

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**

**Thursday, July 9, 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. Consider Adoption of June 17, May 12, and Spring National Meeting minutes—*Tom Botsko (OH)* Attachment A
2. Consider Adoption of the 2026 Property/Casualty (P/C) Risk-Based Capital (RBC) Newsletter —*Tom Botsko (OH)* Attachment B
3. Discuss 2025 RBC Statistics—*Tom Botsko (OH)* Attachment C
4. Consider Exposure of Proposal 2026-13-CR (Severe Convective Storm Implementation) —*Wanchin Chou (CT)* Attachment D

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

Draft: 6/25/26

Property and Casualty Risk-Based Capital (E) Working Group  
and the Catastrophe Risk (E) Subgroup  
Virtual Meeting  
June 17, 2026

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met June 17, 2026, in joint session with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Rolf Kaumann and Eric Unger (CO); Jane Nelson (FL); Sandra Darby (ME); Ni Qin (NY); Rebecca Armon (TX); and Adrian Jaramillo (WI). The following Subgroup members participated: Wanchin Chou, Chair (CT); Jane Nelson, Vice Chair (FL); Rolf Kaumann and Eric Unger (CO); Travis Grassel (IA); Sandra Darby (ME); Alexander Vajda (NY); Tom Botsko (OH); and Rebecca Armon (TX).

1. Adopted Proposal 2026-11-P (Underwriting Risk Line 1 Factors)

Botsko stated that proposal 2026-11-P provides the annual update to the premium and reserve underwriting risk factors in PR017 and PR018 of the property/casualty (P/C) risk-based capital (RBC) formula. He noted that the international line calculation was revised to exclude companies with individual factors of 4.0 or greater. The proposal was exposed for a 30-day public comment period ending June 11, and no comments were received.

Chou made a motion, seconded by Unger, to adopt proposal 2026-11-P (Attachment XXX). The motion passed unanimously.

2. Adopted Proposal 2025-21-P (Premium and Loss Concentration Factors)

Botsko stated that proposal 2025-21-P incorporates the American Academy of Actuaries (Academy)-recommended premium concentration factor of 45% in PR018 and loss concentration factor of 65% in PR017 of the P/C RBC formula for 2026 reporting. He noted that NAIC committee support's analysis indicated the proposed changes would have an insignificant impact on companies. The proposal was exposed for a 30-day public comment period ending June 11, and no comments were received.

Chou made a motion, seconded by Darby, to adopt proposal 2025-21-P (Attachment XXX). The motion passed unanimously.

3. Heard Updates on the Severe Convective Storms Impact Analysis

Chou stated that the Severe Convective Storm Ad Hoc Group met June 2 to further discuss vendor model results for severe convective storm risk. He explained that the review was conducted by several regulators and industry experts in accordance with Actuarial Standard of Practice (ASOP) No. 38, Catastrophe Modeling (For All Practice Areas). Chou indicated that the discussion focused on the reasonableness of model outputs for capital assessment purposes, the importance of accurate and current data, and the need for continued collaboration among vendors. He noted that while vendors generally showed consensus regarding loss magnitudes and risk assessments, differences in modeling approaches—particularly the use of secondary characteristics and wind-related data—contributed to some variability in results. Chou also stated that Verisk's aggregate results were higher than those of other vendors and encouraged continued vendor collaboration to improve assumptions, data accuracy, and model outputs.

Jason Butke (Travelers) shared the Ad Hoc Group's review findings (Attachment xxx), noting that all four commercial vendor models met the reasonableness criteria identified under ASOP No. 38 and are appropriate for use in the risk-based capital charge. To reach this conclusion, the Ad Hoc Group assessed several metrics, including: 1) catastrophe model expertise; 2) catastrophe model components, including hazard, vulnerability, and financial components, with each vendor; 3) overall loss magnitude, including hail as a percentage of total severe convective storm risk; 4) exceedance probability (EP) curve shape; 5) regional allocation of risk, including Tornado Alley versus the Southeast; 6) spatial view of hazard; 7) vulnerability ranges between best and worst property attributes; and 8) secondary property attributes and market trends.

After receiving no comments, the Working Group and Subgroup agreed to include severe convective storm risk in the Rcat component. Chou directed NAIC committee support to prepare a proposal for 2027 reporting for discussion at a future meeting.

#### 4. Discussed Climate Impact Disclosures

Chou reiterated that the Subgroup held extensive discussions in 2024 regarding the climate impact disclosures, which were approved for the 2024, 2025, and 2026 RBC reporting periods and include a sunset provision unless they are shown to provide meaningful benefit. He stated that the Center for Insurance Policy and Research (CIPR) staff are currently analyzing the 2025 Rcat submissions and anticipate sharing the results by the end of July. Chou said that with additional input from CIPR expected by the end of July, the Working Group and Subgroup should be able to determine whether there is consensus to continue the disclosures, enhance them, or allow them to sunset.

#### 5. Discussed Other Matters

##### A. Risk-Based Capital Model Governance (EX) Task Force

Botsko noted that the Risk-Based Capital Model Governance (EX) Task Force and the Capital Adequacy (E) Task Force will hold a joint meeting on June 18 to consider adoption of a modified version of the RBC preamble, which was exposed for comments on June 8. He encouraged all interested parties to participate in the meeting.

##### B. Natural Catastrophe Risk and Resilience (EX) Task Force

Chou noted that the Natural Catastrophe Risk and Resilience (EX) Task Force held a meeting on June 15 to discuss: a) strategic priorities and b) Insurance Institute for Business & Home Safety (IBHS) strategic planning and NAIC catastrophe resilience priorities. He encouraged interested parties to participate in the Task Force's discussions.

Botsko said the Working Group and Subgroup plan to meet in July to continue this discussion.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup adjourned.

Draft: 5/22/26

Property and Casualty Risk-Based Capital (E) Working Group  
and the Catastrophe Risk (E) Subgroup  
Virtual Meeting  
May 12, 2026

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met May 12, 2026, in joint session with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Rolf Kaumann (CO); Jane Nelson (FL); Sandra Darby (ME); Ni Qin (NY); Rebecca Armon (TX); and Adrian Jaramillo (WI). The following Subgroup members participated: Wanchin Chou, Chair (CT); Jane Nelson, Vice Chair (FL); Rolf Kaumann (CO); Travis Grassel (IA); Sandra Darby (ME); Alexander Vajda (NY); Tom Botsko (OH); and Rebecca Armon (TX).

