

Draft date: 7/6/26

Virtual Meeting

**JOINT MEETING OF THE PROPERTY AND CASUALTY RISK-BASED CAPITAL (E) WORKING GROUP
AND CATASTROPHE RISK (E) SUBGROUP**

Monday, September 28, 2026

12:00 – 1:00 p.m. ET / 11:00 a.m.– 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

PROPERTY AND CASUALTY RISK-BASED CAPITAL (E) WORKING GROUP

Tom Botsko, Chair	Ohio	Melissa Robertson	New Mexico
Wanchin Chou, Vice Chair	Connecticut	Ni Qin	New York
Charles Hale	Alabama	Will Davis	South Carolina
Rolf Kaumann/Eric Unger	Colorado	Rebecca Armon	Texas
Jane Nelson	Florida	Adrian Jaramillo	Wisconsin
Sandra Darby	Maine		

NAIC Support Staff: Eva Yeung

CATASTROPHE RISK (E) SUBGROUP

Wanchin Chou, Chair	Connecticut	Alexander Vajda	New York
Jane Nelson, Vice Chair	Florida	Tom Botsko	Ohio
Rolf Kaumann/Eric Unger	Colorado	Andrew Schallhorn	Oklahoma
Travis Grassel	Iowa	Will Davis	South Carolina
Sandra Darby	Maine	Rebecca Armon	Texas
Melissa Robertson/Elouisa Tyler	New Mexico		

NAIC Support Staff: Eva Yeung

AGENDA

1. Discuss Comments Regarding Proposal 2026-13-CR (Severe Convective Storm Implementation)—*Wanchin Chou (CT)*
 - a) National Association of Mutual Insurance Companies (NAMIC)—*Jon Rodgers (NAMIC)* Attachment A
2. Discuss Severe Convective Storm Implementation Impact Analysis—*Wanchin Chou (CT)* Attachment B
3. Discuss Working Group and Subgroup Working Agenda—*Tom Botsko* Attachment C

4. Discuss Any Other Matters Brought Before the Working Group—*Tom Botsko (OH) and Wanchin Chou (CT)*
5. Adjournment



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September 8, 2026

Chair Wanchin Chou

Catastrophe Risk (E) Subgroup

National Association of Insurance Commissioners

RE: Ref #2026-13-CR: Severe Convective Storm Implementation (2027)

Via Email: Eva Yeung, eyeung@naic.org

Dear Mr. Chou,

Thank you for the opportunity to comment on Proposal 2026-13-CR regarding the implementation of severe convective storm (SCS) risk within the property & casualty risk-based capital (RBC) catastrophe risk component.

The National Association of Mutual Insurance Companies (NAMIC)¹ supports the NAIC's objective of ensuring that the RBC framework appropriately recognizes material catastrophe risks facing property & casualty insurers. SCS activity, including hail, tornado, thunderstorm winds, and derechos, is an increasingly important catastrophe exposure and ultimately warrants appropriate recognition within the RBC framework.

Given the magnitude and frequency of SCS losses, continuing evolution of the catastrophe models used to calculate the proposed charge, differences among those models, potential interaction with existing R5 underwriting risk charges, and significant implications for insurers' capital and reinsurance decisions, NAMIC believes implementation for year-end 2027 is premature.

We therefore respectfully recommend that the Subgroup delay implementation of an SCS RBC charge beyond year-end 2027 and use the additional period to complete further impact analysis, improve model comparability and stability, address potential duplication within the existing RBC formula, and provide insurers sufficient time to evaluate the resulting capital and reinsurance implications.

Challenges to Capital Management and Financial Performance

SCS is a challenging capital management problem that faces many property & casualty insurers. The size and nature of SCS risk distinguish it from many catastrophe perils previously incorporated into the RBC framework. Swiss Re Institute reported approximately \$64 billion of global SCS insured losses in 2023,

¹ The National Association of Mutual Insurance Companies is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies, including local and regional insurers as well as some of the nation's largest carriers, NAMIC members collectively write \$492 billion in annual premiums, representing 62 percent of the homeowners and 56 percent of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect member companies and their policyholders.



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with most of those losses (85%) originating in the United States.² Swiss Re also reports that hailstorms are responsible for a majority of SCS losses (50% - 80%) with a significant percentage of losses resulting from damage to vehicles.³ SCS has become the second-largest natural catastrophe loss-producing peril after tropical cyclones.

