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*Virtual Meeting*

**RISK-BASED CAPITAL MODEL GOVERNANCE (EX) TASK FORCE**

Wednesday, December 3, 2025

2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

**ROLL CALL**

<b>NAIC Member</b>	<b>Representative</b>	<b>State/Territory</b>
Judith L. French, Co-Chair	Judith L. French, Co-Chair	Ohio
Nathan Houdek, Co-Chair	Nathan Houdek, Co-Chair	Wisconsin
Doug Ommen, Co-Vice Chair	Doug Ommen, Co-Vice Chair	Iowa
Michael Wise, Co-Vice Chair	Michael Wise, Co-Vice Chair	South Carolina
Michael Conway	Michael Conway	Colorado
Karima M. Woods	Karima M. Woods	District of Columbia
Michael Yaworsky	Michael Yaworsky	Florida
Dean L. Cameron	Dean L. Cameron	Idaho
Robert L. Carey	Robert L. Carey	Maine
D.J. Bettencourt	D.J. Bettencourt	New Hampshire
Mike Causey	Mike Causey	North Carolina
Jon Godfread	Jon Godfread	North Dakota
Cassie Brown	Cassie Brown	Texas
Scott A. White	Scott A. White	Virginia
Patty Kuderer	Patty Kuderer	Washington
NAIC Support Staff: Dan Daveline		

**AGENDA**

1. Overview of Revised Principles—*Bridgeway Analytics* Attachment A
2. Receive Comments on Principles—*Director Judith L. French (OH)* Attachment B
  - A. Alternative Credit Council
  - B. American Council of Life Insurers (ACLI)
  - C. American Property Casualty Insurance Association (APCIA)
  - D. National Association of Mutual Insurance Companies (NAMIC)
  - E. Reinsurance Association of America (RAA)
  - F. Risk & Regulatory Consulting (RRC)
  - G. UnitedHealthGroup
  - H. American Academy of Actuaries
3. Discuss Additional Changes Proposed by Members of the Task Force—*Commissioner Nathan Houdek (WI)*

4. Discuss Any Other Matters Brought Before the Task Force  
— *Director Judith L. French (OH)*
5. Adjournment

Supporting the investment and regulatory community to navigate increasingly complex capital markets

# RBC Model Governance (EX) Task Force

## Principles for RBC

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December 3, 2025

Bridgeway Analytics supports the investment and regulatory community in working to optimize the design, organization, and utility of regulations surrounding the management of insurance company businesses. While the content in this document is informed by extensive discussions with our client base, the broader industry, NAIC staff, and state regulators and may contain analysis that Bridgeway Analytics had conducted as part of a commercial engagement and retains the right to reuse, the views in this document are solely those of Bridgeway Analytics and are based on an objective assessment of data, modeling approaches, and referenced documentation, that in our judgment and experience, are viewed as appropriate in articulating the issues at hand. Methodologies are available to the public through an email request at [support@bridgewayanalytics.com](mailto:support@bridgewayanalytics.com).

# Agenda: RBC Model Governance

- **A reminder of Task Force goals and Bridgeway's role**
- **A retrospective of the process**
- **Traditional purpose & use concepts**
- **Other purpose & use concepts**
- **Proposed Purpose of RBC and other considerations**
- **Proposed Use of RBC and disclosure**
- **Revised proposed Principles for Maintaining & Prioritizing Updates to RBC**

## Goals for 2025 (paraphrased)

1. Develop a set of guiding principles for RBC, which are coordinated with Preamble revisions.
2. Develop a list of gaps and inconsistencies in the RBC formula and suggestions (solutions) for what could improve/address such gaps.
3. Develop a plan, including priorities and sequencing, for changes to RBC in future years.
4. Develop an education and public messaging campaign to highlight the RBC framework's benefits and strengths as an important part of the U.S. state-based insurance regulatory system.
5. Create a process for analyzing both retrospective and future adjustments to RBC, incorporating regular reviews of RBC outcomes and ensuring future adjustments are made in alignment with guiding principles. This process will facilitate ongoing improvements to ensure the framework remains responsive to emerging risks and market trends, enabling the RBC framework to adapt proactively.

Task Force initiatives will not result in the work of other RBC-related efforts being paused or stopped.

### **Bridgeway's role is to present options for regulators to choose from.**

- Bridgeway Analytics was hired to facilitate the gathering and synthesis of stakeholder suggestions and feedback, along with Bridgeway's own objective assessments, to help achieve the Task Force Goals and reach consensus.

# A retrospective of the process

## July 3, 2025

- [RBC Model Gov Chair Exposure](#) was published, requesting comment on preliminary principles for RBC.
- The proposed principles included concepts not traditionally associated with the purpose of RBC, including considerations for global competitiveness and product availability that meet consumer needs, with comments highlighting strong views on whether such concepts should be articulated within RBC principles.

## September 24, 2025

- The Task Force posted a request for comment on [Proposed Principles for Maintaining and Prioritizing Updates to RBC Requirements](#), which incorporated feedback and generally included concepts for which there was consensus.
- The Task Force mapped out a coordinated plan with the Capital Adequacy (E) Task Force to revise the RBC Preamble, which discusses the purpose and use of RBC, to align with those principles.

## October 23, 2025

- The joint Task Force and Capital Adequacy (E) Task Force session to review the Preamble suggested a consensus regarding the appropriate use and limitations of RBC, with concerns regarding potential inappropriate use addressed through disclosure. That left concepts related to the purpose of RBC needing to be worked through.

## December 3, 2025

- Principles were revised with suitable locations within the governance framework identified for key concepts.
- Notably, while commenters have expressed strong views over whether ‘non-traditional’ concepts should be included as principles, there does not seem to be objections to acknowledging the legitimacy of many of those concepts elsewhere in the framework.



# Traditional purpose & use concepts

**Purpose of RBC.** The purpose of RBC requirements is to identify potentially weakly capitalized companies.

## **Regulators' Use of RBC**

- RBC requirements are primarily used to facilitate regulatory action against weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.
- Component of a Robust Regulatory Framework. RBC is one of many tools within the statutory framework that collectively protect policyholders and provide state regulators with insight into potential risks. It should be designed and calibrated to account for and complement the full spectrum of supervisory tools and resources.
- RBC ratios serve as an element of the state regulators' assessment of capital adequacy for insurance groups through GCC and the Aggregation Method, which assigns meaning to values outside regulatory triggers.
- Convey information regarding the solvency of regulated insurance legal entities, as assessed by state regulatory authorities, to relevant stakeholders and the public.
- Rating agencies (e.g., S&P) use RBC ratios in assessing potential regulatory action and, as trigger points near, are more likely to be reflected in financial strength rating, all else equal. Surplus Notes held by insurers can receive Designations based on agency ratings.
- Caution should be used when RBC is far from a regulatory trigger. Some insurers manage capital at the holding company level or non-regulated entities, potentially adding capital when RBC drops below a reasonable level.



# Other purpose & use concepts

## **Secondary considerations or acknowledgments**

- Protect policyholders without unnecessarily impeding access to insurance products that meet consumer needs.
- Protecting solvency and maintaining affordable insurance products.
- Hedging. While measurement is the focus, prudent hedging has been cited as a motivating factor in recent GOES and RBC C-3 calibrations. General agreement that RBC should not restrict insurers' prudent risk-taking.
- RBC framework maintains integrity, adaptability, and global competitiveness.

## **Possible locations to include concepts**

- Principles (a guiding north star)
- Preamble
- Model risk management standards. An assessment of potential incentives for hedging or policy offering can be included as part of the model development standards when an update to RBC is material, for example.
- Other locations

# Proposed Purpose of RBC and other considerations language

**Principle 1. Purpose.** The purpose of RBC requirements is to identify potentially weakly capitalized companies.

**Other considerations.** Regulators explored the possibility of **incorporating concepts in model development standards**, with the following formative language: *RBC requirements, by design, differentiate capital charges according to the risk profile of business activities, whether those activities involve policy offerings, investment strategies, or other risk exposures. Material regulatory requirements can influence insurers' behavior, affecting product design, investment strategies, reinsurance strategies, and competitive dynamics. These effects may be desirable and deliberately considered in model development as an acceptance criterion (for example, remove disincentives to prudent hedging in life RBC C-3). Therefore, material RBC model updates should include a qualitative, and where practical, a quantitative assessment of reasonably foreseeable and material resulting incentives, along with their implications. The assessment should be proportionate to the materiality of the incentive. Reasonably foreseeable and material resulting incentives can include:*

- **Risk management**, including prudent hedging.
- **Product design and policyholder impact**, including potential effects on pricing, product availability, or distribution.
- **Market and competitive effects**, including disproportionate impacts across identifiable insurer segments.
- **Alignment with NAIC Policy Objectives**, beyond maintaining solvency protection, such as promoting fair competition and supporting access to insurance.
- **Broader systemic and operational considerations**, including changes in asset allocation, reinsurance strategies, or cross-sector risk exposures

# Proposed Use of RBC and disclosure

**Principle 2. Use.** RBC requirements are primarily used to facilitate regulatory action against weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.

