. Adopted their Nov. 16 minutes, which included the following action:
 - i. Exposed proposal 2023-16-CR for a seven-day public comment period that ended Nov. 23.
 - ii. Heard a presentation from the Academy on the report *Update to Property and Casualty Risk-Based Capital Underwriting Factors and Investment Income Adjustment Factors*.
 - B. Adopted the Property and Casualty Risk-Based Capital (E) Working Group's July 27 minutes, which included the following action:
 - i. Adopted its June 26 and April 24 minutes, which included the following action:
 - a. Adopted its Spring National Meeting minutes.
 - b. Adopted proposal 2023-02-P, which provided a routine annual update to the line 1 premium and reserve industry underwriting factors in the property/casualty (P/C) RBC formula.
 - c. Adopted proposal 2023-02-P-MOD, which updated the homeowners/farmowners (H/F), workers' compensation, and commercial multiple peril (CMP) reserve factors due to an incorrect calculation.
 - ii. Adopted the report of the Catastrophe Risk (E) Subgroup.

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- iii. Adopted the 2023 P/C RBC newsletter.
 - iv. Discussed 2022 RBC statistics.
 - v. Discussed its working agenda.
 - vi. Discussed the possibility of reviewing and analyzing the P/C RBC charges that have not been reviewed since developed.
 - vii. Heard updates on current P/C RBC projects from the Academy.
- C. Adopted the Catastrophe Risk (E) Subgroup's July 18 minutes, which included the following action:
 - i. Adopted Spring National Meeting minutes.
 - ii. Discussed its working agenda.
 - iii. Received an update from its Catastrophe Model Technical Review Ad Hoc Group.
 - iv. Discussed wildfire peril impact analysis.
 - v. Heard a presentation from Verisk on a severe convective storms model update and technical review.
 - vi. Discussed the flood insurance market.
 - D. Adopted Proposal 2023-16-CR (2023 Cat Event List).
 - E. Adopted the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup's working agendas.
 - F. Exposed proposal 2023-14-P (Pet Insurance) for a 60-day public comment period ending Jan. 30.
 - G. Exposed proposal 2023-15-CR (Convective Storm for Informational Purposes Only Structure) for a 60-day public comment period ending Jan. 30.
 - H. Discussed the wildfire peril impact analysis.
 - I. Exposed proposal 2023-13-CR (Disclosure for Catastrophe Reinsurance Program) for a 60-day public comment period ending Jan. 30.
 - J. Received updates from the Convective Storm Model Review Ad Hoc Group on the convective storm technical review.
 - K. Discussed the report from the Academy on an *Update to Property and Casualty Risk-Based Capital Underwriting Factors and Investment Income Adjustment Factors*.
 - L. Discussed the Florida Commission on Hurricane Loss Projection Methodology.
- 6. Received updates from its: a) RBC Purposes & Guidelines Ad Hoc Subgroup; b) Asset Concentration Ad Hoc Subgroup; and c) Geographic Concentration Ad Hoc Subgroup.
 - 7. Adopted Proposal 2023-11-H (Line 4 & 10 XR014 Medicare & Medicaid).
 - 8. Adopted Proposal 2023-12-CA (Market Value Excess Affiliated Stock).
 - 9. Adopted Proposal 2023-16-CR (2023 Cat Event List).
 - 10. Adopted its working agenda.
 - 11. Discussed a Referral from the Statutory Accounting Principles (E) Working Group regarding the Schedule BA proposal for non-bond debt securities. Forwarded a comment letter from the American Council of Life Insurers (ACLI) to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group.



12. Discussed the possible structure changes in the Bond page to reflect the split of the Annual Statement, Schedule D, Part 1 into two sections.
13. Discussed the RBC charge for blank affiliates reported in the Details for Affiliated Stock page.
14. Discussed the “Framework for Regulation of Insurer Investments—A Holistic Review” document.
15. Heard update on negative Interest Maintenance Reserve (IMR).