EXECUTIVE (EX) COMMITTEE AND PLENARY

Executive (EX) Committee and Plenary, Aug. 14, 2026, Minutes

- Adopted Amendments to the *2027 Valuation Manual* (Attachment One)
- Adopted the *Title Insurance Shopping Tool Template* (Attachment Two)
- Adopted the *Pharmacy Benefit Manager Licensure and Regulation Guidance for Regulators* (Attachment Three)
- Adopted the Risk-Based Capital Preamble, RBC proposal 2026-12-IRE-MOD, and RBC proposal 2025-16-L-MOD (Attachment Four)
- Report on States' Implementation of NAIC-Adopted Model Laws and Regulations (Attachment Five)

Draft Pending Adoption

Draft: 8/26/26

Executive (EX) Committee and Plenary
Columbus, Ohio
August 14, 2026

The Executive (EX) Committee and Plenary met in Columbus, OH, Aug. 14, 2026. The following Committee and Plenary members participated: Scott A. White, Chair (VA); Elizabeth Kelleher Dwyer, Vice Chair (RI); Jon Pike, Vice President (UT); Michael Wise, Secretary-Treasurer (SC); Jon Godfread, Most Recent Past President (ND); Heather Carpenter (AK); Mark Fowler (AL); Jimmy Harris represented by Hank House (AR); Charles Bassett (AZ); Ricardo Lara represented by Laura Clements (CA); Joshua Hershman (CT); Karima M. Woods represented by Sharon Shipp (DC); Trinidad Navarro represented by Christina Miller (DE); Michael Yaworsky (FL); John F. King (GA); Michelle B. Santos represented by Marie P. Lizama (GU); Scott Saiki represented by Matt Tsujimura (HI); Doug Ommen (IA); Dean L. Cameron (ID); Ann Gillespie (IL); Holly W. Lambert (IN); Vicki Schmidt represented by Clay Johnson (KS); Sharon P. Clark (KY); Timothy J. Temple represented by Chris Cerniauskas (LA); Michael T. Caljouw represented by Colby Dillon (MA); Marie Grant (MD); Timothy N. Schott (ME); Anita G. Fox (MI); Julia Dreier (MN); Angela L. Nelson (MO); James E. Brown represented by Erin Snyder (MT); Mike Causey represented by Jackie Obusek (NC); Eric Dunning (NE); D.J. Bettencourt represented by Keith Nyhan (NH); Susan Ochs represented by David Wolf (NJ); Alice T. Kane represented by Viara Inankieva (NM); Ned Gaines (NV); Kaitlin Asrow represented by Daniel Nussbaum (NY); Judith L. French (OH); Glen Mulready represented by Brian Downs (OK); TK Keen (OR); Michael Humphreys (PA); Suzette M. Del Valle represented by Brenda Perez (PR); Larry D. Deiter represented by Tony Dorschner (SD); Carter Lawrence represented by Scott McAnally (TN); Amanda Crawford (TX); Kaj Samsom (VT); Patty Kuderer (WA); Nathan Houdek (WI); Erin K. Hunter (WV); and Jeff Rude (WY).

1. Received the Report of the Executive (EX) Committee

Commissioner White reported that the Executive (EX) Committee met Aug. 13 and adopted the Aug. 11 report of the Executive (EX) Committee.

The Committee adopted the reports of its task forces: 1) Government Relations (EX) Leadership Council; 2) Natural Catastrophe Risk and Resilience (EX) Task Force; and 3) Risk-Based Capital Model Governance (EX) Task Force.

The Committee approved a Request for NAIC Model Law Development to amend the *Annuity Disclosure Model Regulation* (#245). The Committee also: 1) received the 2025 annual report of NAIC Designation Program Advisory Board activities; 2) received an update on the NAIC data security incident; 3) received a status report on model law development efforts for amendments to the *Privacy of Consumer Financial and Health Information Regulation* (#672) and the draft residential mitigation grant program model act; and 4) received reports from the National Insurance Producer Registry (NIPR) and the Interstate Insurance Product Regulation Commission (Compact).

2. Adopted by Consent the Committee, Subcommittee, and Task Force Minutes of the Spring National Meeting

Commissioner Godfread made a motion, seconded by Commissioner Pike, to adopt by consent the committee, subcommittee, and task force minutes of the Spring National Meeting. The motion passed unanimously.

3. Received the Report of the Life Insurance and Annuities (A) Committee

Director Fox reported that the Life Insurance and Annuities (A) Committee met Aug. 12. During this meeting, the Committee took the following action: 1) adopted its Spring National Meeting minutes; and 2) adopted the report of the Life Actuarial (A) Task Force.

The Committee adopted its July 13 and June 15 minutes. During these meetings, the Task Force took the following action: 1) adopted the 2027 *Valuation Manual* amendments; 2) approved the Request for NAIC Model Law Development to revise Model #245; 3) heard a presentation from the Life Insurance Consumer Advocacy Center (LICAC) and KB Regulatory Solutions on the degradation of the Social Security Administration's Death Master File (DMF); and 4) heard a presentation from LICAC on indexed universal life (IUL) and premium financing arrangements.

The Committee adopted its subgroup, working group, and task force reports and interim meeting minutes.

The Committee received an update from the Annuity Suitability (A) Working Group, which: 1) held four regulator-only webinars on annuities in conjunction with the NAIC Education and Training Department; 2) continued progress on a white paper to communicate annuity suitability compliance, commonly observed practices, and potential best practices, and the Working Group plans to meet in September; and 3) continued to explore options for a searchable platform for state insurance administrative law decisions.

The Committee also received an update from the Annuity Buyer's Guide (A) Working Group, which exposed a new draft buyer's guide for a 45-day comment period ending Sept. 24.

The Committee received an update from the Life Insurance and Annuities Illustrations (A) Working Group, which met five times since the Spring National Meeting. The Working Group is considering revisions to Model #245 to address high illustrated rates of return and back-casted history, as well as illustration length, disclosures, and accountability.

The Committee also heard three presentations on registered index-linked annuities (RILAs) from: 1) Carlton Fields on state and federal regulation of RILAs; 2) the Compact on its perspective of RILAs; and 3) NAIC committee support on an overview of the U.S. Securities and Exchange Commission's (SEC's) most recent proposed rule and its impact on RILAs.

4. Adopted Amendments to the 2027 *Valuation Manual*

Director Fox reported that the amendments to the 2027 *Valuation Manual* (VM) were adopted by the Life Insurance and Annuities (A) Committee during its July 13 meeting.

The *Valuation Manual* contains uniform reserving requirements that are adopted by all NAIC member jurisdictions. The requirements in the *Valuation Manual* are revised by the Life Actuarial (A) Task Force when it is determined that a material requirement may be missing or an existing requirement may be unduly constraining. The Task Force also updates the *Valuation Manual* for clarity and consistency.

The *Valuation Manual* is reviewed continuously to ensure it provides clear requirements and a moderately adverse reserving standard. There are 14 amendments to the *Valuation Manual*, most of which are minor clarifications, corrections, or updates for consistency.

Director Fox highlighted the key changes made to the *2027 Valuation Manual* include: 1) amendment proposal form (APF) 2025-15 updates the principle-based reserving (PBR) credit rating mapping to use the more granular NAIC designation category; 2) APF 2025-16 makes the reinvestment credit quality guardrail both less constraining and consistent across different PBR frameworks in VM-20, VM-21, and VM-22; 3) APF 2025-17 allows companies to reflect the benefit of aggregation in the VM-20 stochastic reserve calculation; and 4) APF 2024-12 sets up a statistical plan for group annuity mortality, to allow for mortality data collection and industry table construction.

Director Dwyer made a motion, seconded by Commissioner Ommen, to adopt the amendments to the 2027 *Valuation Manual* (Attachment One). The motion was adopted by 51 jurisdictions, representing 97.67% of the applicable premiums written. Commissioner White confirmed that the votes satisfied the requirements to amend the *Valuation Manual*.

5. Received the Report of the Health Insurance and Managed Care (B) Committee

Commissioner King reported that the Health Insurance and Managed Care (B) Committee met Aug. 14 and adopted its Spring National Meeting minutes. It also adopted its working group and task force reports.

The Committee adopted the *Guidance Document—ERISA Preemption and State PBM Laws*. The purpose of the document is to provide information for state insurance department regulators and other state government officials on Employee Retirement Income Security Act of 1974 (ERISA) preemption of state pharmacy benefit manager (PBM) laws. The paper considers the different types of state PBM laws and how appellate courts have applied the reasoning of the Supreme Court case *Rutledge v. PCMA* to those laws. The document includes an addendum that summarizes ongoing cases involving ERISA preemption of state PBM laws. The ERISA and Alternative Health Coverage (B) Working Group adopted the document July 22. The Regulatory Framework (B) Task Force adopted its Aug. 13.

The Committee heard remarks from Mark Cuban (Mark Cuban Cost Plus Drug Company) on prescription drug affordability and access. He discussed his company's mission and strategies to make prescription drugs more affordable and accessible for consumers. He also provided several suggestions on reducing the cost of health care for consumers.

The Committee received an update from the Center for Consumer Information and Insurance Oversight (CCIIO) on recent activities of interest to the Committee. Peter Nelson, CCIIO director, discussed the CCIIO's vision and key regulatory activities of the individual market that will deliver high-quality health care at lower costs for consumers. He also discussed some of the CCIIO's main priorities, including targeting fraud, waste, and abuse and improving price transparency. Nelson said these priorities are key to lowering health care costs.

6. Received the Report of the Property and Casualty Insurance (C) Committee

Commissioner Grant reported that the Property and Casualty Insurance (C) Committee met Aug. 14. During this meeting, it adopted its Spring National Meeting minutes and the reports of its Task Forces and Working Groups.

The Committee also adopted the *Affordability and Availability of Homeowners Insurance Playbook*. This tool is a regulator-facing resource that provides states with policy options and implementation considerations to help address homeowners' insurance affordability and availability challenges. It is intended to be updated over time as markets evolve, states add information, and new tools or approaches develop.

The Committee also: 1) heard a presentation from the American Property Casualty Insurance Association (APCIA) on auto insurance trends, noting that rate adequacy and loss experience have improved recently; 2) heard a presentation from the Southern University Law Center (SULC) on the use of criminal history as a rating factor; and 3) heard a presentation from ZestyAI on how verified mitigation data can expand eligibility and improve affordability in homeowners' insurance.

7. Adopted the *Title Insurance Shopping Tool Template*

Director Dunning reported that the NAIC *Title Insurance Shopping Tool* educates consumers about title insurance, assists with shopping, explains the closing process, and can be customized by each state. The tool, last revised in

2021, required updates to incorporate new products, market developments, and changes in how consumers access and use information.

The Title Insurance (C) Working Group's revisions to the *Title Insurance Shopping Tool* included: 1) clarifying attorney opinion letters so consumers understand their purpose and differences from traditional title insurance; 2) updating the fraud section for emerging artificial intelligence (AI) schemes, title protection options, and mortgage monitoring services; 3) expanding the affiliated business arrangements section to include kickback settlements and consumer rights under Real Estate Settlement Procedures Act (RESPA); 4) noting different state coverage requirements in the closing protection section; and 5) replacing details on home-buying and homeowners' insurance with a link to the NAIC's *Homeowners' Insurance Buyer Guide*.

Director Dunning noted that the drafting group also made improvements to readability, and the Committee adopted the tool on March 25 at the Spring National Meeting.

Director Dunning made a motion, seconded by Commissioner Yaworsky, to adopt the *Title Insurance Shopping Tool Template* (Attachment Two). The motion passed unanimously.

8. Received the Report of the Market Regulation and Consumer Affairs (D) Committee

Director Nelson reported that the Market Regulation and Consumer Affairs (D) Committee met Aug. 14 and adopted its July 27 minutes.

The Committee also received an update on market conduct regulation modernization in response to changing markets, business models, and consumer expectations. The Committee is on schedule to consider adopting recommendations to improve and modernize the market conduct regulatory framework at the Fall National Meeting.

The Committee also received an update on the development of a cybersecurity incident response framework, which is being developed to create a coordinated, multi-jurisdictional response to cybersecurity events involving regulated entities. The framework consists of six sections: 1) purpose, scope, and use of the framework; 2) evaluation and response process; 3) coordinating lead state selection; 4) coordinating lead state responsibilities; 5) a flowchart illustrating the proposed framework process; and 6) the framework's relationship to other NAIC documents and projects, such as the Cybersecurity (H) Working Group's adopted Cybersecurity Event Response Plan (CERP) and the NAIC cybersecurity event notification portal.

The Committee heard a presentation from the APCIA on consumers' use of AI for complaints.

The Committee adopted a new charge for the Producer Licensing (D) Task Force to develop a Uniform Appointment Termination for Cause Form and form of an ad hoc subgroup to develop an initial draft.

The Committee adopted its task force and working group reports: Antifraud (D) Task Force; Producer Licensing (D) Task Force; Advisory Organization (D) Working Group; Market Actions (D) Working Group; Market Analysis Procedures (D) Working Group; Market Conduct Annual Statement Blanks (D) Working Group; Market Conduct Examination Guidelines (D) Working Group; Market Conduct Regulation Modernization (D) Working Group; Market Information Systems (D) Working Group; Market Regulation Certification (D) Working Group; Pharmacy Benefit Management (D) Working Group; and Speed to Market (D) Working Group.

The Committee received an update from the Big Data and Artificial Intelligence (H) Working Group on the AI Risk Evaluation Supplement, which is designed as an interim solution to help state insurance regulators evaluate the use of AI while they study longer-term updates to the market and financial-related processes.

9. Adopted the *Pharmacy Benefit Manager Licensure and Regulation Guidance for Regulators*

Director Nelson reported that the Pharmacy Benefit Management (D) Working Group received a charge from the Market Regulation and Consumer Affairs (D) Committee in 2025 to develop licensing and registration standards for PBMs in alignment with state and federal requirements. The Working Group began its review of an initial draft prior to the 2025 Summer National Meeting. The Working Group then adopted draft guidance at the 2025 Fall National Meeting and presented it to the Committee for its consideration. After receiving additional comments and input from industry and consumer representatives, the Committee unanimously adopted the guidance during the 2026 Spring National Meeting.

Director Nelson noted that the guidance is designed to assist state insurance regulators that are considering licensure or regulation of PBMs. It is not a model law and, as such, is not intended to represent a uniform standard for all state insurance regulators.

Director Nelson made a motion, seconded by Commissioner Pike, to adopt the *Pharmacy Benefit Manager Licensure and Regulation Guidance for Regulators* (Attachment Three). The motion passed unanimously.

10. Received the Report of the Financial Condition (E) Committee

Commissioner Houdek reported that the Financial Condition (E) Committee met Aug. 14 and adopted its July 8 and Spring National Meeting minutes.

The Committee the adopted the reports of the following task forces and working groups: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Financial Stability (E) Task Force; Examination Oversight (E) Task Force; Invested Assets (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Group Solvency Issues (E) Working Group; NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group; National Treatment and Coordination (E) Working Group; and Reciprocal Exchanges (E) Working Group.

The Committee also: 1) received an update from the Mutual Recognition of Jurisdictions (E) Working Group; 2) adopted a referral to the Life Risk-Based Capital (E) Working Group regarding reinsurance; 3) received an update on the future work plan of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group; 4) received an update on the work of the Invested Assets (E) Task Force; and 5) received an update on the AI systems evaluation pilot.

The Committee: 1) exposed a memorandum regarding increased disclosure of reinsurance under the *Disclosure of Material Transactions Model Act* (#285) for a 45-day public comment period ending Sept. 28; and 2) exposed a referral from the Natural Catastrophe Risk and Resilience (EX) Task Force for a 45-day public comment period ending Sept. 28.