## **Preamble - Other uses and disclosure**

- Regulators explored the possibility of **incorporating disclosure guidelines into the Preamble** with the following formative language: *RBC requirements are a regulatory tool and are not intended or appropriate as a means to rank insurers. Therefore, state laws generally prohibit insurers and their regulators from making assertions or disclosures regarding comparisons of RBC information with limited exceptions. Insurers may make assertions or disclosures of certain RBC information, consistent with applicable state law, to accommodate the interests of other stakeholders, including policyholders, investors, ratings agencies, and other regulatory authorities. **Any insurer's assertion or disclosure of RBC information must be consistent with applicable state laws and should be accompanied by a disclosure statement alongside the RBC information articulating the relevant considerations when using RBC calculations outside of their stated regulatory purpose, as described in this Preamble.** State laws mandate that some elements of the RBC calculation and all RBC Plans are confidential and may not be disclosed.*

# Proposed Principles for Maintaining & Prioritizing Updates to RBC

## Revised, incorporating feedback from September 24, 2025, comment request

**3. Materiality.** RBC requirements should be updated when a change is material. Materiality for purposes of RBC means a level at which a decision whether to update RBC could meaningfully impact the regulator's assessment of the solvency risk for all or an identifiable segment of companies.

**4. Equal capital for equal risk.** RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, unless there are substantial enough differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty) to warrant alternative treatments. RBC requirements should reflect measurable risks that can impact solvency, including the mitigating effects of risk management.

**5. Objectivity.** Appropriately consider only the factors that impact solvency risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of objectives that are unrelated to assessing solvency risk.

**6. Accuracy.** Sufficiently precise to assess solvency risk, while avoiding unnecessary complexity.

**7. Grounded in Statutory Accounting and reserving.** Derived from values reported in the statutory annual statement and calibrated to align with Statutory Accounting and reserving practices, to the extent practical.

**8. Emerging risks.** Updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.

**9. Transparency.** The process to maintain and update RBC requirements must adhere to the NAIC Policy Statement on Open Meetings and follow standards that provide for clear, complete, and transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale.

**10. Process.** Maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation when possible, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions.

**11. Prioritization.** Recognizing the vast number of potential refinements that could be made to RBC requirements at any given time, the groups tasked with updating and maintaining the RBC model should use regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant, considerations.

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### Proposed Section E of the Preamble. Proposed Principles for RBC Requirements

Acknowledging the complex and varied insurance business activities and their associated risks, RBC requirements are established to capture risks using a wide range of data, methodologies, and regulatory judgment. These Principles of RBC Requirements serve as a guiding North Star for governing the purpose and use of RBC requirements, as well as maintaining and prioritizing updates to RBC.

1. **Purpose.** The purpose of RBC requirements is to identify potentially weakly capitalized companies.
2. **Use.** RBC requirements are primarily used to facilitate regulatory action against weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.
3. **Materiality.** RBC requirements should be updated when a change is material. Materiality for purposes of RBC means a level at which a decision whether to update RBC could meaningfully impact the regulator's assessment of the solvency risk for all or an identifiable segment of companies.
4. **Equal capital for equal risk.** RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, unless there are substantial enough differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty) to warrant alternative treatments. ~~RBC requirements, and should reflect measurable risks that can impact solvency, including the mitigating effects of risk management. RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, reflecting measurable risks that can impact solvency, including mitigating effects of risk management, except where the nature of a risk or business model warrants differences.~~
5. **Objectivity.** Appropriately consider only the factors that impact solvency risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of objectives that are unrelated to assessing solvency risk. ~~Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.~~
6. **Accuracy.** Sufficiently precise to assess solvency risk, while avoiding unnecessary complexity. ~~Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity.~~
7. **Grounded in Statutory Accounting and reserving.** Derived from values reported in the statutory annual statement and calibrated to align with Statutory Accounting and reserving practices, to the extent practical.
8. **Emerging risks.** Updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.
9. **Transparency.** The process to maintain and update RBC requirements must adhere to the *NAIC Policy Statement on Open Meetings* and follow standards that provide for clear, complete, and transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale.
10. **Process.** Maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation when possible, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions.
11. **Prioritization.** Recognizing the vast number of potential refinements that could be made to RBC requirements at any given time, the groups tasked with updating and maintaining the RBC model should use regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant, ~~material~~ considerations.

## Appendix: Notes from Task Force Deliberations on Principles

**Location.** Regulators felt that Principles should reside in RBC Instructions, and Notes should reside in meeting notes that will be considered for adoption.

### 1. Purpose and 2. Use

- **Secondary considerations.** Stakeholders had different viewpoints on whether considerations beyond identifying weakly capitalized companies should be introduced as a purpose of RBC requirements, with some advocating for considerations of concepts such as global competitiveness and product availability that meet consumer needs. Regulators chose principles that align with the traditional positioning of the purpose and use of RBC, while acknowledging that these concepts should be considered elsewhere in the framework. Discussions suggested the possibility of incorporating the concepts into model risk management standards, which might require an assessment of incentives resulting from material changes to RBC requirements. The following formative language was explored:

**An Assessment of Incentives.** RBC requirements, by design, differentiate capital charges according to the risk profile of business activities, whether those activities involve policy offerings, investment strategies, or other risk exposures. Material regulatory requirements can influence insurers' behavior, affecting product design, investment strategies, reinsurance strategies, and competitive dynamics. These effects may be desirable and deliberately considered in model development as an acceptance criterion (for example, remove disincentives to prudent hedging in life RBC C-3).

Therefore, material RBC model updates should include a qualitative, and where practical, a quantitative assessment of reasonably foreseeable and material resulting incentives, along with their implications. The assessment should be proportionate to the materiality of the incentive. Reasonably foreseeable and material resulting incentives can include:

- **Risk management**, including prudent hedging.
- **Product design and policyholder impact**, including potential effects on pricing, product availability, or distribution.
- **Market and competitive effects**, including disproportionate impacts across identifiable insurer segments.
- **Alignment with NAIC Policy Objectives**, beyond maintaining solvency protection, such as promoting fair competition and supporting access to insurance.
- **Broader systemic and operational considerations**, including changes in asset allocation, reinsurance strategies, or cross-sector risk exposures.
- **Parsimony.** Regulators chose to limit principles to their core concepts, deliberately avoiding the following non-contentious concepts, acknowledging they naturally fit elsewhere in the framework:
  - Component of a Robust Regulatory Framework. RBC is one of many tools within the statutory framework that collectively protect policyholders and provide state regulators with insight into potential risks. RBC requirements are designed and calibrated to account for and complement the full spectrum of supervisory tools and resources.
  - Various uses beyond state regulators. Rating agencies use it to assess potential regulatory action, which impacts the ratings (e.g., surplus notes), the SEC requires detailed reporting, the IAIS requires transparency for AM, and consumers and consumer groups use it.
  - Language. Regulators felt it was unnecessary to include references to 'legal entities' or to add references to 'state law', which some have advocated for, noting that the concepts are implicit within the 'company' and 'regulatory action'.

### **3. Materiality.**



- Discussions highlighted that a materiality threshold aligned with a traditional concept of ‘identifying weakly capitalized companies’ would be too high, in the context of ongoing changes to RBC. It was pointed out that it is unlikely that any of the changes to life RBC in recent years would have resulted in regulators otherwise not identifying weakly capitalized companies. However, there was a general consensus that those changes improved the framework and were broadly desirable. The phrase ‘regulator’s assessment of the solvency risk’ was viewed as providing a more reasonable threshold. The concept of ‘*regulator’s assessment of the solvency position*’ was also explored, with some regulators viewing it as alluding to a measure that can rank-order RBC ratios, which they wanted to avoid.
  - The question of whether RBC should be updated only to address material industry-wide risk was explored in various settings prior to the formation of the Task Force. Regulators agreed on addressing this question directly by allowing for materiality to include cases where the materiality threshold can be reached for only an ‘identifiable segment of companies.’
  - The potential for components that are not material individually, but material when aggregated, was also discussed and acknowledged.
  - Regulators deliberately avoided including the concept of a measurable risk within materiality since parameters of many RBC requirements rely heavily on professional judgment.
  - No edits were incorporated from comments received. Notably, there was a deliberate decision to avoid the term measurable since many parameters of RBC requirements rely heavily on professional judgment. There was also a deliberate decision to keep the principle at a high level.
4. **Equal capital for equal risk.** While regulators broadly agreed to include this concept, different stakeholders interpreted equal risk differently, which led regulators to spell out the concept with several notable areas the Drafting Group explored:
- Arbitrage. Often in the context of structuring assets, reinsurance blocks, and accounting permitted practices, regulators, NAIC staff, and other stakeholders have pointed to practices that change capital requirements without any significant alteration of the risks. In the context of structuring assets, reinsurance blocks, and accounting permitted practices, regulators, NAIC staff, and other stakeholders have highlighted activities that can change capital requirements without a corresponding change in risk. Regulators discussed cases where there can be a perception of this occurring without violating the principle of equal capital for equal risk. For example, differences in accounting methodologies that affect the carrying value of an asset can change the risk of loss, even if the underlying source of cash flows is identical. If an accounting methodology systematically results in lower carrying values than another, then the total exposure at risk of loss will be less. All other variables being equal, this would justify a lower capital charge than if the asset were held at a higher carrying value due to accounting treatment. This is reflected in Principle #5 - Grounded in Statutory Accounting and Reserving.
  - Tail risk. Some regulators advocated having the principle read ‘Equal capital for equal tail risk’. Rather than narrowly focus on tail risk, regulators agreed to broaden the concept to include ‘considerations for factors that impact risk, including but not limited to concentration, diversification, and tail risks.’
  - To avoid varying interpretations of ‘equal risk’, additional language was incorporated:
    - The phrase ‘unless there are substantial enough differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty) to warrant alternative treatments except where the nature of a risk or business model warrants differences’ was incorporated to qualify differences in life, property & casualty, and health business models, acknowledging the need for different RBC requirements. Discussions also pointed to more nuanced cases, such as long tail property & casualty, which highlighted the need for sensitivity of RBC requirements to varying business risks. Rcat RBC, for example, focuses on natural catastrophes and is calibrated to the 100-year return period.

