

# Property and Casualty Risk-Based Capital Committee – Release of Recent Report

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Discussion of Report on Investment Income Adjustment Factors and  
Catastrophe-Adjusted Risk Factors

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# Key Topics Covered in Report

1. Summary of Results
  - and Impacts to Industry ACL
2. Interest Rates
  - Use of Recent and Historical US Treasury Rates
3. Payment Patterns
  - 40-year runoff payment pattern
  - Risk development horizon/40-year truncated payment pattern
4. Present Value Method
  - Discount historical datapoints by then prevailing US Treasury interest rates, which have declined across the experience period.
5. Safety Level Calculations
  - These calculations are included to support potential future discussions and should not be used as the basis for increasing the safety margin.
6. Adjustment for Catastrophe Risk Captured in Rcat

# Topics Covered Today

- Background
- Summary of Results
- Adjustment for Catastrophe Risk

# Status of Final Report

- In the coming days, the American Academy of Actuaries (AAA) will publish on its website a final report to this Working Group.
- The report is currently undergoing public policy review by the AAA.

# Indicated Changes in Risk Charges by Line

(1)	Premium Risk			Reserve Risk		
	(2)	(3)	(4)= (3)/(2)-1	(5)	(6)	(7)= (6)/(5)-1
LOB	Risk Charge		Change in Risk Chg	Risk Charge		Change in Risk Chg
	Current	Indicated		Current	Indicated	
A-HO	0.182	0.188	3.0%	0.138	0.166	20.4%
B-PPA	0.125	0.137	10.1%	0.094	0.129	37.2%
C-CA	0.185	0.201	9.1%	0.162	0.259	59.7%
D-WC	0.138	0.121	-12.4%	0.116	0.050	-56.7%
E-CMP	0.148	0.160	8.7%	0.309	0.325	5.1%
F1-MPL-O	0.534	0.363	-32.0%	0.196	0.094	-51.9%
F2-MPL-C	0.189	0.244	28.8%	0.127	0.050	-60.5%
G-SL	0.166	0.164	-1.1%	0.161	0.238	48.5%
H-OL	0.130	0.135	3.5%	0.304	0.293	-3.9%
I-SP	0.120	0.062	-48.5%	0.204	0.213	4.8%
J-APD	0.044	0.050	13.0%	0.127	0.112	-12.0%
K-Fid/Sur	0.272	0.105	-61.2%	0.289	0.440	52.4%
L-Other	0.142	0.143	1.2%	0.180	0.147	-18.4%
M-Intl	0.556	0.804	44.7%	0.188	0.852	353.6%
N-Re-Prop	0.312	0.162	-48.3%	0.275	0.204	-25.7%
O-Re-Liab	0.295	0.227	-23.2%	0.388	0.266	-31.5%
R-PL	0.307	0.286	-6.9%	0.515	1.013	96.6%
S-FG/MG	0.754	1.534	103.5%	0.092	0.050	-45.8%
T-Wrnty	0.030	0.215	617.5%	0.289	0.302	4.6%
Total/Avg	0.135	0.132	-2.0%	0.195	0.194	-0.5%

# Indicated Changes in ACL by Type of Company

(1)	(2)	(3)	(4)	(5)	(6)
Row	Type of Company	ACL Value with 2022 Risk Charges (\$Billions)	% Change in:		
			Reserve Risk Charge	Premium Risk Charge	ACL
1	Commercial	64.9	2.2%	-4.8%	0.7%
2	Med Prof Liab	2.4	-52.3%	4.8%	-14.3%
3	NOC	0.9	21.3%	-17.6%	1.4%
4	Personal	84.3	11.6%	4.2%	1.6%
5	Reinsurance	8.2	-18.8%	-23.6%	-2.3%
6	Workers Comp	10.1	-26.3%	-5.0%	-12.3%
7	Total	170.6	0.0%	-1.1%	0.0%

# Distribution of Number of Companies by Indicated Change in ACL Values

(1)	(2)	(3)
% Changes in ACL RBC	# companies	% companies
Less Than -50%	20	1%
-50% to -25%	141	8%
-25% to -15%	114	6%
-15% to -5%	193	11%
-5% to 5%	954	52%
5% to 15%	255	14%
15% to 25%	84	5%
25% to 50%	71	4%
Over 50%	5	0%
<b>Total</b>	<b>1,837</b>	<b>100%</b>

# Premium Risk –Catastrophe Adjustments

(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)
		Data	Data	(3)-(4)			(3)+exp-100%	(6)/(7)
LOB	Current Cat Adjutment	87.5th Total LR	87.5th Non Cat LR	Indicated Cat Adjustment	Selected Cat Adjustment		87.5th Total Risk Charge	Cat Adj As % of Risk Charge
A-HO	2.8%	91.5%	88.9%	2.6%	2.6%		20.4%	12.7%
E-CMP	1.8%	83.3%	81.7%	1.6%	1.6%		18.9%	8.6%
G-SL	1.6%	96.0%	91.7%	4.3%	4.3%		29.8%	14.4%
I-SP	1.6%	82.8%	79.4%	3.4%	3.4%		12.9%	26.3%
J-APD	0.0%	84.8%	84.2%	0.6%	0.6%		8.0%	7.5%
M-Intl	0.0%	192.1%	159.3%	32.8%	15.0%		136.0%	11.0%
N-Re-Prop	6.9%	122.1%	96.2%	25.9%	25.9%		48.8%	53.0%
O-Re-Liab	0.0%	100.5%	100.2%	0.4%	0.4%		27.2%	1.3%
R-PL	0.0%	100.8%	100.6%	0.3%	0.0%		33.8%	0.0%

# Contact

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