



February 27, 2026

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

Re: Request for a standalone Investment Income Adjustment factor to incorporate into the Underwriting Risk Component of the Health Risk-Based Capital (HRBC) Formula

Dear Mr. Drutz:

On behalf of the Health Underwriting Risk Factors Analysis Work Group of the Health Solvency Subcommittee of the American Academy of Actuaries (Academy),¹ I am writing in response to the Health Risk-Based Capital (E) Working Group's request for guidance on how to calculate a standalone Investment Income Adjustment (IIA) factor for use within the H2–Underwriting Risk component of the Health Risk-Based Capital (HRBC) formula.

Definition of a standalone IIA factor

Using the previously provided Investment Income Adjusted Tiered Risk-Based Capital (RBC) Factors table (reproduced in Attachment A), a standalone IIA factor for a given product and tier can be calculated as a ratio:

$$\text{IIA}_{p,t}(r) = \frac{F_{p,t}(r)}{F_{p,t}(0.0\%)}$$

where:

- p = product (e.g., Comprehensive Medical),
- t = tier (e.g., High Tier or Low Tier),
- r = assumed investment return, and
- $F_{p,t}(r)$ = the investment-income-adjusted tiered RBC factor from Attachment A at return r .

Under this approach, the IIA factor can be used as a multiplicative adjustment to reflect alternative investment return assumptions. If the working group elects to apply an IIA factor directly to an existing base underwriting factor (rather than re-basing to a 0.0% reference), the denominator should be aligned to the return assumption embedded in that base factor.

Calculation steps

1. Identify the applicable product and tier in Attachment A.
2. Select the assumed investment return r .

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 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.

3. Obtain $F_{p,t}(r)$ from the table. If r falls between listed rows, a linear interpolation between the adjacent rows is likely reasonable.
4. Obtain the corresponding $F_{p,t}(0.0\%)$ from the 0.0% row for that same product and tier.
5. Compute $\text{IIA}_{p,t}(r) = F_{p,t}(r)/F_{p,t}(0.0\%)$.

Worked examples (from Attachment A)

- **Comprehensive Medical, High Tier, 4.0% return:**
 $F(4.0\%) = 14.47\%$ and $F(0.0\%) = 15.00\%$, so
 $\text{IIA} = 14.47\%/15.00\% = 0.965$.
- **Comprehensive Medical, Low Tier, 4.0% return:**
 $F(4.0\%) = 8.50\%$ and $F(0.0\%) = 9.00\%$, so
 $\text{IIA} = 8.50\%/9.00\% = 0.944$.

If you have any questions or would like to discuss further, please contact Katie Dzurec, the Academy's State Public Policy Outreach Director, at Dzurec@actuary.org.

Sincerely,

Derek Skoog, MAAA, FSA
 Chairperson, Health Underwriting Risk Factors Analysis Work Group
 American Academy of Actuaries

Cc: Derek Noe, Health RBC Analyst, Financial Regulatory Services, NAIC

Attachment A—Investment Income Adjusted Tiered RBC Factors (excerpted from Feb. 2, 2023, Academy response)

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%
3.5%	14.53%	10.01%	11.63%
4.0%	14.47%	9.94%	11.58%
4.5%	14.40%	9.87%	11.53%
5.0%	14.34%	9.80%	11.48%
5.5%	14.27%	9.73%	11.43%
6.0%	14.21%	9.67%	11.38%
	Low Tier		
0.0%	9.00%	6.70%	7.60%
3.5%	8.56%	6.23%	7.25%
4.0%	8.50%	6.16%	7.20%
4.5%	8.44%	6.09%	7.16%
5.0%	8.38%	6.03%	7.11%
5.5%	8.32%	5.96%	7.06%
6.0%	8.25%	5.90%	7.01%