

Draft date: 6/09/26

*Virtual Meeting*

**JOINT CALL OF THE RISK-BASED CAPITAL MODEL GOVERNANCE (EX) TASK FORCE  
& THE CADITAL ADEQUACY (E) TASK FORCE**

Thursday, June 18, 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 a.m. – 10:00 a.m. PT

**ROLL CALL**

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

<b>NAIC Member</b>	<b>Representative</b>	<b>State/Territory</b>
Jon Godfread, Chair	Jon Godfread	North Dakota
Doug Ommen, Co-Vice Chair	Doug Ommen	Iowa
Nathan Houdek, Co-Vice Chair	Nathan Houdek	Wisconsin
Peter M. Fuimaono	Peter M. Fuimaono	American Samoa
Michael Yaworsky	Michael Yaworsky	Florida
Scott Saiki	Scott Saiki	Hawaii
Micheal T. Caljouw	Micheal T. Caljouw	Massachusetts
Mike Causey	Mike Causey	North Carolina
Judith L. French	Judith L. French	Ohio
Elizabeth Kelleher Dwyer	Elizabeth Kelleher Dwyer	Rhode Island
Michael Wise	Michael Wise	South Carolina
Amanda Crawford	Amanda Crawford	Texas
Jon Pike	Jon Pike	Utah
Kaj Samsom	Kaj Samsom	Vermont
Scott A. White	Scott A. White	Virginia

**CAPITAL ADEQUACY (E) TF**

<b>NAIC Member</b>	<b>Representative</b>	<b>State/Territory</b>
Grace Arnold, Chair	Ben Slutsker	*Minnesota
Judith L. French, Vice Chair	Tom Botsko	Ohio
Mark Fowler	Charles Hale	*Alabama
Heather Carpenter	David Phiifer	*Alaska
Peter M. Fuimaono	Elizabeth Perri	American Samoa
Ricardo Lara	Thomas Reedy	*California
Michael Conway	Rolf Kaumann	*Colorado
Joshua Hershman	Wanchin Chou	*Connecticut
Karima M. Woods	Philip Barlow	*District of Columbia
Michael Yaworsky	Bradley Trim	Florida
Ann Gillespie	Matt Cheung	*Illinois
Holly W. Lambert	Roy Eft	*Indiana
Doug Ommen	Mike Yanacheak	Iowa
Vicki Schmidt	Tish Becker	*Kansas
Sharon P. Clark	Vicki Lloyd	*Kentucky

Timothy J. Temple	Tom Travis	*Louisiana
Michael T. Caljouw	John Turchi	Massachusetts
Angela L. Nelson	John F. Rehagen	*Missouri
Eric Dunning	Andrea Johnson	*Nebraska
Ned Gaines	Diana Branciforte	*Nevada
Susan Ochs	Susan Ochs	*New Jersey
Jon Godfread	Matt Fischer	North Dakota
Glen Mulready	Andy Schallhorn	*Oklahoma
Michael Humphreys	Diana Sherman	*Pennsylvania
Elizabeth Kelleher Dwyer	Liz Ammerman	Rhode Island
Michael Wise	Ryan Basnett	South Carolina
Amanda Crawford	Jamie Walker	Texas
Scott A. White	Doug Stolte/Dan Bumpus	Virginia
Patty Kuderer	Steve Drutz	*Washington
Nathan Houdek	Amy Malm	Wisconsin

\*Not a member of the RBC Model Governance (EX) Task Force

#### AGENDA

1. Background on Exposed Revised RBC Preamble—*Jon Godfread (ND)* Attachment A
2. Consider Comments on Revised Preamble— *Jon Godfread (ND)* Attachment B
  - A. CAT Ventures
  - B. Reinsurance Association of America (RAA)
  - C. National Association of Mutual Insurance Companies (NAMIC)
  - D. American Academy of Actuaries (Acadamy)
  - E. American Council of Life Insurers (ACLI)
3. Consider Additional Thoughts On Possible Compromised Language—*Amnon Levy (Bridgeway Analytics)* Pending
4. Consider Comments on Revised Preamble— *Jon Godfread (ND)*
5. Discuss Any Other Matters Brought Before the Task Force’s — *Jon Godfread (ND)*
6. Adjournment

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**MEMORANDUM**

To: Interested Regulators and Interested Parties

From: Risk-Based Capital (RBC) Model Governance (EX) Task Force  
Capital Adequacy (E) Task Force

Date: April 23, 2026

Re: Exposure of Proposed Revisions to the RBC Preamble

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The Risk-Based Capital (RBC) Model Governance (EX) Task Force and Capital Adequacy (E) Task Force are exposing the attached draft, RBC Preamble, for public comment, with comments requested by June 8, 2026.

The purpose of this exposure is to solicit feedback on proposed revisions to the RBC Preamble, which serves as the introductory narrative to the RBC instructions. The Preamble was adopted and added to the RBC instructions in 2019, providing historical and background information on RBC and guiding the review of referrals and proposals considered by the Capital Adequacy (E) Task Force and the RBC Working Groups. Since that time, regulators and interested parties have continued to discuss whether additional revisions are needed to better articulate the purpose, use, and limitations of RBC.

This exposure follows a broader effort, begun in 2025, to develop a more formal governance framework for future changes to RBC. The RBC Model Governance (EX) Task Force was formed to develop guiding principles for RBC, identify gaps and inconsistencies across the framework, and improve the process for evaluating and prioritizing RBC changes. As part of that work, the Task Force adopted Principles in 2025 and is coordinating with the Capital Adequacy (E) Task Force on possible revisions to the RBC Preamble.

The proposed revisions are intended to:

- Update and streamline the historical and explanatory language in the Preamble;
- Align the Preamble more closely with the Principles previously adopted by the Risk-Based Capital Model Governance (EX) Task Force, which are proposed to be included as part of the Preamble;
- Better distinguish the purpose of RBC from other possible uses of RBC information; and
- Improve the discussion of limitations and disclosure considerations associated with RBC ratios and related measures.

The Task Force invites comments, including whether the proposed language appropriately describes the purpose and use of RBC requirements, whether it improves the discussion of their limitations, and whether it is sufficiently clear and operational for regulators and interested parties. Commenters are also encouraged to identify any drafting changes that would improve consistency with the adopted RBC Principles, the RBC Model Laws, and the broader RBC framework.

Commenters are encouraged to review the notes from Task Force deliberations, which provide non-authoritative background and context for the proposed edits to the Preamble.

All responses to this request for comment should be sent by June 8, 2026, to NAIC staff (Dan Daveline at [ddaveline@naic.org](mailto:ddaveline@naic.org)) and Bridgeway Analytics ([RBC-MoGo@BridgewayAnalytics.com](mailto:RBC-MoGo@BridgewayAnalytics.com)).