1. Adopted Proposal 2026-08-CR (PR027INT Item D Modification)

Chou stated that, as noted during the Spring National Meeting, NAIC committee support received an inquiry seeking clarification on how to determine whether a carrier qualifies for an exemption related to the severe convective storm peril, given the lack of clarity regarding what constitutes “catastrophe-prone areas in the U.S.” for this peril. He noted that, after consulting with multiple catastrophe modelers, no U.S. severe convective storm catastrophe-prone areas are currently implemented in their software. He explained that the proposal would remove questions D13 and D14 from PR027INT because there are no clearly defined areas considered prone to convective storms, and retaining these questions could create ambiguity and inconsistency in data collection and reporting. The Working Group and Subgroup exposed the proposal for a 30-day public comment period that ended April 23, during which one comment was received recommending that the final sentence in the instructions be retained. After reviewing the comment, Chou agreed, and the final sentence will remain in the instructions.

Chou made a motion, seconded by Darby, to adopt proposal 2026-08-CR, with the final sentence remaining in the instructions (Attachment XXX). The motion passed unanimously.

2. Exposed Proposal 2026-11-P (Underwriting Risk Line 1 Factors)

Botsko stated that proposal 2026-11-P is intended to provide the routine annual update to the underwriting risk factors for premium and reserves in PR017 and PR018 of the property/casualty (P/C) risk-based capital (RBC) formula. He also noted that he directed NAIC committee support to revise the international line calculation to exclude companies whose individual factors were 4.0 or greater. In addition, he stated that the American Academy of Actuaries (Academy) is currently reviewing the methodology used to develop the premium and reserve line 1 factors in PR017 and PR018 and will provide its findings upon completion of that review.

The Working Group and Subgroup agreed to expose proposal 2026-11-P (Attachment XXX) for a 30-day public comment period ending June 11.

3. Exposed Proposal 2025-21-P (Premium and Loss Concentration Factors)

Botsko stated that during the Spring National Meeting, NAIC committee support presented an analysis (Attachment XXX) comparing RBC action levels under the current RBC formula with those under an approach incorporating the Academy-recommended factors of 45% for premium concentration and 65% for loss concentration. The analysis showed that the proposed changes would have an insignificant impact. Hearing no

opposition from members of the Working Group and Subgroup, he directed NAIC committee support to develop a proposal for this item.

The Working Group and Subgroup agreed to expose proposal 2025-21-P (**Attachment XXX**) for a 30-day public comment period ending June 11.

#### 4. Heard Updates on the Severe Convective Storms Impact Analysis

Chou noted that, in 2023, all vendors used the same exposure files prepared by Karen Clark & Company (KCC) for the severe convective storm model impact analysis. He explained that the Ad Hoc Group agreed in 2023 to include this peril for informational purposes following a review of model output by several regulators and industry experts, in accordance with Actuarial Standard of Practice (ASOP) No. 38, Catastrophe Modeling (For All Practice Areas). Chou indicated that the vendors followed the same process this year to run the scenario, which was also produced by KCC. In April, all Ad Hoc Group members who executed the non-disclosure agreement participated in the review. He stated that the Ad Hoc Group will discuss the vendor results once more shortly after this meeting and, upon completion of the review, will report back to the Subgroup. The Subgroup will then determine whether to include the severe convective storm peril in the 2027 RBC reporting. Chou added that the Subgroup will provide additional updates at the June meeting.

#### 5. Discussed Climate Impact Disclosures

Chou stated that the Subgroup held extensive discussions in 2024 regarding the climate impact disclosures, which were approved for application only to the 2024, 2025, and 2026 RBC reporting periods and include a sunset provision. The chairs of the Working Group and Subgroup are currently evaluating the costs and benefits of continuing the disclosure. To support that evaluation, updated statistics have been received from several large company groups, and a meeting is planned with Center for Insurance Policy and Research (CIPR) staff to further assess the value of the disclosure and determine whether it should continue to be included in the RBC report after the 2026 reporting period. At this time, the disclosure remains subject to the sunset provision unless it is shown to provide a meaningful benefit. Based on the preliminary review, most companies have elected to report the climate impact disclosure. The disclosure is based on adjustments to frequency assumptions for the 2040 and 2050 periods, as well as for the 500-year and 1,000-year events. Chou further stated that he and the Working Group chair will review the reported information and organize it by category. The findings will then be reported back to the Subgroup to provide a clearer understanding of the information submitted. With additional input from CIPR, the goal is to determine whether there is consensus to continue the disclosures, enhance them, or allow them to sunset.

#### 6. Discussed Other Matters

##### A. Risk-Based Capital Model Governance (EX) Task Force

Botsko noted that the Risk-Based Capital Model Governance (EX) Task Force and the Capital Adequacy (E) Task Force will hold a joint meeting on June 18 to consider adoption of a modified version of the RBC preamble. He encouraged interested parties to review the revised preamble and submit feedback to both Task Forces in advance of the meeting.

##### B. Natural Catastrophe Risk and Resilience (EX) Task Force

Chou noted that the Natural Catastrophe Risk and Resilience (EX) Task Force was recently established to serve as the primary coordinating body for regulatory actions, stakeholder engagement, communications, and discussions

related to natural catastrophe risk and resilience. He encouraged interested parties to participate in the Task Force's discussions, noting that several topics overlap with the Subgroup's work, and requested that stakeholders share any relevant findings with the Working Group and Subgroup.

Botsko said the Working Group and Subgroup plan to meet in June to continue this discussion.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup adjourned.

**Draft Pending Adoption**

Attachment Five  
 Capital Adequacy (E) Task Force  
 3/24/26

Draft: 3/27/26

Property and Casualty Risk-Based Capital (E) Working Group  
 and the Catastrophe Risk (E) Subgroup  
 San Diego, California  
 March 23, 2026

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 23, 2026, in joint session with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Rolf Kaumann (CO); Jane Nelson (FL); Sandra Darby (ME); Will Davis (SC); and Amy Garcia (TX). The following Subgroup members participated: Wanchin Chou, Chair (CT); Jane Nelson, Vice Chair (FL); Rolf Kaumann (CO); Travis Grassel and Mike Yanacheak (IA); Sandra Darby (ME); Tom Botsko (OH); Andy Schallhorn (OK); Will Davis (SC); and Amy Garcia (TX). Also participating were: Gilbert Mendoza (MD); Angela Hatchell (NC); Michael Muldoon (NE); Christian Citarella (NH); Steve Drutz (WA); and Mark McNabb (WI).

1. Adopted the Working Group and Subgroup's Jan. 28, 2026, and Nov. 12, 2025, Minutes

Botsko said the Working Group and Subgroup conducted an e-vote that concluded Jan. 28, 2026, to adopt proposal 2025-08-CR (2025 U.S. and Non-U.S. Catastrophe Risk Event Lists), which the Working Group and Subgroup had exposed for a seven-day public comment period that ended Jan. 15.