Items adopted within the Financial Condition (E) Committee's task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards—i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial—will be considered for adoption by the Executive (EX) Committee and Plenary through the Financial Condition (E) Committee's technical changes report process. Pursuant to this process, which was adopted by the NAIC in 2009, a listing of the various technical changes will be sent to NAIC Members shortly after completion of the national meeting, and the Members will have 10 days to comment with respect to those items. If no objections are received with respect to a particular item, the technical changes will be considered adopted by the NAIC membership and effective immediately.

11. Adopted the Risk-Based Capital Preamble, RBC Proposal 2026-12-IRE-MOD, and RBC Proposal 2025-16-L-MOD

Commissioner Houdek reported that on July 8, the Financial Condition (E) Committee adopted three important items that arose from the Capital Adequacy (E) Task Force.

First, a modified Risk-Based Capital Preamble, which includes changes that are intended to clarify the role of risk-based capital (RBC) and ensure consistency with the RBC principles adopted at the 2025 Fall National Meeting by the Risk-Based Capital Model Governance (EX) Task Force.

Second, RBC proposal 2026-12-IRE-MOD, which adopts new RBC factors for year-end 2026 for collateralized loan obligations (CLOs). This project has been in progress since 2022 and has been supported by the American Academy of Actuaries (Academy).

Finally, the Committee adopted RBC proposal 2025-16-L-MOD. This proposal modifies the RBC charge for growing asset class of collateral loans by creating a look-through approach that considers the quality of the underlying collateral rather than the loan itself. This proposal does not become effective until year-end 2027.

Commissioner Houdek made a motion, seconded by Director Fox, to adopt the Risk-Based Capital Preamble, RBC proposal 2026-12-IRE-MOD, and RBC proposal 2025-16-L-MOD (Attachment Four). The motion passed unanimously.

12. Received the Report of the Financial Regulation Standards and Accreditation (F) Committee

Commissioner Clark reported that the Financial Regulation Standards and Accreditation (F) Committee met Aug. 11 in regulator-to-regulator session, pursuant to paragraph 7 (consideration of individual state insurance departments' compliance with NAIC financial regulation standards) of the NAIC Policy Statement on Open Meetings. During this meeting, the Committee discussed: 1) state-specific accreditation issues; and 2) voted to award continued accreditation to the insurance departments of Arkansas, the District of Columbia, Indiana, and Michigan.

The Committee also met Aug. 12 in open session. During this meeting, the Committee took the following action: 1) adopted its Spring National Meeting minutes; 2) adopted the report of the Accreditation Scope and Alignment (F) Working Group; and 3) voted to disband the Accreditation Scope and Alignment (F) Working Group.

13. Received the Report of the International Insurance Relations (G) Committee

Director Dunning reported that the International Insurance Relations (G) Committee met Aug. 13. During this meeting, the Committee took the following action: 1) adopted its July 23 minutes and Spring National Meeting minutes; 2) adopted the report of the Aggregation Method Implementation (G) Working Group, which met Aug. 12; 3) approved the Aggregation Method Implementation (G) Working Group's recommendations to the Committee to promote comparable implementation of the insurance capital standard (ICS) via the Aggregation Method (AM) within the U.S.; 4) discussed activities related to cross-border reinsurance, with background provided by representatives of the Guernsey Financial Services Commission (GFSC); 5) heard an update from a representative of FSD Africa on efforts to achieve sustainable and inclusive economic growth through insurance across Africa; and 6) heard an update on International Association of Insurance Supervisors (IAIS) activities.

The Committee heard an update on supervisory cooperation activities, including: 1) the upcoming Financial Sector Assessment Program (FSAP) review by the International Monetary Fund (IMF); 2) recent bilateral efforts with

various jurisdictions, including virtual training sessions; and 3) recent events and speaker engagements with the international insurance sector.

14. Received the Report of the Innovation, Cybersecurity, and Technology (H) Committee

Commissioner Yaworsky reported that the Innovation, Cybersecurity, and Technology (H) Committee met Aug. 14. During this meeting, the Committee took the following action: 1) adopted its Spring National Meeting minutes; 2) heard a presentation from Microsoft on AI trends; and 3) received an update on the Cybersecurity Event Notification Portal.

The Committee adopted the reports of its Working Groups and Subgroups, including: 1) the Privacy Protections (H) Working Group's ongoing work to update the privacy model law; 2) the Big Data and Artificial Intelligence (H) Working Group's ongoing efforts to pilot the AI Risk Evaluation Supplement; and 3) the Third-Party Data and Models (H) Working Group's discussions on the recently exposed Third-Party Data and Model Regulatory Framework.

15. Received a Report on States' Implementation of NAIC-Adopted Model Laws and Regulations

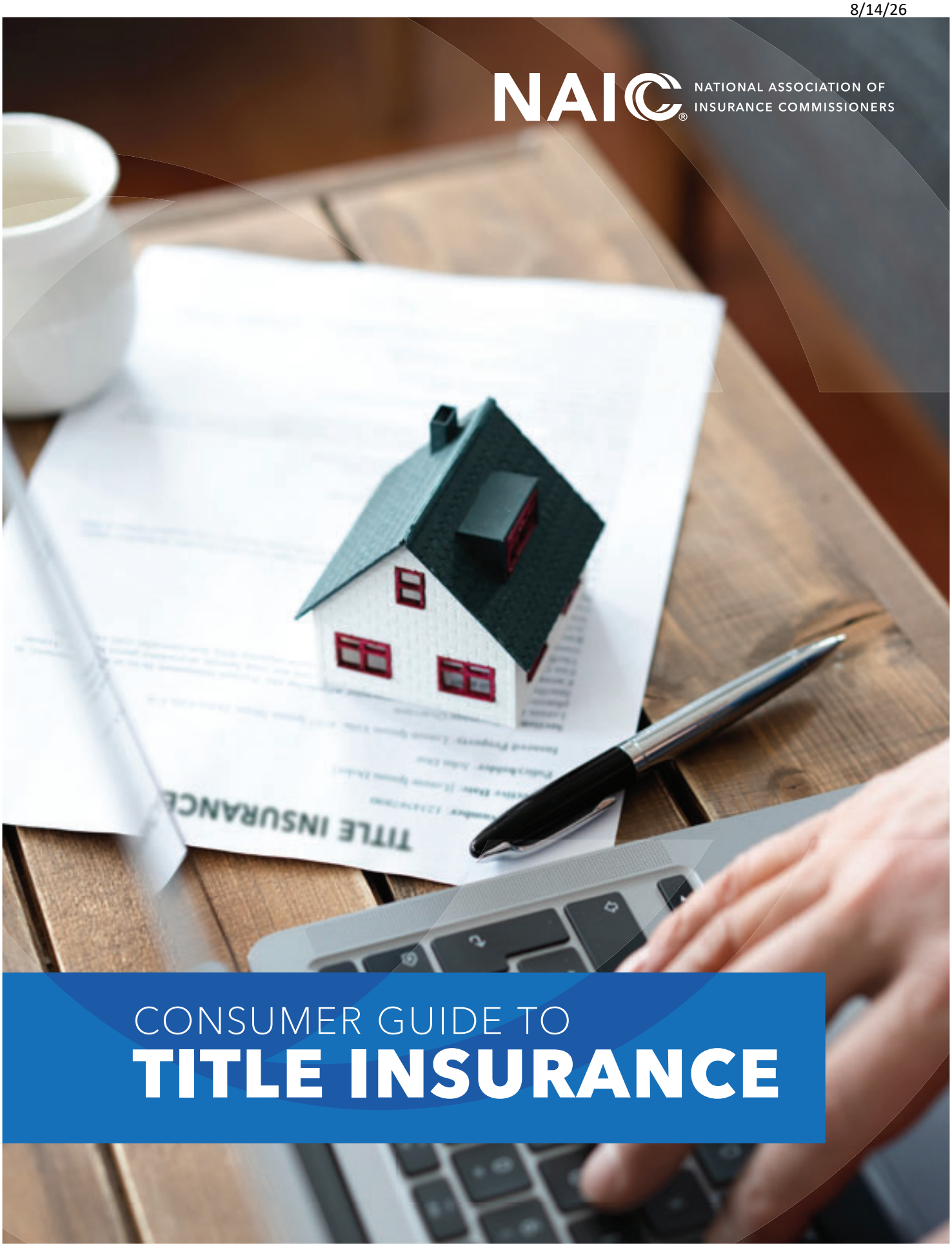
Commissioner White referred attendees to the written report for updates on states' implementation of NAIC-adopted model laws and regulations (Attachment Five).

Having no further business, the Executive (EX) Committee and Plenary adjourned.

Adopted by the Life Insurance and Annuities (A) Committee July 13, 2026
Adopted by the Executive (EX) Committee and Plenary, Aug. 14, 2026

Amendments for the 2027 Valuation Manual

LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date	Page Number
2025-05	Guidance notes under VM-20 Section 9.G.8 and VM-21 Section 4.A.5	This amendment provides clearer definitions and examples of what constitutes as "contractually guaranteed" revenue sharing income.	10/2/25	3
2025-13	VM-20 Section 3.C.1.h.i	This amendment clarifies the timing and documentation requirements for companies seeking approval to use a non-U.S. valuation mortality table in compliance with the *Valuation Manual*.	11/6/2025	6
2025-15	VM-20 Sections 9.F.3, 9.F.4, and Appendix 2	This amendment updates guidance for credit rating mapping to use the more granular NAIC Designation Category and corrects how NAIC tables are accessed.	1/29/2026	8
2025-12	VM-22 Section 3.C and VM-31 Section 3.F.14	This amendment strengthens disclosure expectations and clarifies the role of the VM-22 Standard Projection Amount (SPA). It also reinforces credibility standards for company assumptions and confirms that the SPA is not a safe harbor.	2/26/2026	12
2025-16	VM-20 Section 7.E.1.g, VM-21 Section 4.D.4.b, and VM-22 Section 4.D.3.b	This amendment implements a consistent credit quality blend for the reinvestment guardrail across VM-20, VM-21, and VM-22.	3/21/2026	15
2025-17	VM-20 Section 5.G	This amendment allows reflection of an aggregation benefit in the VM-20 stochastic reserve.	3/22/2026	17
2024-12	VM-50 Sections 2.B and 4.B VM-51 Sections 2, New Section 3, Appendices 1-4, and New Appendix 5	This amendment establishes a Statistical Plan for Group Annuity Mortality and designates the NAIC as the Experience Reporting Agent.	4/9/2026	18
2026-02	VM-21 Sections 4.A.7 and 4.D.1 and VM-22 Sections 4.A.7 and 4.D.1.iii	This amendment updates VM-21 and VM-22 references to reflect IMR being attributed to a group of policies or contracts, not a group of assets.	4/30/2026	49
2026-03	VM-22 Section 6.C.5	This amendment clarifies calculation mechanics in the VM-22 SPA dynamic lapse formula, specifically in the Market Factor and Rate Factor formulas.	4/30/2026	52
2025-14	Section II, VM-21 Section 6.C.9, and VM-V Section 1.B	This amendment clarifies the reserving treatment for variable annuities in payout, specifically permitting classification as either variable annuities (consistent with their pre-annuitization treatment, subject to domiciliary commissioner approval) or as fixed annuities.	6/11/2026	54
2026-04	VM-M Section 1.H.1	This amendment clarifies that the 2017 CSO refers to the Loaded version of the tables unless Unloaded tables are specifically referenced.	6/11/2026	59
2026-05	Various Sections of VM-20, VM-21, VM-22, VM-31, VM-50, and VM-51	This amendment corrects editorial inconsistencies across multiple sections of the Valuation Manual, including reference errors and formatting discrepancies, to ensure clarity, consistency, and technical accuracy.	6/11/2026	61
2025-18	VM-22 Sections 1.A and 2.A	This amendment clarifies the scope of VM-22 with respect to deposit-type contracts.	6/11/2026	67
2025-20	VM-22 Section 3.F and VM-31 Section 3.F.14.	This amendment removes aggregation criteria for payout and deferred annuities in VM-22 and adds a disclosure in VM-31 for the aggregation benefit.	6/11/2026	68



CONSUMER GUIDE TO
TITLE INSURANCE

CONSUMER GUIDE TO **TITLE INSURANCE**

THIS GUIDE PROVIDES:

- The basics of title insurance.
- The importance of title insurance.
- Shopping tips for title insurance and closing services.
- Questions to ask before you buy title insurance.

Drafting Note: This template is designed for state insurance departments interested in creating a consumer education publication about title insurance. It serves as a comprehensive guide that can be customized to suit the specific needs of each state.

CONSUMER GUIDE TO **TITLE INSURANCE**

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DISCLAIMER:
The information included in this publication is meant to serve as a guide and is not a substitute for legal or professional advice. Please contact a professional if you have any questions.

CONSUMER GUIDE TO **TITLE INSURANCE**

INTRODUCTION

Buying or refinancing a property is a significant financial decision that involves many steps. One critical but sometimes overlooked step is choosing title insurance. Title insurance protects property owners and/or lenders from financial losses caused by past issues, such as unpaid liens, forged documents, or claims from missing heirs that weren't discovered during a title search. This protection typically lasts for the entire time you own the property.

When you buy title insurance, be sure it is from a title insurance agent or company licensed to do business in { State }.[1]

[1] *[**Drafting note:** If your state has an agent locating/verification tool, this is a great place to reference the website specific to the agent verification tool and/or contact number for the state's licensing office.]*

This shopping tool focuses on title insurance—what it is, when it's required, why it's important, and information to help you choose the right policy.

KEY STEPS IN THE HOMEBUYING PROCESS


Prepare finances and credit


Secure financing pre-approval....if needed


Find a real estate professional


Identify the right property


Make an offer


Sign the purchase agreement and get an inspection


Determine your insurance coverage needs


Close and enjoy your new home

CONSUMER GUIDE TO **TITLE INSURANCE**

WHAT IS TITLE INSURANCE AND WHAT DOES IT COVER?

A deed is a legal document that conveys the legal ownership of a property.
A deed is a legal document that conveys the legal ownership of a property.

Title insurance is an insurance policy that covers past title problems that come up *after* you buy or refinance a property.

Lost, forged, or incorrectly filed deeds, property access issues, and liens on a property are just a few of the title problems that could come up after you buy or refinance a property.

For example, if you get a letter telling you there is an unpaid mortgage on a home you just bought, you could submit a claim to your title insurance company. The title insurance company would cover the legal costs and other expenses to investigate, defend against the claim to the title, and settle the dispute and/or resolve the issue.

Without title insurance, you might have to pay all of the legal costs to settle the dispute. And if you lose the dispute, you could lose money, the equity you have in your home, and possibly your home.

WHAT ARE THE TWO MAIN TYPES OF TITLE INSURANCE?

There are two types of title insurance policies:

1. An Owner's Title Insurance Policy

An *owner's policy* protects you for the full price you paid for the property, plus legal costs if a past covered title problem comes up after you buy your property. The coverage in an owner's policy is often for the amount you paid to buy your property. The policy will cover you as long as you have a legal right to own the property. The buyer most often pays the premiums for an owner's policy.

If you aren't required to buy an owner's policy, you may want to anyway, so you don't risk losing the money you've paid for your property if there's a problem with the title.[2]

[2] *[**Drafting note:** If your state requires an owner's policy, use this sentence: "In {State}, you must buy an owner's policy." If your state does NOT require an owner's policy, use this sentence: "While some states require you to buy an owner's policy, {State} does not."*

An *enhanced owner's policy*, which has more coverage than a standard owner's policy, may also be available in your area. Enhanced owner's policies cost about 20% more than a standard owner's policy, but they cover extra risks. An enhanced owner's policy may also continue to cover you after you no longer own a property.

