



Risk-Based Capital Newsletter

NAIC

National Association of
Insurance Commissioners

What RBC Pages Should be Submitted?

For year-end 2008 Health RBC, submit hard copies of pages **XR001 through XR025** to any state that requests a hard copy in addition to the electronic filing. Starting with the year-end 2007 RBC, a hard copy was not required to be submitted to the NAIC.

Other pages, such as the capitations worksheet, do not need to be submitted. Those pages would need to be retained by the company as documentation.

Health Risk-Based Capital Trend Test Added

A Trend Test was added to the health risk-based capital calculation. The RBC for Health Organizations Risk-Based Capital Model Act (#315) is currently in the process of being modified for the Health trend test.

Once the state law implements the Trend Test, Company Action Level could be triggered for companies with an RBC percentage between 200% and 300% (Total Adjusted Capital divided by Authorized Control level RBC) and a combined ratio of greater than 105%.

- (7) Total Revenue Page 4, Line 8
- (8) Underwriting Page 4, Line 23
Deductions
- (9) Combined Ratio Line (8)/Line (7)
- (10) RBC Ratio Line(1)/Line (4)
- (11) Trend Test Result If Line (10) is between
200% and 300% and
Line (9) > 105%, then
"Yes", otherwise "No"
- (12) Level of Action, if any, including Trend Test

Hybrid Securities

The short-term solution of notching certain hybrid securities implemented by the Hybrid RBC (E) Working Group for year-end 2006 was in effect until Jan. 1, 2009.

Starting Jan. 1, 2009, hybrid securities will be moved to a new line on Schedule D Part 1 and the notching will no longer be in effect. The hybrid annual statement note disclosure will also be eliminated at the same time.

Due to the changes in annual statement changes for hybrids, line references and a few additional subtotal lines needed to be added to the RBC formula. Hybrids will continue to be reported on the preferred stock page for the RBC calculation. But, the factors used for hybrids will continue to be the same as used for bonds and preferred stock.

In this issue...

- What RBC Pages to Submit..... Page 1
- Health RBC Trend Test..... Page 1
- Hybrid Securities Page 1
- Medicare Part D Factor Changes..... Page 2

Updated Stand-Alone Medicare Part D Prescription Drug Coverage Factors

At the June 14, 2009, meeting of the Capital Adequacy (E) Task Force, changes for stand-alone Medicare Part D prescription drug coverage factors were adopted for the 2009 Health RBC formula and instructions.

Adjustments were made to the XR012 underwriting risk factors and XR017 managed care credit factors.

A major change was made to the XR014 Medicare Part D supplemental benefit factors reported on page XR014 Underwriting Risk–Other Line 22.1. The new factor will be phase-in over a two year period starting with a 21% factor for year-end 2009 and 35% for year-end 2010.

XR014 Other Underwriting Risk

The factor for stand-alone Medicare Part D Prescription drug coverage Line 22.1 was changed for page XR014 Other Underwriting Risk in a two-year phase-in:

XR014 Other Underwriting Risk	Factor
Supplemental benefits within Part D Coverage	XR014 Line 22.1
2008 Original Factor	0.120
2009 Updated Factor	0.210
2010 Updated Factor	0.350

XR012 Underwriting Risk–Experience Fluctuation Risk

Factors for Medicare Part D Prescription drug coverage Column 4 were changed for page XR012 Underwriting Risk – Experience Fluctuation Risk Line 10:

XR012 Col. 4 Category	2008 Factor	2009 Factor
(10) Underwriting Risk Factor for First 25 Million of Premium	0.141	0.251
(10) Underwriting Risk Factor for Premium Amounts in Excess of 25 Million in Premium	0.106	0.151

XR017 Underwriting Risk – Managed Care Credit

A managed care credit is calculated for XR012 line (12). The factors were updated for page XR017 Lines 12 and 13 as follows:

XR017 Claims Category	2008 Factor	2009 Factor
(12) Category 2a - No Federal Reinsurance but Risk Corridor Protection	0.500	0.667
(13) Category 3a - Federal Reinsurance and Risk Corridor Protection apply	0.650	0.767

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