



*2025 Spring National Meeting
Indianapolis, Indiana*

CAPITAL ADEQUACY (E) TASK FORCE

Tuesday, March 25, 2025

8:00 – 9:00 a.m.

Meeting Summary Report

The Capital Adequacy (E) Task Force met March 25, 2025. During this meeting, the Task Force:

1. Adopted its 2024 Fall National Meeting minutes.
2. Adopted its Feb. 4 minutes. During this meeting, the Task Force took the following action:
 - A. Adopted proposal 2024-23-CR (2024 U.S. and Non-U.S. Catastrophe Risk Event Lists), which the Task Force exposed for a seven-day public comment period that ended Feb. 4.
3. Adopted the report of the Health Risk-Based Capital (E) Working Group, which met March 24. During this meeting, the Working Group took the following action:
 - A. Adopted its July 25, 2024, minutes.
 - B. Received two referral letters from the Statutory Accounting Principles (E) Working Group. The first referral requested the Working Group's consideration of a comment received on *Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions and Answers*. The second referral informed the Working Group of the exposure of *INT 24-02: Medicare Part D Prescription Payment Plan*. The referrals were exposed for a 30-day public comment period ending April 23.
 - C. Exposed proposal 2025-03-CA for the Underwriting Risk Factors Investment Income Adjustment for a 30-day public comment period ending April 23.
 - D. Heard a presentation from the American Academy of Actuaries (Academy) on the H2—Underwriting Risk report. The report includes recommendations on changes to the structure and risk factors for underwriting risk pages XR013, LR020, and PR020. The report is forthcoming and expected to be discussed during late April meeting.
4. Adopted the report of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, which met March 24. During this meeting, the Working Group took the following action:
 - A. Adopted its Feb. 11, 2025, and Oct. 22, 2024, minutes. During these meetings, the Working Group took the following action:
 - i. Received updates from the Valuation of Securities (E) Task Force and Statutory Accounting Principles (E) Working Group.
 - ii. Heard updates from the Academy on its structured securities risk-based capital (RBC) project.
 - iii. Adopted revisions to its 2024 working agenda.
 - iv. Discussed the status of the fund review project.

- v. Exposed the American Council of Life Insurers' (ACLI's) RBC principles for bond funds presentation and the NAIC's memorandum of bond funds reported in the 2023 annual statement filings for a 24-day public comment period that ended March 7.
 - B. Heard an update from the Academy on its structured securities RBC project. The Academy reported progress made thus far on the evaluation of RBC treatment of one type of structured securities—collateralized loan obligations (CLOs).
 - C. Received comments on the ACLI's RBC principles for bond funds presentation and the NAIC's memorandum of bond funds reported in the 2023 annual statement filings.
 - D. Received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.
5. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met March 24. During this meeting, the Working Group took the following action:
- A. Adopted its Feb. 21, 2025, and Oct. 23, 2024, minutes. During these meetings, the Working Group took the following action:
 - i. Adopted its 2024 Summer National Meeting minutes.
 - ii. Exposed proposal 2024-21-L (Tax Credit Investments) for a 75-day public comment period that ended Jan. 6.
 - iii. Exposed proposal 2024-24-L (Principle-Based Bond Definition Project) for a 75-day public comment period that ended Jan. 6.
 - iv. Re-exposed proposal 2024-21-L MOD (Tax Credit Investments) for a 30-day public comment period that ended March 23.
 - v. Re-exposed proposal 2024-24-L MOD (Principle-Based Bond Definition Project) for a 30-day public comment period that ended March 23.
 - vi. Exposed proposal 2025-01-L (C-2 Mortality Risk) for a 30-day public comment period that ended March 23.
 - vii. Exposed proposal 2025-05-L (Assets Concentration—LR010) for a 30-day public comment period that ended March 23 and referred it to the Statutory Accounting Principles (E) Working Group for comments.
 - viii. Received updates from the Generator of Economic Scenarios (GOES) (E/A) Subgroup, Longevity Risk (E/A) Subgroup, and Variable Annuities Capital and Reserve (E/A) Subgroup.
 - ix. Heard updates from the Academy on covariance and C-3 risk, which included key differences in correlation methodologies across jurisdictions, the impact of time horizons on risk assumptions, and ongoing efforts to refine RBC frameworks.
 - B. Received an update from the GOES (E/A) Subgroup, which met Feb. 26, 2025; Feb. 12, 2025; Jan. 29, 2025; Dec. 19, 2024; and Dec. 11, 2024. During these meetings, the Subgroup took the following action:
 - i. Discussed the model office results of the latest GOES updates.
 - ii. Referred two documents to the Variable Annuities Capital and Reserve (E/A) Subgroup and Life Risk-Based Capital (E) Working Group regarding GOES for capital calculations.
 - iii. Discussed revised equity calibration.
 - iv. Discussed amendment proposal form (APF) 2025-04 to implement the GOES in the *Valuation Manual*.
 - v. Heard a presentation on revised Treasury scenarios.
 - vi. Discussed the formation of a GOES model governance drafting group.
 - vii. Discussed the Sharpe ratio methodology for aligning risk-reward across GOES equity indices.
 - viii. Discussed equity calibration alternatives.