2. A Lender's Title Insurance Policy

If you borrow money to buy your property, your lender is likely to require you to buy a *lender's policy*. A lender's policy only protects *the lender* if a title problem comes up after you buy the property. The coverage in a lender's policy is for the amount of the mortgage and goes down as you pay down your loan. Unlike an owner's policy, the lender's policy ends when you pay off your mortgage. You may have to pay the premium for a lender's policy.

Because a lender's policy only protects the lender from title problems, you'll also need an owner's policy if you want to protect yourself and the equity you have in your property.

CONSUMER GUIDE TO **TITLE INSURANCE**

WHAT DOESN'T TITLE INSURANCE COVER?

Title insurance policies *do not* cover ownership issues that come about *after* you've bought a property. For example, if your neighbor builds a fence on your property line or a contractor files a lien after you've bought your property, your title insurance policy will **not** cover the costs to settle the dispute.

Also, your title insurance policy might not cover certain existing issues with the property. For instance, the property may have an ongoing boundary dispute or an undisclosed easement (for example, someone else has the legal right to use part of your property, like a driveway or utility line, for a specific purpose). Your title insurance typically will **not** cover the costs of resolving these types of issues.

A title insurance policy primarily covers past title defects, such as forged documents and improperly filed titles, but does not address issues that come up after the closing.

Ask for a list of what will and won't be covered and ask questions to be sure you understand the differences.

WHAT SHOULD I KNOW ABOUT CHOOSING A TITLE COMPANY AND BUYING TITLE INSURANCE: RIGHTS, COSTS, AND REFERRALS?

YOU HAVE THE RIGHT TO SHOP FOR AND CHOOSE WHO PROVIDES YOUR TITLE INSURANCE AND CONDUCTS THE CLOSING!

When you buy a property, two important steps are choosing the right title company and understanding your title insurance. Both are important to protect your investment and make sure your closing goes smoothly. Before, or more likely, at the time you make an offer to buy a property, you'll be asked to name a licensed title company, agent/producer, or attorney to handle your real estate closing. The closing is also known as a settlement.

The licensed professional you choose will be responsible for several crucial steps in the process to buy a property, including buying title insurance. At all times during the process, you have the right to choose the title company for your transaction. At no point should you be pressured, coerced, or required to sign an agreement with a company you didn't choose.

AFFILIATED BUSINESS ARRANGEMENTS IN THE LAW

The Federal Real Estate Settlement Procedures Act (RESPA) defines and regulates affiliated business arrangements (ABAs). This law requires a written disclosure that names a specific title company and explains that the agent has a financial interest and will make money if you use this title company. RESPA prohibits kickbacks and referral fees for parties involved in real estate settlements.

For more information, access the full text here.

CONSUMER GUIDE TO **TITLE INSURANCE**

WHO SELLS TITLE INSURANCE AND WHO PAYS FOR IT?

You can start to research title insurance when you begin your search for a property to buy. Only licensed companies, agencies, or agents are allowed to sell title insurance policies. You can ask friends, family, or your real estate agent for advice to help you with your choice. Online reviews may also be helpful.

Who pays for title insurance depends on local rules and traditions, but buyers and sellers can also negotiate this. Often, the seller pays for the owner's policy, and the buyer pays for the lender's policy. Ask your real estate agent who usually pays for title insurance in your area.

You pay for title insurance once—at closing.

If you're refinancing, you, as the property owner, must buy and pay for the new lender's title insurance policy. Generally, you won't need a new owner's policy when you refinance if you bought one when you bought the property.

BE AWARE

Your agent or broker may have an affiliated business arrangement (ABA) with the title insurance agent or company they recommended. There may be a financial arrangement in place that gives the agent an incentive to make this recommendation.

If there's an affiliated arrangement, the agent must tell the buyer in a written notice before the closing. Often, the title company is pre-selected, and the name is pre-filled on the offer paperwork. The disclosure is a separate document.

The established relationship in an ABA could mean a smoother transaction and more coordinated services. But it also could mean higher costs, a conflict of interest, and poorer service if the focus is on financial gain. You are never required to use a company that has an affiliated business relationship.

HOW DO I CHOOSE A TITLE INSURANCE COMPANY?

Regardless of who refers you to a title insurance company, it's essential to compare the estimated costs and fees and to ask questions. While the cost of a title policy is fixed based on the purchase price of the property, fees and some costs can vary widely between title companies.

The cost comparison chart on page 17 lists several costs and fees. Ask for an estimate of these fees and costs based on the expected purchase price of the property. You may be able to negotiate some of them. If you don't understand what a fee or cost is, ask questions. Do not accept statements like:

"Everyone charges the same price."

"We'll give you a discount on something else if you use our title agent."

"If you choose another title agent, your purchase may be delayed."

A title company should be willing and able to answer all your questions before you make a decision. Even if the process feels rushed, federal law gives you the right to receive and review a closing disclosure at least three business days before closing.

Shopping around and asking questions allows you to make an informed decision, find a company you feel confident in, and potentially save you money.

CONSUMER GUIDE TO **TITLE INSURANCE**

WHAT ARE ALTERNATIVES TO TITLE INSURANCE?

WHAT IS AN ATTORNEY OPINION LETTER?

If you are offered an attorney opinion letter (AOL) instead of title insurance, here's what you should know. An AOL is essentially a letter from a lawyer that states who owns the property and shares their opinion about any issues they find in the public records after reviewing the title.

The letter is the lawyer's opinion on the condition and ownership of a property's title. The letter may include information on the legal status, validity, and risks of a real estate transaction. It may address issues such as title disputes, enforceability of loan terms, or compliance with local laws. This opinion is based on facts and information available as of the day the AOL is written.

The letters do not typically cover fraud, forgery, or liens that aren't in public records. If there is a problem with the title, the attorney who drafted the letter does not pay your legal costs and expenses to fix the problem. You will pay the costs to research and resolve the issue. The attorney who drafts the letter determines the price of the AOL.

State insurance departments do not regulate the contents, form, or pricing of AOLs. Title insurance is primarily regulated at the state level, and state insurance agencies may license title insurance companies and review and approve forms and rates

Whether you can use an AOL depends on the type of transaction, the location of the property, and the type of property. Currently, AOLs are mainly used by lenders and usually only protect the lender.

WHAT EMERGING PRODUCTS SHOULD I KNOW ABOUT IN THE AOL MARKET?

Insurance companies have begun to offer an insurance policy that protects an attorney if they made an error or mistake when providing their opinion in the AOL.

The liability insurance is purchased at the same time as the AOL and serves as a safety net for attorney mistakes. Usually, it protects only the lender and the attorney who issued the AOL, not you as the property owner.

Some newer liability coverage offerings may extend protection for you and your lender. If you are offered an AOL with an insurance policy that states it covers you as the property owner, be sure to review the terms carefully and ask questions to understand what's included.[3]

[3] *[**Drafting note:** If your state has issued guidance regarding AOLs or other products being offered as an alternative to title insurance, reference the bulletin or guidance issued by your state here.]*

If you're considering an AOL, check the "What Does a Title Insurance Policy Cost?" section for costs and discounts, and use the cost chart to compare options.

CONSUMER GUIDE TO **TITLE INSURANCE**

HOW DOES TITLE INSURANCE FIT INTO THE CLOSING PROCESS?

WHAT HAPPENS AT CLOSING?

The closing is the final step to buy or refinance a property. The closing can be in person, remote, or by mail. An in-person closing usually takes an hour or two. Several individuals may attend, including the buyer, seller, real estate agents, attorneys, title agents, and lenders. If you can't be there in person or remotely, you can appoint someone to sign documents on your behalf.

A closing agent is responsible for managing the closing and coordinating the steps to finalize the transaction. Closing agents can be title agents or attorneys. After the seller accepts your offer or the lender approves your refinancing, you'll work together to choose a closing date. On that day, you and the seller must settle any outstanding debts and sign the necessary legal paperwork to finalize the transaction.

You pay the title insurance premium only once—at closing.

Remember that your policy protects you and your heirs with a legal right to the property from title issues for as long as you own it.

WHAT DOCUMENTS WILL I SEE AT CLOSING?

The closing disclosure is an important document. The disclosure details all payments required to complete the transaction, including title insurance premiums and closing protection letter premiums/ fees.

Federal law lets you review your closing disclosure at least three business days before closing. Reviewing the disclosure as soon as possible gives you more time to ask questions and avoid delays in your closing date.

You'll sign many documents at closing. Be sure you understand what you're signing.

After closing, you'll receive copies of all signed documents. The figure below illustrates what you can expect during the closing process.

CONSUMER GUIDE TO **TITLE INSURANCE**

WHAT STEPS TO EXPECT IN A REAL ESTATE TRANSACTION

SIGN CONTRACT AND PROVIDE EARNEST MONEY	You will sign the purchase contract and provide an earnest money deposit to show you are serious about buying the property.
TITLE SEARCH COMPLETED	The title agent or title company will review the property's history to check for issues like liens, disputes, or outstanding mortgages. You'll be notified if anything needs to be resolved before closing.
RECEIVE TITLE INSURANCE COMMITMENT	You'll get a report from your title agent or title company outlining the title insurance premium, requirements, and any exceptions (such as easements).
REVIEW CLOSING DISCLOSURE	If you are borrowing money to buy real estate, you will receive your Closing Disclosure at least three days before closing, outlining how the funds will be disbursed and the mortgage terms. Review this carefully and ask questions if anything is unclear.
ATTEND CLOSING	On closing day, you'll sign all required documents, pay any remaining costs, and the funds will be distributed (such as paying off liens, disbursing proceeds, paying premiums, etc.).
DOCUMENTS RECORDED	After closing, the closing agent or title company files paperwork with the county where the property is located to update public records with your ownership and lender information. This isn't always done correctly, and mistakes can happen, so you should always follow up with the county to confirm.
RECEIVE YOUR TITLE POLICY AND DEED	You'll receive your owner's title policy and the recorded deed as proof of ownership. The lender will receive a lender's title policy. (You should keep your title policy as proof of title insurance.)

WHAT IS A CLOSING PROTECTION LETTER?

Title insurance doesn't protect the lender or buyer against mistakes made during the closing, or if money is stolen or paid to the wrong parties. For an added fee, title insurance companies offer closing protection letters. In some cases, the lender may require a closing protection letter.

If you buy a closing protection letter, the title insurance company will reimburse you for any money you lose from negligence, fraud, theft of funds, or errors the closing agent made.

Without this protection, you'd have to sue the agent to get back any money lost.

If you buy closing protection coverage, be sure to ask for a copy of the closing protection letter for your records.[4]

[4] ***Drafting note:*** *States that do not require closing protection, have modified coverage requirements, or have determined a closing protection letter to be insurance should delete or edit this section accordingly.*

CONSUMER GUIDE TO **TITLE INSURANCE**

WHAT'S THE DIFFERENCE BETWEEN TITLE INSURANCE AND HOMEOWNERS INSURANCE?

Title insurance is different from homeowners insurance (sometimes called hazard insurance).

Title insurance protects you against past title problems. Homeowners insurance protects you against future issues that cause damage to your home or personal property. Homeowners insurance also limits your personal legal responsibility (or liability) if someone is injured while they are on your property.

Licensed title insurance agents and companies sell title insurance. Insurance agents licensed to sell property/casualty insurance sell homeowners insurance.

You pay for title insurance just once when you buy or refinance your property. For homeowners insurance, you make your first payment at closing and then keep paying regularly (such as every month or year) to keep your coverage active. Homeowners insurance needs to be renewed each year, and a premium is paid at each renewal.

Homeowners insurance does not protect your ownership of the property and does not replace the need for title insurance. The table below summarizes the differences between title insurance and homeowners insurance. Remember to always review your insurance policy for terms and conditions regarding your coverage.

FEATURES	TITLE INSURANCE*	HOMEOWNERS INSURANCE*
PROTECTION	Covers defects in the property's legal history or title.	Covers physical damage to the home and personal property from future events, as well as liability risks.
TIMELINE	Covers specified past and existing issues with a property.	Covers future damage and liability.
COMMON ISSUES COVERED	Prior liens, errors in public records or past deeds, heirs and claims, and forged documents.	Damage from fires and storms, theft and vandalism, personal liability, and additional living expenses.
PAYMENT	One-time premium paid at closing.	Recurring monthly or annual premium payments.
POLICY DURATION	Lasts as long as you or your heirs own the property.	Lasts for the policy term and must be renewed.
*Always review your policy for terms and conditions		

For more information about homeowners insurance, refer to the NAIC's A Consumer's Guide to Home Insurance and the NAIC's A Shopping Tool for Homeowners Insurance.

CONSUMER GUIDE TO **TITLE INSURANCE**

HOW CAN I PROTECT MYSELF FROM REAL ESTATE FRAUD?

Scammers often target real estate transactions. They use fake documents, hacked emails, and even artificial intelligence (AI) technology to steal money or property. While title insurance protects against past ownership issues, it may not cover scams that happen during the closing process.

The good news is that there are simple steps you can take to recognize fraud and keep your transactions secure.

WHAT ARE THE MOST COMMON TYPES OF SCAMS?

Seller Impersonation Fraud: Scammers use fake IDs or paperwork to pretend to own a vacant or rental property. They quickly list the property for sale and try to close the deal fast to steal the money.

Wire Transfer Fraud: Hackers break into email accounts and send fake wiring instructions that look like they came from your title company, agent, or attorney. If you send money to these accounts, it may be lost forever.

Mortgage Payoff Fraud: Criminals claim to be your lender or closing agent and trick you into wiring your mortgage payoff to the wrong place.

AI-Powered Voice Scams: Scammers use AI to mimic the voices of people you trust, convincing you to change payment or closing details.

Deed Theft: Criminals illegally transfer property ownership to themselves by forging documents, such as deeds. They then use this fake ownership to sell the property, secure loans against it, or rent it out to unaware tenants.

WHAT ARE THE SIGNS OF A SCAM?

- Requests to change payment or wire instructions via email or text.
- Unwillingness to speak by phone or meet in person.
- Pressure to close quickly or remotely.
- Properties priced well below market value or in poor condition.
- Closings scheduled for weekends or holidays.

CONSUMER GUIDE TO **TITLE INSURANCE**

HOW CAN I STAY SAFE?

- **Get a verified contact list:** Collect phone numbers and email addresses for all closing professionals from trusted sources.
- **Use secure platforms:** Choose title insurance companies that offer fraud prevention tools.
- **Review documents carefully:** Read your title commitment and closing disclosure in advance. Watch for unusual terms or instructions.
- **Double-check wire transfers:** Before and after sending money, speak directly with your title insurance or closing agent to confirm that it was received.
- **Verify all changes:** If you're asked to update any part of the closing process, call your contacts using known numbers to confirm.
- **Stay vigilant after closing:** Monitor your property for ongoing changes to your deed and title. You can use public land records or pay for a title monitoring service. *[Insert jurisdiction-specific information.]*

WHAT SHOULD I DO IF I SUSPECT FRAUD?

- Contact your bank immediately to attempt a wire recall.
- Notify your title insurance company and all parties involved in the transaction.
- Alert your credit bureau.
- Call your local Federal Bureau of Investigation (FBI) office and report the crime.
- File a report with the FBI's Internet Crime Complaint Center: www.ic3.gov.

CONSUMER GUIDE TO **TITLE INSURANCE**

HOW DO I FILE A TITLE INSURANCE CLAIM?

If there is an issue about your property's title, contact your title insurance company as soon as possible. If you don't know the name of your title insurance company, check the paperwork you signed when you bought or refinanced your property.

You can contact your title insurance agent or closing company for help. They will look into the issue and help determine if a valid claim exists. If there is one, they will explain the process to resolve the issue.

The
Is Here to Help.