- Consistency in the treatment or risk across components, for any single business model, was viewed as critical. ~~noting that different~~ Differences in RBC components across business lines were also viewed as critical. For example, RBC requirements account for ~~real~~ taxes and discounting, for example, differently (e.g., life RBC calculations measure discounted loss net of tax loss offsets, while property & casualty do not). The language ‘the nature of the risk in the context of the business model (e.g., life vs property & casualty)’ was chosen to be broad and not limited to only risks of reported assets and liabilities, but the business model, with added emphasis that life and property & casualty business model risks are substantially different.
- Measurable. Discussions pointed to the need for measurable differences in risks that can impact solvency to be considered in RBC requirements, which led to the phrase, ‘reflecting measurable risks that can impact solvency...’
- Regulators reviewed comment letters from the second exposure that suggested revised language to achieve a more deliberate delineation of consistency within a business model, which the Drafting Group acknowledged the principle could benefit from. The concept possibly warranting its own principle was explored. Edits refined the language while maintaining the principle at a high level. The Notes are also updated to better articulate the concept.
- 5. **Objectivity.** The phrase ~~‘thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk’~~ ‘thereby avoiding the promotion or inhibition of objectives that are unrelated to assessing solvency risk.’ was introduced to ensure that RBC requirements represent an unadulterated measure of solvency risk. An example was explored where, while underserved communities are supported by social programs, there should be no such consideration in RBC since it would distort regulators’ ability to assess solvency risk.
- Several commenters suggested clarifying language in the second exposure, which the Drafting Group incorporated.
- 6. **Accuracy.**
  - There were several aspects to this principle that were deliberated over, notably the tension the principle has with materiality, with several examples discussed:
    - The pre-2021 NAIC Designations have 6 categories. The factors calibrated to those categories were analytically appropriate, but regulators started observing that insurers were investing more heavily at the bottom end of each Designation range to a degree that became concerning; it was unclear whether the 6 categories were appropriately capturing the investment risk. As a result, in 2021, there was a change to include modifiers to get additional precision (~20+ sub-categories). The tension with the materiality principle can be seen if one focuses exclusively on a single Designation, say, 5.B, whose associated RBC charges on their own would not be considered material, although the full set of charges does pass the materiality threshold.
    - Residential mortgage loans (RMLs) have a flat RBC charge that was derived judgmentally from a historical CML framework that has since been replaced. While this was likely supported given the lack of materiality of RMLs at that time, growth in insurer holdings of RMLs may warrant a more precise, risk-sensitive framework in the future.
  - Precision was discussed in the context of both statistical accuracy and granularity.
  - The final language, ‘Sufficiently precise to assess solvency risk, while avoiding unnecessary complexity. RBC requirements should be sufficiently precise to assess solvency risk, while avoiding unnecessary complexity,’ and deliberately incorporate the concept of RBC being only as complex as needed to assess solvency risk.
  - Several commenters suggested clarifying language in the second exposure, which the Drafting Group incorporated.
- 7. **Grounded in Statutory Accounting and reserving.**

- There was broad agreement with having this concept as a separate principle from ‘Equal capital for equal risk’, given its significance. Deliberations pointed to important differences across RBC components (e.g., life reserves account for asset risk, needing life RBC to be measured net of reserves, which is not the case for property & casualty).
  - This principle reflects that the calibration of RBC requirements will be affected by how risks are accounted for, as accounting practices determine how a risk impacts surplus. For example, two economically identical investments may warrant different RBC requirements if one were accounted at amortized cost and the other at market value.
  - Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.
- 8. Emerging risks.** Regulators generally agreed that emerging risks should be addressed, although some thought the concept should be organized alongside RBC updates. Three aspects of the principle were discussed more extensively:
- Regulators agreed that ‘identifiable segment of companies’ should be emphasized, aligning with the emphasis in the materiality concept.
  - The added reference to macroprudential risks makes clear that the financial system and broader macroeconomic risks may be relevant considerations when assessing emerging risks
  - When incorporating emerging risks into RBC requirements, several considerations were explored:
    - The degree to which the risk is currently captured in RBC requirements;
    - The level and growth in industry or an identifiable segment of companies’ exposure to the emerging risk;
    - How quickly the risk (including macroprudential risk) can become material; and
    - The identification and measurement limitations of emerging risks, acknowledging the natural limitations associated with emerging risk data. It does not suggest that RBC requirements should or should not capture an emerging risk, as referenced in the ‘Process’ principle, which acknowledges that RBC ‘...may rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions...’
  - Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.
- 9. Transparency.** When exploring documentation and transparency standards, notable points were made regarding the need for model documentation to include:
- Solvency risks included or excluded, along with their current perceived materiality;
  - Solvency risks addressed through other regulatory processes; and
  - Model limitations and their appropriate use. For example, new investment types often get assigned RBC factors of other investments that they most closely resemble (e.g., Bond ETFs receiving bond C-1 factors). Model documentation standards should provide guidance for articulating the degree to which those factors are appropriate.
  - Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.
- 10. Process.**
- While commenters and regulators supported the concept of model risk management standards, some regulators raised concerns over their potential to be onerous to the point of debilitating future revisions to RBC requirements. It was also pointed out that resources will be needed to maintain a repository of ‘accessible articulation of methodologies and supporting rationale,’ or to ensure standards are adhered to, for example. Since the requirements will be articulated and will vary, possibly greatly, depending on the nature of the RBC update, regulators agreed to revisit the practicalities once draft standards are available.

- The benefits of the framework improving efficiency were discussed, allowing for the avoidance of reverse engineering the rationale behind poorly documented models. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly. The transparency of the framework should aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.
- There was general consensus that, when applicable, RBC Governance Standards follow [Actuarial Standard of Practice No. 56, Modeling \(ASOP No. 56\)](#), which defines **Model Risk** as: *The risk of adverse consequences resulting from reliance on a model that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation.*
- The question of what constitutes a model was explored, with a general consensus of a broad interpretation of the concept. [SR 11-7](#) describes a model as referring to: *a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. A model consists of three components: an information input component, which delivers assumptions and data to the model; a processing component, which transforms inputs into estimates; and a reporting component, which translates the estimates into useful business information. Models meeting this definition might be used for analyzing business strategies, informing business decisions, identifying and measuring risks, valuing exposures, instruments or positions, conducting stress testing, assessing adequacy of capital, managing client assets, measuring compliance with internal limits, maintaining the formal control apparatus..., or meeting financial or regulatory reporting requirements and issuing public disclosures. The definition of model also covers quantitative approaches whose inputs are partially or wholly qualitative or based on expert judgment, provided that the output is quantitative in nature.*
  - It was agreed that the standards should recognize that some RBC requirements warrant a greater degree of analytical rigor and model sophistication than others, the involvement of regulatory judgment, data limitations, and other relevant considerations.
  - Concepts discussed that were viewed as needing to be addressed within the standards included:
    - Model development standards;
    - Ongoing monitoring standards; and
    - Change management standards that include procedures ensuring transparent communication and documentation of proposed and adopted updates, controlled implementation with considerations for retroactive applications, or gradual changes to parameters, and, when applicable, an assessment of materiality and the implications of proposed RBC updates. When discussing change management standards, regulators explored whether a model update that is generally viewed as improving accuracy should be limited in its applicability. Regulators agreed that any model update includes model risks, with uncertainties over unintended consequences. As such, significant updates should deliberately consider their impact.
- While many changes to RBC requirements are originated by the Task Force and its Working Groups, some proposals, with supporting information, are presented by interested parties. The process requirements may limit proposals to interested parties with sufficient resources to comply with process requirements or require a separate compliant review before acting on the proposal.
- Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.

#### 11. Prioritization.

- Regulators generally agreed on the concept and considerations related to prioritization. However, some expressed concern that it may not be an RBC principle but instead a process consideration. Given the significance of the concept, regulators felt that a standalone principle is warranted :

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- Necessity. Certain changes are required for calculations to remain functional. For example, changes to annual statement blanks often require changes to the RBC formula. Some aspects of the formulas require annual updates by design, etc.
  - Materiality. More material changes should be prioritized over less material changes.
  - Time and resource intensity. Some changes may require significant dedication of time and resources, while others may not. This should be balanced along with the necessity, materiality, and other material considerations in determining the appropriate prioritization of changes. For example, a change that is less material but requires little time or effort to make may warrant addressing prior to a more material, long-term project.
  - Other material considerations.
- Regulators removed “material” from the end of the principle after the second exposure since materiality is already mentioned as a factor.

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October 23, 2025

[aima.org](https://aima.org)

Risk-Based Capital Model Governance (EX) Task Force  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106

## Re: Revised Preliminary Risk-Based Capital Principles

Dear Director French, Commissioner Houdek, and Members of the RBC Model Governance (EX) Task Force:

The Alternative Investment Council (ACC),<sup>1</sup> a global trade association of alternative investment managers working with insurers across multiple jurisdictions, appreciates the opportunity to provide comments on the revised preliminary RBC principles released on September 23, 2025. We thank the Task Force for its continued engagement with stakeholders and for incorporating several important points raised in our July 24, 2025

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<sup>1</sup> The Alternative Credit Council is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US\$2 trillion of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board, which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure, as well as the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.