These losses have not been an anomaly. For three consecutive years (2023-2025), SCS losses were above \$50 billion globally. Swiss Re reported approximately \$51 billion of SCS insured losses in 2025, making it the third-costliest year on record for SCS after 2023 and 2024.⁴

These figures illustrate an important characteristic of SCS risk, one that demonstrates a risk that can generate a series of geographically dispersed, relatively frequent events whose cumulative impact becomes material to an insurer's earnings and capital. This is unlike other catastrophe risks that may produce an infrequent but exceptionally large event. This is an important distinction that should be considered for RBC.

Recent industry results show that SCS activity is unlike other catastrophe perils; therefore, careful consideration should be given when incorporating this risk into the existing RBC formula. AM Best reported that the U.S. property & casualty insurance industry experienced a \$21.2 billion net underwriting loss in 2023.⁵ Catastrophe losses accounted for an estimated 8.7 points on the combined ratio, up from 7.3 points in 2022, driven by record SCS losses.

When looking at individual line of business segments concentrated on property exposures, the impact has been particularly significant. AM Best reported that net underwriting losses in the homeowners/farmowners line more than doubled from 2022 to 2023, resulting in \$16 billion in losses.⁶ From a solvency perspective, AM Best's impairment analysis found that of the nine impairments in 2023-2025, eight were predominantly in Midwest states and driven by SCS losses.⁷

Reinsurance Implications

In addition to capital and financial challenges, SCS has significant implications for reinsurance strategy. SCS differs from other catastrophe risks in the manner in which losses interact with catastrophe

² Swiss Re Institute Sigma Research: <https://www.swissre.com/institute/research/sigma-research/sigma-2024-01.html>

³ Swiss Re Group – Mitigating Climate Risk: <https://www.swissre.com/risk-knowledge/mitigating-climate-risk/tornados-hail-thunderstorms.html>

⁴ Swiss Re Institute: "Wildfires, storms, floods contribute to record 92% of global insured losses in 2025" <https://www.swissre.com/press-release/Wildfires-storms-floods-contribute-to-record-92-of-global-insured-losses-in-2025-says-Swiss-Re-Institute/7b39b1a5-b878-4a55-a5ff-bf5aa561a675>

⁵ AM Best: "Underwriting Losses Persist in US Property/Casualty Industry, Total \$21.2 Billion in 2023" <https://news.ambest.com/newscontent.aspx?refnum=256908&altsrc=174>

⁶ AM Best: "US Property/Casualty Industry Suffered Second-Straight Year of \$20 Billion-Plus Underwriting Losses in 2023" <https://news.ambest.com/PR/PressContent.aspx?refnum=34863&altsrc=9>

⁷ AM Best: "Best's Impairment Rate and Rating Transition Study – 1977 to 2025" <https://news.ambest.com/pr/PressContent.aspx?altsrc=2&refnum=37434>



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reinsurance. Due to the frequency and comparatively smaller individual severity of SCS events, primary insurers experienced more in aggregate losses without individual events triggering traditional catastrophe excess-of-loss attachment points. S&P Global reported that primary insurers bore the brunt of SCS losses in 2023 and 2024, while reinsurers were largely shielded from them.⁸

This creates an important interaction between RBC and insurers' risk management decisions. A new SCS capital charge could result in the need for insurers to purchase additional catastrophe reinsurance and seek lower catastrophe attachment points. It may also reduce property writings in SCS-exposed geographic areas and require insurers to hold additional levels of capital. Each of these results in higher economic costs that could ultimately affect an insurers' earnings, capital deployment strategies, pricing, underwriting appetite, and potentially the availability of insurance in certain geographic regions. NAMIC members have concerns about these potential consequences; therefore, allowing additional time to consider and plan for these changes is a sensible approach.

Model Maturity and Comparability

NAMIC members have shared that the catastrophe models underlying the proposed charge continue to evolve. Based on the impact analysis conducted by our members, results among the four vendor models can vary materially. At least one model produced significantly different results between rounds of the NAIC impact analysis, with changes in hail-related assumptions appearing to be an important driver.

