



AMERICAN ACADEMY *of* ACTUARIES

**Status Report of the Stop-Loss Risk-Based Capital Subgroup
To The
NAIC Health Risk-Based Capital Working Group
March 2002**

This report was prepared by the American Academy of Actuaries'¹ Stop-Loss Health Risk-Based Capital Work Group.

Tim Patria, MAAA, FSA, Chairperson

Darrell Knapp, MAAA, FSA

Leigh Wachenheim, MAAA, FSA

John Mange, MAAA, FSA

Status Report

In our last report, we described the effect that two data points had on the RBC results. These data points were noticeably out of range (one high and one low) and affected the RBC factor by a significant 10% of premium (as a comparison, today's factor is 25% of premium). These two points have been researched by each of the companies that contributed this information. One of the data points was calculated in error and has been resupplied by the contributing company. The other company has advised not to use the other data point in question as the information does not appear to be accurate. It is the oldest data point for this company and does not appear to represent the experience of that time. We thank these companies for researching these issues and providing their correction and guidance. These changes are likely to lead to a RBC factor proposal in the range of 20%-30% of premium for aggregate and individual stop loss as described in our last report.

Activities for the coming quarter include; updating the claim distributions for the new information, using these new distributions in the simulation model to produce projections with a range of assumptions, and determine the RBC factor proposal.

The group would like to thank Kelly Bowler for her significant contribution to this study.

¹ The American Academy of Actuaries is the public policy organization for actuaries practicing in all specialties within the United States. A major purpose of the Academy is to act as the public information organization for the profession. The Academy is non-partisan and assists the public policy process through the presentation of clear and objective actuarial analysis. The Academy regularly prepares testimony for Congress, provides information to federal elected officials, comments on proposed federal regulations, and works closely with state officials on issues related to insurance. The Academy also develops and upholds actuarial standards of conduct, qualification and practice and the Code of Professional Conduct for all actuaries practicing in the United States.