Alternative Credit Council (ACC)

The ACC is the private credit affiliate of the Alternative Investment Management Association Limited (AIMA)







comment letter.<sup>2</sup>

In particular, we welcome the changes that are consistent with our earlier recommendations:

- Elevating materiality to a standalone principle, ensuring that RBC updates are pursued only where they meaningfully affect solvency assessment.<sup>3</sup>
- Strengthening transparency and process, including clearer documentation, communication of methodologies, and acknowledgment of the role of proxies and expert judgment where appropriate.<sup>4</sup>
- Adding a principle on prioritization, which reflects the need for proportionality, regulatory judgment, and efficiency in updating RBC requirements.<sup>5</sup>

These enhancements will contribute to a more consistent and workable RBC framework, better aligned with the overarching goal of equal capital for equal risk. However, we are concerned that the Task Force’s removal of core elements of the principles into a narrower “maintenance and prioritization” dilutes the significance and effectiveness of these principles. The Task Force charge was to develop guiding principles for the framework that “support integrity, adaptability, global competitiveness, and equal capital for equal risk”, not just a workplan filter. The principles should therefore include an upfront statement of that purpose and be adopted as soon as possible so that near-term RBC updates are anchored to that common foundation.

We also applaud the restoration of Equal Capital for Equal Risk as a standalone principle, as well as the inclusion of the principle’s express recognition of the importance of the mitigating effects of risk management. This language reflects the fact that equal capital for equal risk does not mean gross or theoretical risk; rather it is the insurer’s actual risk, which is impacted by mitigating factors, including credible, effective risk mitigation.

While implied by the principles, we believe it is important to clarify that equal capital for equal risk applies both within an asset class and across different asset classes. “Within an asset class” clarifies that RBC factors and charges would vary only because of actual risk

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<sup>2</sup> ACC Comment Letter on Proposed Preliminary RBC Principles, July 24, 2025, at 2–3.

<sup>3</sup> NAIC Revised RBC Principles Exposure Draft, Sept. 23, 2025, Principle 1.

<sup>4</sup> *Id.*, Principles 7–8.

<sup>5</sup> *Id.*, Principle 9.



differences, and not because of inconsistent or arbitrary modeling or classification. For example, an increase in an RBC capital charge should be proportional to the increase in risk (expected loss), such that the capital charge is risk-graded, not step-functioned or distorted by rating inconsistencies. This creates a more rational, risk-sensitive, and equitable approach. “Across asset classes” means that two investments carrying the same level of risk should require the same amount of capital, even if they belong to different asset types. Any differences in RBC factors/charges between asset classes should directly relate to differences in risk.

Similarly, the clause “except where the nature of a business model or risk warrants differences” in the Equal Capital for Equal Risk principle is also confusing. The Task Force discussion in the appendix implies that this concept should only refer to lines of business. Because of the differences in risk within an asset class and across different asset classes, even where the durations are similar, it is likely that they will warrant individual treatment to best capture those risks. We would ask that the principle be clarified to reflect the diversity of underlying risks.

As a result, we recommend that the equal capital for equal risk principle be modified as follows: RBC requirements should be guided by the principle of equal capital for equal risk, including within and across asset classes. They should be consistent in their statistical safety levels and time horizons unless there are substantial enough differences in the nature of the risk of the liability, asset, or business model to warrant alternative treatments. RBC requirements should also reflect measurable risks that can impact solvency, including mitigating effects of risk management, except where the nature of a risk or business model warrants differences.

We also recommend that the RBC principles explicitly promote harmonization of look-through treatment across funds, partnerships, and other vehicles, taking into account the economic value and risk characteristics of the underlying investments rather than just the legal form of the vehicle. Often, there are material differences across asset classes that require bespoke consideration to avoid capital treatment that materially under- or overstates the underlying risk. While we appreciate the NAIC’s desire to create a consistent approach to determining RBC levels, a one-size-fits-all approach – particularly in relation to statistical safety levels and time horizons – may not always be appropriate, and the principles should reflect this. This is also important to ensure the NAIC does not inappropriately disincentivize investments in certain asset classes.

We also encourage the Task Force to give greater consideration to the interaction between RBC and statutory accounting treatment. As highlighted in our July submission, the prudential impact of an investment often depends as much on its SAP categorization and



valuation method as on the capital charge itself.<sup>6</sup> When reviewing for gaps or establishing new RBC requirements, changes to the risk-based capital should integrate a review of accounting principles and reserves to help avoid distortions where economically identical exposures are treated differently. Such a holistic, comprehensive approach would thereby support consistency and sound risk recognition in the RBC framework.

Supervision of asset risk falls across multiple jurisdictions within the NAIC and is interconnected with other regulatory solvency tools. Without careful coordination, NAIC may see redundancies within the financial regulatory framework. We believe the principles should include consideration of potential RBC connections and interdependencies within the entire solvency framework to ensure that asset risks are mitigated in the most effective manner.

We believe these changes would substantially contribute to the NAIC's goal of maintaining both the coherence and the global competitiveness of the U.S. solvency framework, while continuing to reflect the prudence embedded in statutory accounting, reserves and risk-based capital requirements. We commend the Task Force for advancing this important governance initiative and look forward to continued collaboration.

If you have any questions or would like to discuss further, please do not hesitate to contact us at [jkrol@aima.org](mailto:jkrol@aima.org) or Joe Engelhard, Head of Private Credit & Asset Management Policy, Americas, at [jengelhard@aima.org](mailto:jengelhard@aima.org).

Sincerely,

Jiří Król  
Global Head of Alternative Credit Council

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<sup>6</sup> ACC Comment Letter, supra note 1, at 6–7 (discussion of SAP and economic substance vs. legal form).

**Mariana Gomez-Vock**

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Oct. 23, 2025

Director Judith French and Commissioner Nathan Houdek

Co-Chairs Financial Condition E Committee

National Association of Insurance Commissioners (NAIC)

Via email: [ddaveline@naic.org](mailto:ddaveline@naic.org)

Re: Exposure of revised preliminary principles for Risk Based Capital (RBC)

Dear Director French and Commissioner Houdek:

Thank you for the opportunity to provide comments on the proposed revised preliminary principles for RBC (hereafter, “the principles”). Our comments reflect ACLI’s understanding of the charges for the Model Governance Task Force, which we believe recognize both the foundational roles of the RBC framework in assessing capitalization of insurers and in achieving global competitiveness. ACLI recognizes the thoughtfulness and effort that went into the creation of the principles. With this in mind, we would like to outline several specific concerns with the proposed principles that we believe merit further consideration. Part I of our letter outlines general observations about the exposed RBC principles. Part II provides specific feedback on individual principles.

## **Part I. High-Level Feedback**

### **A. If the scope of the principles is limited to “Maintenance and Prioritization,” then ACLI recommends including a drafting note describing the intent behind their development.**

While the diligence and effort invested in developing the principles is evident, ACLI is concerned about the removal of RBC’s purpose/use and the more aspirational aspects of the Task Force’s charges, including principles related to adaptability and global competitiveness. The exposure memo explained that these elements were removed because the Task Force elected to narrow the scope of the principles and focus on “RBC Maintenance and Prioritization.”

The new scope of the principles appears more focused than the Task Force’s initial charge. The initial intent, which is reflected in the Task Force charges, indicated the goal was to create foundational principles that would promote a consistent approach to future RBC adjustments and promote the consistent application of several aspirational objectives. While recognizing the intent to concentrate on maintenance and prioritization, ACLI believes that articulating clear guidance regarding the purpose and application of RBC is relevant to the maintenance and prioritization of future RBC updates. If the Task Force moves forward with a narrower set of principles than originally envisioned, ACLI strongly encourages the Task

Force to include a drafting note or statement of intent preceding the principles that references the key concepts from the Task Force's original memo and charges:

*"The principles should serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness and further the principle of 'equal capital for equal risk'."*

This language will not be law, regulation or even part of the RBC calculation. Its inclusion does not undermine the robustness or integrity of RBC. This language would remind regulators in years to come of RBC's impact and the impetus behind the principles. For the same reasons, we think the principles should also include language about balancing solvency and consumer needs in the principles or a drafting note.

Furthermore, ACLI encourages formal adoption of the principles in 2025. Adopted principles will provide greater clarity and guidance to insurers and stakeholders. Adoption may also increase the utility of the principles in the international messaging and education campaign. Regulators can amend the principles if changes are needed in the future.

## **B. There are circumstances when it is appropriate to consider the impact and consequences of an RBC change.**

We understand that the intent behind the directional change was to focus on process, not the impact of future changes to RBC. ACLI agrees that a strong structural foundation is essential for the RBC framework to accurately reflect underlying risks. However, there **are** circumstances when it is appropriate to consider the quantitative and qualitative impact of a particular RBC revision, including any potential unintended consequences. A complete impact analysis also includes assessing whether there are unintended consequences associated with a particular change.

Understanding the impact of a change in RBC does not mean lowering solvency standards but it does create awareness if a change to one part of RBC will impact another part of the formula or solvency framework. The cumulative effect of those changes should be evaluated together, not separately. A proposed RBC change to address a risk may appear reasonable when evaluated in isolation, however, when the change is viewed through a wider lens, it may reveal that the same risk is addressed elsewhere in the RBC formula. In those circumstances it is appropriate to consider whether the change will result in double counting or some other result that is different from the intended outcome. The impact and consequences of potential RBC changes should be considered when maintaining or revising a framework.

To address this concern, ACLI recommends adding a sentence to principle #8

*"The process should include an analysis of impacts, including impacts on other components of the formula and solvency framework."*

**C. The principles should include language highlighting the need to consider interconnectedness and co-dependencies when evaluating future revisions to RBC.**

ACLI previously advocated for a separate principle on the need for regulators to have a full understanding of the interconnections and co-dependencies associated with proposals to change RBC. Many singular features of RBC are interconnected with other elements of the broader financial regulatory framework. Refinements to RBC should include considerations of interconnectedness and co-dependencies – including areas where material risk may already be captured - before the adoption of proposals. ACLI reiterates our request that the Task Force address this in the RBC principles, either by incorporating it into principle 8 or as a standalone principle. Acknowledging this concept will promote greater alignment across separate NAIC working groups and give regulators a wider lens into how the solvency framework addresses a particular risk.

