

*2023 Summer National Meeting
Seattle, Washington*

CAPITAL ADEQUACY (E) TASK FORCE


Monday, August 14, 2023

12:30 – 1:30 p.m.

Meeting Summary Report

The Capital Adequacy (E) Task Force met Aug. 14, 2023. During this meeting, the Task Force:

1. Adopted its June 30 and April 28 minutes, which included the following action:
 - A. Adopted proposal 2023-02-P-MOD (Underwriting Risk Line 1 Factors).
 - B. Adopted proposals 2023-09-IRE (Residual Factor for Life) and 2023-04-IRE (Residual Sensitivity Test Factor for Life).
 - C. Adopted the Generator of Economic Scenarios (E/A) Subgroup Charges.
 - D. Adopted proposal 2022-09-CA-MOD (Revised Affiliated Investments Structure and Instructions).
 - E. Adopted proposal 2022-16-CA (Underwriting Risk Factors – Investment Income Adjustment).
 - F. Adopted proposal 2023-01-CA (Stop Loss Premiums).
 - G. Adopted its Spring National Meeting minutes.
 - H. Adopted proposal 2023-02-P (Underwriting Risk Line 1 Factors).
 - I. Adopted proposal 2023-03-IRE (Revised Residual Structure for life).
 - J. Adopted proposal 2023-04-IRE (Residual Sensitivity Test for Life).
 - K. Adopted proposal 2023-05-L (Remove Dual Trend Test).
 - L. Adopted proposal 2023-06-L (C-2 Mortality Risk Structure Changes).
 - M. Adopted proposal 2023-07-L (CM6 & CM7 Mortgages Structures Changes).
 - N. Exposed proposal 2022-16-CA (Underwriting Risk Factors Investment Income Adjustment) for a 30-day public comment period ending May 27.
 - O. Exposed proposal 2023-01-CA (Stop Loss Premiums) for a 30-day public comment period ending May 27.
 - P. Discussed the current turmoil in the banking sector.
 - Q. Received an update from its Risk Evaluation Ad Hoc Group.
2. Adopted the report of the Health Risk-Based Capital (E) Working Group, which met July 25 and took the following action:
 - A. Adopted its May 17, and April 17 minutes, which included the following action:
 - i. Adopted its Spring National Meeting minutes.
 - ii. Referred proposal 2023-01-CA (Stop Loss Premiums) to the Capital Adequacy (E) Task Force for exposure.
 - 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.
 - v. Exposed the proposal on the health test language for a 45-day public comment period ending June 30.
 - B. Adopted its 2023 health risk-based capital (RBC) newsletter.

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- C. Adopted its 2022 health RBC statistics report.
 - D. Exposed proposal 2023-11-H (XR014 Fee-for-Service & Other Risk Revenue-Medicare & Medicaid) for a 30-day public comment period ending Aug. 24.
 - E. Received comments from the New York Department of Financial Services on the health test language projects.
 - F. Received an update from the Academy on the health care receivable and H2-underwriting risk review projects.
 - G. Adopted its 2023 working agenda.
 - H. Received an update on the work being performed by the Excessive Growth Charge Ad Hoc Group.
 - I. Discussed a way forward on evaluating pandemic risk in the health RBC formula.
3. Adopted the report of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, which met Aug. 13 and took the following action:
 - A. Adopted its June 14, May 17, April 20, and Spring National Meeting minutes, which included the following action:
 - i. Discussed comments received on proposed structural and factor changes for residual tranches.
 - ii. Adopted structural changes and factors for the base factor and a sensitivity test for residual tranches.
 - B. Received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.
 - C. Heard a presentation from the American Academy of Actuaries (Academy) on Principles for Structured Securities RBC.
 4. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met Aug. 13 and took the following action:
 - A. Adopted its June 22, April 14, and Spring National Meeting minutes, which included the following action:
 - i. Adopted the proposed charges of the Generator of Economic Scenarios (GOES) (E/A) Subgroup.
 - ii. Discussed proposal 2023-08-L (Custody Control Accounts).
 - iii. Discussed its working agenda.
 - iv. Adopted proposal 2023-05-L (C-2 Mortality Structure and Instruction Changes).
 - v. Adopted proposal 2023-07-L (CM6 & CM7 Mortgage Structure Change).
 - vi. Adopted proposal 2023-08-L (Custody Control Accounts).
 - vii. Discussed C-2 mortality risk.
 - B. Adopted its 2023 life risk-based capital (RBC) newsletter.
 - C. Adopted its 2022 life RBC statistics report.
 - D. Adopted its working agenda.
 - E. Heard a presentation from the American Council of Life Insurers (ACLI) on repurchase agreements and exposed it for a public comment period of 45 days.
 5. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met July 27 and took the following action:



- A. Adopted its June 16, April 24 minutes, which included the following action:
 - i. Adopted its Spring National Meeting minutes.
 - ii. Adopted proposal 2023-02-P (UW Risk Line 1 Factors).
 - iii. Adopted proposal 2023-02-P-MOD (UW Risk Line 1 Factors Modification), which updated the H/F, WC, and CMP reserve factors due to an incorrect calculation.
 - B. Adopted the report of the Catastrophe Risk (E) Subgroup, which met July 18 and took the following action:
 - i. Adopted its 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.
 - C. Adopted its 2023 property/casualty (P/C) RBC newsletter.
 - D. Discussed its 2022 P/C RBC statistics report.
 - E. Discussed its working agenda.
 - F. Heard an update from the Academy on current P/C RBC projects .
3. Adopted its working agenda.
 4. Exposed its 2024 proposed charges for a 30-day public comment period ending Sept. 13.
 5. Exposed its revised procedures document for a 30-day public comment period ending Sept. 13.
 6. Received an update from its Risk Evaluation Ad Hoc Group.
 7. Discussed the implications of the recent market turmoil and their impact on insurer investments.