It isn't that model evolution is problematic; we understand this is natural as scientific understanding, claims experience, and exposure data all feed into improving the models' outputs. Similarly, construction characteristics and computing capabilities improve the models as well. The concern is that as these models evolve and become the basis for regulatory capital requirements, rolling out a new capital charge prior to regulators and industry obtaining sufficient experience to understand model outputs and comparing resulting capital charges year-over-year could put additional strain on capital planning and reinsurance strategy.

We suggest taking time to undertake additional analysis to determine whether the four models use comparable definitions of SCS, hail, tornado, derecho (straight-line wind), event duration, and other relevant assumptions. Further, we suggest the Subgroup provide specific information into what caused material changes between the two rounds of impact analysis. As it relates to geographic regions, an analysis of the model differences would provide useful information particularly as it relates to the types of insurers. And finally, the extent to which hail assumptions drive differences among models would be an important finding that could help determine model maturity.

⁸ S&P Global: "Reinsurers Dodge Severe Convective Storm Losses Amid Rising Threats"
<https://www.spglobal.com/ratings/en/regulatory/article/240807-reinsurers-dodge-severe-convective-storm-losses-amid-rising-threats-s13207616>



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NAMIC members want to ensure that the RBC framework continues to produce consistent solvency conclusions for similarly placed risks. A regulatory capital framework should not produce materially different conclusions for otherwise identical exposures due to a catastrophe model viewing a key assumption differently. If two models treat an important component of the peril differently and produce wildly different results, that is a sign that the models are not ready to be the basis of a regulatory capital charge.

Existing R5 Charges Should Be Amended Prior to Implementation

Another significant issue is the interaction between the proposed SCS catastrophe charge and the existing R5 underwriting risk component. SCS losses are already reflected historically in insurers' loss experience and therefore influence the underwriting risk factors incorporated into the existing RBC formula. Adding an explicit modeled SCS catastrophe charge without appropriately recalibrating the existing underwriting risk factors creates the potential for some portion of the same risk to be recognized twice.

Given the Subgroup's 2026 charges include recalculating premium risk factors on an ex-catastrophe basis, we believe this question should be resolved before the SCS charge becomes effective instead of waiting to determine if it is needed. The NAIC should identify the amount of SCS risk currently embedded within R5, determine the appropriate methodology for removing or recalibrating that component, conduct an impact analysis reflecting both changes simultaneously, and provide industry an opportunity to review the combined results.

Evaluating the new SCS charge independently from the corresponding R5 calibration could materially overstate the ultimate capital impact and does not provide regulators or insurers with an accurate picture of the final RBC framework.

SCS is a Material Risk and More Time is Appropriate

NAMIC members recognize that the NAIC has previously followed similar implementation timelines for other catastrophe perils, including wildfire. However; that shouldn't drive the timeline in this case, especially where the underlying risk presents materially different characteristics. The magnitude of SCS losses should warrant greater care before implementation. SCS is geographically broad, highly relevant to the ordinary property portfolios of many regional and national P&C insurers, heavily influenced by hail losses, characterized by frequency as well as severity, and closely connected to insurers' reinsurance structures.

The proposed change has implications that extend well beyond the technical calculation of an RBC ratio. This change could influence capital allocation decisions, as well as reinsurance purchasing and overall underwriting appetite. It could also drive decisions on pricing and ultimately impact the availability and affordability of property insurance.



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NAMIC Recommendations

NAMIC respectfully recommends that the Subgroup postpone implementation of the SCS catastrophe risk charge beyond year-end 2027 and establish objective conditions that should be satisfied before the charge becomes effective.

During the additional development period, the Subgroup should:

1. Conduct at least one additional comprehensive industry impact analysis using updated versions of all approved SCS models;
2. Provide a detailed reconciliation of material changes between successive impact studies, particularly changes attributable to hail;
3. Evaluate and document differences in definitions, assumptions, and methodologies among approved vendor models;
4. Analyze results by company size, geographic concentration, business mix, and existing RBC level;
5. Separately identify companies experiencing material declines in RBC ratios as a result of the SCS charge;
6. Quantify the SCS risk already incorporated into R5 and develop any necessary recalibration concurrently with the new catastrophe charge;
7. Conduct a final impact analysis reflecting both the SCS charge and revised R5 factors; and
8. Provide insurers adequate lead time following final calibration to evaluate capital, reinsurance, underwriting, and business-plan implications before the charge becomes effective.

