



AMERICAN ACADEMY of ACTUARIES

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April 27, 2021

Steve Drutz
Chair, Health Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners (NAIC)

Re: Request for Analysis to Incorporate Investment Income into the Underwriting Risk Component of the Health Risk-Based Capital (HRBC) Formula

Dear Mr. Drutz:

On behalf of the American Academy of Actuaries (Academy)¹ Health Solvency Subcommittee, I am pleased to provide this response letter to the Health Risk-Based Capital (E) Working Group. This letter is in response to the request from the working group on April 23, 2021, to provide an additional digit within the subcommittee's summary of the Investment Income Adjusted Health H2 Experience Fluctuation Risk Factors. These factors are included within the table below.

Investment Income Adjusted Tiered RBC Factors

Assumed Investment Return	Comprehensive Medical (CM)	Medicare Supplement	Dental/Vision
	High Tier (i.e., less than \$3M or less than \$25M)		
0.0%	15.00%	10.50%	12.00%
0.1%	14.99%	10.49%	11.99%
0.5%	14.93%	10.43%	11.95%
1.0%	14.86%	10.36%	11.90%
1.5%	14.79%	10.29%	11.85%
2.0%	14.73%	10.22%	11.80%
3.0%	14.59%	10.08%	11.70%
	Low Tier		
0.0%	9.00%	6.70%	7.60%
0.1%	8.99%	6.69%	7.59%
0.5%	8.93%	6.63%	7.55%
1.0%	8.87%	6.56%	7.50%
1.5%	8.81%	6.50%	7.45%
2.0%	8.74%	6.43%	7.40%
3.0%	8.61%	6.30%	7.31%

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Please note that the Comprehensive Medical (CM) RBC factors within the High Tier for the 1.0% and 1.5% investment returns is changed from 14.8% and 14.7% to 14.9% and 14.8% due to a typographic error in the prior draft of this table. Otherwise, the data is unchanged—only the rounding has been adjusted.

If you have any questions or would like to discuss further, please contact Matthew Williams, the Academy's senior health policy analyst, at williams@actuary.org.

Sincerely,

Derek Skoog, MAAA, FSA
Chairperson
Health Solvency Subcommittee
American Academy of Actuaries

Cc: Crystal Brown: Senior Insurance Reporting Analyst