ACLI recommends adding the following language to principle 8:

*“Updates should also consider the interconnectedness and co-dependencies of RBC to other areas of the solvency framework.”*

There is evidence that this consideration is needed, including a recent proposal by the Life RBC Working Group that makes significant changes to equity risk and its correlation to other risk factors (i.e., credit, interest rate, etc.). The proposal does not seem to consider how the correlation changes will interact with existing equities and common stock RBC charge (30%), which has additional conservatism that does account for economic correlations and other risks. The RBC governance process should seek to address how these interrelationships and co-dependencies are impacted when a change to RBC is proposed.

**D. The principles should include effective feedback mechanisms and coordination between Commissioners and technical regulators.**

ACLI believes the ongoing involvement of the RBC MoGo or another Commissioner-body is necessary to ensure coordination and alignment between related working groups (sometimes located under different letter committees). This will ensure Commissioners are apprised of developing technical workstreams ensure the work aligns with the NAIC’s overarching regulatory priorities. ACLI recommends recognizing the need for clear feedback loops between technical regulators and Commissioners. Establishing this feedback loop will also combat fragmentation and promote greater alignment across Committees, Task Forces, and Working Groups.

The Task Force or another governing body of Commissioners can help prioritize initiatives proposed by technical working groups. This will ensure that the regulators pursue the most appropriate and urgent regulatory solutions, with insight from Commissioners whose role may afford them a more comprehensive view of the broader regulatory landscape. Encouraging and enhancing feedback loops between the technical regulators and Commissioners will also promote coordination and alignment between leadership and regulator working groups.

Principle 9 states that groups responsible for with updating and maintaining the RBC model should use “regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant, material considerations.” ACLI suggests revising the principle to highlight the need for communication and guidance from Commissioners. This change will provide Commissioners with additional transparency and enable them to offer strategic direction for key workstreams.

ACLI’s amendment recognizes the need for the involvement of an overarching committee of commissioners to encourage and enhance feedback loops between technical regulators and Commissioners and to promote coordination and alignment between leadership and working groups. It also ensures that Commissioners are kept apprised of developing workstreams before the culmination of a project.

***9. Prioritization.** Recognizing the vast number of potential refinements that could be made to RBC requirements at any given time, the groups tasked with updating and maintaining the RBC model should use regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant, material considerations. These groups should regularly communicate their priorities to a Commissioner-level body for review and feedback prior to finalizing a proposed change to RBC.*

## Part II. Specific Feedback on the principles

[Red text = ACLI’s amendments; recommended additions are **underlined**, and recommended deletions are strike-through.]

Exposed principle, including ACLI edits	Additional comments
<b>1. Materiality.</b> RBC requirements should be updated when a change is material. Materiality for purposes of RBC means a level at which a decision whether to update RBC could meaningfully impact the regulator’s assessment of the solvency risk for all or an identifiable segment of companies	ACLI supports.
<b>2. Equal Capital for Equal Risk.</b> RBC requirements should be guided by the principle of equal capital for equal risk, <u>including within and across asset classes, and should be</u> consistent in their statistical safety levels and time horizons <u>unless there are substantial enough differences in the nature of the risk of the liability, asset, or business model to warrant alternative treatments, and should reflect</u> <del>reflecting</del> measurable risks that can impact solvency. <u>including the mitigating effects of risk management.</u> <del>. except where the nature of a business model or risk warrants differences.</del>	<p>ACLI does not support the principle as it is currently written.</p> <p>ACLI is concerned that the exposed language “except where the nature of the business or risk warrants differences” does not actually clarify when the nature of a risk or business model would “warrant differences” so significant that equal capital for equal risk would no longer apply.</p> <p>The Exposure’s Appendix indicates that this phrase was added to “qualify differences in life, property and casualty, and health business models, acknowledging the need for different RBC requirements. ACLI appreciates the concerns</p>



Exposed principle, including ACLI edits	Additional comments
	<p>raised by other sectors but we recommend an edit to clarify the scope of the exception to equal capital for equal risk.</p> <p>As noted in our comments below, risk management is intertwined with RBC, however we feel this concept is better captured in Principle 3, Objectivity, so ACLI recommends striking “including the mitigating effects of risk management” from Principle 2.</p>
<p><b>3. Objectivity.</b> Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks.<del>7</del> <del>thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.</del> <u>The framework should not incorporate objectives that would misrepresent the underlying solvency risk of an asset or liability. Regulators should avoid changes that would disincentivize prudent risk management practices.</u></p>	<p>ACLI opposes as written. The phrase ‘thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk’ lacks clarity. Drawing on the context from the Task Force memo, we have suggested alternative language to more clearly capture the intent. For example, the framework should not incentivize public policy objectives by materially reducing RBC factors.</p> <p>The RBC framework is deeply intertwined with company risk management practices, for which domicile regulators have specific expectations. Regulators should consider whether an RBC charge may negatively impact these activities. As such, ACLI recommends including language to clarify that framework updates should not disincentivize prudent risk management.</p>
<p><b>4. Accuracy.</b> Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity</p>	<p>ACLI supports.</p>
<p><b>5. Grounded in Statutory Accounting and reserving.</b> Derived from values reported in the statutory annual statement and calibrated to align with Statutory Accounting and reserving practices <u>and in consideration of Total Asset Requirements, to the extent practical.</u></p>	<p>ACLI supports this principle, although we would like the principle to expressly recognize the concept of “total asset requirements.”</p>
<p><b>6. Emerging risks.</b> Updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.</p>	<p>ACLI supports.</p>
<p><b>7. Transparency.</b> The process to maintain and update RBC requirements must adhere to the <i>NAIC Policy Statement on Open Meetings</i> and follow standards that provide for clear,</p>	<p>ACLI supports.</p>

Exposed principle, including ACLI edits	Additional comments
complete, and transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale.	
<p><b>8. Process.</b> Maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation when possible, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions. <u>Updates should also consider the interconnectedness and co-dependencies of RBC to other areas of the solvency framework.</u> The process should include an analysis of impacts, including impacts on other components of the formula and solvency framework”.</p>	<p>ACLI does not support this principle as currently written.</p> <p>We have recommend including language noting the need to consider the interconnectedness of RBC, both within RBC and with other elements of then solvency framework.</p> <p>We have also proposed language to address the need for impact analysis. Embedding impact analysis within the guiding principles would ensure that changes are both technically sound and aligned with the broader objectives of solvency regulation. Evaluating the full consequences of a refinement to RBC helps maintain the integrity and coherence of the RBC system.</p>
<p><b>9. Prioritization.</b> Recognizing the vast number of potential refinements that could be made to RBC requirements at any given time, the groups tasked with updating and maintaining the RBC model should use regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant, material considerations. <u>These groups should regularly communicate their priorities to a Commissioner-level body for review and feedback prior to finalizing a proposed change to RBC.</u></p>	<p>ACLI does not support as currently written. ACLI recommends including language recognizing the need for enhanced feedback loops between Commissioners and technical regulators, which will promote coordination and alignment between leadership and working groups. Involving the Commissioners in prioritization discussions will also ensure that Commissioners are apprised of developing workstreams before the culmination of a project.</p>

Thank you for the opportunity to provide this feedback. We look forward to ongoing discussions on these matters. We would be happy to answer any follow-up questions you may have.

Sincerely,



Mariana Gomez-Vock  
SVP, Prudential Policy & International



Carrie Haughwout  
SVP, Life Insurance & Regulation

October 23, 2025

**VIA ELECTRONIC SUBMISSION**

Dan Daveline  
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[RBC-MoGo@BridgewayAnalytics.com](mailto:RBC-MoGo@BridgewayAnalytics.com)

**RE: Request for comments on proposed revised preliminary Risk-Based Capital principles**

Dear Mr. Daveline:

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to comment on the *Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements that have been developed by the NAIC RBC Model Governance Task Force (the Task Force)*. APCIA is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members include companies of all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

APCIA supports the goal of the Task Force and appreciates the ongoing engagement with staff and Bridgeway Analytics. Due to the short comment period, as well as our member companies working on their 3<sup>rd</sup> quarter statutory and GAAP accounting close, our comments are preliminary and at a relatively high level. APCIA also appreciates the *Notes from Task Force Deliberations on Each Principles* as they helped contextualize the principles. We believe that, while helpful in understanding the thought process, they should not be considered part of the guidance in the future. It would be helpful to incorporate any important points from the Annex directly into the principles.

In general, we believe the principles are reasonable and significantly improved from the initial exposure. Our comments are more clarifying questions on a couple of the principles rather than significant concerns and stem more from how to interpret the principles considering the Task Force Deliberations in the Annex. Additionally, we do question how, or if, these principles will be incorporated into an overarching RBC framework and where the principles will reside (e.g., preamble or instructions?). The two principles where we have questions/comments are equal capital for equal risk and accuracy and are discussed below. In addition, we do have one suggested edit that has implications for multiply principles. This would be to add the concept of a risk being measurable to the principles prior to addressing a new risk or changing the required capital for an existing risk. We suggest adding “measurable” to Principle 1 so that it would read “RBC requirements should be updated when a change is measurable and material”.