For more information about buying insurance, please visit

or call

As a consumer protection agency, the

can also help if you think an insurance agent or company has misled you or acted improperly.

To file a complaint, please visit our website at

or send a written complaint and any supporting documents to:

CONSUMER GUIDE TO **TITLE INSURANCE**

OTHER RESOURCES

To verify that professionals who will help you with your real estate transaction are licensed, please contact:

Real Estate Agent

Bank/Mortgage Lender

Real Estate Appraiser

Insurance Agent

Insurance Company

Title Agent

Title Insurance Company

Attorney

To find other useful information about the home buying process, please contact:

U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410
202-708-1112
www.hud.gov

Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244
855-411-2372
855-237-2392 (Fax)
http://www.consumerfinance.gov

National Flood Insurance Program
500 C Street SW
Washington, DC 20472
800-621-FEMA
www.floodsmart.gov

FBI Internet Crime Complaint Center
www.ic3.gov

FTC Identity Theft Help
www.identitytheft.gov

CONSUMER GUIDE TO **TITLE INSURANCE**

TITLE INSURANCE SHOPPING TOOLKIT

These pages are designed to be a practical toolkit. You're encouraged to download or print and use these materials during your decision-making process. Have the downloaded toolkit or a printed copy with you during meetings with title insurance agents, real estate agents, or when you review documents. Each section offers key questions to protect your interests.

WHEN YOU SHOP FOR TITLE INSURANCE, BE SURE TO ASK THE TITLE INSURANCE AGENT OR COMPANY THE FOLLOWING QUESTIONS:

- How long have you been licensed to sell title insurance in
- What title insurance companies' policies do you sell?
- Are title insurance premiums regulated in
- Are any discounts available?
- Are you related or affiliated in any way with my real estate agent, mortgage lender, builder, or attorney?
- Will anyone be paid a referral fee or commission, or be compensated if I buy title insurance from you or a company you represent?
- In addition to title insurance premiums, what other fees and charges will I pay?
- What policy endorsements are available?
- Do you charge a cancellation fee if I don't buy title insurance from you after you do a title search?
- Will I need to pay for a survey (a professional drawing of the property's boundaries and property location) before you can sell me title insurance?

IF YOU'RE CONSIDERING AN ATTORNEY OPINION LETTER (AOL), BE SURE TO ASK THE FOLLOWING QUESTIONS:

- How is an AOL different from title insurance?
- How does the cost of an AOL compare to the cost of title insurance?
- Will my lender accept an AOL instead of title insurance?
- Is there any extra insurance with the AOL? If yes, who is it from, and what does it cover?
- If there's a problem, do I have to go to court to get help?
- What problems won't the AOL cover?

CONSUMER GUIDE TO **TITLE INSURANCE**

When choosing a closing agent, be sure to ask the following questions:

- Can you give me a list of all the fees and charges I would pay if you were my closing agent?
- What fees and charges are negotiable?
- Are your closing staff licensed title insurance agents?
- How and when do you conduct closings?
- Who will handle my closing?
- When will you give me a copy of the closing document?
- Do you have references or testimonials from former clients?
- Do you offer closing protection coverage?
- How much does closing protection cost?

Shop around for title insurance and closing services

You should shop for title insurance and closing services, as premiums and fees can vary. Use the chart below to see how much you'll be charged for specific premiums, fees, and services.

TITLE INSURANCE SHOPPING TOOL

COST COMPARISON CHART

	Company Name	Company Name	Company Name
Title Insurance			
Premium Price (Lender's Title Policy)	$	$	$
Premium Price (Owner's Title Policy)	$	$	$
Endorsement Price	$	$	$
Title Search Fee	$	$	$
Closing Protection Letter	$	$	$
Deed Preparation Fee	$	$	$
Other	$	$	$
Other	$	$	$
Total:	**$**	**$**	**$**

	Company Name	Company Name	Company Name
Closing Costs			
Government Recording Charge	$	$	$
Tax & Other Certifications	$	$	$
Overnight Mail	$	$	$
Wire Fee	$	$	$
Transfer Tax	$	$	$
Notary Fee	$	$	$
Settlement Fee	$	$	$
Document Preparation Fee	$	$	$
Email/Electronic Doc Fee	$	$	$
Other	$	$	$
Other	$	$	$
Total:	**$**	**$**	**$**

CONSUMER GUIDE TO **TITLE INSURANCE**

GLOSSARY OF TERMS AND DEFINITIONS

Affiliated Business Arrangement: An arrangement in which a person who can refer business, such as a real estate agent, has an ownership interest in a settlement service provider (e.g., title insurance, mortgage company) and refers business to them.

Attorney Opinion Letter: A legal opinion from an attorney on a property's title status.

Closing: The process of completing a real estate transaction during which deeds, mortgages, leases, and other required instruments are signed and/or delivered, parties settle and balance their accounts, and money is paid. Closing can also be referred to as a settlement.

Closing protection letters: A document issued by a title insurance company. The letter protects a lender if a title insurance company's agent or attorney fails to follow closing instructions or steals funds.

Commitment: The preliminary report or binder that the title insurance company creates before it issues a title insurance policy. The commitment includes the policy's terms, conditions, and exceptions.

Deed: A legal document that conveys legal ownership.

Defect: A problem or missing information related to the title that affects your ownership rights to the property.

Earnest money deposit: A good-faith payment from the potential buyer to show serious intent to buy the property.

Exception: Specific items or issues listed in a title insurance policy that the insurance doesn't cover.

Insurance: A contract where you pay for financial protection against specific risks.

Lien: A legal claim on a property for money owed to a creditor or lienholder. Property with a lien usually cannot be sold.

Lender's policy: Protects the lender against problems with the title for as long as they have an interest in the property (typically until the mortgage is paid off).

Owner's policy: Protects the owner against problems with the title for as long as they have an interest in the property. Covers the full purchase price of the property and legal costs if a past title issue comes up.

Policy: A written legal agreement (i.e., contract) between an insurance company and the owner of the policy (i.e., policyholder) that provides financial coverage for specific losses in return for fees (i.e., premium payments).

Premium rates: Price for a unit of insurance.

Real Estate Settlement Procedures Act (RESPA): A federal law that offers guidance for certain real estate settlement procedures. For more information about RESPA, visit: https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/real-estate-settlement-procedures-act/

Recording: Officially entering a real estate or property transaction document into the public record.

Simultaneous issue: When an owner's and lender's title insurance policies are issued at the same time. The premium could be lower if policies are issued at the same time.

Title: A legal right to own, possess, use, control, enjoy, and dispose of real estate or a right or interest therein.

CONSUMER GUIDE TO **TITLE INSURANCE**

GLOSSARY OF TERMS AND DEFINITIONS CONTINUED

Title agent: A person licensed to issue title insurance. This person reviews property histories, determines if the property can be insured, and issues title insurance reports or policies. They also handle money, such as premiums or escrow funds, manage escrow accounts and closings, negotiate title insurance deals, and take care of closing paperwork.[5]

[5] ***Drafting Note:*** *If a jurisdiction uses different terminology, such as "producer" instead of "agent," this definition can be modified accordingly.*

Title insurance: A contract that provides financial protection for past title problems that come up after you buy or refinance a property.

Title insurance report: A preliminary report, statement, or agreement issued before a title insurance policy that outlines the terms, conditions, exceptions, and other relevant details the title insurer is willing to accept for issuing the policy.

Title insurer: An insurance company that underwrites and provides title insurance policies to protect against financial loss due to issues with a property's title.

Title Report: The results of the title examination. These results include what, if anything, needs to be fixed to make sure the property can be sold without problems. Note that a title report does not say whether a property can be sold or insured.

Title search and examination: The process of reviewing recorded documents about a property to see if the seller has the legal right to sell it and whether there are any problems, like debts or legal claims, that could affect the sale.

PROJECT HISTORY

TITLE INSURANCE CONSUMER SHOPPING TOOL TEMPLATE

1. Purpose, Description of the Project, Date Adopted

- The *Title Insurance Consumer Shopping Tool Template* educates consumers about title insurance, assists with shopping, explains closing, and can be customized by each state. The tool, last revised in 2021, required a complete overhaul to incorporate new products, market developments, and changes in how consumers access and use information.

- The *Title Insurance Consumer Shopping Tool Template* was adopted by the Title Insurance (C) Working Group at the 2025 Fall National Meeting and by the Property and Casualty Insurance (C) Committee at the 2026 Spring National Meeting.

2. Relationship to Federal Legislation, If Any

N/A

3. Name of Group Responsible for Drafting the Model and States Participating

Title Insurance (C) Working Group

4. Project Authorized by What Charge and Date First Given to the Group

Title Insurance (C) Working Group ongoing charge:

- D. Update the survey of state laws regarding title data and title matters report and the *Title Insurance Consumer Shopping Tool Template* as needed.

5. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc.). Include any parties outside the members that participated (attach a list).

Drafted by a drafting group consisting of the following Working Group members: Chuck Myers (LA), Connie Van Slyke (NE), Jim Easton (IN), Angela Crooker (VA), and Pratima Lele and Angela King (DC). Input was sought from NAIC Consumer Advocate Brenda J. Cude on readability. Modest revisions were incorporated based on industry feedback following the exposure period.

6. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers, and legislators was solicited).

- The drafting group began revising the shopping tool in May, initially focusing on content updates. This included:
  - Clarifying attorney opinion letters so consumers understand their purpose and differences from traditional title insurance.
  - Updating the fraud section for emerging artificial intelligence (AI) schemes, title protection options, and mortgage monitoring services.

- Expanding the affiliated business arrangements section to include kickback settlements and consumer rights under the Real Estate Settlement Procedures Act (RESPA).
- Noting different state coverage requirements in the closing protection section.
- Replacing details on home buying and homeowners insurance with a link to the NAIC Homeowners Insurance Buyer Guide.

- The drafting group then made extensive revisions to improve readability, scanability, and usefulness. This included:
  - Using plain language, consolidating and reorganizing sections, restructuring into two columns, and creating a toolkit with a fillable cost-comparison chart and resources page.
  - Adding graphic elements, pull-outs, a glossary, and a chart showing the steps in the closing process.
  - It should be noted that the chart was updated after adoption by the NAIC's Internal Editing department to present the steps from a consumer perspective rather than the closing agent's perspective.

- The NAIC Title Insurance Working Group exposed the *Title Insurance Consumer Shopping Tool Template* on Nov. 12, 2025, and adopted it at the 2025 Fall National Meeting.

- The Property and Casualty Insurance (C) Committee adopted it at the 2026 Spring National Meeting.

7. A Discussion of the Significant Issues (items of some controversy raised during the due process and the group's response)

N/A

8. List the key provisions of the model (sections considered most essential to state adoption)

N/A

9. Any Other Important Information (e.g., amending an accreditation standard)

N/A

Draft: 3/17/2026

Adopted by the Executive Committee and Plenary, Aug. 14, 2026
Adopted by the Market Regulation and Consumer Affairs (D) Committee March 25, 2026

PHARMACY BENEFIT MANAGER LICENSURE AND REGULATION GUIDANCE FOR REGULATORS

Maintained by the Pharmacy Benefit Management (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee

The NAIC has prepared this publication to assist state insurance regulators that are considering licensure or regulation of pharmacy benefit managers (PBMs). It is not a model law and, as such, is not intended to represent a uniform standard for all state insurance regulators.

A regulator using these guidelines should refer to the laws adopted by their state when determining its requirements for licensure, registration, or regulation of pharmacy benefit managers.

Table of Contents

SECTION 1: INTRODUCTION

The purpose of this document is to serve as a guide for state insurance regulators that are considering pharmacy benefit manager licensure or regulation. It includes sample standards and criteria for the licensure of pharmacy benefit managers and their operations as defined in state law.

State insurance regulators may wish to license PBMs to:

(1) Promote, preserve, and protect the public health, safety and welfare; and

(2) Promote the solvency of the commercial health insurance industry, the regulation of which is reserved to the states by the McCarran-Ferguson Act (15 U.S.C. §§ 1011 – 1015), as well as to ensure access and affordability in prescription drug benefits.

PBM licensing best practices include:

(1) Providing for powers and duties of the commissioner; and

(2) Prescribing enforcement standards and appeals processes for violations of state law.

The document includes the following sections:

1. Core licensing guidelines for PBMs – This section provides core licensing standards for licensing PBMs.
2. Illustrative operational requirements under license – This section goes beyond core licensing standards and addresses additional PBM operational requirements under the license for consideration. Some states have enacted or proposed laws establishing these operational standards. The examples provided here reflect standards that certain legislatures have adopted or considered as part of broader regulation tied to a PBM's license to operate in the state.
3. Additional policy resources - This section details additional NAIC resources for states that wish to consider further regulation of a PBM's operations or the pharmacy benefit, and a brief illustrative list of additional PBM regulations some states have proposed or enacted into law.

SECTION 2: CORE LICENSING GUIDELINES FOR PBMS

The following section reflects core licensing standards for states that wish to begin licensing pharmacy benefit managers (PBMs).

Definitions

States should ensure that key terms are clearly defined in state law when establishing licensing standards for PBMs. Definitions of terms such as covered person, health plan, health carrier, pharmacist, and pharmacy used in the licensure of PBMs should be consistent with their existing state laws or regulations to maintain uniformity and avoid introducing new interpretations of currently defined terms.

For new licensure standards, the only essential term to define is "pharmacy benefit manager," as all other terms necessary for licensing should already be addressed in a state's insurance or pharmacy statutes and regulations.

Note: States that license health maintenance organizations pursuant to statutes other than the insurance statutes and regulations, such as the public health laws, will want to reference the applicable statutes instead of, or in addition to, the insurance laws and regulations.

A. (1) "Pharmacy benefit manager" means a person or entity that administers or processes prescription drug benefits on behalf of a health plan that is issued, delivered, or renewed in this state, is subject to state insurance regulation, and provides coverage to residents of this state, unless defined differently in state law.

(2) Pharmacy benefit manager does not include:

(a) A health care facility, pharmacist, or pharmacy licensed in this state;

(b) A health care professional licensed in this state;

(c) A consultant who only provides advice as to the selection or performance of a pharmacy benefit manager; or

(d) A health carrier to the extent that it administers or processes prescription drug benefits exclusively for its enrollees.

Applicability & Scope

When establishing new standards, a state's statutes should clarify the applicability to PBMs currently operating in the state and to in-scope PBM-health plan contracts, as defined in state law, that are currently in-force.

For example, a state may determine that new rules apply to a PBM's in-scope operations for a contract with a health plan that is issued, renewed, recredentialed, amended or extended on or after the effective date of any regulatory changes as prescribed by the commissioner and provide that the commissioner will establish a timeline for compliance.

States should also clarify the applicability of licensing standards upon the date of license. For example, a state may consider, as a condition of licensure, any in-scope contract must comply with the state's licensing standards that relate to that contract upon issuance, renewal, recredentialing, or amendment, on or after the effective date of the PBM's license.

States should take care to provide that their licensing standards are not intended and should not be construed to conflict with existing relevant federal law.

Note: States should refer to state and federal law and consult the NAIC'S ERISA Handbook for additional, general guidelines.

Licensing Requirements

States should provide for the licensing process, including addressing the following items:

- License required – States should provide that a person may not establish or operate as a pharmacy benefit manager in this state for health plans subject to state insurance regulation without first obtaining a license from the commissioner.

- Commissioner authority to establish key requirements – States should permit the commissioner to adopt regulations establishing the licensing application and financial reporting requirements for pharmacy benefit managers.