Chou made a motion, seconded by Davis, to adopt the Working Group and Subgroup's Jan. 28, 2026, (Attachment XXX) and Nov. 12, 2025, minutes (see *NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Three*). The motion passed unanimously.

2. Adopted Proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s)

Chou explained that the proposed change separates hurricane and earthquake losses, aligning their reporting with that of wildfire and severe convective storm perils. This alignment allows the Subgroup and Working Group to more effectively evaluate each risk based on its distinct characteristics and impacts. The proposal was exposed for a 60-day public comment period ending Jan. 11, during which no comments were received.

Chou made a motion, seconded by Darby, to adopt proposal 2025-19-CR (Attachment XXX). The motion passed unanimously.

3. Adopted Proposal 2025-20-CR (Wildfire Rcat Implementation)

Chou provided background on the Wildfire Impact Analysis II project, noting that the Subgroup received a referral from the Climate and Resiliency (EX) Task Force on March 15, 2021, recommending consideration of an expansion of the current catastrophe framework to include other perils, such as wildfire, flood, and/or severe convective storms, that may face greater tail risk under projected climate-related trends. The Wildfire Ad Hoc Group was formed at that time to begin a three-phase review process (i.e., high-level, confidential, and impact analysis) under Actuarial Standard of Practice (ASOP) No. 38, *Catastrophe Modeling (for All Practice Areas)*. After carefully studying various catastrophe models, the Subgroup and Working Group adopted the wildfire peril for informational purposes only in the risk-based capital (RBC) report.

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Chou stated that in 2024, the Wildfire Review Ad Hoc Group was reorganized and resumed its Phase II review on March 18, 2025, with CoreLogic added as a new vendor. The Ad Hoc Group reconvened Sept. 25, 2025, to address feedback on the Impact Analysis II presentations and to review the methodology used to evaluate vendor models. Chou explained that the model evaluation process began in early June/July using the same exposure inputs across the four vendors. He said that, compared to the initial 2022 impact analysis, the current evaluation shows model outputs have become more consistent over time, increasing the Subgroup's confidence in the models' reliability and applicability for risk management purposes. He also noted that NAIC staff compared RBC action levels under the current RBC formula with those under a formula incorporating the wildfire peril; the analysis indicated that only two companies moved from no action level to the trend test in 2024, with no impact observed in 2025. Chou added that the proposal seeks to incorporate the wildfire peril into the Rcat component, reflecting the improved reliability and applicability of catastrophe models. The proposal was exposed for a 60-day public comment period ending Jan. 11, during which no comments were received.

Chou made a motion, seconded by Schallhorn, to adopt proposal 2025-20-CR (Attachment XXX). The motion passed unanimously.

#### 4. Exposed Proposal 2026-08-CR (PR027INT Item D Modification)

Chou stated that NAIC staff received an inquiry seeking clarification on how to evaluate whether a carrier qualifies for an exemption related to the severe convective storm peril, given the lack of clarity surrounding what constitutes "catastrophe-prone areas in the U.S." for this peril. Chou noted that after consulting with multiple catastrophe modelers, no U.S. catastrophe-prone areas for severe convective storms are currently implemented in their software. He explained that the proposal seeks to eliminate questions D13 and D14 from PR027INT, as there are no clearly defined areas considered prone to convective storms. Retaining these questions, therefore, may result in ambiguity and inconsistency in data collection and reporting.

The Working Group and Subgroup agreed to expose proposal 2025-08-CR (Attachment XXX) for a 30-day public comment period ending April 23.

#### 5. Heard Updates from the Severe Convective Storms Impact Analysis

Chou stated that, following the adoption of the wildfire peril into the Rcat component, the next step is to conduct an in-depth impact analysis for the severe convective storm peril. He explained that the Severe Convective Storms Ad Hoc Group will perform an analysis similar to the wildfire impact analysis, using the same six-phase approach applied to other commercial modelers. The review is expected to begin in early April, with model results shared with states that have executed nondisclosure agreements (NDAs). Chou said he anticipated that the review would be completed by November, with updates provided at the Fall National Meeting.

#### 6. Discussed Climate Impact Disclosures

Chou indicated that, based on preliminary findings, most insurance carriers used a simpler frequency-based method in their filings rather than more complex climate models. Tim Farrell (NAIC) agreed, stating that this approach appears to reflect limited experience, vendor resource constraints, and the fact that the requirements were introduced mid-year, leaving little time for insurers to implement robust solutions for the year-end 2024 filing. He added that the variability in responses likely reflects differing company perspectives, evolving exposures due to climate factors, and the challenges associated with the first year of data collection, which could have led to data quality concerns or misunderstandings of the instructions. Looking ahead, Farrell said the Center for

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Insurance Policy and Research plans to conduct further analysis using the year-end 2025 filings. He said he anticipated improved data and potentially more carriers attempting a robust climate-modeling approach, given additional preparation time and industry support webinars to clarify the requirements. Chou noted that the instructions include a three-year sunset clause to help ensure that only beneficial data collection efforts continue, with the goal of enabling the Subgroup to make a decision based on the quality and usefulness of the information gathered.

### 7. Discussed Flood Peril

Chou emphasized the need to continue monitoring availability and affordability issues, which remain significant concerns for the flood peril. He encouraged members to share ideas and express interest, noting the complexity of the topic. Botsko added that ongoing monitoring of flood risk is important, particularly in relation to the National Flood Insurance Program (NFIP), administered by the Federal Emergency Management Agency (FEMA), and the continued role of government-funded programs. He suggested that, as conditions evolve, the Working Group and Subgroup should re-evaluate their approach based on industry reactions to any changes in government support.

### 8. Received an Update from the Health Risk-Based Capital (E) Working Group Regarding Proposal 2025-15-CA (A&H Underwriting Risk Structure Change)

Drutz stated that proposal 2025-15-CA MOD (**Attachment XXX**) was exposed during the Health Risk-Based Capital (E) Working Group meeting on Feb. 13, with no comments received. He noted that the Working Group will consider referring the proposal to the Capital Adequacy (E) Task Force for re-exposure at the Spring National Meeting. He explained that the proposal expands the reporting lines on PR020 and, as reflected in the health RBC materials, separates the investment income adjustment factor into two lines—one for the initial underwriting factor and one for the excess underwriting factor—to better implement the stand-alone investment income adjustment developed by the American Academy of Actuaries (Academy).

### 9. Discussed the P/C RBC Premium and Loss Concentration Factors

Botsko stated that the Academy presented its evaluation of premium concentration factors (PCFs) and loss concentration factors (LCFs) within the property/casualty (P/C) RBC formula, emphasizing diversification credit for insurers with multiple lines of business. He noted that NAIC staff recently conducted an analysis comparing RBC action levels under the current RBC formula with those under a formula incorporating the Academy-recommended factors of 45% for premium concentration and 65% for loss concentration. The analysis indicated that the proposed changes had an insignificant impact. Botsko asked whether the Working Group members agreed with using the Academy-recommended factors. Hearing no opposition, he stated that NAIC staff would develop a proposal for discussion at an upcoming meeting.

