RBC Model Governance (EX) Task Force

IV. Commissioner-Level Governance Options

Feedback received to date indicates that the NAIC officers and staff generally support creation of a commissioner-level **Financial Policy Steering Committee**. That structure would provide broader commissioner engagement, visible membership support, and a policy perspective outside the ordinary technical process.

The question is not whether commissioner-level steering has value. The question is where the function should reside and how it should operate without duplicating E Committee, delaying technical work, or elevating routine matters.

Common Charge Under Either Structure

The steering body would:

- Maintain a rolling two-year agenda for major RBC initiatives and related solvency matters that satisfy the elevation standard.
- Recommend priorities, sequencing, assignments, and coordination for significant initiatives.
- Define the policy objective, scope, and key parameters before substantial technical work begins.
- Recommend written referrals or charges to the appropriate parent committees or technical groups, including deliverables, timing, coordination needs, and commissioner checkpoints.
- Receive reports only at defined checkpoints when a material policy choice arises, the approved scope changes, or a cross-group issue cannot be resolved through the ordinary process.
- Coordinate matters spanning multiple solvency disciplines or parent committees while preserving the authority of each body.
- Report to E Committee and, as appropriate, the Executive Committee, officers, and broader membership.
- Monitor the overall portfolio of initiatives and recommend retrospective review when warranted.

Elevation Standard

A matter would be elevated only if it meets one or more of the following standards:

1. **RBC architecture.** The matter would add or remove a risk category, materially alter aggregation or covariance, introduce a new type of charge, or otherwise change the architecture or intended operation of the RBC formula, rather than recalibrate an existing factor.
2. **Material policy choice.** The matter presents a significant policy judgment that cannot be resolved through technical, actuarial, accounting, or data analysis alone and on which reasonable regulators may differ.
3. **Cross-discipline dependency.** The matter creates material dependencies across capital, investments, valuation, accounting, reinsurance, actuarial analysis, financial analysis, or multiple parent committees and requires coordinated policy direction.
4. **Framework-wide principle.** The matter would establish or materially alter a principle applicable across asset classes, lines of business, transaction structures, or company types, rather than address a single instrument, factor, or company-specific issue.

The basis for elevation should be documented in a brief written statement identifying the applicable standard, the policy question, the assigned technical group, and any requested checkpoint. Controversy or public attention alone would not justify elevation.

Limitations and Carve-Outs

The steering body would not:

- Conduct technical analysis, develop factors, or substitute its judgment for the assigned actuarial, accounting, investment, reinsurance, or financial-analysis group.
- Approve individual factors or technical specifications outside the authority and approval process already assigned to the appropriate NAIC bodies.
- Replace, override, or diminish the authority of E Committee, A Committee, or their subsidiary groups.
- Reassign, delay, or withdraw work already in active development unless authorized by the appropriate parent committee, the Executive Committee, or the officers.
- Review routine factor updates, recalibrations, corrections, model maintenance, or other technical matters that do not satisfy the elevation standard.

- Create an independent review requirement for every E Committee exposure or adoption.

Integration with Existing NAIC Processes

The steering function should operate through the existing charge, referral, and priority-setting structure:

1. Commissioners, parent committees, subsidiary groups, and NAIC staff identify potential priorities through the normal planning process.
2. The steering body applies the elevation standards, recommends relative priority and sequencing, and identifies cross-committee dependencies.
3. The appropriate parent committee adopts, modifies, or declines the proposed charge and assigns the technical work. Matters spanning letter committees proceed through coordinated or joint referrals approved by the relevant parent bodies.
4. The assigned technical group incorporates the matter into its work plan and retains responsibility for analysis, exposure, stakeholder engagement, and technical recommendations.
5. The matter returns to the steering body only at a checkpoint specified in the charge or when a new issue independently satisfies the elevation standard.
6. Final authority remains with the appropriate parent committee and the existing NAIC approval process.

This framework would allow the steering body to provide a consistent, organization-wide view of major solvency priorities while relying on the existing committees and technical groups to perform and approve the substantive work.

Option 1: Financial Policy Steering Committee

Under Option 1, the NAIC would establish a small commissioner-level Financial Policy Steering Committee outside the ordinary E Committee structure, likely reporting to or operating under the Executive Committee. Although the proposed title uses "Financial Policy," the charge would be limited to RBC and material cross-cutting solvency-policy issues that satisfy the elevation standard.

A possible seven- to nine-member Committee could include:

- The E Committee chair and vice chair;

- Commissioner representatives connected to Capital Adequacy, Invested Assets, Life Actuarial, Financial Analysis, and other relevant E Committee functions;
- An A Committee commissioner liaison when accounting, valuation, or related cross-letter coordination is material;
- Two or three at-large commissioners to provide broader membership perspective; and
- The President and President-Elect as members, ex officio members, or leadership liaisons.

Relevant technical chairs, NAIC staff, and invited subject-matter experts would participate as advisors. Formal membership and voting authority would remain commissioner-led.

This model would provide broader commissioner participation, continuity beyond changes in E Committee leadership, visible membership support for difficult technical work, and a natural forum for issues that span E Committee groups or letter committees. It would also place the governance function at a level capable of coordinating joint referrals without treating every matter as solely an E Committee issue.

Potential concerns include duplication, an additional procedural layer, and delay. Those risks should be addressed through the objective elevation standard, fixed checkpoints, a limited meeting schedule, written referrals through existing parent committees, and the express preservation of E Committee and A Committee authority. The Committee should meet at defined priority-setting and policy checkpoints rather than maintain a continuous supervisory presence over technical work.