- Key application materials – States should require a person applying for a pharmacy benefit manager license to submit an application for licensure in the form and manner prescribed by the commissioner. The state should specify key documents and forms to include in the application, such as:

  (1) Articles of Incorporation or other entity formation documents which contain stamps or certification of filing with the Secretary of State of the domicile state;

  (2) Organizational Chart detailing entity structure of officers;

(3) Provide names, business and mailing address, email addresses and phone number for individuals responsible for regulatory compliance and complaints;

(4) Certificate of Good Standing or other documentation verifying registration in the applying state;

(5) Completed Biographical Affidavit UCAA Form 11 or state form as prescribed by the commissioner for all officers and managing owners with more than 10% ownership in the entity;

(6) Surety Bond in the amount prescribed by the commissioner and all applicable state laws and regulations;

(7) Errors & Omissions Coverage in the amount prescribed by the commissioner and all applicable state laws and regulations;

(8) Audited Financials or other approved financial statement form approved by the commissioner showing financial viability;

(9) List of all affiliations of a health insurer, health care center, hospital service corporation, medical service corporation, sub-contractors with noted duties pursuant to agreements between parties, or fraternal benefit society licensed in the state of application attested to by an officer of the applying pharmacy benefit manager entity; and

(10) Any other state specific documents deemed necessary by the commissioner.

- Non-refundable application fee – States should specify that a person submitting an application for a pharmacy benefit manager license shall include with the application a non-refundable application fee as prescribed by the commissioner and applicable state laws and regulations.

  Note: States should consider setting the licensing fee to reflect the median PBM licensing fee across states when adjusted to exclude outliers. States may wish to consider the most updated information reflecting the median fee, including an NAIC compilation of state licensing fees, if available.

- Authority to deny a license – States should authorize the commissioner to refuse to issue or renew a license if the commissioner determines that the applicant or any individual responsible for the conduct of affairs of the applicant is not competent, trustworthy, financially responsible or of good personal and business reputation or has been found to have violated the insurance laws of this state or any other jurisdiction, or has had an insurance or other certificate of authority or license denied or revoked for cause by any jurisdiction. States should specify written advance notice requirements should the commissioner elect to refuse to issue or renew a license.

- Renewal requirements – States should provide for renewal requirements, including:

  (1) Validity – States should specify that, unless surrendered, suspended or revoked by the commissioner, a license issued under this section shall remain valid as long as the pharmacy benefit manager continues to do business in the state and remains in compliance with the provisions of the state's statutes and any applicable rules and regulations, including the payment of an annual/biennial/triennial license renewal fee as prescribed by applicable state laws and regulations and completion of a renewal application on a form prescribed by the commissioner.

(2) Timing for renewal – States should specify when such renewal fee and application must be received. For example, a state may specify that they must be received by the commissioner on or before the designated renewal date or the anniversary of the effective date of the pharmacy benefit manager's initial or most recent license as prescribed by the commissioner and applicable state laws and regulations.

(3) Key application materials – The state should specify what materials should be included in the renewal application. For example, states may wish to specify that the renewal application must include:

(a) Audited financials or other financial statement form approved by the commissioner showing financial solvency as determined by the commissioner; and

(b) Proof of continuation of previously submitted bonds or newly executed surety and error and omissions bonds.

- Requirements After Inactivation of License – States should clarify the requirements that apply to a PBM after its license becomes inactive, including whether the PBM must maintain surety and E&O bonds for a defined period of time and what, if any, reporting requirements may continue to apply for a limited time. For example, states may use language such as the following:

(1) The pharmacy benefit manager shall maintain surety and errors and omissions bonds for a period of at least one year immediately following the surrender, non-renewal or revocation of the license.

(2) All data calls and reporting may be required for the months the pharmacy benefit manager was actively licensed and conducting business in the state.

Proof of Network Adequacy Requirements and Reporting.

Note: States should consider their existing network adequacy laws when establishing PBM network adequacy or other standards.

While many states impose network adequacy standards on health insurance issuers contracting with PBMs to ensure prescription drug access, states may also wish to establish standards for a PBM's own pharmacy networks that are in-scope to promote reasonable patient access. If a state elects to apply network adequacy requirements directly to PBMs, it may consider language such as the following:

(a) A pharmacy benefit manager's network shall be reasonably adequate, shall provide for convenient patient access to pharmacies within a reasonable distance from a patient's residence and shall not be comprised only of mail order pharmacy benefits but have a mix of mail order and physical stores in this state.

(b) A pharmacy benefit manager shall provide a network report describing the pharmacy benefit manager's network and the mix of mail-order to physical stores in this state in a time and manner required as prescribed by the commissioner. A pharmacy benefit manager's network shall include a detailed description of any separate, sub-networks for specialty drugs.

(c) Failure to provide a timely report or meet the network adequacy standards provided in subparagraph (a) of this paragraph may result in the suspension, revocation, or denial of a pharmacy benefit manager's license by the commissioner.

Note: States may also consider adding a waiver provision for applicants and licensees unable to meet the network adequacy requirements under this subsection.

Enforcement

States should provide for enforcement of licensing requirements, including addressing the following items:

- Commissioner enforcement authority – States should specify that the commissioner must enforce compliance with all applicable laws and regulations of the state, unless this is already addressed generally in state insurance law.

- Regulatory Examinations – If state statutes do not already provide general authority, states should provide for the commissioner's authority to examine a licensed PBM's relevant books and records to determine compliance with state law and clearly specify when such information or data is not subject to public disclosure. For example, states may use language such as the following:

  (1) The commissioner may examine or audit the relevant books and records of a licensed pharmacy benefit manager for a health plan subject to state insurance regulation to determine compliance with all state laws and regulations.

  (2) All pharmacy benefit managers licensed in this state shall provide to the commissioner or their designee convenient and free access, at all reasonable office hours, to all books and records directly relating to compliance with the PBM laws and regulations of the state.

  (3) The cost of the examination shall be the responsibility of the pharmacy benefit manager. It can be considered that if the examination was the result of a complaint filed and it is determined that the complaint was not justified, the commissioner can consider not requiring payment from the pharmacy benefit manager.

  (4) The information or data acquired during an examination under paragraph (1) is:

    (a) Considered proprietary and confidential;

    (b) Not subject to the [Freedom of Information Act] of this state;

    (c) Not subject to subpoena; and

    (d) Not subject to discovery or admissible in evidence in any private civil action.

- Use of examination materials – States should specify that the commissioner may use any document or information provided during the regulatory examination to determine compliance with all applicable state laws and regulations.

- Enforcement of additional operational standards – If a state imposes additional operational standards on PBMs, the state may grant the commissioner authority to impose a penalty on a pharmacy benefit manager or the health plan with which it is contracted, or both, for any violation of those operational standards enumerated in state laws and regulations.

- Appeals – Unless addressed in a general statute, states should provide for an appeals process for any administrative action or fine imposed upon a pharmacy benefit manager in accordance with state laws and regulations.

Effective and Compliance Dates

When establishing new licensing standards, a state's statutes should clarify the transition period for a person doing business in the state as a pharmacy benefit manager on or before the effective date of any changes in state laws or regulations. Depending on the complexity of the standards, PBMs should be given at least six (6) months to one (1) year to come into compliance following the effective date of the change.

Note: States' laws or regulations may vary on when a change in state law or regulation is effective and when compliance is required. As such, states should review their laws and regulations and ensure the effective and compliance dates are drafted accordingly, ensuring there is clarification on the application to existing PBM-health plan contracts that are in-force on the effective date, compliance date, or date of licensure, whichever is applicable.

SECTION 3: ILLUSTRATIVE OPERATIONAL REQUIREMENTS UNDER LICENSE

The following section moves beyond core licensure standards. These include additional PBM operational standards that some states have enacted or proposed that are tied to a PBM's license to operate in the state.

Gag Clauses and Other Pharmacy Benefit Manager Prohibited Practices

Some states have adopted or considered restrictions to prohibit specified practices to address concerns about transparency and patient access to information. These standards go beyond core licensure requirements but may be enforced as part of the PBM's authority to operate in the state. The following language illustrates approaches states may consider when addressing related prohibited practices tied to a PBM's license.

- Gag clause prohibition – While gag clauses are generally not permitted, states may wish to specify that in any participation contracts between a pharmacy benefit manager and pharmacists or pharmacies providing prescription services for health plans subject to state insurance regulation, no pharmacy or pharmacist may be prohibited, restricted or penalized in any way from disclosing to any covered person any healthcare information that the pharmacy or pharmacist deems appropriate regarding:

  (1) The nature of treatment, risks or alternative thereto;

  (2) The availability of alternate therapies, consultations, or tests;

  (3) The decision of utilization reviewers or similar persons to authorize or deny services;

  (4) The process that is used to authorize or deny healthcare services or benefits; or

  (5) Information on financial incentives and structures used by the health plan.

- Total cost transparency – States may consider providing that a pharmacy benefit manager may not prohibit a participating pharmacy or pharmacist providing prescription services for health plans subject to state insurance regulation from discussing information regarding the total cost for pharmacist services for a prescription drug or from selling a more affordable alternative to the covered person if a more affordable alternative is available.

- Permissible disclosure to regulators – States may consider providing that a pharmacy benefit manager contract with a participating pharmacist or pharmacy providing prescription services for health plans subject to state insurance regulation may not prohibit, restrict, or limit disclosure of information to the commissioner, law enforcement or state and federal governmental officials, provided that:

  (1) The recipient of the information represents it has the authority, to the extent provided by state or federal law, to maintain proprietary information as confidential; and

  (2) Prior to disclosure of information designated as confidential the pharmacist or pharmacy:

    (a) Marks as confidential any document in which the information appears; or

    (b) Requests confidential treatment for any oral communication of the information.

- Limits on contract termination – States may wish to prohibit a pharmacy benefit manager from terminating the contract of or penalizing a participating pharmacist or pharmacy providing prescription services for health plans subject to state insurance regulation for:

  (1) Disclosing information about pharmacy benefit manager practices, except for information determined to be a trade secret, as determined by law or the commissioner; or

  (2) Sharing any portion of the pharmacy benefit manager contract with the commissioner pursuant to a complaint or a query regarding whether the contract is in compliance with state law or regulation.

Submission of Key Service Contracts and Arm's Length Agreements

Some states have adopted or considered requiring applicants for PBM licenses to submit representative copies of key service contracts or arm's length agreements to confirm compliance with prohibited practices or other non-core licensing requirements, such as network adequacy and reporting. These standards go beyond core licensure requirements but may provide the regulator with additional information to confirm the PBM's compliance with state law prior to license issuance. The following language illustrates approaches states may consider when requiring additional materials prior to license issuance.

- Representative service contracts – States may wish to specify that a person submitting an application for a pharmacy benefit manager license must file representative copies of its standard pharmacy network/provider participation agreement, standard health carrier/client services agreement, and any material subcontracting or delegation agreements as part of the license application.

- Arm's length agreements – States may wish to specify that if any facilities, personnel, services, or networks are provided or held by an entity other than the person submitting the application, including a parent company, subsidiary, or affiliate, the person submitting the application must maintain and submit an arm's length agreement establishing the person's legal right of access to and use of those resources in accordance with good corporate governance.

Digital Infrastructure and Information Security

Some states have adopted or considered requiring applicants for PBM licenses to provide information relating to their digital infrastructure and information security. These standards go beyond core licensure requirements but may provide the regulator with additional information to confirm the PBM's compliance with state law prior to license issuance. The following language illustrates approaches states may consider when requiring additional materials prior to license issuance.

- Digital infrastructure – States may wish to specify that a person submitting an application for a pharmacy benefit manager license must demonstrate, as part of the license application, that it has adequate digital infrastructure, personnel, systems, and processes to securely process claims, safeguard records, and implement reasonable cybersecurity and breach-reporting measures.

- Information security – States may wish to specify the documentation applicants must provide to demonstrate operational readiness and information security controls, including:

  (a) A written attestation from a responsible officer confirming the existence of policies, personnel, and systems designed to protect data and ensure secure claim processing;

  (b) A summary description of digital infrastructure and cybersecurity measures, including data encryption, access control, and backup protocols;

  (c) Copies or summaries of the applicant's cybersecurity and incident response policies; and

  (d) Representative copies of any third-party or affiliate service agreements governing digital systems, data access, or hosting arrangements, which must include provisions ensuring confidentiality, breach notification, and legal right of access.

- Maintenance – States may wish to, further, specify that licensees must maintain such infrastructure, controls, and documentation on an ongoing basis throughout the term of licensure and make them available to the commissioner upon request.

SECTION 4: ADDITIONAL POLICY RESOURCES

States may choose to explore policy options that go beyond core and non-core PBM licensure requirements. These considerations often involve regulating aspects of PBM operations or the pharmacy benefit itself. For additional detail on these policy approaches, states should consult the following resources:

- The *Health Carrier Prescription Drug Benefit Management Model Act* (#22), which provides standards for the establishment, maintenance and management of prescription drug formularies and other procedures used by health insurance issuers that provide prescription drug benefits.
- The *Health Benefit Plan Network Access and Adequacy Model Act* (#74), which establishes standards for the creation and maintenance of networks by health carriers to ensure the adequacy, accessibility and quality of health care services offered under a managed care plan.
- Chapter XX, Conducting the Pharmacy Benefit Manager Examination, of the *Market Regulation Handbook*
- *Health and Welfare Plans Under the Employee Retirement Income Security Act: Guidelines for State and Federal Regulation* and *Guidance Document – ERISA Preemption and State PBM Laws* (NAIC Guidance Documents)

- *A Guide to Understanding Pharmacy Benefit Manager and Associated Stakeholder Regulation* (NAIC White Paper)
- *Compilation of State Pharmacy Benefit Manager Business Practice Laws*

The following sample requirements reflect policy standards that some states have explored or implemented as part of broader PBM regulation. These examples illustrate obligations linked to pharmacy benefits and PBM business practices. For more information, consult the *Compilation of State Pharmacy Benefit Manager Business Practice Laws*.

Sample Requirements Beyond Licensure Include:

- Parity in treatment of affiliated and non-affiliated pharmacies
- Retroactive or point of sale fees limits
- Reporting or transparency requirements relating to pharmacy reimbursements and/or rebates
- Pharmacy credentialing or network participation requirements

Risk-Based Capital
Preamble

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~~Task Force) 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, 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.

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.

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~~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 the Task Force

7~~6~~. The mission of the ~~CADTF~~Task Force 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 ~~The RBC formula~~ largely consist~~ed~~s 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.

8~~7~~. To carry out its mission, the ~~CADTF~~ Task Force 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~~Task Force 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 Task Force 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.

10~~8~~. The RBC forecasting, and instructions, as well as RBC reports were developed and are now maintained in accordance with the Task Force 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.~~

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C~~B~~. Purpose of Risk-Based Capital Requirements

11~~9~~. 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.

12~~0~~. ~~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.

13~~1~~. Comparison of an insurer's TAC to any RBC ~~l~~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.~~ The RBC framework has been developed with certain regulatory needs in mind. While methodologies are transparent, state regulators keep company-specific calculations confidential, as well as any workout plans for companies that have triggered a regulatory action.

14. ~~C~~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, lenders, and other regulatory authorities. Any insurer's assertion or disclosure of RBC information must be consistent with applicable state laws. While this Preamble does not establish independent disclosure requirements or prohibitions, when RBC-related information is disclosed outside its stated regulatory purpose and in the context of this paragraph, insurers should, as applicable, provide appropriate contextual information alongside it, describing RBC's purpose as a regulatory tool and its limitations for other uses. The nature and extent of any such contextual information should be

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determined by the disclosing party based on the facts and circumstances and applicable legal requirements.

DC. Objectives of Risk-Based Capital Reports

15. 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 levelsdegrees of anticipated required 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 levelthreshold, 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

18. Over the years, various financial models have been developed to try to measure the "right" amount of capital that an insurance company should hold.[1] "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."

19. 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

[1] Report of the Industry Advisory Committee to the Life Risk-Based Capital (E) Working Group, p. 6; Nov. 21 7, 1991.