### 10. Heard an Update from the Academy on its RBC Ratio and Impairment Risk Research Project

Steve Jackson (Academy) presented key findings from a research project (**Attachment XXX**) analyzing the relationship between RBC ratios and the probability of impairment across companies. He reported that: 1) the association between RBC ratios and impairment probability was statistically significant, though not robust; 2) results were influenced by a subset of smaller companies with highly volatile ratios; 3) at an RBC ratio of 300%, the estimated probability of impairment exceeded 20% in years one and two; 4) at an RBC ratio of 700%, the estimated probability fell below 5% across all time horizons; 5) above approximately 1300%–1400%, the estimated

**Draft Pending Adoption**

Attachment Five  
Capital Adequacy (E) Task Force  
3/24/26

probability of impairment approached zero; and 6) at lower ratios, longer time horizons sometimes produced higher estimated probabilities than the near-term years. Jackson added that additional analyses and expanded modeling are planned to validate and build on these findings. He also encouraged Working Group and Subgroup members, as well as interested regulators, to participate in the ongoing project and provide input.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/ Member Meetings/E Cmte/CADTF/2026-Spring/PCRBCWG/Joint PCRBC Cat Risk Minutes.docx

## Newsletter Items for Adoption in 2026 for Property and Casualty RBC

Date: July 2026

Volume: 30.1

### Page 1: Intro Section:

#### **What Risk-Based Capital Pages Should Be Submitted?**

For year-end 2026 property/casualty (P/C) risk-based capital (RBC), hard copies of pages PR001-PR035, as well as pages PR038 and PR039, should be submitted to any state that requests a hard copy. Beginning with the year-end 2011 RBC, a hard copy was not required to be submitted to the NAIC, but a PDF of the hard-copy filing is part of the electronic filing with the NAIC.

### Page 1+: Items Adopted for 2026

#### **RBC Preamble**

The Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force adopted revisions to RBC Preamble during their joint meeting on June 18. The purpose of the revisions was to better articulate the purpose, use, and limitations of the RBC formula and filings. The revised RBC Preamble included a newly developed section titled "Principles for RBC Requirements." These principles are intended to provide a shared framework for how the Task Forces consider transparency, consistency, and accountability in the RBC adjustment process.

#### **Investments**

##### Remove Investment Affiliate Code 4

The Capital Adequacy (E) Task Force adopted proposal 2026-05-CA during its May 15 meeting. This proposal updates the RBC instructions and blanks for items adopted by the Statutory Accounting Principles (E) Working Group (Ref. #2024-21) and Blanks (E) Working Group (2025-20BWG). The proposal removes Affiliate Type 4, Investment Subsidiary, from the Affiliated Investments pages. This proposal affects pages PR003, PR004, PR005, PR030, and PR031.

### Collateral Loan Source Update

The Capital Adequacy (E) Task Force adopted proposal 2026-10-CA during its June 30 meeting. This proposal updates the annual statement sources for schedule BA assets on pages PR008 and PR009 due to the expansion of reporting lines for collateral loan obligations (CLOs) adopted in Blanks (E) Working Group proposal 2024-19BWG.

### **Accident and Health Business**

#### Underwriting Risk Factors (PR020)

The Capital Adequacy (E) Task Force adopted proposal 2026-03-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 4% investment yield adjustment. The proposal also included lines to separate the investment adjustment factors from the underwriting factors, at the request of interested parties. The investment income adjustment factors are:

	Comprehensive Medical	Medicare Supplement	Dental and Vision
Initial Premium	0.9647	0.9467	0.9650
Excess Premium	0.9444	0.9194	0.9474

#### Accident and Health Underwriting Risk Structure Change

The Capital Adequacy (E) Task Force adopted proposal 2025-15-CA MOD during its May 14 meeting. This proposal incorporates the structural and alternate risk charge changes presented in the American Academy of Actuaries' (Academy's) *H2–Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report*. The proposal separates comprehensive medical and dental and vision columns into the individual lines of business, matching the Underwriting and Investment Exhibit, Part 1, Premiums Earned, on page 6 of the annual statement. The proposal impacts the following pages: PR019, PR020, and PR025.

### **Underwriting Risk**

#### Premium and Loss Concentration Factors

As a result of the adoption of proposal 2025-21-P by the Capital Adequacy (E) Task Force during its June 30 meeting, premium and loss concentration factors were updated based on the Academy's findings. The Academy concluded that maximum diversification credits (MDCs) of 45% for premium and 65% for reserves are reasonable and are better supported by current data than the existing 30% MDC.

### New Industry Average Risk Factors—Annual Update

During its June 30 meeting, the Capital Adequacy (E) Task Force adopted the annual update to the industry-average development factors.

PR017 Underwriting Risk - Reserves			
Line (1), Industry Development Factors			
Col.	Line of Business	2026 Factor	2025 Factor
(1)	H/F	0.998	0.997
(2)	PPA	1.074	1.072
(3)	CA	1.114	1.110
(4)	WC	0.921	0.912
(5)	CMP	1.008	1.018
(6)	MPL Occurrence	0.923	0.914
(7)	MPL Claims Made	1.035	1.024
(8)	SL	0.989	0.995
(9)	OL	0.984	0.995
(10)	Fidelity/Surety	0.879	0.875
(11)	Special Property/Pet Insurance	0.956	0.985
(12)	Auto Physical Damage	0.984	1.002
(13)	Other (Credit A&H)	0.938	0.938
(14)	Financial/Mortgage Guaranty	0.525	0.486
(15)	INTL	1.579	1.927
(16)	REIN. P&F Lines	0.915	0.925
(17)	REIN. Liability	1.077	1.090
(18)	PL	0.897	0.911
(19)	Warranty	0.985	0.978

PR018 Underwriting Risk - Net Written Premiums			
Line (1), Industry Average Loss and Expense Ratios			
Col.	Line of Business	2026 Factor	2025 Factor
(1)*	H/F	0.698	0.700
(2)	PPA	0.805	0.807
(3)	CA	0.805	0.792
(4)	WC	0.657	0.649
(5)*	CMP	0.677	0.683
(6)	MPL Occurrence	0.763	0.763
(7)	MPL Claims Made	0.844	0.840
(8)*	SL	0.562	0.565
(9)	OL	0.675	0.664
(10)	Fidelity/Surety	0.376	0.374
(11)*	Special Property/Pet Insurance	0.552	0.552
(12)	Auto Physical Damage	0.715	0.731
(13)	Other (Credit A&H)	0.714	0.714
(14)	Financial/Mortgage Guaranty	0.181	0.159
(15)*	INTL	0.994	1.184
(16)*	REIN. P&F Lines	0.601	0.597
(17)*	REIN. Liability	0.842	0.788
(18)	PL	0.611	0.609
(19)	Warranty	0.653	0.641

\*Cat Lines

## Catastrophe Risk

### PR027INT Item D Modification

The Capital Adequacy (E) Task Force adopted proposal 2026-08-CR during its May 14 meeting. This proposal eliminates questions D13 and D14 from PR027INT because there are no clearly defined areas considered prone to convective storms. Removing these questions helps reduce ambiguity and promote greater consistency in data collection and reporting.

