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July 8, 2021

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 Mr. Drutz:

On behalf of the American Academy of Actuaries<sup>1</sup> Health Solvency Subcommittee, I am pleased to provide this response letter to the National Association of Insurance Commissioners (NAIC) Health Risk-Based Capital (HRBC) (E) Working Group. This letter is in response to the request from the working group to provide analysis to perform a comprehensive review of the H2—Underwriting Risk component and the managed care credit calculation in the health risk-based capital (RBC) formula.

The subcommittee is willing to agree to this request and, as such, would like to discuss and establish the following with the working group:

- Scope and phases of work
- Desired output/perspective requested by the NAIC from the Academy
- General time frame and any key dates/deadlines

Our suggested approach would be to initially survey methods of evaluating risk and in particular underwriting risk taken by other risk quantification formulas (e.g., health, life and P&C RBC formulas, credit rating agencies) and summarize their respective merit for health underwriting risk. This initial phase would be discussed with the HRBC Working Group to determine the best approach before beginning detailed analysis and factor development.

We look forward to working with the HRBC Working Group on this worthwhile endeavor.

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<sup>1</sup> 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.

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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](mailto:williams@actuary.org).

Sincerely,

Derek Skoog, MAAA, FSA  
Chairperson  
Health Solvency Subcommittee  
American Academy of Actuaries

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