# Risk-Based Capital Preamble

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## History of Risk-Based Capital by the NAIC

### A. Background

1. The NAIC, through its committees and working groups, facilitated many projects of importance to state insurance regulators, the industry, and users of statutory financial information in the early 1990s. That was evidenced by the original mission statement and charges given to the Capital Adequacy (E) Task Force (CADTF) of the Financial Condition (E) Committee.
2. From the inception of insurance regulation in the mid-1800s, the limitation of insurance company insolvency risk has been a major goal of the regulatory process. The requirement of adequate capital has been a major tool in limiting insolvency costs throughout the history of insurance regulation. Initially, the states enacted statutes requiring a specified minimum amount of capital and surplus for an insurance company to enter the business or to remain in business.
3. Fixed minimum capital requirements were largely based on the judgment of the drafters of the statutes and varied widely among the states. Those fixed minimum capital and surplus requirements have served to protect the public reasonably well for more than a century. However, they fail to recognize variations in risk between broad categories of key elements of insurance, nor do they recognize differences in the amount of capital appropriate for the size of various insurers.
4. In 1992, the NAIC adopted the life risk-based capital (RBC) formula with an implementation date of year-end 1993. The formula was developed for specific regulatory needs. Four major risk categories were identified for the life formula, which took into consideration their diversification properties through a covariance adjustment that recognizes that problems in all risk categories are unlikely to occur simultaneously: asset risk; insurance risk; interest rate risk; and all other business risk. The property/casualty and health formulas were implemented in 1994 and 1998, respectively. The focus of these two formulas is: asset risk; underwriting risk; credit risk; and business risks (health).
5. Since then, RBC requirements have evolved, increasing in precision, utilizing data beyond what is reported in annual statements, enabling a more accurate identification of solvency risk. The life RBC formula, for example, now assesses the risk of differentiated segments of commercial real estate mortgage investments, which has become a material asset class. The property/casualty RBC formula now recognizes that catastrophe risks are significant for some companies and reflects how exposure to region-specific events, such as natural weather events, can have on solvency. The health RBC formula now removes federal pass-through premium payments, which, by their nature, do not exhibit underwriting risk, allowing for a more precise assessment of solvency risk.
6. The use of RBC requirements has also expanded. It is now used by regulators to assess the solvency risk of insurance groups in Group Capital Calculations and the U.S. Aggregation Method, addressing International Capital Standards under the International Association of Insurance Supervisors. It is also used by other stakeholders who are assessing potential regulatory action.

The total RBC needed by an insurer to avoid being taken into conservatorship is the Authorized Control Level RBC, which is 50% of the sum of the RBC for the categories, adjusted for covariance. The

~~covariance adjustment is meant to take into account that problems in all risk categories are not likely to occur at the same time.~~

## **B. The Mission of CADTF**

76. The mission of the CADTF was to determine the amount of capital an insurer should be required to hold to avoid triggering various specific regulatory actions. The RBC formula largely consists of a series of risk factors that are applied to selected assets, liabilities, or other specific company financial data to establish the threshold levels generally needed to bear the risk arising from that item.
87. To carry out its mission, the CADTF was charged with carrying out the following initiatives:
- Evaluate emerging “risk” issues for referral to the RBC working groups/subgroups for certain issues involving more than one RBC formula.
  - Monitor emerging and existing risks relative to their consistent or divergent treatment in the three RBC formulas.
  - Review and evaluate company submissions for the schedule and corresponding adjustment to total adjusted capital (TAC).
  - ~~Monitor changes in accounting and reporting requirements resulting from the adoption and continuing maintenance of the *Accounting Practices and Procedures Manual*, *Annual Statement Blanks*, and the *Valuation Manual* to ensure that model laws, publications, formulas, analysis tools, etc., supported by the CADTF continue to meet regulatory objectives.~~
  - ~~Monitor and evaluate changes to the *Purposes and Procedure Manual of the NAIC Investment Analysis Office* to determine if assets or, specifically, investments evaluated by the NAIC Securities Valuation Office are relevant to the RBC formula in determining the threshold capital and surplus for all insurance companies or whether reporting available to the regulator is a more appropriate means to address the risk.~~
  - ~~Evaluating refinements to the existing NAIC RBC formula and considering improvements and revisions to the various RBC Blanks to (1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity (when it is determined to be necessary); and (2) oversee the development of additional reporting formats within the existing RBC Blanks as needs are identified.~~
9. ~~The CADTF will consider different methods of determining whether a particular risk should be added as a new risk to be studied and selected for a change to the applicable RBC formula, but due consideration will be given to the materiality of the risk to the industry, identifiable segments of companies, as well as the very specific purpose of the RBC formulas to develop regulatory threshold capital levels.~~
108. ~~The RBC forecasting, and instructions, as well as RBC reports were developed and are now maintained in accordance with the CADTF mission and charges. mission of the CADTF as a method of measuring the threshold amount of capital appropriate for an insurance company to avoid capital-specific regulatory requirements based on its size and risk profile.~~

## **CB. Purpose of Risk-Based Capital**

119. The purpose of RBC requirements is to ~~help~~ identify potentially weakly capitalized companies. ~~RBC requirements in order to~~ facilitate regulatory actions designed to, in most cases, ensure policyholders will receive the benefits promised without relying on a guaranty association or taxpayer funds. Consequently, the RBC formula calculates ~~capital level trigger points~~ thresholds that enable regulatory intervention in the operations of such companies.

120. ~~RBC instructions~~, RBC reports and adjusted report(s) are intended solely for use by the commissioner/state in monitoring the solvency of insurers and the need for possible corrective action with respect to insurers and are considered confidential. All domestic insurers are required to file an RBC report unless exempted by the commissioner. There are no state permitted practices to modify the RBC formula, and all insurers are required to abide by the RBC instructions.
134. Comparison of an insurer's TAC to any RBC level is a regulatory tool that may indicate the need for **possible** corrective action with respect to the insurer and is **not intended or appropriate as a means to rank insurers generally**. Therefore ~~—except as otherwise required under the provisions of, Risk-Based Capital (RBC) for Insurers Model Act (#312) or and the Risk-Based Capital (RBC) for Health Organizations Model Act (#315)—~~strictly restrict insurers and their regulators from making assertions or disclosures regarding comparisons of insurers' TAC or derived component with limited exceptions as referenced in the Model Law. the making, publishing, disseminating, circulation or placing before the public, or causing, directly or indirectly to be made, published, disseminated, circulated or place before the public, in a newspaper, magazine or other publication, or in a form of a notice, or in any other way, an advertisement, announcement or statement (including but not limited to press releases, earnings releases, webcast materials, or any other earnings presentations or webcasts) containing an assertion, representation or statement with regard to the RBC levels of any insurer or of any component derived in the calculation by any insurer is prohibited. Because the RBC framework has been developed with certain regulatory needs in mind, state regulators have decided to keep some elements of the calculation confidential, as well as any workout plans for companies that have triggered a regulatory action.
14. ~~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.~~

**DC. Objectives of Risk-Based Capital Reports**

152. The primary responsibility of each state insurance department is to regulate insurance companies in accordance with state laws, with an emphasis on solvency for the protection of policyholders. The ultimate objective of solvency regulation is to ensure that policyholder, contract holder and other legal obligations are met when they come due and that companies maintain capital and surplus at all times and in such forms as required by statute.
16. To support this role, the RBC reports identify potentially weakly capitalized companies, in that each insurer must report situations where the actual TAC is below a threshold amount for any of the several RBC levels. This is known as an "RBC event" and reporting is mandatory. The state regulatory response is likely to be unique to each insurer, as each insurer's risk profile will have some differences from the average risk profile used to develop the RBC formula factors and calculations.

17. There are several RBC ~~levels~~ Levels with different ~~levels~~ degrees of anticipated additional regulatory oversight following the reporting of an RBC event. Company Action Level (CAL) has the least amount of additional regulatory oversight, as it envisions the company providing to its regulator a plan of action to increase capital or reduce risk or otherwise satisfy the regulator of the adequacy of its capital. Regulatory Action Level (RAL) is the next ~~higher level~~ threshold, where the regulator is more directly involved in the development of the plan of action. Authorized Control Level (ACL) anticipates an even higher amount of regulatory action in implementing the plan of action. Mandatory Control Level (MCL) requires the insurance commissioner to place the reporting entity under regulatory control.

#### **ED. Critical Concepts of Risk-Based Capital**

183. Over the years, various financial models have been developed to try to measure the “right” amount of capital that an insurance company should hold.<sup>1</sup> “No single formula or ratio can give a complete picture of a company’s operations, let alone the operation of an entire industry. However, a properly designed formula will help in the early identification of companies with inadequate capital levels and allow corrective action to begin sooner. This should ultimately lower the number of company failures and reduce the cost of any failures that may occur.”

194. Because the NAIC formula develops threshold levels of capitalization rather than a target level, it may not be meaningful it is neither useful nor appropriate to use the RBC formula to compare the RBC ratio developed by one insurance company to the RBC ratio developed by another. Comparisons of amounts that exceed the threshold standards do not provide a reliable assessment of their relative financial strength. For example, a company with an RBC ratio of 600% is not necessarily financially stronger than a company with an RBC ratio of 400%. While companies that maintain RBC ratios well above the threshold standards can be considered to have minimal solvency risk, the information content of those insurers’ RBC ratios is limited. For this reason, Model #312 and Model #315 prohibit insurance companies, their agents, and others involved in the business of insurance from using the company’s RBC results to compare competitors.

20. The principal focus of solvency measurement is the determination of financial condition through an analysis of the financial statements and RBC requirements. However, protection of the policyholders can only be maintained through continued monitoring of the financial condition of the insurance enterprise. Operating performance is another indicator of an enterprise’s ability to maintain itself as a going concern.

~~16. The CADTF and its RBC working groups are charged with evaluating refinements to the existing NAIC RBC formula and considering improvements and revisions to the various RBC blanks to 1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity (when it is determined to be necessary); and 2) oversee the development of additional reporting formats within the existing RBC blanks as needs are identified.~~

~~17. The CADTF and its RBC working groups will monitor and evaluate changes to the annual financial statement blanks and the *Purposes and Procedure Manual of the NAIC Investment Analysis Office* to determine if assets or, specifically, investments evaluated by the NAIC Securities Valuation Office are relevant to the RBC formula in determining the threshold capital and surplus for all insurance companies or whether reporting available to the regulator is a more appropriate means to addressing the risk. The CADTF will consider different methods of determining whether a particular risk should be~~

<sup>1</sup> Report of the Industry Advisory Committee to the Life Risk-Based Capital (E) Working Group, p. 6; Nov. 17, 1991.

~~added as a new risk to be studied and selected for a change to the applicable RBC formula, but due consideration will be given to the materiality of the risk to the industry, as well as the very specific purpose of the RBC formulas to develop regulatory threshold capital levels.~~

#### F. Limited use of Risk-Based Capital

~~21. Use of RBC ratios is are intended limited to help identifying potentially weakly capitalized companies to facilitate regulatory action and oversight, and do not provide a complete, clear, or meaningful ranking of insurers. Regulators consider the insurer's overall financial situation when interpreting them. They were not developed or intended for any other use. Any other application of RBC would be inappropriate to the detriment of policyholders, companies, and investors. While RBC may be used in other components of the regulatory framework, such uses should be in the context of identifying potentially weakly capitalized companies. For example, statutory accounting may leverage RBC in determining the admissibility of certain types of assets, when the benefits of those assets may not be readily available to the policyholders of a troubled company. Since the information content of RBC ratios can be limited for companies that are not at risk of triggering an action level, a spectrum of factors entering into RBC calculations should be considered when using RBC ratios beyond identifying weakly capitalized companies, including:~~

- ~~• Insurers voluntarily strengthening or weakening assumptions used for reserving, resulting in a reduction or increase of an insurer's RBC ratio.~~
- ~~• RBC requirements are often developed with data that extends over a substantial period of years, with actuarial modeling often extending over long horizons. As a result, RBC requirements often represent a relatively stable, durable measure of capital adequacy that is generally not intended to fluctuate materially with short-term market movements.~~
- ~~• While RBC requirements are designed to reflect differentiated risks across components, on their own, they may be insufficient for assessing differentiated risks for purposes other than identifying weakly capitalized companies. Limitations may result from RBC components not being sufficiently granular to differentiate risks, given the immateriality as it relates to solvency risk, or a single component not reflecting a comprehensive perspective of risk, as is the case, for example, with asset risk, which may not reflect liquidity, market, or duration risks, which are captured elsewhere in the framework when applicable.~~
- ~~• RBC requirements can fluctuate without indicating a corresponding change in the insurer's financial condition. Fluctuations may be driven by changes in the RBC formula, dividends, capital infusions, reinsurance transactions, the sale or acquisition of a block of business, and a significant change in new business written.~~

~~19. RBC does not provide a complete, clear, or meaningful ranking of insurers. For example, an insurer voluntarily strengthening assumptions used for reserving would generally reduce an insurer's RBC ratio but does not indicate a weaker position than a similarly situated insurer who did not elect to strengthen assumptions used for reserving. Regulators are able to consider a complete picture of the insurer's financial situation to appropriately follow up on RBC action levels. Using RBC beyond its intended purpose could create perverse incentives for companies that are not at risk of triggering an action level.~~

~~20. Reviewing an individual insurer's RBC over time may not provide a complete, clear or meaningful picture of the insurer's change in financial condition. Items that may have an impact on RBC which make year-to-year comparisons problematic include changes in the RBC formula, dividends, capital infusions, reinsurance transactions, sale or acquisition of a block of business, and a significant change in new business written.~~

20. RBC requirements for particular risk categories were developed based on specific regulatory guidelines and following agreed upon procedures and methodologies. The RBC requirements were developed with regulatory needs in mind. They were not developed or intended for any other use. As such, except where prescribed, RBC requirements would not be appropriate to rely on in other contexts such as reserve setting or risk management or evaluating the risk of investments. While the development of RBC requirements often rely on historical data points, the data used extends over a substantial period of years and the actuarial modeling extends out over a long time horizon. They do not reflect risk at any one point in time. Moreover, the granularity of an analysis for RBC purposes likely differs from the granularity appropriate for other applications. Therefore, RBC requirements are not appropriate to evaluate the relative or absolute level of risk outside of the context of a regulatory framework for identifying potentially weakly capitalized companies.

21. Because RBC is a broad tool to facilitate regulatory oversight, an insurer's RBC can fluctuate without indicating a corresponding change in the insurer's financial strength. Reviewing an individual insurer's RBC over time may not provide a complete, clear, or meaningful picture of the insurer's change in financial condition. Items that may limit the information content include changes to the RBC formula, dividends, capital infusions, reinsurance transactions, the sale or acquisition of a block of business, or a significant change in new business written.

### **G. 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, as well as maintaining and prioritizing updates to, RBC requirements.

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 with respect to 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, appropriate for the underlying risk, unless there are substantial 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.

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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, acknowledging 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.

**Notes from Task Force Deliberations (not to be included in the Preamble):** These meeting notes provide non-authoritative background and context for the proposed edits to the Preamble; they are not binding interpretations of the Principles or the Preamble. References to discussions or regulators do not reflect those of the entire Task Force since the Principles were developed over many sessions, often with different members of Task Force present.

**Notes on the Preamble:**

- **The Scope of the Preamble.**
  - Regulators felt the Preamble should provide a narrative on the purpose and use of RBC. The scope should not be expanded to include references to the Principles for Maintaining and Prioritizing Updates to RBC, which would be redundant.
  - The language within the Preamble should be consistent with the Principles for the Purpose and Use of RBC.
  - The language must be consistent with Model Laws 312 and 315, since they are codified in state laws.
- **Paragraph 5.** Regulators felt that it was desirable to include historical context for RBC, as well as to provide context for how RBC requirements have evolved in terms of precision and application since their initial development.
- **Paragraph 7.** Consolidates text from Paragraphs 16 and 17, which describe CADTF's charges.
- **Paragraph 11.**
  - There was an acknowledged nuance that Model Laws 312 and 315 restrict insurers from making assertions or disclosures regarding comparisons of insurers' TAC or derived components, such as RBC ratios, to rank insurers. Regulators pointed out the potential for the Model Laws to be interpreted more restrictively, limiting any assertions or disclosures of insurers' TAC or derived statistics, and that some states adopted language that is more restrictive than the Model Law. For example, [Washington D.C. §31–3451.08](#), is relatively clear in that any assertions or disclosures of insurers' TAC or derived statistics are prohibited, with limited exceptions. To address this issue, the paragraph was framed in the context of state laws.
  - The question of whether guidelines should be provided on the level of disclosure and language was explored. Cases that were discussed that may warrant different levels of disclosure:
    - Responding to a question about RBC on an earnings call, which narrowly referenced only the RBC ratio in the context of its stated purpose of regulatory intervention, with information that is not subjective and public (e.g., the RBC ratio is 440%, which is 140 pp above the threshold that triggers potential regulatory intervention).
    - Statements that include subjective assessments (e.g., RBC ratio is 440%, which is significantly above our 400% target, and 140pp above the threshold that triggers potential regulatory intervention). The 400% target is subjective and suggestive, especially when reinforced with the word significant.
    - When RBC ratios are reported in written material alongside, say, Financial Strength Ratings, or is reported outside the context of potential regulatory intervention, such as reporting of GCC.
  - Regulators opted to remain silent on the matter for now, agreeing that further discussion is needed, particularly in light of the potential conflict with Model Laws and state statutes.
  - Concern was raised over whether the Preamble is the best place for added disclosure requirements, and the authority, in earnest, that it would provide state regulators to take action on companies violating the disclosure requirements. Regulators felt that the Model Law is a more appropriate location, but that the change would be unnecessarily cumbersome and would not ensure that state

laws would be modified accordingly. To avoid the possible conflict, regulators considered replacing the word 'must' with 'should'.

- Other edits included simplifying the language in Paragraph 11, which referred to and paraphrased the Model Law, which has been adopted into state law in various forms. Given the length and detail in the Model Law, the regulators felt that a reference to the Model Law streamlines the flow.
- The question of whether regulators have the right to refute any RBC ratios that they view as not representative of potential regulatory action outside of the regulatory trigger points was explored.
- **Paragraph 14.** Regulators pointed out that the concept of financial strength was not defined. To avoid potential confusion, the chosen language generalizes the concepts and avoids the introduction of new terminology.
- **Paragraphs 18-21.**
  - Regulators consolidated paragraphs 18-21, attempting to retain key concepts and streamline the articulation of the various considerations.
  - Regulators agreed that the following sentence, in its current form, is overly restrictive given its acknowledged broader use (e.g., AM): *Any other application of RBC would be inappropriate to the detriment of policyholders, companies, and investors.*

Bridgeway Analytics supports the investment and regulatory community in optimizing the design, organization, and utility of regulations surrounding the management of insurance company business activities. 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). For more information, visit [www.BridgewayAnalytics.com](http://www.BridgewayAnalytics.com).

**CAT Ventures LLC**Jin S. Chun, CFA, FRM | Managing Partner

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June 3, 2026

Dan Daveline  
Director, Financial Regulatory Services  
National Association of Insurance Commissioners  
ddaveline@naic.org

**Re: Comment on Proposed Revisions to the Risk-Based Capital Preamble (RBC Model Governance (E) Task Force)**

Mr. Daveline,

I write to comment on the proposed revisions to the Risk-Based Capital Preamble exposed by the RBC Model Governance (E) Task Force. The Preamble is the right place to articulate what RBC is, how it is used, and where its boundaries lie, and the revisions move that articulation forward. The observations below respond to the three questions the Task Force posed — on purpose, use, and limitations — and are framed against the eleven guiding principles the Task Force adopted in December 2025.

I am an investment practitioner focused on capital efficiency in insurance portfolios. The comments are offered from that vantage point and are intended to be useful to the Task Force's drafting, not to advance any particular methodology.

**1. On the Purpose of RBC**

The revised Preamble appropriately frames RBC as a regulatory tool for identifying weakly capitalized insurers, not as a measure of an insurer's full economic risk or as a target capital level. Preserving that distinction is the most important function the Preamble performs. The principle of Equal Capital for Equal Risk (Principle 1) is well served by language that keeps RBC's purpose narrow and its triggers objective.

One refinement worth considering: the purpose section can state plainly that RBC is a point-in-time minimum-capital screen rather than a forward-looking solvency projection. That framing reinforces the Objectivity and Process principles and reduces the risk that RBC outputs are read as comprehensive risk assessments by parties outside the regulatory process.

**2. On the Use of RBC**

The Preamble correctly emphasizes that RBC is one input within a broader solvency framework that includes ORSA, the Financial Analysis and Examination process, and actuarial opinion. The Use section is strengthened by stating that no single RBC ratio should be read in isolation from those companion processes.

**2.1 Asset-Risk Granularity**

As a limitation worth acknowledging rather than a change to propose: the asset-risk factors within RBC reflect category-level rather than issuer-level risk drivers. Two issuers within the same asset category and rating band carry the same charge even where their underlying risk characteristics differ materially. This is a

reasonable and intentional design choice in service of objectivity and administrability. Noting it in the Preamble's discussion of use would help readers understand the level of resolution at which RBC operates.

### 3. On the Limitations of RBC

The Limitations section is the most valuable addition in the revised Preamble. Articulating what RBC is not is as important as articulating what it is. Three points may sharpen it.

First, on the treatment of risks not yet fully reflected in the formula. As new risk categories become material over time — whether through evolving investment products, emergent loss types, or newly recognized risk drivers — the framework's commitment to Equal Capital for Equal Risk (Principle 1) will be most robust where new inputs are integrated as granularity refinements within existing factor structures rather than as parallel charge categories. Parallel categories raise the risk of double-counting and category drift; refinement within existing structures preserves comparability and keeps the formula coherent as it absorbs new information. The Preamble need not anticipate any specific future category to state this architectural preference.

Second, on model risk. As the framework intersects with new analytical inputs, the Model Risk Management principle (Principle 9) is best served by Preamble language acknowledging that some risks may manifest differently across economic and underwriting environments and therefore may not be fully captured by static point-in-time measurements. Maintaining discipline on this distinction will matter as the inputs to RBC grow more varied.

Third, on correlation and diversification. As with any factor-based framework, RBC necessarily relies on simplifying assumptions regarding correlation and diversification effects across risk categories. This limitation does not diminish its utility as a regulatory screening tool, but it reinforces the importance of companion supervisory processes when evaluating enterprise-wide risk.

### 4. Consistency with the Adopted Principles

Read against the December 2025 principles, the revisions are broadly consistent. Four principles bear most directly on the points above:

**Equal Capital for Equal Risk (Principle 1).** Best preserved by keeping RBC's purpose narrow and by integrating future risk information within existing factor structures, as noted in Sections 2.1 and 3.

**Materiality (Principle 4).** Governance and operational failures tend to manifest as material loss events rather than as steady-state risk. The Preamble's materiality language is sound; it could note that material risks are not always continuously observable and may express themselves episodically. This is consistent with RBC's role as a screen rather than a continuous monitor.

**Objectivity (Principle 6).** The category-level resolution of asset-risk factors is itself a product of the objectivity principle. Acknowledging that resolution, as in Section 2.1, does not weaken objectivity; it documents it.

**Model Risk Management (Principle 9).** Supported by Preamble language that distinguishes point-estimate from probabilistic characterizations of risk, as noted in Section 3.

### 5. Closing

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<sup>1</sup>Chun, J. S. (2026). Antifragile Capital Efficiency: A Multiplicative Diagnostic for Capital Behavior Under Stress. Working paper, SSRN.

The revisions strengthen the Preamble, particularly the Limitations section. The suggestions above are offered to sharpen the articulation of use and limitations, not to expand RBC's scope, which the Task Force has rightly kept disciplined.

In adjacent research conducted with industry and academic partners, I have examined how factor-level analytics interact with regulatory capital frameworks. I would be glad to provide perspective on specific technical questions as the Task Force's work proceeds, including any coordination with the Invested Assets (E) Task Force as it takes up new and evolving investment products. I would welcome the chance to review future exposures as the Task Force's work continues.

Regards,

Jin S. Chun, CFA, FRM  
Managing Partner, CAT Ventures LLC  
Research collaborations with MacroRisk Analytics (Pasadena, CA)

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cc: Bridgeway Analytics (RBC Model Governance engagement); Commissioner Nathan Houdek, Co-Chair; Director Judith L. French, Co-Chair



June 8, 2026

Commissioner Jon Godfread  
Chair, Risk-Based Capital Model Governance (EX) Task Force  
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National Association of Insurance Commissioners

**Re: Comments on Proposed Revisions to the RBC Preamble**

Dear Chair Godfread, Commissioners Ommen and Houdek:

On behalf of the Reinsurance Association of America (RAA) and its member companies, we appreciate the opportunity to comment on the proposed revisions to the RBC Preamble exposed by the Risk-Based Capital Model Governance (EX) Task Force and the Capital Adequacy (E) Task Force.

The RAA supports efforts to improve the clarity, transparency, and governance surrounding the Risk-Based Capital framework. We agree that the Preamble should clearly articulate RBC's purpose, use, limitations, and guiding principles. We also support the objective of ensuring that future RBC changes are evaluated through a disciplined and transparent governance process. At the same time, we believe several aspects of the proposed revisions would benefit from further refinement to better align with the longstanding purpose of RBC as a minimum capital standard and regulatory early warning tool.

**Paragraph 5 – Evolution of RBC**

We are concerned that the revised language describing RBC as becoming increasingly "precise" and providing "more accurate identification of solvency risk" may unintentionally overstate the capabilities and intended purpose of the framework.

RBC was designed as a broad regulatory tool to identify potentially weakly capitalized companies and establish thresholds for regulatory intervention. It was not designed to provide a precise measurement of insurer solvency, function as an economic capital model, or differentiate among well-capitalized companies. Throughout the proposed revisions, the Task Force appropriately emphasizes that RBC is a threshold-based solvency monitoring tool with inherent limitations. References suggesting increasing

precision appear inconsistent with the Preamble's broader description of RBC as a threshold-based regulatory solvency monitoring tool.

Accordingly, we recommend replacing references to "precision," "precise assessment," and "more accurate identification" with terminology that better reflects the nature of the framework. Terms such as "broader," "more comprehensive," "more holistic," or "enhanced consideration of material solvency risks" would be more consistent with RBC's role as a practical regulatory solvency screening mechanism rather than a highly calibrated measure of risk.

### **Paragraph 14 – Disclosure of RBC Information**

We appreciate the Task Force's effort to recognize that RBC information may be used by stakeholders beyond insurance regulators. However, we believe the exposed language is unclear and could lead to unintended interpretations regarding when RBC disclosures are permissible and when additional disclosure statements may be required. As drafted, it could create uncertainty for routine disclosures made by publicly traded insurers and reinsurers in SEC filings, earnings releases, investor presentations, earnings calls, debt covenant reporting, and communications with rating agencies.

As reflected in the Task Force's deliberative notes, regulators acknowledged potential conflicts between the proposed language, existing state statutes, and common market practices. While the Preamble can provide useful context regarding RBC's purpose and limitations, it should not create new disclosure expectations that are not clearly established in the RBC Model Laws or applicable state statutes. Doing so could lead to inconsistent interpretations among jurisdictions and create practical challenges for insurers complying with both state insurance laws and federal securities law requirements.

Accordingly, we recommend replacing Paragraph 14 with the following:

RBC requirements are a regulatory tool and are not intended or appropriate to rank insurers. Therefore, state laws generally prohibit insurers and their regulators from making assertions or disclosures regarding comparisons of RBC information, subject to 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, lenders, and other regulatory authorities. Such disclosures, when limited to communicating RBC information and its regulatory significance, are consistent with the regulatory purpose of RBC. Any insurer's assertion or disclosure of RBC information must be consistent with applicable state laws. When RBC information is used outside of its regulatory purpose of identifying potentially weakly capitalized insurers and facilitating regulatory monitoring, intervention, and corrective action, such disclosure should be accompanied by a statement explaining the limitations of RBC and that it should be considered together with other relevant capital, liquidity, reserving, and risk management information regarding the company. State laws mandate that some elements of the RBC calculation and all RBC Plans are confidential and may not be disclosed.

We believe this approach provides greater clarity, avoids unintended conflicts with existing disclosure practices, and better balances RBC's regulatory purpose with the practical realities of public company reporting and stakeholder communications.

## Equal Capital for Equal Risk

The RAA appreciates the Task Force's prior clarification that the principle of "equal capital for equal risk" is not intended to establish a single statistical confidence level or uniform calibration standard across all RBC formulas and risk categories.

As noted in our previous comment letters and testimony, a statistical safety level is fundamentally a calibration choice. Moving toward a uniform confidence level across all risks would represent a significant policy shift and could materially increase capital requirements within a framework that has functioned effectively for decades as a minimum capital standard and early warning tool.

Capital is not free. Higher minimum capital requirements increase the capital insurers and reinsurers must hold against their business, which carries real economic costs and can influence capacity, pricing, and risk appetite. Differences in methodology across sectors often reflect legitimate differences in liability structures, duration profiles, business models, and historical drivers of insurer distress. In the P&C sector, underwriting and reserve risk have historically been the primary drivers of insolvency, while life sector insolvencies have more frequently been associated with asset-liability mismatches and investment-related risks. These differences should not automatically be interpreted as inconsistencies requiring alignment.

While we appreciate the inclusion of language recognizing that different business models may warrant alternative treatments, the current reference to "consistent statistical safety levels and time horizons" remains susceptible to an interpretation that favors convergence toward a common calibration standard. To avoid this unintended interpretation, we recommend revising Principle 4 as follows:

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

We believe this revision better reflects the longstanding purpose of RBC, preserves appropriate flexibility across sectors, and reinforces the Task Force's prior statements that the principle is not intended to establish a single confidence level or calibration standard across the RBC framework.

## Accuracy

We also recommend reconsidering Principle 6, which currently states that RBC requirements should be "sufficiently precise to assess solvency risk." Given the broader discussion throughout the Preamble regarding the purpose and limitations of RBC, the reference to precision may unintentionally imply a level of calibration and predictive capability that is inconsistent with RBC's role as a threshold-based regulatory solvency monitoring tool.

Accordingly, we recommend revising Principle 6 as follows:

**Accuracy.** RBC requirements should be sufficiently robust to assess solvency risk while avoiding unnecessary complexity and recognizing the role of RBC as a threshold-based regulatory solvency monitoring tool.

This revision would better align Principle 6 with the Preamble's emphasis that RBC is intended to identify potentially weakly capitalized companies and facilitate regulatory intervention rather than function as a highly calibrated measure of relative financial strength.

## Section G – Principles for RBC Requirements

We support inclusion of the adopted RBC principles within the Preamble. However, we recommend reconsidering the phrase "guiding North Star" in the introductory language.

The term may imply a degree of prescriptiveness or singular direction that is inconsistent with the judgment-based and principles-based nature of RBC governance. We recommend replacing "guiding North Star" with language such as "guiding framework," "foundational framework," or "governing principles" for maintaining and updating RBC requirements.

As discussed above, we believe the proposed revisions to Principle 4 would provide greater clarity regarding the intended application of the equal capital for equal risk principle while preserving appropriate flexibility across sectors and business models.

## Conclusion

The RAA appreciates the significant effort that the Task Force and Capital Adequacy (E) Task Force have devoted to improving the RBC governance framework. We support the objective of providing greater clarity regarding RBC's purpose, limitations, and governance while preserving its longstanding role as a minimum capital standard and regulatory early warning tool.

We also encourage the Task Force to carefully consider whether any future changes affecting insurer disclosure obligations are most appropriately addressed through revisions to the RBC Model Laws rather than through interpretive language in the Preamble. Given the diversity of state law adoption and the interaction with federal securities law requirements, clarity regarding the source and enforceability of disclosure expectations will be important.

We appreciate your leadership on this important initiative and welcome continued dialogue as this work progresses.

Sincerely,



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Jeff Alton  
SVP – Accounting, Finance & Risk  
Reinsurance Association of America



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June 8, 2026

## VIA ELECTRONIC SUBMISSION

Commissioner Jon Godfread  
Chair, Risk-Based Capital Model Governance (EX) Task Force  
Commissioner Grace Arnold  
Chair, Capital Adequacy (E) 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 the Risk-Based Capital (RBC) Model Governance (EX) Task Force's RBC Preamble Proposal

Dear Commissioners Godfread and Arnold,

Thank you for the opportunity to comment on the RBC Preamble proposal (Proposal). We commend each Task Force for its thoughtful and diligent work in refining this important document. The foundational principles you have established, along with the ongoing enhancements to the U.S. Risk-Based Capital framework, continue to position it as the gold standard for insurance solvency regulation worldwide. These efforts represent the next evolution of those standards, building on a proven foundation while ensuring the framework remains effective and adaptable for years to come.

The proposed Preamble represents a meaningful improvement over prior versions. It provides relevant background material, integrates the adopted Principles more explicitly, improves the focus on RBC as a regulatory solvency tool, and expands the discussion of limitations in constructive ways. We appreciate how it reinforces the bottom-up approach to how RBC changes are incorporated and supports continued effectiveness of the existing processes.

As we've stated in prior comments, NAMIC members strongly support maintaining RBC focus on material risks most relevant to each line of business. We believe each RBC formula should continue to address the risks that matter most for life, P/C, and health insurers, respecting the important differences in their nature, scale, and complexity. Materiality must remain the key filter: changes should be pursued only when they address genuine gaps that would meaningfully alter a regulator's view of solvency. We are encouraged that the Proposal captures much of this perspective and suggest only targeted refinements that further strengthen it.

### Description of Purpose and Use

The Proposal does a good job articulating the core purpose of RBC requirements. For example, Paragraph 11 appropriately states that the purpose is to identify potentially weakly capitalized companies to ensure policyholders receive the benefits promised, directly mirroring Principle 1. Further, Paragraphs 12-14 and Section D rightly limit use to regulatory monitoring and action, emphasize confidentiality, and restrict

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inappropriate ranking or comparisons. The expanded discussion in Section F on limited use is particularly helpful, and Principle 2 is well reflected in the guidance that other uses must not distort or redefine the primary solvency purpose.

The Preamble also thoughtfully distinguishes RBC from other regulatory tools (such as examinations, reporting, and statutory accounting) while appropriately acknowledging expanded applications like Group Capital and Aggregation. This clarity helps protect the framework from misinterpretation by external stakeholders.

To enhance consistency and operational effectiveness for working groups and commissioners, we suggest a few targeted improvements:

- In Paragraph 9, the materiality discussion is good. We recommend tying it more explicitly to Principle 3: “due consideration will be given to the materiality of the risk to the industry, [based on how an update to RBC could meaningfully impact the regulator’s assessment of the solvency risk for all or identifiable segments of companies...](#)”
- Amend Paragraph 11 to read: “RBC requirements [are primarily used to](#) facilitate regulatory actions...”
- Add the following to Paragraph 12 after the first sentence: “[These reports appropriately consider only the factors that impact solvency risk to further the regulators’ ability to assess solvency risk.](#)”
- In Paragraph 18, add to the end of the first sentence: “[and take into account that the formulas appropriately reflect the differences in business models](#)”

These adjustments would give insurance commissioners greater visibility into proposed RBC changes through the established governance process, without the need to create new working groups or task forces. They would also reinforce that each formula should tailor its approach to the material risks of its line of business.

### Discussion of Limitations

The expanded discussion of limitations is a notable strength of the Proposal. It effectively discourages over-reliance on RBC for purposes beyond solvency monitoring, supports the use of calibration and catastrophe modeling, and reinforces that the current bottom-up processes function well without requiring constant overhaul.

Section F provides a helpful spectrum of caveats regarding voluntary assumption changes, long-horizon stability, insufficient granularity for non-solvency uses, and normal fluctuations. Sections E and F appropriately acknowledge that RBC is not a complete picture of financial strength and that ratios have limited information content for already strong companies. We suggest one additional enhancement to Paragraph 12: add at the end, “[Confidentiality and model limitations support the “early-warning” role without turning RBC into a comprehensive risk model for other stakeholders.](#)” This would further protect the framework’s effectiveness.



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### Clarity, Operationality, and Alignment with Principles

NAMIC members are pleased with the improved clarity, streamlined language, and logical organization of the Preamble. The updates to Section B promote greater uniformity across solvency tools while preserving necessary flexibility. Action levels, disclosure rules, and confidentiality protections are clear and helpful. To further align with the adopted Principles, particularly Equal Capital for Equal Risk with appropriate distinctions, Materiality, Accuracy/avoiding unnecessary complexity, and Prioritization, we offer the following recommendations:

- Add a paragraph to Section C or Section E: “The formulas appropriately tailor risk recognition to line-specific business models. For property/casualty insurers, this includes particular emphasis on material risk such as reserve inadequacy and premium risk, which have proven effective for early warning. Uniformity across lines is not required where substantial differences in risk nature warrant differentiated treatment.”
- Enhance Paragraph 9 with: “Updates shall be governed by Principles of Materiality and Prioritization. Changes are appropriate only where they address genuine, material solvency gaps with clear benefit, avoiding unnecessary complexity or burden.”
- In Section F, Paragraph 21 (third bullet, second sentence), add after the first clause: “or where further granularity would not improve solvency assessment relative to the added complexity.”
- Add to the introduction of Section G: “These principles are foundational to interpretation and maintenance of the Preamble itself.”

### Conclusion

The proposal is a net positive and represents a valuable step forward. With the targeted adjustments outlined above, the Preamble will more strongly operationalize the Principles, provide regulators with clearer guardrails, and safeguard the proven, focused RBC framework against dilution or low-value changes. These refinements will support continued, measured evolution through the existing bottom-up process, focus on genuine material risks while respecting the distinct needs of different lines of business.

We appreciate the Task Force’s leadership and collaborative approach. We stand ready to provide any additional input or participate in further discussions as helpful.

Jonathan Rodgers  
Policy Vice President - Solvency  
National Association of Mutual Insurance Companies



June 8, 2026

Commissioner Jon Godfread (ND), Chair  
 Commissioner Nathan Houdek (WI), Co-Vice Chair  
 Commissioner Doug Ommen (IA), Co-Vice Chair  
 Risk-Based Capital Model Governance (EX) Task Force  
 National Association of Insurance Commissioners

Re: Exposure of Proposed Revisions to the RBC Preamble

Dear Commissioners Godfread, Houdek, and Ommen:

On behalf of the American Academy of Actuaries’<sup>1</sup> Cross-Practice Risk-Based Capital (RBC) Task Force (Academy), we appreciate the opportunity to provide comments to the RBC Model Governance (EX) Task Force (MoGo) on the [Exposure of Proposed Revisions to the RBC Preamble](#) (Exposure). The Academy supports both the incorporation of the recently adopted Principles, and the Task Force’s conducting periodic reviews to assess alignment, effectiveness, and ongoing applicability. We reiterate that the Preamble, with inclusion of the Principles, strengthens the purpose and understanding of RBC. With respect to the proposed changes, subject matter experts with unique actuarial perspectives and expertise across health, life, property/casualty, and financial reporting and risk management, have reviewed the latest Exposure, and we offer the following comments.

### Section B.

In Section B, The Mission of the Capital Adequacy (E) Task Force (CADTF), subsection 7, there seems to be inconsistent use of tense. The Academy suggests [underlined language added]:

The mission of the CADTF was to determine the amount of capital an insurer should be required to hold to avoid triggering various specific regulatory actions. It pursued that objective through the RBC formula, which largely consists of a series of risk factors that are applied to selected assets, liabilities, or other specific company financial data to establish the threshold levels generally needed to bear the risk arising from each item.

### Section C.

With respect to Section C, Purpose of Risk-Based Capital, the Academy notes a concern with the final sentence of subsection 13, “Because the RBC framework has been developed with certain regulatory needs in mind, state regulators have decided to keep *some elements* of the calculation confidential, as well as any workout plans for companies that have triggered a regulatory action.” [emphasis added]

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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.

If the term “some elements” refers to elements that are not available in the Annual Statements as described in Section 5, our concern is that this could be interpreted too broadly. If this broad interpretation is applied in the future, underlying RBC formulas and methodology could be kept confidential, as opposed to just having the detailed application of those formulas and methodology to a particular insurer being confidential. While the RBC filings of insurers should be kept confidential, except for total adjusted capital (TAC) and authorized control level (ACL) risk-based capital, we want to ensure that the transparency of the methodology and the resulting TAC and ACL are maintained now and in the future.

We also suggest adding “Requirements” to the title of section C to read, “Purposes of Risk-Based Capital Requirements” as the section has been amended with inclusion of “requirements.”

#### **Section D.**

In Section D, Objectives of Risk-Based Capital Reports, we suggest editing the first sentence in subsection 17, “degrees of anticipated additional regulatory oversight following the reporting of an RBC event” to read, “degrees of required additional regulatory oversight...” to underscore that an RBC event **requires** enhanced oversight.

#### **Section F.**

In Section F, Limited Use of Risk-Based Capital, the Academy notes that removal of general statements about inappropriate uses of RBC are in line with previous Academy comments, and we support the changes to this version of the Preamble.

The Academy notes, however, that this section may cause confusion. As drafted, the first part of subsection 21 explicitly states the intended use of RBC ratios and the second portion goes on to identify uses other than identifying potentially weakly capitalized companies, which seems to weaken the assertion that the purpose of RBC ratios is to identify potentially weakly capitalized companies. The Academy also notes that the list of considerations is not (and could not be) complete to be sufficiently precise. As such, the Academy recommends removing the section that begins “Since the information content of RBC factors entering into RBC calculations should be considered....”

If the section is not deleted, the Academy suggests the following edits:

RBC ratios are intended to help identify potentially weakly capitalized companies and to facilitate regulatory action and oversight, and do not provide a complete, clear, or meaningful ranking of insurers. Regulators consider the insurer’s overall financial situation when interpreting them. They were not developed or intended for any other use. Nevertheless, to the extent RBC ratios are considered for purposes beyond identifying potentially weakly capitalized companies, their usefulness may ~~Since the information content of RBC ratios can be limited for companies that are not at risk of triggering an action level, and a spectrum of factors underlying entering into RBC calculations should therefore be considered when using RBC ratios beyond identifying weakly capitalized companies,~~ including, but not limited to

#### **Section G.**

With respect to Section G, the Academy supports embedding RBC principles within the Preamble, and we offer two suggestions with respect to the Principles. The language included in the second sentence in

Principle 2 “Use” seems to weaken the first Principle. Referring to other purposes weakens the purpose statements. As suggested in Section F, we recommend deleting the sentence, “RBC requirements may be used for other purposes, but the uses must not distort or redefine the purpose of RBC requirements.”

Finally, in Principle 6, “Accuracy,” the Academy suggests the following edit:

Sufficiently precise to ~~assess solvency risk~~ determine regulatory action thresholds, while avoiding unnecessary complexity.

We look forward to the continued collaborative dialogue with you 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 Director ([dzurec@actuary.org](mailto:dzurec@actuary.org)).

Sincerely,

Dana Hunt, MAAA, FSA, FRM  
Chairperson, Cross-Practice RBC Task Force  
American Academy of Actuaries



Colin Masterson

Sr. Policy Analyst  
202-624-2463

June 8, 2026

Jon Godfread,  
Chair, NAIC Risk-Based Capital Model Governance (EX) Task Force (RBC MoGo)

Ben Slutsker  
Chair, NAIC Capital Adequacy (E) Task Force (CADTF)

Re: April 2026 RBC MoGo/CADTF RBC Preamble Exposure

Dear Chairs Godfread and Slutsker:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the proposed edits to the RBC Preamble. ACLI would also like to thank regulators, NAIC staff, and Bridgeway Analytics for their work on this effort over the last several years, especially their dedication to transparent dialogue and communication with stakeholders.

The Preamble should reflect how appropriate uses of RBC information further the goals of prudential transparency, regulatory effectiveness, and consumer protection. The latest exposure appropriately captures these objectives and reflects the important role RBC plays in the domestic and international solvency systems.

We support the inclusion of the RBC MoGo-adopted Principles for RBC Requirements into the Preamble. Additionally, ACLI appreciates incorporation of many of the redline edits proposed in our October 20, 2025 comment letter. The changes to Section C.13 (formerly B.11), Section E.19 (formerly D.14), Section F.21 (formerly E.18), and the former Section E.20 reflect our view that RBC is a vital component of the larger policyholder protection framework, which benefits from public disclosure, transparency and understanding.

**Suggested edits for consideration:**

ACLI supports the disclosure concept discussed in **Section C.14** and we have shared language that may help insurers create appropriate and useful disclosures to accompany permissible public disclosures of RBC information. We do this by noting that the disclosure should include appropriate contextual information, describe the purpose of RBC as a regulatory tool, and note the limitations of RBC when used for other purposes. ACLI also recommends including language that recognizes disclosures may vary depending on the situation and adding a note that the Preamble doesn't create or require any additional

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American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

disclosures independent of the disclosures described in C.14. Regulators may also want to consider removing the last sentence because it is captured very well in Section C13.

- **Section C14.** *"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 public assertion or disclosure of RBC information must be consistent with applicable state laws. When RBC-related information is disclosed, insurers should provide appropriate contextual information, as applicable, describing RBC's purpose as a regulatory tool and its limitations in other uses. The nature and extent of any such contextual information should be determined by the disclosing party based on the facts and circumstances and applicable legal requirements. This Preamble does not establish independent disclosure requirements or prohibitions. 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.*

We also recommend a clarification to the second and fourth bullets in the new **Section F.21** to improve consistency. The second bullet implies that RBC is relatively stable while the fourth states that fluctuations in RBC do not necessarily indicate changes in financial condition. These statements could appear to contradict each other and present information that is not accurate in all circumstances which conflicts with the exposure's goal of "updating and streamlining" the explanatory language. To address this concern, we suggest the following edits:

- **Section F.21...** *"RBC requirements are often developed with data that extends over a substantial period of years, with actuarial modeling often extending over long horizons. As a result, RBC ratios requirements often represent a relatively stable, durable measure of capital adequacy that is generally not intended to fluctuate materially with short-term market movements."*
- *"RBC requirements can may fluctuate without necessarily indicating a corresponding change in the insurer's financial condition. Fluctuations may be driven by changes in the RBC formula, dividends, capital infusions, reinsurance transactions, the sale or acquisition of a block of business, and a significant change in new business written."*

Additionally, we suggest the following editorial changes:

- Section B.7 "consisted": The RBC formula still consists of these things so using the past tense may not be appropriate.
- Section F.21- first sentence: We think both "help" and "potentially" are softening the influence of RBC too much. We recommend removing "help" and leaving "potentially".

Once again, ACLI would like to thank everyone involved in the effort to develop both the updated RBC Preamble as well as the RBC Principles. The exposed revisions were thoughtful and reflective of the RBC Model Governance Task Force and Capital Adequacy Task Force's commitment to a deliberative and transparent process. It is our hope that the changes proposed will help ensure the long-term health and

viability of a U.S. life insurance market built on consumer protection and a risk-based regulatory framework.

Sincerely,

*Colin Masterson*

cc: Dan Daveline, NAIC; Bridgeway Analytics