### Separating Earthquake and Hurricane Loss Experience

The Capital Adequacy (E) Task Force adopted proposal 2025-19-CR during its March 24 meeting. The objective of this proposal is to separately identify hurricane and earthquake losses, consistent with the methodology used for wildfire and severe convective storm events. This distinction will allow the Working Group and Subgroup to more effectively evaluate and address each peril based on its unique characteristics and impacts.

### Wildfire Implementation

The Capital Adequacy (E) Task Force adopted proposal 2025-20-CR during its March 24 meeting. The proposal was based on a comparative review of the initial 2022 assessment and the current evaluation, which showed that model outputs have become increasingly consistent. As a result, the Catastrophe Risk (E) Subgroup gained greater confidence in the models and their suitability for risk management applications. The objective of this proposal is to formally add wildfire peril to the NAIC Catastrophe Risk Charge (rCAT) component, reflecting the enhanced applicability of the catastrophe models.

## Last Page: RBC Forecasting and Warning

### Risk-Based Capital Forecasting and Instructions

The P/C RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2026 NAIC Property & Casualty Risk-Based Capital Report Including Overview & Instructions for Companies*, and is available to download from the NAIC publications web page at <https://content.naic.org/publications> in a PDF or CSV format. This publication is available on or around Nov. 1 each year. The user guide is no longer included in the RBC publications.

**WARNING:** The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual financial statement software vendor

should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not be filed.

## Last Page: 2026 National Association of Insurance Commissioners:

2026 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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Address corrections requested. Please mail the corrected address label to: NAIC Publications Department, 1100 Walnut St., Suite 1500, Kansas City, MO 64106-2197. Phone: 816-783-8300. Email: [prodserv@naic.org](mailto:prodserv@naic.org).

AGGREGATED P&C RBC DATA  
2025 Data as of June 1, 2026

	YR2025	YR2024	YR2023	YR2022	YR2021	YR2020	YR2019	YR2018	YR2017	YR2016 (Including Catastrophe Risk)	(Excluding Catastrophe Risk)	
# OF COMPANIES FILED RBC	2,575	2,564	2,546	2,522	2,511	2,477	2,490	2,465	2,486	2,492	2,492	
# OF COMPANIES FILED AST	2,659	2,657	2,634	2,626	2,626	2,599	2,593	2,607	2,620	2,628	2,628	
% OF RBC COMPANIES	97%	96%	97%	96%	96%	95%	96%	95%	95%	95%	95%	
<b>GRAND TOTAL OF CO'S AT AN ACTION LEVEL</b>	<b>LEVEL</b>											
TREND TEST	5	15	20	23	19	17	24	17	17	16	30	28
COMPANY ACTION LEVEL	1	16	15	17	27	8	15	9	14	28	22	21
REGULATORY ACTION LEVEL	2	8	14	14	7	3	4	8	11	6	12	12
AUTHORIZED CONTROL LEVEL	3	5	2	4	3	6	3	2	1	5	9	8
MANDATORY CONTROL LEVEL	4	13	19	16	17	18	20	19	22	19	17	17
TOTAL	42	50	51	54	35	42	38	48	58	60	58	
% OF ACTION LEVEL COMPANIES	1.63%	1.95%	2.00%	2.14%	1.39%	1.70%	1.53%	1.95%	2.33%	2.41%	2.33%	
<b>RRG'S AT AN ACTION LEVEL</b>	<b>LEVEL</b>											
RRG'S TREND TEST	5	6	6	5	5	8	8	9	4	4	11	11
RRG'S AT COMPANY ACTION LEVEL	1	8	8	9	11	4	5	4	6	12	8	8
RRG'S AT REGULATORY ACTION LEVEL	2	4	3	6	4	2	2	3	6	1	5	5
RRG'S AT AUTHORIZED CONTROL LEVEL	3	2	1	0	1	1	2	0	1	3	4	4
RRG'S AT MANDATORY CONTROL LEVEL	4	2	6	4	7	5	4	4	5	7	3	3
TOTAL RRG'S AT AN ACTION LEVEL	16	18	19	23	12	15	11	18	23	20	20	
TOTAL RRG'S	249	248	248	249	225	225	225	224	224	229	229	
% OF RRG'S AT AN ACTION LEVEL	6.43%	7.26%	7.66%	9.24%	5.33%	6.67%	4.89%	8.04%	10.27%	8.73%	8.73%	
<b>TOTAL CO'S AT A LEVEL EXCLUDING RRG'S</b>	<b>LEVEL</b>											
TREND TEST	1	9	14	18	14	9	16	8	13	12	19	17
COMPANY ACTION LEVEL	1	8	7	8	16	4	10	5	8	16	14	13
REGULATORY ACTION LEVEL	2	4	11	8	3	1	2	5	5	5	7	7
AUTHORIZED CONTROL LEVEL	3	3	1	4	2	5	1	2	0	2	5	4
MANDATORY CONTROL LEVEL	4	11	13	12	10	13	14	15	17	12	14	14
TOTAL CO'S AT AN ACTION LEVEL EXCL. RRG'S	26	32	32	31	23	27	27	30	35	40	38	
TOTAL CO'S EXCLUDING RRG'S	2326	2316	2298	2273	2286	2252	2265	2241	2265	2263	2263	
% OF ACTION LEVEL COMPANIES	1.12%	1.38%	1.39%	1.36%	1.01%	1.20%	1.19%	1.34%	1.55%	1.77%	1.68%	
# OF COMPANIES WITH RBC RATIO > 10000%	438	410	395	378	364	542	540	525	485	448	453	
# OF COMPANIES WITH RBC RATIO >1000 & ≤ 10,000%	1,008	962	949	1,007	1,037	832	836	836	850	893	926	
# OF COMPANIES WITH RBC RATIO >>500 & ≤1,000%	598	645	628	611	634	620	627	682	682	684	681	
# OF COMPANIES WITH RBC RATIO >300 & ≤ 500%	404	408	423	380	359							
# OF COMPANIES WITH RBC RATIO >250 & ≤ 300%	39	48	55	55	46							
# OF COMPANIES WITH RBC RATIO >250 & ≤ 500%						418	420	409	367	350	325	
# OF COMPANIES WITH RBC RATIO > 200 & ≤ 250%	46	41	45	37	36	23	29	35	44	57	49	
# OF COMPANIES WITH RBC RATIO < 200 & <= 0%	42	50	51	54	35							
# OF COMPANIES WITH RBC RATIO OF ZERO	0	0	0	0	0							
TOTAL	2,575	2,564	2,546	2,522	2,511							
TOTAL ADJUSTED CAPITAL	1,575,590,849,433	1,410,833,011,881	1,305,188,051,389	1,211,723,945,518	1,295,396,441,237	1,147,914,269,354	1,073,407,595,862	931,224,541,048	935,853,540,871	876,880,715,466	876,880,715,466	
AUTHORIZED CONTROL LEVEL RBC	245,244,142,582	227,920,045,709	225,770,759,221	206,730,000,454	209,812,119,487	186,945,420,616	171,329,036,103	151,112,834,048	149,906,691,631	138,674,310,776	129,689,495,515	
AGGREGATE RBC %	642%	619%	578%	586%	617%							
MEDIAN RBC %	1183%	1109%	1097%	1145%	1167%							
Total R0 (R0 - asset risk-subsidiary insurance companies)	104,478,268,572	95,949,518,974	92,893,237,492	82,520,919,036	84,025,196,294	76,046,027,452	68,455,409,790	58,785,678,885	59,734,593,232	N/A	51,108,811,684	
Total R0A (R0A - asset risk-subsidiary insurance companies)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	53,372,325,366	N/A	
Total R1 (R1 - asset risk-fixed income)	22,487,815,704	21,466,373,840	19,763,201,704	19,282,260,346	19,509,016,149	9,673,549,747	8,753,606,104	8,046,031,430	8,576,187,292	N/A	8,765,165,437	
Total R1A (R1A - asset risk-fixed income)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,245,138,135	N/A	
Total R2 (R2 - asset risk-equity)	188,020,410,312	170,940,641,724	186,251,584,606	174,361,118,092	192,082,618,520	161,553,769,065	144,697,616,270	119,069,344,182	123,865,731,113	N/A	105,029,779,766	
Total R2A (R2A - asset risk-equity)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	104,755,558,433	N/A	
Total R3 (R3 - asset risk-credit)	9,927,815,629	9,316,642,277	8,800,279,481	8,287,161,773	11,388,107,162	10,387,430,318	9,357,397,726	9,301,202,060	18,434,231,938	15,209,538,138	15,209,538,138	
Total R3A (R3A - asset risk-credit)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9,848,015,193	9,488,603,942	9,488,603,942	
Total R4 (R4 - underwriting risk - reserves)	201,935,612,890	189,723,540,473	169,235,693,704	154,267,900,707	145,492,505,595	130,302,138,858	123,165,959,122	114,979,409,018	115,358,602,270	108,983,784,131	108,983,784,131	
Total R4A (R4A - underwriting risk - reserves)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	111,147,867,287	104,563,384,511	104,563,384,511	
Total R5 (R5 - underwriting risk - net written premium)	110,818,015,109	106,034,015,489	95,802,981,865	88,254,096,856	81,117,342,335	78,327,294,222	74,813,906,575	75,532,307,468	68,756,100,751	N/A	73,468,980,677	
Total R5A (R5A - Unerwriting Risk - net written premium)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	69,209,100,248	N/A	
Total R6 (R6 - Catastrophe Risk for Earthquake)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Total R7 (R7 - Catastrophe Risk for Hurricane)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Total Rcat	59,995,037,278	62,039,547,169	64,358,508,354	56,443,376,138	54,458,108,356	55,405,268,158	53,740,016,069	52,510,292,783	50,710,820,614	59,104,956,618	N/A	
Net Basic Operational Risk	13,947,072,846	13,150,770,198	13,033,528,133									