**Equal capital for equal risk**

We support the theory of equal capital for equal risk, and especially to address arbitrage situations. However, we appreciate that this principle must respect the inherent fundamental differences between life and property and casualty business models and thus we also strongly agree with the

last part of the principle, “except where the nature of a risk or business model warrants differences” These inherent business model differences result in the need to consider different time horizons and different capital treatments and can result in changes to address life investment RBC concerns not being material or necessary for property and casualty RBC. We are just a little unsure how the principle would be applied in practice (especially in an investment context). We are also unsure of the intent of 2.c.ii in the Appendix, “Consistency in the treatment or risk across components was viewed as critical, noting that different RBC components treat taxes and discounting” and how it specifically impacts application of the principle. We are unsure if this statement suggests that the life and property and casualty tax treatments should be consistent or if it was just identifying a known difference. APCIA would not be supportive of changing the property and casualty tax treatment to be consistent with life tax treatments as it would likely require significant work without a corresponding benefit to solvency.

### **Accuracy**

When reviewing the principles for when RBC changes should be made, most principles could be easily incorporated into an overarching RBC framework. This one appears more applicable to individual risks and even then, for risks with a lot of historical data where the future is expected to behave like the past. Is the accuracy principle intended to be considered in the context of the overall RBC capital requirement for life, property and casualty or health, or at an individual risk level? While accuracy can be relatively high for many individual risks, and especially investment risks, precision is not possible for all risks, especially those subject to highly uncertain events. Additionally, the level of precision decreases when risks are amalgamated. While accuracy is a reasonable goal in theory, the current framework is designed to determine the appropriate capital for each risk when thinking about it at the individual risk level. The processes used to determine the appropriate level of capital should be designed to be as “accurate” as possible recognizing that there are limitations for some risks. It may be helpful to distinguish the level that the principles would apply to and consider whether “Appropriate capital for the risk” might be a better principle than “Accuracy” as that is more reflective of what RBC is trying to achieve.

We welcome the opportunity to continue to work with Bridgeway Analytics and the Task Force in the development of the Model Governance Framework. Should you have any questions, please contact us. Thank you for your consideration.

Sincerely,



John (Jay) Muska, CFA, CPA  
Vice President of Accounting and Financial Issues  
American Property and Casualty Insurance Association

cc: D. Keith Bell  
Chair, APCIA Financial Management and Risk Committee



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October 23, 2025

### VIA ELECTRONIC SUBMISSION

Director Judith French  
Commissioner Nathan Houdek  
Co-Chairs, Risk-Based Capital Model Governance (EX) Task Force  
VIA Email: Dan Daveline; [ddaveline@naic.org](mailto:ddaveline@naic.org)  
Bridgeway Analytics; [RBC-MoGo@BridgewayAnalytics.com](mailto:RBC-MoGo@BridgewayAnalytics.com)

### RE: Request for Comments on Proposed Preliminary Risk-Based Capital Principles and Questions

Dear Director French and Commissioner Houdek,

Thank you for the second opportunity to comment on the Risk-Based Capital (RBC) Model Governance (E) Task Force's Proposed Preliminary Principles (Principles). The National Association of Mutual Insurance Companies (NAMIC)<sup>1</sup> understands the goal of the National Association of Insurance Commissioners (NAIC) with the Principles and is appreciative of the engagement with industry thus far. This Task Force has spent an immense amount of work and time on this project, taking measured and transparent steps towards establishing the foundational Principles. We welcome the emphasis on materiality, transparency, and focus on each formula's reflection of underlying risk exposure, including the nature, scale and complexity of risks. We offer the below comments on the Principles. We believe the Principles are reasonable. Our comments below are to clarify how to interpret the Principles and logistical questions.

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<sup>1</sup> The National Association of Mutual Insurance Companies consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write \$391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



## Next Steps

NAMIC supports this Task Force's transition under the E Committee after this year. This would ensure that the Principles and the work of the Task Force can continue under the letter Committee where this project makes sense to live long-term. It would also ensure that the Principles can be amended if the need arises.

We do have questions about where the finalized Principles will live after they are adopted. Does it make sense for these to live in the Preamble? In the RBC Instructions themselves?

## Equal Capital for Equal Risk:

We believe that the Task Force should clarify that "consistent" as used in this Principle, does not mean the exact same formula or factors across lines, but rather the similar methodological way of looking at the risk. This clarification will hopefully make clear that the Task Force does not intend a uniform statistical calibration across all formulas. As referenced in our earlier comments, the three RBC formulas produce appropriate, proportional, and tailored solvency measures across insurers that reflect differences in line of business (life/non-life/health). The RBC charges should be derived from and consistent with values reported in the statutory accounting annual statement. We continue to support a proportional, flexible governance model which preserves RBC's function as a solvency tool rather than a total economic capital model.

## Emerging Risks

Principle 6 "Emerging Risks" discusses the need for RBC to be updated to incorporate emerging risks by the time they become material to the industry or an identifiable segment of companies. NAMIC supports this Principle as RBC should evolve with emerging risks to remain effective at assessing the adequacy of an insurer's capital in relation to its particular and individual risk profile. A clarifying edit - does the word "material" reference Principle 1? If so, NAMIC suggests the below edit:

**Emerging risks.** Updated to incorporate emerging risks (including macroprudential risk) by the time they become material, **as defined in Principle 1**, to the industry or an identifiable segment of companies.

## Appendix

The notes and thought process of the regulators and drafting group were incredibly insightful and helpful when reviewing the latest draft of Principles. If the Task Force intends to publish and adopt the Appendix along with the Principles, to avoid distortion of the ideas in the Appendix, we suggest the below:

**Appendix: Notes from Task Force Deliberations on Each Principle - Not to Be Interpreted As Guidance.**



It is NAMIC's impression that the Appendix should not serve as a standing sole interpretation of the Principles and inform the reader of what the words in the Principles should mean. Just how issue papers in Statutory Accounting hierarchy, provide historical documentation of discussions and issues leading to the adoption of new statutory accounting concepts, we believe the Appendix should be treated in a similar manner<sup>2</sup>. In this case, the Principles and existing RBC instructions would sit above the Appendix and the Appendix would only be used as historical documentation of the discussions around the Principles. In the case that the Principles are changed in the future, historical documentation can be added as well, allowing a flexible approach with a clear hierarchy of guidance.

For example, the notes in the Appendix accompanying Principle 2 include an illustration that *Property & Casualty reserves are not net of tax*. Calculating P&C reserves net of tax would be operationally complex, requiring major changes to Schedule P and RBC factor calculations. Any impact on RBC would likely be minimal, as statutory reserves already reflect appropriate prudence. We urge the Task Force to retain the gross-of-tax approach and clarify in the Appendix that "equal capital for equal risk" does not require uniform tax treatment across industries. While the above was stated as perhaps only a demonstration of different framework design, the Appendix could be misinterpreted as implying that such reserves *should* be adjusted for tax in pursuit of equal treatment in the Principles themselves if equal weight is given to both Principles and the Appendix.

NAMIC looks forward to working with the NAIC in the next steps of this project. RBC's primary objective is to protect policyholders by ensuring that insurers maintain sufficient capital to support their obligations under a variety of risk scenarios. We believe the Principles advance this goal. This Task Force has taken in industry comments with a thoughtful and open mind; thank you.

Colleen Scheele  
Senior Vice Policy President and Counsel, Tax and Fiscal Policy  
National Association of Mutual Insurance Companies

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<sup>2</sup> [https://content.naic.org/sap\\_app\\_updates/app\\_e\\_issues.htm](https://content.naic.org/sap_app_updates/app_e_issues.htm)





October 21, 2025

Director Judith French  
Commissioner Nathan Houdek  
Co-Chairs, Risk-Based Capital Model Governance (EX) Task Force  
National Association of Insurance Commissioners (NAIC)  
Via Email: [ddaveline@naic.org](mailto:ddaveline@naic.org); [RBC-MoGo@BridgewayAnalytics.com](mailto:RBC-MoGo@BridgewayAnalytics.com)

**Re: Proposed Preliminary Risk-Based Capital (RBC) Principles – September 23, 2025 Exposure Draft**

Dear Director French and Commissioner Houdek:

On behalf of the Reinsurance Association of America (RAA) and its member companies, we respectfully submit the following comments to the Risk-Based Capital Model Governance (EX) Task Force regarding the September 23, 2025 exposure draft of the *Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements*.

The RAA appreciates the Task Force's measured and transparent approach in establishing foundational principles before undertaking broader structural revisions to the RBC framework. We particularly support the emphasis on materiality, transparency, and governance as key guideposts for maintaining RBC's credibility and consistency across industry segments.

**Equal Capital for Equal Risk**

The RAA appreciates the clarification of Principle 2, *Equal Capital for Equal Risk*, which we interpret as reinforcing methodological consistency in assessing similar risks rather than mandating a uniform statistical safety level or calibration across all RBC components. While consistency in methodology is essential, we believe that this principle should not be read to imply that all risks must be modeled at the same statistical confidence level (e.g., 99.5% VaR). RBC has historically operated as an early warning and minimum capital adequacy framework, not an economic capital model calibrated to a uniform solvency standard. Its strength lies in proportionality and flexibility across sectors while maintaining comparability and regulatory oversight.

We recommend that the Task Force clarify that "equal capital for equal risk" refers to consistency in principles, structure, and transparency, not uniform calibration or tax treatment. Specifically, Section 2.c.ii of the Drafting Notes references "consistency in the treatment of risk across components." The RAA recommends clarifying that this consistency applies to the methodological treatment of risks within each industry framework (Health, Life, P&C), rather than requiring alignment of statistical or tax treatments across all frameworks.

As noted in the Appendix example under Principle 2, Property and Casualty (P&C) reserves are presented on a gross (pre-tax) basis to reflect the full liability to policyholders. This approach intentionally excludes tax assumptions, providing a clear view of solvency and avoiding embedded tax variability. Since RBC serves as an early warning tool for solvency monitoring, we recommend the Task Force retain the gross-

of-tax approach for P&C RBC reserves. This preserves consistency with statutory reporting, avoids unnecessary operational complexity, and recognizes that “equal capital for equal risk” does not require uniform tax treatment across industries, given the legitimate structural and regulatory distinctions among sectors.