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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, while appropriately accounting for differences in business models as reflected in each of the formulas. 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 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 identify~~ing~~ 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. Nevertheless, to the extent RBC ratios are considered for purposes beyond identifying potentially weakly capitalized companies, their usefulness may ~~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.~~ 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, but not limited to:

- 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 ratios often represent a relatively stable, durable measure of capital.

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- 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 may 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.~~

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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 govern 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.
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.

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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 (now Paragraph 8).** Consolidates text from Paragraphs 16 and 17, which describe CADTF's charges.
- **Paragraph 11~~.~~ (now Paragraph 14).**
  - 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

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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 (now Paragraph 19)**. 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 (now Paragraph 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*.

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Capital Adequacy (E) Task Force
RBC Proposal Form

☐ Capital Adequacy (E) Task Force
☐ Catastrophe Risk (E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup
☐ Health RBC (E) Working Group
☐ P/C RBC (E) Working Group
☐ Economic Scenarios (E/A) Subgroup
☐ Life RBC (E) Working Group
☐ Longevity Risk (A/E) Subgroup
☒ RBC Investment Risk & Evaluation (E) Working Group

DATE:	**5/1/2026**
CONTACT PERSON:	**Maggie Chang**
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EMAIL ADDRESS:	**mchang@naic.org**
ON BEHALF OF:	**Risk-Based Capital Investment Risk and Evaluation (E) Working Group**
NAME:	**Philip Barlow, Chair**
TITLE:	**Associate Commissioner of Insurance**
AFFILIATION:	**District of Columbia**
ADDRESS:	**1050 First Street, NE Suite 801**
	Washington, DC 20002

FOR NAIC USE ONLY

Agenda Item # 2026-12-IRE MOD
Year 2026

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) 6/23/2026
☐ SUBGROUP (SG) _____

EXPOSED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) 5/6/2026
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

☐ Health RBC Blanks
☐ Health RBC Instructions
☐ Health RBC Formula
☐ Property/Casualty RBC Blanks
☐ Property/Casualty RBC Instructions
☐ Property/Casualty RBC Formula
☒ Life and Fraternal RBC Blanks
☒ Life and Fraternal RBC Instructions
☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal incorporates CLOs' Modeled C-1 factors initially presented by the American Academy of Actuaries (Academy) on March 2, 2026 and subsequently adjusted for tax effect, presented on June 23, 2026.

The Academy did not propose C-1 factor for NAIC 6 CLOs due to limited sample for modelling. Based on Working Group's discussion, NAIC staff has taken an arithmetic mean of 1 and NAIC 5.C. factor, arriving at 92.56% pre-tax factor for NAIC 6.

Additional Staff Comments:

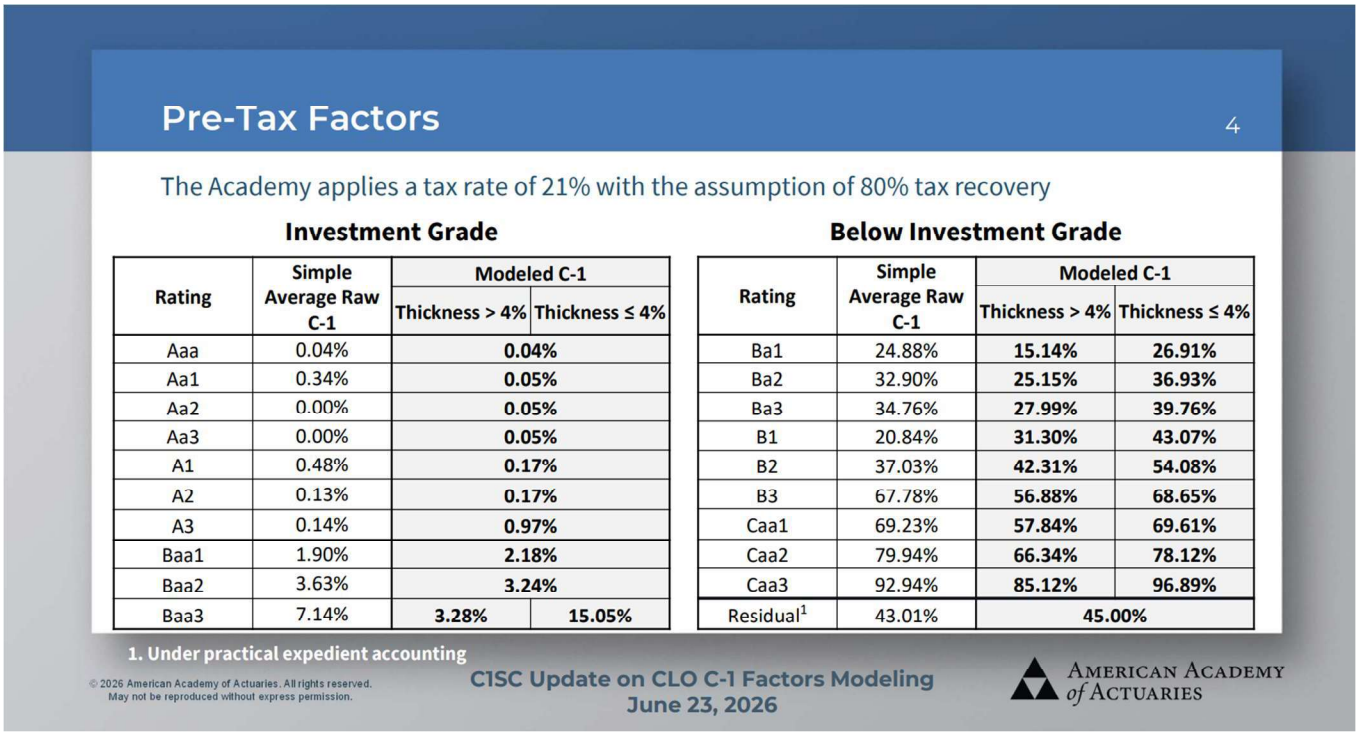
5/6/26 – building on Proposal 2025-22-IRE (CLO RBC Structure) MOD V.3, NAIC staff has identified further refinements in LR002 in order to effectuate Portfolio Adjustment Factor (PAF) methodology proposed by the Academy. Exposed on May 6 for 30-day public comment period ending June 5. Six comment letters were received.(mkc)

6/23/26 – RBCIRE Working Group met and adopted a motion to modify the Proposal. During the adoption process, the Working Group agreed to the opportunities for some of these decisions to be looked at again if there were new information presented or new guidance from a higher Task Force.

Key customizations adopted are summarized as below:

- Academy's proposed C-1 factors (pre-tax, Chart 1) are adopted for all CLOs/CBOs/CDOs reported in AVR Default Component Table lines A9.1-A14. Note that the Academy revised its proposed factor for A3/NAIC 1.G. tranche resulted from the Working Group discussions.
- BSL CLOs with NAIC Designation 2.C. or below AND with tranche thickness equal to or below 4% will be assessed surcharge of 11.77%.
- To set CLO PAF = 1.0 (Option 1 of Academy's recommendation, Chart 2), amended to incorporate ACLI's request to include unique CLO Issuer count in the non-CLO PAF Calculation. Note that this represents an interim solution and the PAF methodology will be reviewed for 2027 and forward.
- CLO residual tranches continue to be afforded 45% pre-tax factor.
- Modifications are highlighted in yellow.

Chart 1



Pre-Tax Factors

4

The Academy applies a tax rate of 21% with the assumption of 80% tax recovery

Investment Grade

Rating	Simple Average Raw C-1	Modeled C-1	
		Thickness > 4%	Thickness ≤ 4%
Aaa	0.04%	**0.04%**	
Aa1	0.34%	**0.05%**	
Aa2	0.00%	**0.05%**	
Aa3	0.00%	**0.05%**	
A1	0.48%	**0.17%**	
A2	0.13%	**0.17%**	
A3	0.14%	**0.97%**	
Baa1	1.90%	**2.18%**	
Baa2	3.63%	**3.24%**	
Baa3	7.14%	**3.28%**	**15.05%**

Below Investment Grade

Rating	Simple Average Raw C-1	Modeled C-1	
		Thickness > 4%	Thickness ≤ 4%
Ba1	24.88%	**15.14%**	**26.91%**
Ba2	32.90%	**25.15%**	**36.93%**
Ba3	34.76%	**27.99%**	**39.76%**
B1	20.84%	**31.30%**	**43.07%**
B2	37.03%	**42.31%**	**54.08%**
B3	67.78%	**56.88%**	**68.65%**
Caa1	69.23%	**57.84%**	**69.61%**
Caa2	79.94%	**66.34%**	**78.12%**
Caa3	92.94%	**85.12%**	**96.89%**
Residual[1]	43.01%	**45.00%**	

1. Under practical expedient accounting

CISC Update on CLO C-1 Factors Modeling
June 23, 2026

American Academy of Actuaries

Chart 2

Summary of Findings—Portfolio Adjustment Factors

18

- The Academy models PAF consistent with the bond PAF methodology based on the number of unique loan *issuers* for a given portfolio of *N* CLO deals, deriving two metrics:
  - Absolute PAF = Portfolio of *N* CLO Deals PAF
  - Relative PAF = Absolute PAF ÷ Collateral Loan Universe PAF, assumes full diversification when holding a loan for every one of the 2,462 issuers in the collateral universe
- The Academy proposes two options:

Option 1	Option 2			
	N	CLO PAF	N	CLO PAF
CLO PAF of 1.00	1	1.38	7	1.08
	2	1.22	8	1.07
	3	1.16	9	1.07
	4	1.12	10	1.06
	5	1.10	11+	1.00
	6	1.09		
Based on Absolute PAF	Based on Relative PAF			

C1SC Update on CLO C-1 Factors Modeling
May 6, 2026

American Academy of Actuaries

** **This section must be completed on all forms.** **Revised 2-2023**

BONDS

LR002

Basis of Factors

The bond factors are based on cash flow modeling using historically adjusted default rates for each bond category. For each of 2,000 trials, annual economic conditions were generated for the 10-year modeling period. Each bond of a 400-bond portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by designation category and that year's economic environment. When a default takes place, the actual loss considers the expected principal loss by category, the time until the sale actually occurs and the assumed tax consequences.

Actual surplus needs are reduced by incorporating anticipated annual contributions to the asset valuation reserve (AVR) as offsetting cash flow. Required surplus for a given trial is calculated as the amount of initial surplus funds needed so that the accumulation with interest of this initial amount and subsequent cash flows will not become negative at any point throughout the modeling period. The factors chosen for the proposed formula produce a level of surplus at least as much as needed in 92% of the trials by category and a 96% level for the entire bond portfolio.

The factor for NAIC 6 bonds recognizes that the book/adjusted carrying value of these bonds reflects a loss of value upon default by being marked to market.

Specific Instructions for Application of the Formula

Lines (1) through (7)
The book/adjusted carrying value of all bonds, excluding collateralized loan obligations (CLOs), Collateralized Bond Obligations (CBOs), and Collateralized Debt Obligations (CDOs) ~~and related fixed-income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For long-term bonds, these classifications are found on Lines A1 through A7 of the Asset Valuation Reserve Default Component~~, Page 30~~ of the annual statement.

The book/adjusted carrying value of all ~~collateralized loan obligations~~CLOs/CBOs/CDOs should be reported in Column 2. The ~~collateralized loan obligations~~ CLOs/CBOs/CDOs are split into six different risk classifications. These classifications are found on Lines A9.1 through A14 of the Asset Valuation Reserve Default Component~~, Page 30~~ of the annual statement.

Line (7.2)
Amounts reported in Column (2) line (7.2) should include book/adjusted carrying value of Broadly Syndicated Bank Loans (BSL) CLO tranches (as defined below) with current tranche thickness less than or equal to 4% (as defined below).

BSL are typically syndicated corporate loans distributed to a broad base of institutional investors and rated by credit rating agencies. BSL CLOs are primarily backed by syndicated corporate loans.

Current Tranche thickness is defined as the difference between the attachment point (AP) and the detachment point (DP) of a CLO tranche. AP refers to tranche's subordination percentage, and DP is the percentage of total par amount of the underlying portfolio including principal proceeds, that will completely write off the tranche. The current tranche thickness is to be measured using the most recent periodic report available, without being stale, as of the investment reporting date.

It was noted that the Academy's proposed surcharge on thin tranches range from 11.77% to 11.78% pre-tax, as such, to streamline the structure, NAIC staff incorporated a flat surcharge of 11.77% in Column (3).

Line (8)
The total, adjusted for amount reported in Column (2), Line (7.2) should equal long-term bonds ~~and other fixed-income instruments~~ reported on Page 2, Column 3, Line 1 plus Schedule DL Part 1, Column 6, Line 2009999999 of the annual statement.

Lines (9) through (15)
The book/adjusted carrying value of all short-term and cash equivalent bonds ~~and related fixed-income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For short-term bonds, these classifications are found on Lines ~~18~~ C1 through ~~24~~ C7 of the Asset Valuation Reserve Default Component, ~~Page 30~~ of the annual statement. For cash equivalent bonds, these classifications are found in Footnotes to Schedule E, Part 2.

Line (16)
The total should equal short-term bonds reported on Schedule DA, Part 1, Column 6 Line 0509999999 plus Schedule DL Part 1, Column 6, Line 9509999999 plus Schedule E, Part 2, Column 7, Line 0509999999.

Line (22)
Class 1 bonds (highest quality) issued by a U.S. government agency that are not backed by the full faith and credit of the U.S. government should be reported on this line. The loan-backed securities of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) would be examples of the securities reported on this line. Line (22) should not be larger than the sum of Lines (2) and (10). Exempt obligations should not be included on this line.

Line (23)
Column (1) and Column (2) require Company to bifurcate Line (21) Column (4) "Total RBC Requirement" into Non-CLO RBC Requirement (Column 1) and CLO RBC Requirement (Column 2) components. For Non-CLO (Column (1)), the amount needs to be further reduced by Column (4) Line(1), Column (4) Line(9) and Column (4) Line (22). The sum of Column (1) and Column (2) should agree to Column (4).

Line (24)

Column (1) - Bonds should be aggregated by issuer (the first six digits of the CUSIP number can be used). Exempt U.S. government bonds and bonds reported on Line (22) are not counted in determining the size factor. The RBC for those bonds will not be included in the base to which the size factor is applied. For 2026 filing, include unique CLO Issuer count (see Column (2) below) in this Column. If this field is left blank, the maximum size factor adjustment of 2.40 will be used.

Column (2) - CLOs/CBOs/CDOs should be aggregated by unique issuer (typically the special purpose vehicle that holds underlying collateral and issues CLO/CBO/CDO debt tranches, collectively the "CLO Issuers"). The first six digits of the CUSIP can be used. In the case of combo CLOs or other structures that hold multiple CLO issuers, the insurer should look through the underlying CLO issuers for purposes of determining the number of issuers. If this field is left blank, the maximum size factor adjustment of 1.00 will be used.

Line (25)

Column (1) - The size factor reflects the higher risk of a bond portfolio that contains relatively fewer bonds. The overall factor decreases as the portfolio size increases. The size factor is based on the weighted number of issuers. (The calculation shown below will not appear on the RBC filing software but will be calculated automatically.)

Line (25)	Source	(a) Number of Issuers* ~~(for bonds, excluding CLOs)~~				(b) Weighted Issuers* ~~(for bonds, excluding CLOs)~~
First 50	Company Records		X	2.40	=	
Next 50	Company Records		X	1.53	=	
Next 100	Company Records		X	0.85	=	

Next 300	Company Records		X	0.85	=	
Over 500	Company Records		X	0.82	=	
(i) Total Number of Issuers from Line (24) Column (1)						
(ii) Total Weighted Issuers ~~(for bonds, excluding CLOs/CBOs/CDOs)~~						
Size Factor = Total Weighted Issuers (ii) Divided by Total Number of Issuers (i)						

* For 2026 filing, include unique CLO Issuer count in Column (1) calculation.

