

PROJECT HISTORY - 2009

RISK-BASED CAPITAL FOR HEALTH ORGANIZATIONS MODEL ACT (#315) TO INCORPORATE THE HEALTH TREND TEST

1. Project Description

To establish a trend test wherein the RBC company action level is triggered when the combined ratio is greater than 105% and the RBC is between 200-300%.

The trend test has been established within the RBC formula but would be considered "Information Only" until 7/1/09.

5. Description of Due Process

The Health Risk-Based Capital (E) Working Group discussed the report on an October 10, 2008, conference call. The Trend Test 1 proposal for the health RBC formula was released for comment for a 30-day period. A comment letter was received from America's Health Insurance Plans (AHIP) to create a trend test that looks at trends over a time period and not only at one point in time.

The changes to the Health RBC formula for trend test 1 were adopted at the November 12, 2008, conference call of the Health Risk-Based Capital (E) Working Group. At the same time, a model review request to make changes to the RBC for Health Organizations Model Act was also approved. The Capital Adequacy (E) Task Force and Financial Condition (E) Committee adopted the health RBC trend test formula changes and Request for RBC for Health Organizations Model Act changes at the 2008 Winter National Meeting.

Authorization to consider changes to the RBC for Health Organizations Model Act was given by the Executive (EX) Committee at the 2009 Spring National Meeting. The revised RBC for Health Organizations Model Act language