



October 31, 2023

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

Re: Request for Comprehensive Review of the H2—Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula

Dear Chair Drutz:

On behalf of the Health Underwriting Risk Factors Analysis Work Group of the Health Solvency Subcommittee of the American Academy of Actuaries (the work group),¹ I appreciate the opportunity to provide these updates to the National Association of Insurance Commissioners (NAIC) Health Risk-Based Capital (E) Working Group in response to the request to comprehensively review the H2—Underwriting Risk Component and the Managed Care Credit Calculation in the Health Risk-Based Capital (HRBC) formula.

A subset of members within the work group now meets on a weekly basis to work on the tiered RBC Factor development (Track 2); volunteer participation has increased since the summer. Progress has been made getting new volunteers up to speed on the work track, providing access to collected data, and reviewing historical work products and reports from the Health Solvency Subcommittee.

Members of the work group have been assigned lines of business and are exploring the partitioned data and developing high-level statistics. The next steps of the work group include:

- Finalize data exploration and analysis and share additional questions with NAIC staff, as necessary;
- Share data findings and statistics with fellow work group members for review and discussion of methodology and results;
- Determine additional data and resources, if necessary, for completing the analysis;
- Share data and risk analysis insights and determine a consistent methodology across the applicable lines of business (e.g., consistent method of determining outlier data points);
- Generate premium tiers based on risk analysis and premium growth across lines of business;
- Develop premium risk factors for each applicable premium tier and line of business; and
- Document analysis and draft findings for review.

The goal of the work group continues to be to develop the draft analysis and findings by the end of this calendar year.

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.

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
Health Underwriting Risk Factors Analysis Work Group
American Academy of Actuaries

Cc: Crystal Brown, Senior Health RBC Specialist & Education Lead, Financial Regulatory Affairs, NAIC