## Capital Adequacy (E) Task Force

### RBC Proposal Form

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Capital Adequacy (E) Task Force                      | <input type="checkbox"/> Health RBC (E) Working Group      | <input type="checkbox"/> Life RBC (E) Working Group                         |
| <input checked="" type="checkbox"/> Catastrophe Risk (E) Subgroup             | <input type="checkbox"/> P/C RBC (E) Working Group         | <input type="checkbox"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right; margin: 0;"><b>DATE:</b> <u>7/6/26</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Catastrophe Risk (E) Subgroup</u></p> <p><b>NAME:</b> <u>Wanchin Chou</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Connecticut Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>153 Market St., Hartford CT 06103</u></p>	<p style="text-align: center; margin: 0;"><b>FOR NAIC USE ONLY</b></p> <hr/> <p>Agenda Item #<u>2026-13-CR</u> Year <u>2027</u></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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#### IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Health RBC Blanks       | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks       | <input type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input type="checkbox"/> Health RBC Instructions | <input checked="" type="checkbox"/> Property/Casualty RBC Instructions | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula      | <input type="checkbox"/> Property/Casualty RBC Formula                 | <input type="checkbox"/> Life and Fraternal RBC Formula      |
| <input type="checkbox"/> OTHER _____             |  |  |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Building on the precedent set by the 2023 severe convective storm review, an ad hoc group was re-established and began a new evaluation cycle this year, guided by the Actuarial Standard of Practice (ASOP) No. 38—Catastrophe Modeling for All Practice Areas. This comprehensive process included high-level analysis, confidential assessments, and detailed impact studies. Four vendors—Moody Risk Management Solutions (RMS), Verisk Extreme Event Solutions, KCC, and CoreLogic joined together with the Ad Hoc Group to review the models. Starting in early March, the group collaborated with all four vendors to conduct a second round of impact analysis using consistent exposure inputs. In April through June, the group reconvened to address feedback from the impact analysis presentations. The findings indicated that all four commercial vendor models met the reasonableness criteria identified under ASOP No. 38 and are appropriate for use in the risk-based capital charge. To reach this conclusion, the Ad Hoc Group assessed several metrics, including: 1) catastrophe model expertise; 2) catastrophe model components, including hazard, vulnerability, and financial components, with each vendor; 3) overall loss magnitude, including hail as a percentage of total severe convective storm risk; 4) exceedance probability (EP) curve shape; 5) regional allocation of risk, including Tornado Alley versus the Southeast; 6) spatial view of hazard; 7) vulnerability ranges between best and worst property attributes; and 8) secondary property attributes and market trends.

This proposal formally recommends adding severe convective storm peril to the Rcat component, reflecting the enhanced reliability and applicability of the catastrophe models.

