Meeting Summary Report

The Capital Adequacy (E) Task Force met March 23, 2023. During this meeting, the Task Force:

1. Adopted its Feb. 3, 2023; and 2022 Fall National Meeting minutes, which included the following action:
   A. Adopted proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists).

2. Adopted the report of the Health Risk-Based Capital (E) Working Group, which met March 21 and took the following action:
   A. Adopted its Feb. 7 minutes, which included the following action:
      i. Adopted its 2022 Fall National Meeting Minutes.
      iii. Referred the runoff company response letter to the Capital Adequacy (E) Task Force.
      v. Received an update from the American Academy of Actuaries (Academy) on the H2 – Underwriting Risk Review project.
   C. Referred proposal 2022-16-CA (Underwriting Risk Factors Investment Income Adjustment) to the Task Force for a 30-day exposure for all lines of business.
   D. Adopted its 2023 working agenda.
   E. Exposed proposal 2023-01-CA (Stop Loss Instructions) for a 20-day public comment period ending April 10.
   F. Discussed the stop loss data and factors.
   G. Received an update on the Health Test Ad Hoc Group and the draft proposal with revisions to the health test language and general interrogatories.
   H. Discussed the effect of the COVID-19 pandemic and pandemic risk in the health risk-based capital (RBC) formula.
   I. Received an update on the H2 – Underwriting Risk review.

3. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met March 22 and took the following action:
   A. Adopted its Jan. 26 minutes, which included the following action:
      i. Exposed the Academy’s C2 Mortality Risk Work Group’s proposal for a 30-day public comment period ending March 1.
ii. Exposed proposed revisions to the CM6 and CM7 mortgage RBC factors and formula for a 45-day public comment period ending March 16.

iii. Exposed proposed revisions to remove the dual presentation of the trend test for a 15-day public comment period ending Feb. 14.

B. Adopted its 2022 Fall National Meeting Minutes.

C. Discussed C-2 mortality risk.

D. Discussed its 2023 working agenda.

E. Discussed runoff companies.

F. Received an update on the status of the Economic Scenarios (E/A) Subgroup.

4. Adopted the report of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, which met March 23 and took the following action:

A. Adopted its Feb. 27 minutes, which included the following action:
   i. Discussed the Academy’s follow-up to its presentation on collateralized loan obligations (CLOs).
   ii. Discussed comments received on the referral from the Valuation of Securities (E) Task Force.
   iii. Discussed comments received on the potential structure change to address residual tranches.

B. Adopted its 2022 Fall National Meeting Minutes.

C. Received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.

D. Continued discussion of CLOs.

E. Discussed the residual tranche structure change.

F. Discussed residual tranche factor and next steps.

5. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met March 22 and took the following action:

A. Adopted its Jan. 30 minutes, which included the following action:
   i. Adopted proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists), which the Subgroup exposed for a seven-day public comment period ending Jan. 25.

B. Adopted its 2022 Fall National Meeting minutes.

C. Adopted the report of the Catastrophe Risk (E) Subgroup, which met March 21 minutes and took the following action:
   i. Adopted its Jan. 30, 2023, and 2022 Fall National Meeting minutes.
   ii. Discussed its working agenda.
   iii. Received a status update from its Catastrophe Model Technical Review Ad Hoc Group.
   iv. Heard a presentation from Travelers on the climate overview and scenario analysis.
   v. Discussed the wildfire peril impact analysis.

D. Exposed proposal 2023-02-P (Underwriting Risk Line 1 Factors) for a 30-day public comment period ending April 21.

E. Discussed annual statement proposal 2023-01BWG, which removes pet insurance from the inland marine line of business and adds new schedule P parts to pet insurance.

F. Discussed annual statement proposal 2022-15BWG, which removes the 5% of premium filing exemption on Schedule H, Part 5.

G. Discussed its 2023 working agenda.

H. Heard an update on current property and casualty (P/C) RBC projects from the Academy.
I. Discussed the possibility of reviewing or analyzing the P/C RBC charges that have not been reviewed since developed.


7. Adopted proposal 2022-13-CA (Health Premiums and Underwriting Risk Premium References), which the Task Force exposed for a 45-day public comment period ending Jan. 28.


10. Adopted its working agenda.

11. Discussed the response from the Health Risk-Based Capital (E) Working Group regarding runoff companies, which the Working Group exposed for a 30-day comment period ending March 9.


13. Discussed the current turmoil in the banking sector.

14. Discussed other matters brought before the Task Force, which included: 1) the proposed revised proposal form; 2) health test exposure updates; and 3) established ad hoc groups to review or analyze: i) current non-investment charges; ii) missing risks; and iii) modernizing asset concentration instructions.