Column (2) – The size factor for CLOs/CBOs/CDOs is defaulted to 1.0.

BONDS

Company Name

Cocode: 00000

BONDS

	SVO Bond Designation Category	Annual Statement Source	(1) Non-CLOs/CBOs/CDOs Book / Adjusted Carrying Value		Factor		(2) CLOs/CBOs/CDOs Book / Adjusted Carrying Value		Factor		(3) Total RBC Requirement
	Long Term Bonds										
(1)	Exempt Obligations	C(1) AVR Default Component Column 1 Line A1	$0	X	0.00000		XXX		XXX	=	$0
(2.1)	NAIC Designation Category 1.A	C(1) AVR Default Component Column 1 Line A2.1 C(2) AVR Default Component Column 1 Line A9.1	$0	X	0.00158		$0	X	0.00040	=	$0
(2.2)	NAIC Designation Category 1.B	C(1) AVR Default Component Column 1 Line A2.2 C(2) AVR Default Component Column 1 Line A9.2	$0	X	0.00271		$0	X	0.00050	=	$0
(2.3)	NAIC Designation Category 1.C	C(1) AVR Default Component Column 1 Line A2.3 C(2) AVR Default Component Column 1 Line A9.3	$0	X	0.00419		$0	X	0.00050	=	$0
(2.4)	NAIC Designation Category 1.D	C(1) AVR Default Component Column 1 Line A2.4 C(2) AVR Default Component Column 1 Line A9.4	$0	X	0.00523		$0	X	0.00050	=	$0
(2.5)	NAIC Designation Category 1.E	C(1) AVR Default Component Column 1 Line A2.5 C(2) AVR Default Component Column 1 Line A9.5	$0	X	0.00657		$0	X	0.00170	=	$0
(2.6)	NAIC Designation Category 1.F	C(1) AVR Default Component Column 1 Line A2.6 C(2) AVR Default Component Column 1 Line A9.6	$0	X	0.00816		$0	X	0.00170	=	$0
(2.7)	NAIC Designation Category 1.G	C(1) AVR Default Component Column 1 Line A2.7 C(2) AVR Default Component Column 1 Line A9.7	$0	X	0.01016		$0	X	0.00970	=	$0
(2.8)	Subtotal NAIC 1	Sum of Lines (2.1) through (2.7)	$0				$0				$0
(3.1)	NAIC Designation Category 2.A	C(1) AVR Default Component Column 1 Line A3.1 C(2) AVR Default Component Column 1 Line A10.1	$0	X	0.01261		$0	X	0.02180	=	$0
(3.2)	NAIC Designation Category 2.B	C(1) AVR Default Component Column 1 Line A3.2 C(2) AVR Default Component Column 1 Line A10.2	$0	X	0.01523		$0	X	0.03240	=	$0
(3.3)	NAIC Designation Category 2.C	C(1) AVR Default Component Column 1 Line A3.3 C(2) AVR Default Component Column 1 Line A10.3	$0	X	0.02168		$0	X	0.03280	=	$0
(3.4)	Subtotal NAIC 2	Sum of Lines (3.1) through (3.3)	$0				$0				$0
(4.1)	NAIC Designation Category 3.A	C(1) AVR Default Component Column 1 Line A4.1 C(2) AVR Default Component Column 1 Line A11.1	$0	X	0.03151		$0	X	0.15140	=	$0
(4.2)	NAIC Designation Category 3.B	C(1) AVR Default Component Column 1 Line A4.2 C(2) AVR Default Component Column 1 Line A11.2	$0	X	0.04537		$0	X	0.25150	=	$0
(4.3)	NAIC Designation Category 3.C	C(1) AVR Default Component Column 1 Line A4.3 C(2) AVR Default Component Column 1 Line A11.3	$0	X	0.06017		$0	X	0.27990	=	$0
(4.4)	Subtotal NAIC 3	Sum of Lines (4.1) through (4.3)	$0				$0				$0
(5.1)	NAIC Designation Category 4.A	C(1) AVR Default Component Column 1 Line A5.1 C(2) AVR Default Component Column 1 Line A12.1	$0	X	0.07386		$0	X	0.31300	=	$0
(5.2)	NAIC Designation Category 4.B	C(1) AVR Default Component Column 1 Line A5.2 C(2) AVR Default Component Column 1 Line A12.2	$0	X	0.09535		$0	X	0.42310	=	$0
(5.3)	NAIC Designation Category 4.C	C(1) AVR Default Component Column 1 Line A5.3 C(2) AVR Default Component Column 1 Line A12.3	$0	X	0.12428		$0	X	0.56880	=	$0
(5.4)	Subtotal NAIC 4	Sum of Lines (5.1) through (5.3)	$0				$0				$0
(6.1)	NAIC Designation Category 5.A	C(1) AVR Default Component Column 1 Line A6.1 C(2) AVR Default Component Column 1 Line A13.1	$0	X	0.16942		$0	X	0.57840	=	$0
(6.2)	NAIC Designation Category 5.B	C(1) AVR Default Component Column 1 Line A6.2 C(2) AVR Default Component Column 1 Line A13.2	$0	X	0.23798		$0	X	0.66340	=	$0
(6.3)	NAIC Designation Category 5.C	C(1) AVR Default Component Column 1 Line A6.3 C(2) AVR Default Component Column 1 Line A13.3	$0	X	0.30000		$0	X	0.85120	=	$0
(6.4)	Subtotal NAIC 5	Sum of Lines (6.1) through (6.3)	$0				$0				$0
(7.1)	NAIC 6	C(1) AVR Default Component Column 1 Line A7 C(2) AVR Default Component Column 1 Line A14	$0	X	0.30000		$0	X	0.92560	=	$0
(7.2)	CLO in NAIC Designation Category 2.C or below, with thin tranches (See Instruction)	C(2) AVR Default Component Column 1 Line A10.3, in part + Line A11.1, in part + Line A11.2, in part + Line A11.3, in part + Line A12.1, in part + Line A12.2, in part + Line A12.3, in part + Line A13.1, in part + Line A13.2, in part + Line A13.3, in part	XXX		XXX		$0	X	0.11770	=	$0
(8)	Total Long-Term Bonds	Sum of Lines (1) + (2.8) + (3.4) + (4.4) + (5.4) + (6.4) + (7.1) + (7.2)	$0				$0				$0
	(Line (8) Column (1) + Line (8) Column (2) - Line (7.2) Column (2) should equal Page 2 Column 3 Line 1 + Schedule DL Part 1 Column 6 Line 2009999999)										
	Short Term and Cash Equivalent Bonds										
(9)	Exempt Obligations	AVR Default Component Column 1 Line C1 + Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.000		XXX		XXX	=	$0
(10.1)	NAIC Designation Category 1.A	AVR Default Component Column 1 Line C2.1 + Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.00158		XXX		XXX	=	$0
(10.2)	NAIC Designation Category 1.B	AVR Default Component Column 1 Line C2.2 + Schedule E, Part 2, Footnote L000001A, Amount 2	$0	X	0.00271		XXX		XXX	=	$0
(10.3)	NAIC Designation Category 1.C	AVR Default Component Column 1 Line C2.3 + Schedule E, Part 2, Footnote L000001A, Amount 3	$0	X	0.00419		XXX		XXX	=	$0
(10.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line C2.4 + Schedule E, Part 2, Footnote L000001A, Amount 4	$0	X	0.00523		XXX		XXX	=	$0
(10.5)	NAIC Designation Category 1.E	AVR Default Component Column 1 Line C2.5 + Schedule E, Part 2, Footnote L000001A, Amount 5	$0	X	0.00657		XXX		XXX	=	$0
(10.6)	NAIC Designation Category 1.F	AVR Default Component Column 1 Line C2.6 + Schedule E, Part 2, Footnote L000001A, Amount 6	$0	X	0.00816		XXX		XXX	=	$0
(10.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line C2.7 + Schedule E, Part 2, Footnote L000001A, Amount 7	$0	X	0.01016		XXX		XXX	=	$0
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)	$0								$0

=ROUND(MAX(0,D10)*F10 + MAX(0,G10)*J10,0)

		AVR Default Component Column 1 Line C3.1 +						
(11.1)	NAIC Designation Category 2.A	Schedule E, Part 2, Footnote L000001B, Amount 1	$0	X	0.01261	XXX	XXX =	$0
		AVR Default Component Column 1 Line C3.2 +						
(11.2)	NAIC Designation Category 2.B	Schedule E, Part 2, Footnote L000001B, Amount 2	$0	X	0.01523	XXX	XXX =	$0
		AVR Default Component Column 1 Line C3.3 +						
(11.3)	NAIC Designation Category 2.C	Schedule E, Part 2, Footnote L000001B, Amount 3	$0	X	0.02168	XXX	XXX =	$0
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)	$0					$0
		AVR Default Component Column 1 Line C4.1 +						
(12.1)	NAIC Designation Category 3.A	Schedule E, Part 2, Footnote L000001C, Amount 1	$0	X	0.03151	XXX	XXX =	$0
		AVR Default Component Column 1 Line C4.2 +						
(12.2)	NAIC Designation Category 3.B	Schedule E, Part 2, Footnote L000001C, Amount 2	$0	X	0.04537	XXX	XXX =	$0
		AVR Default Component Column 1 Line C4.3 +						
(12.3)	NAIC Designation Category 3.C	Schedule E, Part 2, Footnote L000001C, Amount 3	$0	X	0.06017	XXX	XXX =	$0
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3)	$0					$0
		AVR Default Component Column 1 Line C5.1 +						
(13.1)	NAIC Designation Category 4.A	Schedule E, Part 2, Footnote L000001D, Amount 1	$0	X	0.07386	XXX	XXX =	$0
		AVR Default Component Column 1 Line C5.2 +						
(13.2)	NAIC Designation Category 4.B	Schedule E, Part 2, Footnote L000001D, Amount 2	$0	X	0.09535	XXX	XXX =	$0
		AVR Default Component Column 1 Line C5.3 +						
(13.3)	NAIC Designation Category 4.C	Schedule E, Part 2, Footnote L000001D, Amount 3	$0	X	0.12428	XXX	XXX =	$0
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3)	$0					$0
		AVR Default Component Column 1 Line C6.1 +						
(14.1)	NAIC Designation Category 5.A	Schedule E, Part 2, Footnote L000001E, Amount 1	$0	X	0.16942	XXX	XXX =	$0
		AVR Default Component Column 1 Line C6.2 +						
(14.2)	NAIC Designation Category 5.B	Schedule E, Part 2, Footnote L000001E, Amount 2	$0	X	0.23798	XXX	XXX =	$0
		AVR Default Component Column 1 Line C6.3 +						
(14.3)	NAIC Designation Category 5.C	Schedule E, Part 2, Footnote L000001E, Amount 3	$0	X	0.30000	XXX	XXX =	$0
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)	$0					$0
		AVR Default Component Column 1 Line C7						
(15)	NAIC 6	Schedule E, Part 2, Footnote L000001F, Amount 1	$0	X	0.30000	XXX	XXX =	$0
(16)	Total Short-Term and Cash Equivalent Bonds	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)	$0			$0		$0
	(Column (1) should equal Schedule DA Part 1 Column 6 Line 0509999999 + Schedule DL Part 1 Column 6 Line 9509999999 + Schedule E Part 2 Column 7 Line 0509999999)							
(17)	Total Long-Term and Short-Term Bonds (pre-MODCO/Funds Withheld)	Line (8) + (16)	$0			$0		$0
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column (13) Line (0399999)						$0
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	LR045 Modco or Funds Withheld Reinsurance Ceded - Bonds C-1o Column (4) Line (9999999)						$0
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (9999999)						$0
(21)	Total Long-Term and Short-Term Bonds (including MODCO/FundsWithheld and Credit for Hedging adjustments.)	Lines (17) - (18) - (19) + (20)	$0			$0		$0
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2, Schedule DA Part 1 and Schedule E Part 2, in part†	$0	X	0.00158		=	$0

			Non-CLOs/CBOs/CDOs RBC Requirement	CLOs/CBOs/CDOs RBC Requirement		
(23)	RBC Requirements Subject to Size Factor	Company Records (See Instruction)	$0	$0		$0
(24)	Number of Issuers	Company Records (See Instruction)				
(25)	Size Factor for Bonds		2.4	1.0	XXX	Column (1) =ROUND(IF(D85>0,(MIN(D85,50)*2.4+MIN(MAX(0,D85-50),50)*1.53+MIN(MAX(0,D85-100),100)*0.85+MIN(MAX(0,D85-200),300)*0.85+MAX(0,(D85-500))*0.82)/D85,2.4),3)
(26)	Bonds Subject to Size Factor after the Size Factor is Applied	Column (1) Line (23) x Column (1) Line (25) + Column (2) Line (23) X Column (2) Line (25)			$0	=ROUND(D84*D86+G84*G86,0)
(27)	Total Bonds	Line (22) + Line (26)				$0

† Only investments in-U.S. Government agency bonds previously reported in Lines (2.8) and (10.8), net of those included on Line (19), plus the portion of Line (20) attributable to ceding companies' Lines (2.8) and (10.8) should be included on Line (22). No other bonds should be included on this line. Exempt U.S. Government bonds shown on Lines (1) and (9) should not be included on Line (22). Refer to the bond section of the risk-based capital instructions for more clarification.

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

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☒ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve Evaluation (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & (E) Working Group

DATE:	**02/04/2026**
CONTACT PERSON:	**Kazeem Okosun**
TELEPHONE:	**816-783-8981**
EMAIL ADDRESS:	**kokosun@naic.org**
ON BEHALF OF:	**Life Risk-Based Capital (E) Working Group**
NAME:	**Ben Slutsker, Chair**
TITLE:	**Director of Life Actuarial Valuation**
AFFILIATION:	**Minnesota Department of Commerce**
ADDRESS:	**85 7th Place East, Suite 280**
	Saint Paul, MN 55101

FOR NAIC USE ONLY

Agenda Item # 2025-16-L MOD V.3 with editorial updates
Year 2027

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) **06-11-2026**
☐ SUBGROUP (SG) _____

EXPOSED:
☐ TASK FORCE (TF) _____
☒ WORKING GROUP (WG) **11/14/2025**
02-10-2026 (V.1)
03-22-2026 (V.2)
04-23-2026 (V.3)
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☒ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Life RBC (E) Working Group met June 18, 2025 and received a referral from Statutory Accounting Principles (E) Working Group regarding collateral loan schedule BA reporting changes (Attachment A). As a result of the referral, NAIC staff drafted the proposal with the following objectives:

(1) To make changes to Life RBC Blanks so as to reflect the adopted changes in Schedule BA and Asset Valuation Reserve (AVR) reporting effective 2026.
(2) To explore the potential need to revisit RBC and AVR factors based on the risk characteristics of the collaterals backing the collateral loans

The proposal 2025-16-L MOD was exposed at the Working Group on Feb 10 for a 24-day public comment period ending March 06, 2026. The modified proposal is in response to ACLI comment. Staff then layer in LR010 consideration.

