

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input type="checkbox"/> Life RBC (E) Working Group |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> Investment RBC (E) Working Group | <input type="checkbox"/> SMI RBC (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Stress Testing (E) Subgroup |

DATE: <u>8-6-18</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Crystal Brown</u>	Agenda Item # <u>2018-14-CA</u>
TELEPHONE: <u>816-783-8146</u>	Year <u>2019</u>
EMAIL ADDRESS: <u>cbrown@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>Health RBC (E) Working Group</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Patrick McNaughton</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chief Financial Examiner/Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>WA Office of Insurance Commissioner</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP
ADDRESS: <u>PO Box 40255</u>	<input checked="" type="checkbox"/> EXPOSED <u>Dec. 17, 2018, Feb. 19, 2019</u>
<u>Olympia, WA 98504-0255</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Health RBC Blanks | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks | <input checked="" type="checkbox"/> Life RBC Instructions |
| <input checked="" type="checkbox"/> Fraternal RBC Blanks | <input checked="" type="checkbox"/> Health RBC Instructions | <input checked="" type="checkbox"/> Property/Casualty RBC Instructions |
| <input checked="" type="checkbox"/> Life RBC Blanks | <input checked="" type="checkbox"/> Fraternal RBC Instructions | <input checked="" type="checkbox"/> OTHER _____ |

DESCRIPTION OF CHANGE(S)

Revise Table 2 of the electronic only stop loss tables to be split out between specific stop loss and aggregate stop loss

REASON OR JUSTIFICATION FOR CHANGE **

The table currently captures stop loss contracts by group size, this would include the number of groups, average specific attachment point and average aggregate attachment. The proposed change would allow for regulators to distinguish between aggregate and specific stop loss data.

Additional Staff Comments:

9-21-18 cgb HRBCWG discussed the proposal on the 9/21 WG call and agreed to refer the proposal to the TF for exposure for all LOB and any comments received to come back to the WG for discussion.

11-16-18 cgb Capital Adequacy Task Force exposed proposal for 30-day comment period ending on Dec.17

1-15-19 cgb Two comment letters received: ACLI and SIIA

2-1-19 cgb Revisions to the proposal were made based on the comments received.

2-1-19 cgb The WG agreed with proposed revisions and agreed to additional revisions. The WG referred the proposal to the TF for re-exposure until 2-19-19.

2-4-19 cgb the TF re-exposed the proposal until 2-19-19 and no comments were received.

** This section must be completed on all forms.

Revised 11-2013

Stop Loss Electronic Only Tables
XR014, PR019, LR019, FR019

Electronic Only Table Instructions

Table 2a – Calendar Year Specific Stop Loss Contracts By Group Size and Table 2b – Calendar Year Aggregate Stop Loss Contracts by Group Size

For those insurers where the stop loss gross premium written is both under \$2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop loss data and Table 2b should reflect the aggregate stop loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, ~~employees plus dependents~~ total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a)- The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point (\$) (Table 2a, 50-99 Covered Lives in Group) =
(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

<u>Insured Group</u>	<u>Specific Att Point (\$)</u>	<u>Aggregate Att (%)</u>	<u>Number of Lives</u>	<u>Include Exclude</u>	<u>Reason to Exclude</u>
<u>1</u>	<u>\$ 200,000</u>	<u>115%</u>	<u>90</u>	<u>Include</u>	
<u>2</u>	<u>\$ 100,000</u>	<u>120%</u>	<u>60</u>	<u>Include</u>	
<u>3</u>	<u>\$ 50,000</u>	<u>140%</u>	<u>40</u>	<u>Exclude</u>	<u>Not in Group Size Band</u>
<u>4</u>	<u>\$ 120,000</u>	<u>N/A</u>	<u>50</u>	<u>Include</u>	

$$\text{Calculation: } \frac{(200,000 \times 90 + 100,000 \times 60 + 120,000 \times 50)}{(90 + 60 + 50)} = \$150,000$$

Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups ~~of groups~~ that have separate stop loss contracts should be aggregated in terms of determining the group size. The average should be weighted by the number of covered lives expected claims in the respective group size bracket, excluding the count of covered lives expected claims within the denominator where specific/aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =

(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

<u>Insured Group</u>	<u>Specific Att Point (\$)</u>	<u>Aggregate Att (%)</u>	<u>Expected Claims</u>	<u>Number of Lives</u>	<u>Include/Exclude</u>	<u>Reason to Exclude</u>
<u>1</u>	<u>\$ 200,000</u>	<u>115%</u>	<u>\$ 500,000</u>	<u>90</u>	<u>Include</u>	
<u>2</u>	<u>\$ 100,000</u>	<u>120%</u>	<u>\$ 300,000</u>	<u>60</u>	<u>Include</u>	
<u>3</u>	<u>\$ 50,000</u>	<u>140%</u>	<u>\$ 200,000</u>	<u>40</u>	<u>Exclude</u>	<u>Not in Group Size Band</u>
<u>4</u>	<u>\$ 120,000</u>	<u>N/A</u>	<u>\$ 400,000</u>	<u>50</u>	<u>Exclude</u>	<u>Aggregate not purchased by group</u>

$$\text{Calculation: } \frac{(500,000 \times 115\% + 300,000 \times 120\%)}{(500,000 + 300,000)} = 116.7\%$$

Footnote – The number of covered lives for stop loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 6, Section C. Other Business, Line 2.

If stop loss policies are sold on a Pper Eemployee, Pper Mmonth basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Similarly as approximated in the Accident and Health Policy Experience Exhibit for Year. -If estimated, aAn explanation of the method used to estimate the number of covered lives should be provided in the footnote.

Table 2a - Calendar Year - ~~XXXX~~ Specific Stop Loss Contracts by Group Size

Page XR014, PR019, LR019, FR019

	Covered Lives in Group	Number of Groups*	Average Specific Attachment Point (\$)
1.	<10		\$0
2.	10-24		\$0
3.	25-49		\$0
4.	50-99		\$0
5.	100-499		\$0
6.	>=500		\$0

Table 2b - Calendar Year - ~~XXXX~~ Aggregate Stop Loss Contracts by Group Size

Page XR014, PR019, LR019, FR019

	Covered Lives in Group	Number of Groups*	Average Aggregate Attachment (%)
1.	<10		0%
2.	10-24		0%
3.	25-49		0%
4.	50-99		0%
5.	100-499		0%
6.	>=500		0%

* Footnote: Was the number of covered lives in the group reported an estimated number? Yes _____ No _____

If the answer was yes, provide an explanation for the assumptions used and how the estimation was calculated.

Specific:

Aggregate:
