Property and Casualty Risk-Based Capital / Newsletter

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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.

In This Issue:

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 & 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.

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.

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