## **Materiality and Consistency with Statutory Accounting Principles**

Consistency in applying materiality between the RBC framework and Statutory Accounting Principles (SAP) is essential for coherence, transparency, and efficiency. Materiality is well established in SSAP No. 1R – Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures, which defines when information is significant to statutory reporting. Aligning RBC reporting with this standard promotes clarity and prevents conflicting interpretations.

Establishing a separate materiality threshold for RBC purposes could result in inconsistent treatment of the same item, immaterial under SAP but material under RBC, which would be conceptually unsound and operationally inefficient. The RAA therefore recommends that the RBC framework explicitly reference SSAP No. 1R to ensure that materiality determinations for RBC purposes are consistent with statutory accounting guidance. This alignment enhances comparability, reduces administrative burden, and reinforces the integrity of the RBC process.

## **Statutory Hierarchy of RBC Guidance**

As outlined in our July 23, 2025 comment letter, the RAA recommended establishing a clear statutory hierarchy for RBC guidance to promote consistency across jurisdictions. Mirroring the Statutory Accounting hierarchy, the RBC Principles and formally adopted RBC Instructions should serve as the authoritative sources. Supporting materials such as Q&As, technical memoranda, and the RBC Principles Appendix should provide historical and regulatory context but not binding authority.

The RAA views the Appendix in the September 23 Exposure Draft as analogous to SAP Issue Papers, documenting deliberations and rationale without serving as an interpretation of the Principles. Positioning the Appendix below the Principles and Instructions in the hierarchy preserves transparency, prevents misinterpretation of illustrative examples as prescriptive requirements, and supports a coherent, regulator-led framework that balances clarity, consistency, and practicality.

## **Governance**

The RAA believes that unified governance of both the RBC model and the underlying principles is essential to maintain consistency, transparency, and accountability. After the RBC Principles are developed under the direction of this Task Force, oversight and ongoing maintenance should be transferred to the Capital Adequacy (E) Task Force (CATF). Consolidating oversight ensures that responsibility for the conceptual framework and corresponding formula design remains within one governance structure, allowing the body charged with formula oversight to also guide interpretation and evolution of the Principles.

Maintaining governance of both the model (formulas and factors) and the process (principles and framework) under CATF promotes a coordinated, regulator-led structure. This approach mirrors statutory accounting governance, where one body oversees both overarching principles and detailed standards. Centralized oversight strengthens policy alignment, enhances transparency in future updates, and ensures RBC remains a credible and coherent regulatory capital framework.

The RAA also supports a proportional governance model, applying rigorous validation to model-driven components while maintaining appropriately scaled oversight for formulaic, factor-based segments to preserve RBC's purpose as a solvency signal rather than an economic capital model.

### **Next Steps and Coordination**

The RAA supports the Task Force's continued coordination with the Capital Adequacy (E) Task Force regarding the RBC preamble and purpose statement. Maintaining clarity that RBC is a minimum capital adequacy standard and early warning tool is essential to preserving its foundational purpose. We look forward to contributing to future discussions on governance, calibration, and framework maintenance as these workstreams advance.

### **Conclusion**

The RAA thanks the Task Force for its thoughtful and transparent approach and for incorporating stakeholder input into the development of the Preliminary RBC Principles. We respectfully request clarification on the interpretation of "consistency across components" within Principle 2 and confirmation that the P&C reserve example does not signal a shift toward net-of-tax measurement.

We appreciate the opportunity to comment and look forward to continued dialogue as the framework progresses.

Sincerely,



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**Jeff Alton**  
**Senior Vice President – Accounting, Finance & Risk**  
**Reinsurance Association of America**



# Memo

**To:** Director Judith French and Nathan Houdek, Co-Chairs of the Risk-Based Capital Model Governance (EX) Task Force

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**From:** Dave Heppen, FCAS, MAAA, Partner, Risk & Regulatory Consulting, LLC  
Lynn Manchester, FSA, MAAA, Director, Risk & Regulatory Consulting, LLC  
Nan Nguyen, ASA, MAAA, Manager, Risk & Regulatory Consulting, LLC

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**Date:** October 23, 2025

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**Subject:** RRC Comments regarding Request for comments on *Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements*

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## Background

The Risk-Based Capital Model Governance (EX) Task Force exposed a new document on September 23, 2025 and is requesting comments on the revised Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements (“the Exposure”).

Risk & Regulatory Consulting, LLC (“RRC”) appreciates the opportunity to offer our comments on the proposed principles as a component of the Risk-Based Capital (RBC) governance framework. Should you have any questions, we would be glad to discuss our comments with you and Task Force members.

RRC regularly supports regulators in assessing the financial solvency of insurance companies, in the context of risk-focused examinations and financial analysis. As such, we have a perspective on the key risks currently facing insurance companies and the importance of the risk-based capital framework as a valuable tool to regulators.

We appreciate the continuing work that the RBC Model Governance Task Force has undertaken to modernize the RBC governance framework.

We continue to strongly encourage the Task Force to consider RBC holistically in developing these principles, rather than focusing on specific subsets of RBC in isolation. The principles should apply across the life, health, and property/casualty formulas and should apply to all risk components. The principles should also consider other aspects of the regulatory framework, such as Statutory Accounting Principles, that are closely interconnected with the current RBC framework.

We have reviewed the revised Proposed Preliminary Principles as well as the Appendix, which includes *Notes from Task Force Deliberations on Each Principle*. We will begin with a few general comments, and then address each principle below.

## **I. General comments:**

1. In general, it seems that the wording of each of the revised principles is briefer, and perhaps more general, than in the July 3 exposure. While we understand that some of the concepts in the Appendix of the Exposure may also be included in the Framework, we believe that the principles

themselves should not be oversimplified or stated too briefly. While not every detail can be included, we believe it is important to include enough detail to avoid ambiguity and misinterpretation. To illustrate our point, we compare the principles of Objectivity and Emerging Risks as stated in the July 3 and September 23 exposure drafts below; in each case, we believe there are important details in the July 3 version that are excluded from the September 23 version:

### The principle of Objectivity:

#### In the July 3, 2025 exposure:

**Objectivity.** *RBC charges should be objective and measured at a consistent statistical safety level. RBC charges should reflect the risk exposure they are intended to measure, capturing differences in their risk distributions, with appropriate considerations for concentration, diversification, and tail risks. They should recognize differences in accounting, reserving requirements, and other offsets (e.g., taxes or discounting) and consider overall business practices and their treatment within the framework (e.g., hedging strategies).*

#### In the September 23, 2025 exposure:

**Objectivity.** *Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.*

### The principle of Emerging Risks:

#### In the July 3, 2025 exposure:

**Emerging Risks. Evaluation of emerging risks should consider:**

- a. The level and growth in exposure to the emerging risk;
- b. How quickly the risk can become materially incorporated into insurers' business;
- c. Industry exposure to the risk, as well as industry segment exposure; and
- d. Identification and measurement limitations of emerging risks.

#### In the September 23, 2025 exposure:

**Emerging Risks.** *Updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.*

It is critical that future users of the RBC framework fully understand key aspects and premises of the framework.

## II. Regarding the Proposed Preliminary Principles, we have the following comments:

1. **Materiality.** RBC requirements should be updated when a change is material. Materiality for purposes of RBC means a level at which a decision whether to update RBC could meaningfully impact the regulator's assessment of the solvency risk for all or an identifiable segment of companies.

**RRC Response:** RRC believes this statement should focus on the materiality of the risk, rather than the materiality of the change. If a risk has the prospect of posing a material concern for the

solvency of an identifiable segment of the industry, and that risk is not appropriately represented in the RBC framework, then a change should be made to the RBC framework.

In the Appendix, we see the description of the development of the phrase ‘identifiable segment of companies’, and agree with this position. While ‘industry-wide risk’ may be too broad, if a reasonable segment of the industry is impacted the risk should be addressed.

2. **Equal capital for equal risk.** RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, reflecting measurable risks that can impact solvency, including mitigating effects of risk management, except where the nature of a risk or business model warrants differences.

**RRC Response:** RRC suggests including language that was in the July 3 exposure reflecting that “RBC charges should balance the appropriateness of the existing charge with the added complexity and materiality of the possible change”. Also, we suggest changing “...risks that can impact solvency...” to “...risks that can materially impact solvency...”.

3. **Objectivity.** Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.

**RRC Response:** See our comments on this in the General Comments section. In summary, RRC believes this principle may have been oversimplified since the prior exposure. We would suggest reverting to the principle as stated in the prior exposure.

4. **Accuracy.** Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity.

**RRC Response:** RRC agrees with this and does not have any further comments.

5. **Grounded in Statutory Accounting and reserving.** Derived from values reported in the statutory annual statement and calibrated to align with Statutory Accounting and reserving practices, to the extent practical.

**RRC Response:** RRC agrees with the importance of recognizing the interconnectedness with Statutory Accounting and other critical components of the regulatory framework. One specific example is the concept of amortized cost accounting.

6. **Emerging risks.** Updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.

**RRC Response:** RRC agrees with this principle, but we suggest adding that, in order to ensure emerging risks are incorporated into the RBC framework by the time they become material, those emerging risks that have the prospect of posing a material industry risk should, to the extent possible, be reviewed and discussed by NAIC working groups prior to those emerging risks becoming material. If it is determined that a change is warranted, the change to RBC should be developed and adopted in time to result in companies being flagged for the risk of insolvency as soon as possible.