This approach would not abandon or indefinitely postpone recognition of SCS risk. Rather, it would ensure that a significant new regulatory capital requirement is supported by sufficiently mature models, consistent treatment of the peril, appropriate coordination with existing RBC charges, and a clear understanding of its consequences for insurer solvency and risk management.

Conclusion

Recent loss experience makes a compelling case that severe convective storm risk deserves greater attention within insurers' catastrophe risk management and ultimately within the RBC framework. That same evidence; however, demonstrates why the Subgroup should proceed carefully.

SCS has produced tens of billions of dollars of insured losses annually, materially affected primary insurers' underwriting results, contributed to insurer impairments, and increased the importance and cost of catastrophe reinsurance. For insurers with significant property concentrations in hail-and tornado-prone regions, the proposed charge could materially alter required capital, RBC ratios, reinsurance strategies, and underwriting decisions.

At the same time, the underlying models continue to evolve, material difference among model results remain, and the interaction between a new modeled SCS charge and catastrophe risk already reflected within R5 has not been fully resolved.



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Under these circumstances, implementation at year-end 2027 would place the timetable ahead of the analytical work necessary to ensure an appropriately calibrated capital requirement.

We therefore respectfully request that the Subgroup delay implementation beyond year-end 2027 and use the additional time to complete the analysis and calibration outlined above.

A deliberate approach is appropriate in this case. The objective should not be to implement an SCS charge as quickly as possible, but to implement a charge that regulators and industry can have confidence appropriately measures the risk without unnecessary volatility, duplication, or unintended consequences.

Thank you for your consideration of these comments.

Sincerely,

Jon Rodgers
Policy Vice President – Solvency
National Association of Mutual Insurance Companies

P&C RBC - Comparison of RBC Action Level between Current RBC Formula and RBC Formula Including the Wildfire and Severe Convective Storm Perils**(Including Companies that write catastrophe business)**

		2024 RBC Action Level under Current RBC Formula			
		No Action	Trend Test	MCL	Total
2024 RBC Action Level Including Wildfire and Severe Convective Storm Perils	No Action	866	4		870
	Trend Test	2	5		7
	MCL			4	4
	Total	868	9	4	881

(Including Companies that write catastrophe business)

		2025 RBC Action Level under Current RBC Formula			
		No Action	Trend Test	MCL	Total
2025 RBC Action Level Including Wildfire and Severe Convective Storm Perils	No Action	890			890
	Trend Test	1	5		6
	MCL			1	1
	Total	891	5	1	897

Priority 1 – High Priority
 Priority 2 – Medium Priority
 Priority 3 – Low Priority

**CAPITAL ADEQUACY (E) TASK FORCE
 WORKING AGENDA ITEMS FOR CALENDAR YEAR 2027**

2027 #	Owner	2027 Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – P&C RBC							
P1	Cat Risk SG	1		Continue development of RBC formula revisions to include a risk charge based on catastrophe model output:			
			Year-end 2027-2028 or later	a) Evaluate other catastrophe risks for possible inclusion in the charge - determine whether to recommend developing charges for any additional perils, and which perils or perils those should be.	Referral from the Climate and Resiliency Task Force. March 2021		4/26/2021
P2	PCRBCWG	1	Ongoing	Review and analyze the P/C RBC charges that have not been reviewed since developed.			3/23/2023
Carryover Items Currently being Addressed – P&C RBC							
P3	P&C RBC WG	2	Year-end 2027 or later	Evaluate a) the current growth risk methodology whether it is adequately reflects both operational risk and underwriting risk; b) the premium and reserve based growth risk factors either as a stand-alone task or in conjunction with the ongoing underwriting risk factor review with consideration of the operational risk component of excessive growth; c) whether the application of the growth factors to NET proxies adequately accounts for growth risk that is ceded to reinsures that do not trigger growth risk in their own right. <i>Referral to the Academy:</i> https://naiconline.sharepoint.com/teams/FRSRBC/PRBC/2018%20Calls%20-%20PRBC/PCRBC/06_14/attC01_Growth%20Risk%20Referral%20to%20Academy.pdf	Referral from Operational Risk Subgroup	1) Sent a referral to the Academy on 6/14/18 conference call.	1/25/2018
P4	P&C RBC WG	1	2027 Summer Meeting or later	Continue working with the Academy to review the methodology and revise the underwriting (Investment Income Adjustment, Loss Concentration, LOB UW risk) charges in the PRBC formula as appropriate.		11/16/23 The Academy provided a presentation on their Underwriting Risk Report at the Joint PCRBC And Cat Risk SG meeting. 3/17/23 Proposal 2024-11-P was exposed for a 30-day public comment period during the	6/10/2019

