

Capital Adequacy (E) Task Force

RBC Proposal Form

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| <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 |

<p style="text-align: right;">DATE: <u>1-10-18</u></p> <p>CONTACT PERSON: <u>Crystal Brown</u></p> <p>TELEPHONE: <u>816-783-8146</u></p> <p>EMAIL ADDRESS: <u>cbrown@naic.org</u></p> <p>ON BEHALF OF: <u>Health RBC (E) Working Group</u></p> <p>NAME: <u>Patrick McNaughton</u></p> <p>TITLE: <u>Chief Financial Examiner/Chair</u></p> <p>AFFILIATION: <u>WA Office of Insurance Commissioner</u></p> <p>ADDRESS: <u>PO Box 40255</u> <u>Olympia, WA 98504-0255</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2018-01-CA (MOD)</u></p> <p>Year <u>2018</u></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p><input checked="" type="checkbox"/> ADOPTED <u>4/30/2018</u></p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input checked="" type="checkbox"/> EXPOSED _____</p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
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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)

Add an electronic only table to pages XR014, LR019, FR019 and PR019 for the new Stop Loss Interrogatories.

Add a second electronic only table to capture the number of stop loss contracts by group size.

REASON OR JUSTIFICATION FOR CHANGE **

The Health RBC Working Group adopted changes to the stop loss factors in 2017 and at that time the Working Group agreed to gather information and continue to review the factors with more current information. The addition of the interrogatories would allow for the additional information needed to continue the review of the factors.

The interrogatories will be captured through an electronic only table and be used to collect data to review the stop loss factors for a period of time to be determined by the Working Group. The Working Group will aggregate individual company data and the Working Group will later work with the American Academy of Actuaries to review the aggregated data.

Minnesota requested that a second electronic only table be added to the proposal to capture stop loss contracts by group size, this would include the number of groups, average specific attachment point and average aggregate attachment.

Additional Staff Comments:

Because stop loss is reported in the health portion of each formula, it is suggested that the interrogatories be added to all lines of business (Health, Life, Fraternal and P/C).

01-29-18 cgb The WG agreed to refer the proposal to the Capital Adequacy (E) Task Force to expose with the Minnesota revisions for a 30 day comment period ending Feb. 28, 2018.

03-05-18 cgb Two comments letters were received from UHG and AHIP/ACLI/BCBSA. The HRBCWG discussed the comments and agreed to some of the modifications suggested. The Working Group will discuss the revised proposal at the Spring National Meeting and consider referring to CapTF for re-exposure.

3-25-18 cgb The WG referred the proposal to CapAd TF for 10-day re-exposure period.

3-25-18 cgb CapAd TF re-exposed the proposal with the modifications and revisions for a 10-day comment period ending on April 4, 2018.

4-5-18 cgb Three comment letters were received during the 10-day comment period from SIIA, AHIP/ACLI/BCBSA and UHG.

4-9-18 cgb The HRBCWG discussed the comments received and agreed to the following modifications:

- 1) Add a reference to “gross” in the exemption criteria
- 2) Add the exemption criteria to apply to Table 2
- 3) Spell out the product name in the instructions
- 4) Clarify the calendar year instructions in Table 1
- 5) Modify the Total [Gross/Net] Premium instructions in Table 1
- 6) Add clarifying language to the expense instructions in Table 1
- 7) Change the instructions for Number of covered lives to be based on the size of the group as of Dec. 31 in Table 2.
- 8) Add guidance to the instructions to calculate the Average Aggregate Attachment Percentage in Table 2.
- 9) Add headings of Table 1 and Table 2 to the blanks pages

The Working Group agreed to refer the proposal to Capital Adequacy Task Force for consideration and adoption.

4-30-18 cgb The Capital Adequacy Task Force adopted the proposal with modifications to change the sentence “The terms used in the interrogatories are defined as follows:” to “The categories used in the interrogatories are separated as follows:”; insert the word “the” before 1998 in each product type listed and correct the exemption criteria for Table 2 from referencing Table 1 to reference Table 2.

**** This section must be completed on all forms.**

Revised 11-2013

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

Electronic Only Table Instructions

The Health Risk-Based Capital (E) Working Group revised the stop loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop loss factors as a result of the changes to life time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go forward basis. The data will be used in the continued evaluation of the factors. **The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2018, will reflect the incurred data for calendar year 2017 run-out through December 31st, 2018.**

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 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.

Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.

HMO Reinsurance = specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.

Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.

Medical Excess Reinsurance = specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on Stop Loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for 2018 should provide experience information for calendar year 2017 with run-out through December 31st, 2018.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses = –

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability.

+

Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

+

Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2 – Calendar Year 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.

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).

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 - 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.

Average Aggregate Attachment Percentage – 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 in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Table 1 - STOP LOSS INTERROGATORIES - Current Calendar Year

Page XR014

		Specific Stop Loss (Including Aggregating Specific)	Aggregate Stop Loss	HMO Reinsurance*	Provider Excess †	Medical Excess Reinsurance§
1.	Total Gross Premium					
2.	Total Gross Claims + Expenses					
3.	Gross Combined Ratio (Line 2/Line 1)					
4.	Premiums Net of Reinsurance					
5.	Total Net Claims + Expenses					
6.	Net Combined Ratio (Line 5/Line 4)					

* **HMO Reinsurance** - Specific reinsurance of an HMO's commercial, Medicare, Medicaid, or Point of Service products

† **Provider Excess** - specific excess written on providers, including IPAs, hospitals, and clinics

§ **Medical Excess Reinsurance** - specific reinsurance of an insurance company's medical business (first dollar or self-insured). Please do not include quota share or excess reinsurance written on Stop Loss business

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

Page XR014

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

Table 1 - STOP LOSS INTERROGATORIES - Current Calendar Year

Page PR019

		Specific Stop Loss (Including Aggregating Specific)	Aggregate Stop Loss	HMO Reinsurance*	Provider Excess †	Medical Excess Reinsurance‡
1.	Total Gross Premium					
2.	Total Gross Claims + Expenses					
3.	Gross Combined Ratio (Line 2/Line 1)					
4.	Premiums Net of Reinsurance					
5.	Total Net Claims + Expenses					
6.	Net Combined Ratio (Line 5/Line 4)					

* **HMO Reinsurance** - Specific reinsurance of an HMO's commercial, Medicare, Medicaid, or Point of Service products

† **Provider Excess** - specific excess written on providers, including IPAs, hospitals, and clinics

‡ **Medical Excess Reinsurance** - specific reinsurance of an insurance company's medical business (first dollar or self-insured). Please do not include quota share or excess reinsurance written on Stop Loss business

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

Page PR019

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

Table 1 - STOP LOSS INTERROGATORIES - Current Calendar Year

Page LR019

		Specific Stop Loss (Including Aggregating Specific)	Aggregate Stop Loss	HMO Reinsurance*	Provider Excess †	Medical Excess Reinsurance‡
1.	Total Gross Premium					
2.	Total Gross Claims + Expenses					
3.	Gross Combined Ratio (Line 2/Line 1)					
4.	Premiums Net of Reinsurance					
5.	Total Net Claims + Expenses					
6.	Net Combined Ratio (Line 5/Line 4)					

* **HMO Reinsurance** - Specific reinsurance of an HMO's commercial, Medicare, Medicaid, or Point of Service products

† **Provider Excess** - specific excess written on providers, including IPAs, hospitals, and clinics

‡ **Medical Excess Reinsurance** - specific reinsurance of an insurance company's medical business (first dollar or self-insured). Please do not include quota share or excess reinsurance written on Stop Loss business

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

Page LR019

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

Table 1 - STOP LOSS INTERROGATORIES - Current Calendar Year

Page FR019

		Specific Stop Loss (Including Aggregating Specific)	Aggregate Stop Loss	HMO Reinsurance*	Provider Excess †	Medical Excess Reinsurance‡
1.	Total Gross Premium					
2.	Total Gross Claims + Expenses					
3.	Gross Combined Ratio (Line 2/Line 1)					
4.	Premiums Net of Reinsurance					
5.	Total Net Claims + Expenses					
6.	Net Combined Ratio (Line 5/Line 4)					

* **HMO Reinsurance** - Specific reinsurance of an HMO's commercial, Medicare, Medicaid, or Point of Service products

† **Provider Excess** - specific excess written on providers, including IPAs, hospitals, and clinics

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

Page FR019

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