7. **Transparency.** The process to maintain and update RBC requirements must adhere to the *NAIC Policy Statement on Open Meetings* and follow standards that provide for clear, complete, and

transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale.

**RRC Response:** RRC agrees with this and does not have any further comments.

8. **Process.** Maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation when possible, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions.

**RRC Response:** This appears to be a re-working of the Governance principle from the July 3 exposure document. While the processes described are important, RRC believes that this principle should also state that the modeling underlying RBC requirements should be subject to a formal model governance process. We also agree that the use of interim solutions may be especially important to address emerging risks.

9. **Prioritization.** Recognizing the vast number of potential refinements that could be made to RBC requirements at any given time, the groups tasked with updating and maintaining the RBC model should use regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant, material considerations.

**RRC Response:** RRC agrees that changes to RBC, just as with proposals to change other aspects of the regulatory framework, should be prioritized based on the judgement of regulators on where the most significant benefits will be realized.

Thank you for the opportunity to provide comments on this important topic. We can be reached at 813-506-7238/[lynn.manchester@riskreg.com](mailto:lynn.manchester@riskreg.com) if you or other members have any questions.



# UNITEDHEALTH GROUP

Corporate Finance – Actuarial Services Division  
185 Asylum Street, CityPlace I • Hartford, CT 06103

October 23, 2025

Director Judith L. French, Co-Chair  
Commissioner Nathan Houdek, Co-Chair  
Risk-Based Capital Model Governance (EX) Task Force  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

Via electronic mail to Dan Daveline.

Re: Preliminary Risk-Based Capital Principles.

Dear Director French and Commissioner Houdek:

I am writing on behalf of UnitedHealth Group with regard to the September 23 exposure requesting comments on the proposed revised preliminary Risk-Based Capital (RBC) principles. We appreciate the opportunity to provide our comments.

In general, we consider the principles stated in the exposure document to be appropriate. We direct our comments to those principles that we think could benefit from further clarification or refinement. The comments below are organized under the number and title of each relevant principle.

We also offer the general comment that it may be useful to supplement some or all of the principles with sub-principles that provide more detailed discussion. This may be especially helpful with regard to Principles 2 (Equal capital for equal risk), 3 (Objectivity), and 8 (Process), each of which contains multiple points that might benefit from further elaboration.

## 1. Materiality.

We agree with the principle that “RBC requirements should be updated when a change is material.” However, we note that there are procedures in place to update certain factors periodically without an assessment of materiality. Since those procedures already exist, and operate on a routine basis, they should not be considered to be precluded by the principle of materiality.

#### 4. Accuracy.

This principle appears to address granularity rather than “accuracy” per se, and probably to avoid confusion it should be renamed accordingly. Although the notes from the Task Force’s deliberations also refer to “statistical accuracy,” that consideration is not clearly reflected in the final wording of the principle, and would perhaps be better thought of as an element of Objectivity, as addressed by Principle 3.

#### 8. Process.

We have several comments with regard to this principle.

- A. The process should include periodic review of how each formula as a whole is performing relative to regulators’ expectations. In particular, based on actual results over some recent period:
  - 1. Do regulators feel that the formula has done a good job of flagging the companies that in fact experienced financial difficulties?
  - 2. Has the formula missed a significant number of companies that subsequently experienced financial difficulties, and do those examples suggest potential revisions to the formula to capture the problems that arose in those cases?
  - 3. Does the formula flag an excessive number of companies that are not actually in any financial difficulty, thereby making an inefficient use of regulatory and industry resources
- B. This principle as written places emphasis on methodology. Some statement should also be included acknowledging the importance of data quality and data recency.
- C. Another important element to include in the discussion of process is how frequently existing RBC factors and RBC structures should be reviewed, including studies that would confirm or replace existing factors. We addressed the frequency of reviews in our comment letter of July 24, 2025, in our response to question #5.
- D. The notes from the Task Force’s deliberations state, “some proposals, with supporting information, are presented by interested parties. The process requirements may limit those proposals to interested parties with sufficient resources to comply with process requirements or require a separate compliant review before acting on the proposal.” It is not clear who would be performing the “separate compliant review.” As to limiting proposals to interested parties who can themselves perform the necessary analysis, or cause it to be performed on their behalf, that may make sense if a specific change to the formula is being proposed, and if there is externally available data that can be used in the analysis, as may be true with regard to many investment issues. However, this approach should not be implemented in such a way that it would discourage interested parties from making more general suggestions as to possible enhancements to the formula. For example, with respect to analyses of underwriting

risk, the necessary data may only be available from the NAIC to begin with; and usually in those circumstances, the NAIC will request an analysis from the American Academy of Actuaries, rather than from an industry party. Of course, the regulators will decide whether any suggested enhancements are worth pursuing.

- E. We strongly support the idea of thorough and publicly available documentation of the methodologies used to determine factors within the formulas. As noted during the Task Force's deliberations, this will make updating factors periodically much easier. It will also help to maintain consistency in the methodologies employed over time, and will permit an evaluation of past methodologies to identify areas for improvement in the future.

#### 9. Prioritization.

This principle lists materiality as one of the criteria to consider when prioritizing potential changes to the RBC formulas. It may be worth noting explicitly that "materiality" in this context refers not only to the current materiality of a risk, but also the anticipated materiality of a rapidly growing category of risk (e.g., the widespread introduction of a new product, or growth in the holdings of an innovative investment vehicle).

\* \* \* \* \*

Thank you for the opportunity to provide these comments. We would be happy to discuss these comments with you and the Task Force.

Sincerely,



James R. Braue  
Vice President, Actuarial Services  
UnitedHealth Group

cc: Dan Daveline, NAIC  
Bridgeway Analytics  
Alena Yankouskaya, UnitedHealth Group  
Mollie Zito, UnitedHealth Group



October 23, 2025

Director Judith French (OH), Co-Chair  
Commissioner Nathan Houdek (WI), Co-Chair  
Risk-Based Capital Model Governance (EX) Task Force  
National Association of Insurance Commissioners

Re: Request for comments on proposed revised preliminary Risk-Based Capital principles

Dear Director French and Commissioner Houdek:

On behalf of the American Academy of Actuaries' (Academy)<sup>1</sup> Life Practice Council (LPC), Health Practice Council (HPC), Casualty Practice Council (CPC), and Risk Management and Financial Reporting Council (RMFRC), we appreciate the opportunity to provide comments to the Risk-Based Capital (RBC) Model Governance (EX) Task Force (Task Force) on the revised preliminary principles outlined in the [Request for comments on revised preliminary RBC principles memo issued Sept. 23, 2025](#) (Memo). Subject matter experts with unique actuarial perspectives and expertise across health, life, property/casualty, and financial reporting and risk management, have reviewed the revised preliminary RBC principles and the supporting context and notes, and we offer the following comments.

## 1. Materiality

We concur with the Memo's focus on changes being made based on a regulator's assessment of solvency risk. That assessment should include all industry risks that may be material to solvency.

We note that this assessment should occur at the segment level. In other words, separately for Life, Health, and Property/Casualty companies. There may be risks that are material to one segment that are not material to another. However, to the extent that similar risks have different factors by segment due to independent groups creating the factors, then a re-evaluation on a risk basis would be appropriate to study.

We would also suggest that the Task Force provide clarification regarding how "an identifiable segment of companies" is defined.

## 2. Equal capital for equal risk

We are in general agreement with this principle; however, the exception needs further clarification.

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<sup>1</sup> The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 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.

### 3. Objectivity

We recommend the following edits to this principle (with emphasis added) for clarity:

Appropriately consider **only** the factors that impact **solvency** risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.

### 4. Accuracy

We note that RBC should provide regulators with a reasonable assessment of the solvency risk of an entity. The overall precision of RBC is limited by both certain necessarily imprecise calculations (such as correlation) and not quickly addressing emerging risks. We believe that the statement in the Appendix better captures the principle and suggest replacing “Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity” with “RBC requirements should be sufficiently precise to assess solvency risk, while avoiding unnecessary complexity.”

### 5. Grounded in statutory accounting and reserving

We thank the Task Force for reflecting the Academy’s previous comments on this issue and reiterate the Academy’s support for a process grounded in statutory accounting and reserving.

### 6. Emerging risks

We concur with the Task Force that in order for the RBC to retain relevance, a process to capture emerging risks is needed. As part of this review process, the Academy would be willing to assist the NAIC in developing a process to capture these risks in a timely fashion.

### 7. Transparency

We agree with this principle being included and reiterate the Academy’s support for a transparent, collaborative process.

### 8. Process

We generally concur with the current version of the principle and appreciate the consideration of [Actuarial Standard of Practice No. 56, Modeling](#), as noted in the document’s appendix.

### 9. Prioritization

While we understand that making certain higher priority “quick fixes” may be important, the Academy encourages development of a process to holistically identify risks that are high priority. We recognize that doing so will require time and resources and are willing to support the Task Force in this effort.

We look forward to the continued collaborative dialogue with the Task Force and other stakeholders as you continue your work on this project. If you have any questions or would like to discuss these comments further, please contact Katie Dzurec, Public Policy Outreach (State) Director ([dzurec@actuary.org](mailto:dzurec@actuary.org)).

Sincerely,

Annette James, MAAA, FSA  
Vice President, Health Practice Council  
American Academy of Actuaries

Jason Kehrberg, MAAA, FSA  
Vice President, Life Practice Council  
American Academy of Actuaries

Susan Kent, MAAA, FCAS  
Vice President, Casualty Practice Council  
American Academy of Actuaries

Steve Malerich, MAAA, FSA  
Vice President, Risk Management and Financial Reporting Council  
American Academy of Actuaries