						Spring National Meeting. 4/25/24 Proposal 2024-11-P was adopted during the PCRBCWG interim meeting. 11/12/25 The Academy provided a presentation on loss concentration factors report at the Joint PCRBC and Cat Risk SG meeting.	
P5	P&C RBC WG	1	2027 Summer Meeting or later	Evaluate the Underwriting Risk Line 1 Factors in the P/C formula.			7/30/2020
P6	Cat Risk SG	1	2026-2027 Summer Meeting	Quantify the R5 Ex-cat Factors for wildfire peril - to determine the R5 excluding the wildfire peril in addition to earthquake, and hurricane.			3/21/2023
P7	Cat Risk SG	2	2026 Fall Meeting	Consider: 1) further investigating all geographic concentration related issues. possibly modifying the property and casualty (P/C) risk-based capital formulas		6/10/24 Exposed a referral from the Task Force for a 30-day comment period ending July 10.	
P8	Cat Risk SG	1	2026 Summer Meeting (Completed)	Evaluate the possibility of adding Wildfire peril in the Rcat component		11/12/25 Proposal 2025-20-CR was exposed for a 60-day comment period ending 1/11/26. <u>3/24/26 Proposal was adopted by the Task Force.</u>	11/12/25
P9	Cat Risk SG	1	2026 Summer Meeting (Completed)	Evaluate the possibility of separating earthquake and hurricane loss experience data in PR100s.		11/12/25 Proposal 2025-19-CR was exposed for a 60-day comment period ending 1/11/26. <u>3/24/26 Proposal was adopted by the Task Force.</u>	11/12/25

P10	P&C RBC WG	1	2026 Summer Meeting (Completed)	Evaluate the possibility of updating the Loss and Premium concentration factors in PR017 and PR018		6/30/26 Proposal 2025-21-P was adopted by the Task Force.	11/12/25
New Items – P&C RBC							
P11	Cat Risk SG	1	2026 Fall Meeting	Evaluate the possibility of adding Severe Convective Storm peril in the Rcat component		7/9/26 Proposal 2026-13-R was exposed for a 60-day public comment period ending 9/8/26.	9/16/26
P12	P&C RBC WG	1	2026 Summer Meeting (Completed)	Update the loss and premium concentration factors based on the Academy's findings.		6/30/26 Proposal 2026-21-P was adopted by the Task Force.	9/16/26
P13	Cat Risk SG	1	2026 Summer Meeting (Completed)	Eliminate the Rcat Interrogatories questions D13 and D14 to avoid ambiguity and inconsistency in data collection and reporting		5/14/26 Proposal 2026-08-CR was adopted by the Task Force.	9/16/26
P14	Cat Risk SG	1	2027	Evaluate Correlation between Hurricane, Wildfire, and Severe Convective Storm			9/16/26

Historical Comments:**P1:**

4/26/21 - The SG exposed the referral for a 30-day period.

6/1/21 - The SG forwarded the response to the Climate and Resiliency Task Force.

2/22/22 - The SG adopted proposal 2021-17-CR (adding the wildfire peril for informational purposes only). The SG continues reviewing other perils for possible inclusion in the Rcat.

8/11/22 – The TF adopted Proposal 2022-04-CR (2013-2021 Wildfire Event Lists)

9/26/22 – The SG formed an ad hoc group to conduct review on severe convective storm models.

7/18/23-The SG is finishing reviewing the following SCS vendor models: RMS, Verisk, KCC, and Corelogic.

12/2/23-Proposal 2023-15-CR (Convective Storm for Informational Purposes Only Structure) was exposed for a 30-day comment period at the Joint P/C RBC and Cat Risk SG meeting.

CA1:

1. Structural and instructions changes will be exposed by each individual working group for comment in 2022 with an anticipated effective date of 2023.
2. Proposal 2022-09-CA MOD was adopted at the 2023 Spring Meeting.
3. Proposal 2023-12-CA was adopted at the 2023 Fall Meeting.
4. Editorial Proposal 2024-08-CA will be exposed on 3/17/24 for a 30-day public comment.