**Additional Staff Comments:**

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**\*\* This section must be completed on all forms.**

**Revised 2-2023**

**CALCULATION OF CATASTROPHE RISK CHARGE RCAT  
PR027A, PR027B, PR027BI, PR027BII, PR027BIII, PR027BIV PR027C, PR027CI, PR027CII,  
PR027CIII, PR027CIV, PR027D, PR027, PR027INT, AND PR027INTA**

The catastrophe risk charge for earthquake (PR027A), hurricane (PR027B), wildfire (PR027C) and convective storms ~~for informational purposes only~~ (PR027D) risks is calculated by multiplying the RBC factors by the corresponding modeled losses and reinsurance recoverables. The risk applies on a net basis with a corresponding contingent credit risk charge for certain categories of reinsurers. Data must be provided for the worst year in 50, 100, 250, and 500; however, only the worst year in 100 will be used in the calculation of the catastrophe risk charge. While projected losses modeled on an Aggregate Exceedance Probability basis is preferred, companies are permitted to report on an Occurrence Exceedance Probability basis if that is consistent with the company's internal risk management process.

The projected losses can be modeled using the following NAIC approved third-party commercial vendor catastrophe models: ~~AIR, CoreLogic, RMS, KCC Cotality, KCC, RMS, and Verisk~~ for ~~earthquake, hurricane, and wildfire only~~ earthquake, hurricane, wildfire, and severe convective storm, the ARA HurLoss Model (hurricane), or the Florida Public Model for hurricane only as well as catastrophe models that are internally developed by the insurer or that are the result of adjustments made by the insurer to vendor models to represent the own view of catastrophe risk (hereinafter "own models").

However, an insurer seeking to use an own model must first obtain written permission to do so by the domestic or lead state insurance regulator. In the situation where the model output is used to determine the catastrophe risk capital requirement for a single entity, the regulator granting permission to use the own model is the domestic state. In the situation where the model output is used to determine the catastrophe risk capital requirement for a group, the grantor is the lead state regulator. In the situation where the insurer seeking permission is a non-U.S. insurer, the grantor shall be the lead state regulator. Under all scenarios, the regulator that is granting permission should inform other domestic states that have a catastrophe risk exposure and share the results of the review.

To obtain permission to use the own model, the insurer must provide the domestic or lead state insurance regulator with written evidence of each of the following:

1. The nature, scale, and complexity of the insurer's catastrophe risk make it reasonable for the insurer to use its own model.
2. The own model is used for catastrophe risk management, capital assessment, and the capital allocation process.
3. The insurer has validated the own model(s) for each of the perils included in the RBC catastrophe risk charge. The insurer is including both U.S. and non-U.S. exposures in the calculation of the RBC charge.
4. The insurer has individuals with experience in developing, testing and validating internal models or engages third parties with such experience.
5. The own model was developed using reasonable data and assumptions.

6. The insurer must provide supporting model documentation and/or the differences from the vendor models if modified from the vendor models, supporting that the model was developed using reasonable data and assumptions. The insurer must provide a copy of the latest validation report and the insurer is solely responsible for the relevant cost. The validation report must provide a description of the scope, content, results and limitations of the validation, the individual qualifications of validation team and the date of the validation. Both the model documentation and the model validation report must be provided at a minimum once every five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer's exposure to catastrophe exposure.
7. The results of the own model for each relevant peril should be compared with the results produced by at least one of the following models Cotality, KCC, RMS, and Verisk: AIR, CoreLogic, RMS, KCC for ~~earthquake, hurricane, and wildfire only~~earthquake, hurricane, wildfire, and severe convective storm, ARA HurLoss (hurricane), or the Florida Public Model for hurricane only. The insurer must provide the comparison and an explanation of the drivers of differences between the results produced by the internal model vs. results produced by the selected prescribed model. Evidence that the own model produces reasonable results must be provided at a minimum once every five years, or whenever the lead or domestic state calls an examination; whenever there is a material change in the model; or whenever there is a material change in the insurer's exposure to catastrophe exposure.
8. If the own model has been approved or accepted by the non-U.S. lead supervisor for use in the determination of regulatory capital, the insurer must submit evidence, if available, from the non-US lead supervisor of the most recent approval/acceptance including the description of scope, content, results and limitations of the approval/acceptance process and dates of any planned future approval/acceptance, if known. The name and the contact information of a contact person at the non-US lead supervisor should also be provided for questions on the approval/acceptance process.

If the lead or domestic state determines that permission to use the own model cannot be granted, the insurer shall be required to determine the RBC Catastrophe Risk Charge through the use of one of the third-party commercial vendor models (~~AIR, CoreLogic, RMS, and KCC~~Cotality, KCC, RMS, and Verisk for ~~earthquake, hurricane, and wildfire only~~earthquake, hurricane, wildfire, and severe convective storm, ARA HurLoss (hurricane)), or the Florida Public Model for hurricane only, as advised by the lead state or domestic state.

If the lead or domestic state determines that permission to use the own model can be granted to determine the RBC Catastrophe Risk Charge, the model will be subject to additional review through the ongoing examination process. If, as a result of the examination, the lead or domestic state determines that permission to use the own model should be revoked, the insurer may be required to resubmit the risk-based capital filing and any past filings so impacted where own model was used, as directed by the lead state or domestic state.

If the insurer obtains permission to use the own model, it cannot revert back to using third-party commercial vendor models to determine the RBC Catastrophe Risk Charge in subsequent reporting periods, unless this is agreed with the lead or domestic state that granted permission.

The contingent credit risk charge should be calculated in a manner consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Note that no tax effect offsets or reinstatement premiums should be included in the modeled losses. Further note that the catastrophe risk charge is for earthquake, hurricane, ~~and wildfire~~, and severe convective storm risks only.

As per the footnote on this page, modeled losses to be entered PR027A, PR027B PR027C and PR027D in Lines (1) through (4) are to be calculated using one of the third-party commercial vendor models – Cotality, KCC, RMS, and VeriskAIR, CoreLogic, RMS, and KCC for ~~earthquake, hurricane, and wildfire~~ only earthquake, hurricane, wildfire, and severe convective storm, ARA HurLoss (hurricane); or the Florida Public Model (for hurricane only) or the insurer's own catastrophe model; and using the insurance company's own insured property exposure information as inputs to the model. The insurance company may elect to use the modeled results from any one of the models, or any combination of results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions but will be expected to use the same exposure data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. Any exceptions must be explained in the required *Attestation Re: Catastrophe Modeling Used in RBC Catastrophe Risk Charges* within this RBC Report.

The Interrogatory on page (PR027INT) supports an exemption from filing the catastrophe risk charge.