Option 2: E Committee Solvency Steering Subcommittee or Formal Process

Under Option 2, the steering function would remain within E Committee through a formally charged Solvency Steering Subcommittee or a comparable written governance process.

Membership could generally mirror Option 1 but would be drawn primarily from E Committee leadership, relevant task force chairs, senior subject-matter expert regulators, and selected commissioners. Officers and at-large commissioners could participate periodically or receive scheduled reports.

This model would provide direct accountability to E Committee, close coordination with the groups performing the technical work, faster implementation, and less risk of duplicative meetings or referrals. It could function as a cabinet to E Committee while preserving technical development at the task force and working-group levels.

Potential concerns include insularity, dependence on current leadership relationships, less visible support from the broader membership, and a less direct mechanism for cross-letter coordination. Those risks could be addressed through at-large commissioner participation, an A Committee liaison, standardized referrals, periodic reporting to officers or the Executive Committee, and a formal review after an initial implementation period.

Issues for Exposure

The Columbus exposure should seek focused comment on:

- Organizational placement and reporting;
- Membership and officer participation;
- Materiality thresholds;
- Commissioner checkpoints and pre-exposure review;
- Transparency and regulator-only discussion;
- Safeguards against duplication and delay; and
- Whether the selected structure should be reviewed after an initial implementation period.

The comments should help refine the final structure and charge, while recognizing that the ultimate decision is an internal NAIC governance matter.

V. 2026 Meeting Plan and Decision Timeline

Columbus: Direction and Exposure

At the Columbus meeting, the Task Force should:

1. Acknowledge completion of the revised RBC Preamble and substantial completion of the educational materials.
2. Receive Amnon Levy's presentation and provide direction on a focused two-year RBC priority agenda.
3. Explain that feedback to date generally favors a Financial Policy Steering Committee while presenting both governance structures for consideration.
4. Review the common charge and the principal differences between the two options.
5. Authorize exposure of:
    - The proposed gap agenda;

    - The two governance options;
    - The common draft charge; and
    - Focused questions regarding placement, membership, scope, and operation.
6. Establish Dallas as the final recommendation and handoff meeting.

Between Columbus and Dallas: Comment and Refinement

During the interim period, Task Force leadership and NAIC staff should:

- Conduct a defined written comment period.
- Seek focused input from Task Force members, commissioners, E Committee leadership, technical chairs, NAIC staff, industry, consumer representatives, and interested parties.
- Refine the priority agenda, assignments, milestones, and commissioner checkpoints.
- Compare the governance options based on authority, accountability, commissioner engagement, efficiency, duplication risk, transparency, and staffing.
- Revise the common charge and prepare a concise recommendation identifying the preferred structure, membership, reporting relationship, thresholds, and implementation steps.
- Finalize the RBC educational and public messaging materials for distribution.

The interim work should refine the proposed choices rather than expand the Task Force's scope.

Dallas: Final Recommendation and Handoff

At Dallas, the Task Force should:

1. Approve the final two-year RBC priority agenda and refer it to E Committee.
2. Approve and distribute the RBC educational and public messaging materials.
3. Select and recommend:
    - A Financial Policy Steering Committee;
    - An E Committee Solvency Steering Subcommittee or formal process; or

    - A clearly defined hybrid or phased approach.

4. Approve the final charge, membership structure, reporting relationship, materiality thresholds, commissioner checkpoints, and implementation steps.
5. Refer the governance recommendation to the appropriate NAIC bodies for adoption.
6. Complete the handoff to E Committee and the Executive Committee.
7. Determine whether the Task Force should conclude its work at the end of 2026.

The Dallas outcome should be an actionable governance recommendation, not simply a preference between two concepts.

VI. Final Deliverables

The Task Force's remaining deliverables should be limited to four items:

1. **RBC Education and Public Messaging Materials**

Final materials explaining the purpose, benefits, and strengths of RBC and its role in the U.S. state-based solvency framework.

2. **Two-Year RBC Priority Agenda**

A focused list of approximately five to seven gaps or modernization projects, including rationale, assignment, timing, milestones, and commissioner checkpoints.

3. **Governance Recommendation and Charge**

A final recommendation identifying where commissioner-level steering should reside, together with a concise charge defining its role, authority, limitations, membership, reporting, and operating process.

4. **Final Handoff and Task Force Status Recommendation**

A clear handoff to E Committee and the Executive Committee, including confirmation that private credit and offshore reinsurance work will remain with the appropriate E Committee groups and a recommendation regarding whether the Task Force should sunset.

VII. Summary

The Task Force has completed the foundational work of revising the RBC Preamble, adopting the RBC Model Governance Principles, and substantially completing the RBC educational materials.

The remaining work should be disciplined and limited: finalize the educational campaign, approve a focused two-year RBC priority agenda, and recommend a durable commissioner-level governance structure.

Columbus should be used to present and expose the priority agenda and the two governance options. The period between Columbus and Dallas should be used to gather focused feedback and refine the recommendations. Dallas should be the decision point for final approval, handoff, and determination of the Task Force’s future.

This approach preserves commissioner-level policy direction while allowing E Committee and its technical groups to perform the technical work. It also keeps important issues, including nonreciprocal-jurisdiction reinsurance risk, moving through the appropriate existing process without creating duplicative Task Force work.