- ix. Discussed the initial Treasury yield fitting methodology and Treasury model flooring methodology.
 - C. Received an update from the Longevity Risk (E/A) Subgroup, which has not met since the 2024 Fall National Meeting.
 - D. Received an update from the Variable Annuities Capital and Reserve (E/A) Subgroup, which met Feb. 20. During this meeting, the Subgroup took the following action:
 - i. Discussed comments received on draft additions to the variable annuities supplement in the annual statement.
 - ii. Exposed draft blanks changes to the variable annuities supplement for a 45-day public comment period ending April 6.
 - E. Received a referral from the GOES (E/A) Subgroup requesting amendments to the life RBC blanks and instructions to facilitate the implementation of the new economic scenario generator. The referral was exposed for a 30-day public comment period ending April 23.
 - F. Heard a presentation from the Academy on C-3. The Academy presented a potential alignment of C-3 Phase 1 and C-3 Phase 2 methodologies that could impact instructions and blanks changes to LR027.
 - G. Exposed proposal 2025-04-L (Other Long-Term Assets—LR008) for a 30-day public comment period ending April 23. The proposal reorganizes LR008 to ensure Schedule BA assets of the same risk components (C-1o vs. C1-cs) are grouped to facilitate proper modified coinsurance (modco)/funds withheld reinsurance agreement adjustments within LR008.
5. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met March 24 in joint session with the Catastrophe Risk (E) Subgroup. During this meeting, the Working Group and Subgroup took the following action:
- A. Adopted its 2024 Fall National Meeting minutes.
 - B. Adopted its Feb. 18 and Jan. 16 minutes. During these meetings, the Working Group took the following action:
 - i. Received an update from the Wildfire Model Review Ad Hoc Group on the CoreLogic wildfire model.
 - ii. Discussed the wildfire peril impact analysis.
 - iii. Discussed the wildfire modeled losses impact analysis.
 - iv. Discussed climate impact disclosures.
 - v. Discussed flood peril.
 - vi. Heard updates from the Academy on its current underwriting risk projects.
 - vii. Exposed the Statutory Accounting Principles (E) Working Group referral for (RBC assessment for capital notes and non-bond debt securities, which it had exposed for a 30-day public comment period that ended March 20.
 - viii. Adopted the updated 2024 U.S. and non-U.S. catastrophe risk event lists, which it had exposed for a seven-day public comment period that ended Jan. 16.
 - C. Exposed proposal 2025-06-CR (Disclosure Climate Condition Cat Exposure Instructions) for a 30-day public comment period ending April 23.
 - D. Heard an update from the Wildfire Model Review Ad Hoc Group regarding the CoreLogic wildfire model review.
 - E. Heard an update from the Academy on its current underwriting risk projects.
 - F. Discussed the 2024 underwriting risk factors.
 - G. Discussed the Statutory Accounting Principles (E) Working Group referral on capital notes and non-bond debt securities.

- H. Discussed insights into catastrophe trends from the Actuaries Climate Index (ACI) and U.S. billion-dollar disasters.
- 6. Received a referral from the Life Risk-Based Capital (E) Working Group regarding an ACLI comment letter on the two RBC proposals (2024-21-L and 2024-24-L). The referral was exposed for a 30-day public comment period ending April 24.
- 7. Re-exposed proposal 2024-25-CA (Principle-Based Bond Project for P/C and Health) and proposal 2024-26-CA (Tax Credit Investments for P/C and Health) for a 30-day public comment period ending April 24.
- 8. Exposed proposal 2025-07-CA (Trend Test) for a 30-day public comment period ending April 24.
- 9. Re-exposed proposal 2024-16-CA (Revised Preamble) with modifications based on comments received during the meeting for a 45-day public comment period ending May 9.
- 10. Heard updates from the Statutory Accounting Principles (E) Working Group on its current RBC projects.