Any company qualifying for exemption from the earthquake risk charge must identify the particular criteria from among (1a), (1b), (2) and (3) that provides its qualification for exemption, and may leave the other three items from this group of four possible qualifications for exemption blank; except identification of criteria (3) as the basis for the exemption requires a further answer to (3a) and (3b).). If an insurer does not write or assume earthquake risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 3, with no need to fill in (3a) and (3b). If the company qualifies for exemption from the earthquake risk charge, page PR027A and line (1) on PR027 may be left blank.

Any company qualifying for exemption from the hurricane risk charge must identify the particular criteria from among (4a), (4b), (5) and (6) that provides its qualification for exemption, and may leave the other three items from this second group of four possible qualifications for exemption blank. If an insurer does not write or assume hurricane risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 6. If the company qualifies for exemption from the hurricane risk charge, page PR027B and line (2) on PR027 may be left blank.

Any company qualifying for exemption from the wildfire risk charge must identify the particular criteria from among (7a), (7b), (8), (9), and (10) that provides its qualification for exemption and may leave the other four items from this third group of five possible qualifications for exemption blank. If an insurer does not write or assume wildfire risks leaving no gross exposure, enter an "X" in PR027INT interrogatory 9. If the company qualifies for exemption from the wildfire risk charge, page PR027C and line (3) on PR027 may be left blank.

Any company qualifying for exemption from the convective storms risk charge must identify the particular criteria from among (11a), (11b), and (12) that provides its qualification for exemption and may leave the other four items from this ~~fourth-two~~ group of three possible qualifications for exemption blank. If the company qualifies for exemption from the convective storms risk charge, page PR027D and line (4) on PR027 may be left blank.

In general, the following conditions will qualify a company for exemption: if it uses an intercompany pooling arrangement or quota share arrangement with U.S. affiliates covering 100% of its earthquake, hurricane, wildfire and convective storms risks such that there is no exposure for these risks; if it has a ratio of Insured Value – Property to surplus as regards policyholders of less than 50%; or if it writes Insured Value – Property that includes hurricane, earthquake and/or wildfire coverage in catastrophe-prone areas representing less than 10% of its surplus as regards policyholders.

“Insured Value – Property” includes aggregate policy limits for structures and contents for policies written and assumed in the following annual statement lines – Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril.

“Catastrophe-Prone Areas in the U.S.” include:

- i. For hurricane risks, Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean and/or the Gulf of Mexico including Puerto Rico.
- ii. For earthquake risk or for fire following earthquake, any of the following commonwealth or states: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.
- iii. For wildfire risk, California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

### **Specific Instructions for Application of the Formula**

Column (1) – Direct and Assumed Modeled Losses – These are the direct and assumed modeled losses per the first footnote. Include losses only; no loss adjustment expenses. For companies that are part of an inter-company pooling arrangement, the losses in this column should be consistent with those reported in Schedule P, i.e. losses reported in this column should be the gross losses for the pool multiplied by the company’s share of the pool.

Column (2) – Net Modeled Losses – These are the net modeled losses per the footnote. Include losses only; no loss adjustment expenses.

Column (3) - Ceded Amounts Recoverable – These are the modeled losses ceded under any reinsurance contract. Include losses only, no loss adjustment expenses, and should be associated with the Net Modeled Losses.

Column (4) - Ceded Amounts with Zero Credit Risk Charge – Per the footnote, modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

Column (6) – Amount – These are automatically calculated based on the previous columns.

Column (7) - RBC Requirement – A factor of 1.000 is applied to the reported modeled catastrophe losses calculated on both AEP and OEP basis, and a factor of 0.018 is applied to the reinsurance recoverables. The RBC Requirement is based on either AEP reported results or OEP reported results (not both), consistent with the way the company internally evaluates and manages its modeled net catastrophe risk.

Column (5) – Y/N – Please indicate “Y” for OEP basis and “N” for AEP basis. This column should not be blank.

**CALCULATION OF CATASTROPHE RISK CHARGE FOR CONVECTIVE STORMS PR027D**  
 (For Informational Purposes Only)

Convective Storms	Reference	Modeled Losses			
		(1) Direct and Assumed	(2) Net	(3) <sup>†</sup> Ceded Amounts Recoverable	(4) <sup>††</sup> Ceded Amounts Recoverable with zero Credit Risk Charge
(1) Worst Year in 50	Company Records	0	0	0	0
(2) Worst Year in 100	Company Records	0	0	0	0
(3) Worst Year in 250	Company Records	0	0	0	0
(4) Worst Year in 500	Company Records	0	0	0	0
				(5) Y/N	
(5) Has the company reported above, its modeled convective storms losses using an occurrence exceedance probability (OEP) basis?					
		(6) Reference	(6) Amount	Factor	(7) RBC Requirement (C(6) * Factor)
(6) Net Convective Storms Risk	L(2) C(2)		0	1.000	0
(7) Contingent Credit Risk for Convective Storms Risk	L(2) (C(3) - C(4))		0	0.018	0
(8) Total Convective Storms Catastrophe Risk (AEP Basis)	If L(5) C(5) = "N", L(8) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"		0	1.000	0
(9) Total Convective Storms Catastrophe Risk (OEP Basis)	If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"		0	1.000	0
(10) Total Convective Storms Catastrophe Risk	L(8) C(7) + L(9) C(7)				0
<u>Disclosure in lieu of model-based reporting:</u>				(8) Direct and Assumed	(9) Net
(11) For a company qualifying for the exemption under PR027INT D (14), complete 11a through 11c below:					
a. Provide the company's gross and net 1-in-100-year Convective Storms losses on a best estimate basis in lieu of model-based reporting.					
b. Provide details on how the company estimated the amounts shown in 11a.					
c. Provide a narrative disclosure about how the company manages its Convective Storms risk.					

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, RMS, or KCC, Corelogic Cotatilly, KCC, RMS, Verisk, or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

<sup>†</sup> Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

<sup>††</sup>Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

Denotes items that must be manually entered on the filing software.

CALCULATION OF CATASTROPHE RISK CHARGE PR027

	Reference	(1) RBC Amount
(1) Total Earthquake Catastrophe Risk	PR027A L(10) C(7)	0
(2) Total Hurricane Catastrophe Risk	PR027B L(11) C(7)	0
(3) Total Wildfire Catastrophe Risk	PR027C L(11)C(7)	0
(4) Total Convective Storms Catastrophe Risk	PR027D L(10)C(7)	0
(5) Total Catastrophe Risk (Rcat)	$\text{SQRT}(L(1)^2 + L(2)^2) + L(3)^2 + L(4)^2$	0
<del>(5a) Total Catastrophe Risk (Rest For Informational Purposes)</del>	<del><math>\text{SQRT}(L(1)^2 + L(2)^2 + L(3)^2 + L(4)^2)</math></del>	<del>0</del>

Lines 3 and 4a are for informational purposes only