Additional Staff Comments:

- 11-14-2025: Proposal was exposed with comments due 01-27-2026 - 4 comment letters received (KO)

- 02-10-2026: Proposal was modified (V.1) and re-exposed with comments due 03-06-2026 - 4 comment letters received (KO)
- 03-22-2026: The modified proposal (V.2) is in response to ACLI comment. Staff then layer in LR010 consideration.
- 04-30-2026: The proposal is further modified (V.3) to incorporate comments from ACLI, ACC and regulators. This modified proposal was exposed for 21-day public comment period ending 5/14/2026. Key changes from V.2 are highlighted in yellow within Blanks.
- 06-11-2026: The Working Group adopted OPTION 2. NAIC Staff incorporated the downstream impact of this adoption to LR010 Asset Concentration, LR030 Calculation of Tax Effect and LR031 Calculation of Authorized Control Level Risk-Based Capital pages. In addition, certain references in RBC Blanks and/or instructions are corrected in response to interested parties' informal feedback. Key changes from the proposal adopted by the Working Group on June 11 are highlighted in yellow in the BLANKS

Option 2 – Alternative Option to Consider. This option shifted tiering structure such that LTV 80% is in the mid-point of the tier. It also streamlined LTV Bands and provided a floor to address regulators' concerns

OCC	LTV Band	Midpoint	Haircut	RBC Charge for Collateral Loans backed by LP/LLC/JV interests	RBC Charge for Collateral Loans backed by residuals
OC < 111%	>90% or no independent verification	N/A	0%	30%	45%
OC ≥ 111% and < 143%	>70% - 90%	80%	20%	24%	36%
OC ≥ 143% and < 200%	>50%-70%	60%	40%	18%	27%
OC ≥ 200%	50% or below	25%[1]	50%[1]	15%	22.5%

[1] Haircut of 50% is chosen to ensure the minimum RBC charge is capped at 50% of the base charge.

** **This section must be completed on all forms.** **Revised 2-2023**

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

Recognizing the diverse nature of Schedule BA assets, the RBC is calculated by assigning different risk factors according to the different type of assets. Assets with underlying characteristics of bonds and preferred stocks designated by the NAIC Capital Markets and Investment Analysis Office have different factors according to the NAIC assigned classification. Unrated fixed-income securities will be treated the same as Other Schedule BA Assets and assessed a 30% pre-tax charge. Rated surplus and capital notes have the same factors applied as Schedule BA assets with the characteristics of preferred stock. Where it is not possible to determine the RBC classification of an asset, a 30% pre-tax factor is applied.

Specific Instructions for Application of the Formula

Line (44)
Schedule BA affiliated common stock – all others should include all subs with an affiliate code 9 in the current life-based framework and "holding company in excess of indirect subsidiaries" or subsidiaries with affiliate code 3.

The Lines (43.2) – (43.5) and Line (45.2) – (45.5) series are assigned RBC charges based on overcollateralization (OC) / loan-to-value (LTV) levels.

In order to be afforded RBC charges based on overcollateralization (OC) / Loan-to-value (LTV), independent verification of fair value is required. Independent verification approaches may include, individually or in combination:

• Compliance certifications from unaffiliated third parties confirming adherence to stated valuation policies and investment guidelines;
• Independent third-party valuations of the underlying collateral; and/or
• Independent reasonableness checks designed to assess whether reported fair values fall within an appropriate and supportable range.

Data on OC/LTV as well as whether independent verification was obtained are disclosed on Annual Statement Schedule BA Other Long-Term Invested Assets.

Line (51)
Exclude: any collateral loan amounts which have been included elsewhere in the RBC formula, e.g., collateral loans backed by mortgage loans, ~~BA mortgages~~, collateral loans backed by Residual Tranches or Interest and collateral loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests.

Line (58)
Total Schedule BA assets [LR008 Other Long-Term Assets Column (1) Line (58) plus LR007 Real Estate Column (1) Line (14) plus Lines (17) through Line (20) plus LR009 Schedule BA Mortgages Column (1) Line (21)] should equal the total Schedule BA assets reported in the Annual Statement Page 2, Column 3, Line 8.

Company Name | Cocode: 00000

OTHER LONG-TERM ASSETS

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †		(4) Factor		(5) RBC Requirement
(43.1)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line F2	$0		$0	X	0.3000	=	$0
	Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests								
(43.2)	**OC < 111% or No independent verification obtained**	**Company Records**	$0		$0	X	0.3000	=	$0
(43.3)	**OC Percentage ≥ 111% and < 143%**	**Company Records**	$0		$0	X	0.2400	=	$0
(43.4)	**OC Percentage ≥ 143% and < 200%**	**Company Records**	$0		$0	X	0.1800	=	$0
(43.5)	**OC Percentage ≥ 200%**	**Company Records**	$0		$0	X	0.1500	=	$0
(43.6)	**Total Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (Column (1), line 43.6 should be equal to sum of AVR Equity Component lines K3 and K4)**	**Lines (43.2) + (43.3) + (43.4)+ (43.5)**	$0		$0				$0
(44)	Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line F5	$0		$0	X	0.3000	=	$0
(45.1)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line I13	$0		$0	X	0.4500	=	$0
	Schedule BA Collateral Loans backed by Residual Tranches or Interests								
(45.2)	**OC < 111% or No independent verification obtained**	**Company Records**	$0		$0	X	0.4500	=	
(45.3)	**OC Percentage ≥ 111% and < 143%**	**Company Records**	$0		$0	X	0.3600	=	$0
(45.4)	**OC Percentage ≥ 143% and < 200%**	**Company Records**	$0		$0	X	0.2700	=	$0
(45.5)	**OC Percentage ≥ 200%**	**Company Records**	$0		$0	X	0.2250	=	$0
(45.6)	**Total Schedule BA Collateral Loans backed by Residual Tranches or Interests (Column (1), line 45.6 should be equal to sum of AVR Equity Component lines K5 and K6)**	**Lines (45.2) + (45.3) + (45.4)+ (45.5)**	$0		$0				$0
(46)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs) (pre-MODCO/Funds Withheld)	Line (42) + **(43.1) + (43.6)**+ (44) + **(45.1) + (45.6)**	$0		$0				$0
(47)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)							$0
(48)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)							$0
(49)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs) (including MODCO/Funds Withheld.)	Lines (46) - (47) + (48)	$0						$0
	Schedule BA - All Other (C-1o)								
(50.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line F3	$0						
(50.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line F4	$0						
(50.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (50.1) + (50.2)	$0		$0	X	0.3000	=	$0
(51)	**All Other Schedule BA Collateral Loans**	**AVR Equity Component Column 1 Lines K7 + K8 + K9 + K10 + K11 + K12**	$0		$0	X	0.0680	=	$0
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line L1	$0		$0	X	0.0050	=	$0
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line L2	$0		$0	X	0.0163	=	$0
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)	$0		$0				$0
(53.1)	Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line J7 + L3	$0						
(53.2)	Less NAIC 1 thru 6 Rated/Designated Surplus	Column (1) Lines (22) through (27) + Column (1)	$0						

Company Name Cocode: 00000

OTHER LONG-TERM ASSETS

			(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †		(4) Factor		(5) RBC Requirement
	Notes and Capital Notes	Lines (32) through (37)							
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)	$0	$0	$0	X	0.3000	=	$0
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (50.3) + (51) + (52.3) + (53.3)	$0						$0
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)							$0
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)							$0
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)	$0						$0
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (49)+ (57)	$0						$0

† Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

‡ Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

§ The factor for Schedule BA publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 15.8 percent factor for Schedule BA publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

Company Name | Cocode: 00000

ASSET CONCENTRATION FACTOR

Issuer		(1) Asset Type	(2) Book / Adjusted Carrying Value		(3) Factor		(4) Additional RBC	(5) Adjustment/ Subsidiary RBC	(6) RBC Requirement
#01		Issuer Name:							
#01	(1.1)	Bond NAIC Designation Category 2.A	$0	X	0.01261	=	$0	$0	$0
#01	(1.2)	Bond NAIC Designation Category 2.B	$0	X	0.01523	=	$0	$0	$0
#01	(1.3)	Bond NAIC Designation Category 2.C	$0	X	0.02168	=	$0	$0	$0
#01	(2.1)	Bond NAIC Designation Category 3.A	$0	X	0.03151	=	$0	$0	$0
#01	(2.2)	Bond NAIC Designation Category 3.B	$0	X	0.04537	=	$0	$0	$0
#01	(2.3)	Bond NAIC Designation Category 3.C	$0	X	0.06017	=	$0	$0	$0
#01	(3.1)	Bond NAIC Designation Category 4.A	$0	X	0.07386	=	$0	$0	$0
#01	(3.2)	Bond NAIC Designation Category 4.B	$0	X	0.09535	=	$0	$0	$0
#01	(3.3)	Bond NAIC Designation Category 4.C	$0	X	0.12428	=	$0	$0	$0
#01	(4.1)	Bond NAIC Designation Category 5.A	$0	X	0.16942	=	$0	$0	$0
#01	(4.2)	Bond NAIC Designation Category 5.B	$0	X	0.21202	=	$0	$0	$0
#01	(4.3)	Bond NAIC Designation Category 5.C	$0	X	0.15000	=	$0	$0	$0
#01	(5)	Bond Asset NAIC 6	$0	X	0.15000	=	$0	$0	$0
#01	(6.1)	Bond NAIC Designation Category 1.A †	$0	X	0.00158	=	$0	$0	$0
#01	(6.2)	Bond NAIC Designation Category 1.B †	$0	X	0.00271	=	$0	$0	$0
#01	(6.3)	Bond NAIC Designation Category 1.C †	$0	X	0.00419	=	$0	$0	$0
#01	(6.4)	Bond NAIC Designation Category 1.D †	$0	X	0.00523	=	$0	$0	$0
#01	(6.5)	Bond NAIC Designation Category 1.E †	$0	X	0.00657	=	$0	$0	$0
#01	(6.6)	Bond NAIC Designation Category 1.F †	$0	X	0.00816	=	$0	$0	$0
#01	(6.7)	Bond NAIC Designation Category 1.G †	$0	X	0.01016	=	$0	$0	$0
#01	(7)	Unaffiliated Preferred Stock NAIC 2	$0	X	0.01260	=	$0	$0	$0
#01	(8)	Unaffiliated Preferred Stock NAIC 3	$0	X	0.04460	=	$0	$0	$0
#01	(9)	Unaffiliated Preferred Stock NAIC 4	$0	X	0.09700	=	$0	$0	$0
#01	(10)	Unaffiliated Preferred Stock NAIC 5	$0	X	0.22310	=	$0	$0	$0
#01	(11)	Unaffiliated Preferred Stock NAIC 6	$0	X	0.15000	=	$0	$0	$0
#01	(12)	Unaffiliated Preferred Stock NAIC 1 †	$0	X	0.00390	=	$0	$0	$0
#01	(13.1)	**Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (OC Percentage < 111% or no independent verification obtained)**	$0	X	**0.15000**	=	$0	$0	$0
#01	(13.2)	**Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 111% and < 143%)**	$0	X	**0.21000**	=	$0	$0	$0
#01	(13.3)	**Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 143% and < 200%)**	$0	X	**0.18000**	=	$0	$0	$0
#01	(13.4)	**Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (OC Percentage ≥ 200%)**	$0	X	**0.15000**	=	$0	$0	$0
#01	(13.5)	**Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 111% and < 143%)**	$0	X	**0.09000**	=	$0	$0	$0
#01	(13.6)	**Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 143% and < 200%)**	$0	X	**0.18000**	=	$0	$0	$0
#01	(13.7)	**Collateral Loans backed by Residual Tranches or Interests (OC Percentage ≥ 200%)**	$0	X	**0.22500**	=	$0	$0	$0
#01	(13.8)	**All Other BA Collateral Loans**	$0	X	**0.06800**	=	$0	$0	$0
#01	(14)	Receivable for Securities	$0	X	0.01600	=	$0	$0	$0
#01	(15)	Write-ins for Invested Assets	$0	X	0.06800	=	$0	$0	$0
#01	(16)	Premium Notes	$0	X	0.06800	=	$0	$0	$0
#01	(17)	Real Estate - Foreclosed	$0						
#01	(18)	Real Estate - Foreclosed Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#01	(19)	Real Estate - Investments	$0						
#01	(20)	Real Estate - Investment Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#01	(21)	Real Estate - Schedule BA	$0						
#01	(22)	Real Estate - Schedule BA Encumbrances	$0	X	0.00000	‡ =	$0	$0	$0
#01	(23)	Farm Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#01	(24)	Farm Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0
#01	(25)	Farm Mortgages - Category CM4	$0	X	0.05000	=	$0	$0	$0
#01	(26)	Farm Mortgages - Category CM5	$0	X	0.07500	=	$0	$0	$0
#01	(27)	Commercial Mortgages - Category CM2	$0	X	0.01750	=	$0	$0	$0
#01	(28)	Commercial Mortgages - Category CM3	$0	X	0.03000	=	$0	$0	$0

Details Eliminated to Conserve Space

Company Name | Cocode: 00000

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
	Common Stock	Details Eliminated to Conserve Space						
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0	X	0.2100	=	$0	
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)	$0	X	0.2100	=	$0	†
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)	$0	X	0.2100	=	$0	†
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)	$0	X	0.2100	=	$0	
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual							
(127)	Tranches or Interests/ **Schedule BA Collateral Loans backed by Residual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) **Line (49) - Line (45.1) - Line (45.6)**	$0	X	0.2100	=	$0	
(128)	Total Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) Line **(45.1) + Line (45.6)**	$0	X	0.2100	=	$0	
(129)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	$0	X	0.2100	=	$0	
(130)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)	$0	X	0.1575	=	$0	
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)	$0	X	0.1575	=	$0	
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	$0	X	0.2100	=	$0	
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	$0	X	0.2100	=	$0	
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)	$0				$0	
	Insurance Risk							
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)	$0	X	0.2100	=	$0	
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)	$0	X	0.2100	=	$0	
(137)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (5)	$0	X	0.2100	=	$0	
(138)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (12)	$0	X	0.2100	=	$0	
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)	$0	X	0.2100	=	$0	
(139)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)	$0	X	0.2100	=	$0	
(140)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	$0	X	0.0000	=	$0	
(141)	Total C-2 Risk	L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (Correlation Factor) * (L(137) + L(138)) * L(138b)]]	$0				$0	
(142)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)	$0	X	0.2100	=	$0	
(143)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)	$0	X	0.0000	=	$0	
(144)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)	$0	X	0.2100	=	$0	
(145)	Business Risk	LR029 Business Risk Column (2) Line (40)	$0	X	0.2100	=	$0	
(146)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)	$0	X	0.0000	=	$0	
(147)	Total Tax Effect	Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)	#REF!				#REF!	

Guardrail F	0.0
Correlation	-0.25

† Denotes lines that are deducted from the total rather than added.

LR030 MOD

Company Name

Cocode: 00000

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
		Details Eliminated to Conserve Space	
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding		
(14)	Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) **Line (49) - Line (45.1) - Line (45.6)**	$0
(15)	Total Residual Tranches or Interests **/ Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) line **(45.1) + Line (45.6)**	$0
(16)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	$0
(17)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	$0
(18)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	$0
(19)	Total (C-1cs) - Pre-Tax	Sum of Lines (13) through (18)	$0
(20)	(C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (134)	$0
(21)	Net (C-1cs) - Post-Tax	Line (19) - Line (20)	$0
	Asset Risk - All Other (C-1o)		
(22)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	$0
(23)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	$0
(24)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	$0
(25)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	$0
(26)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	$0
(27)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	$0
(28)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	$0
(29)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	$0
(30)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	$0
(31)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	$0
(32)	Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	$0
(33)	Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	$0
(34)	Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	$0
(35)	Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	$0
(36)	Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (57) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	$0

Attachment Five
Executive (EX) Committee and Plenary
8/14/26

State Implementation Report of NAIC-Adopted Model Laws and Regulations
As of 7/1/2026

Life Insurance and Annuities (A) Committee

- Amendments to the ***Annuity Disclosure Model Regulation*** **(#245)** (participating income annuities)—Adopted at the 2021 Summer National Meeting. 5 jurisdictions have adopted these revisions.

Health Insurance and Managed Care (B) Committee

- Amendments to the ***Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act*** **(#171)** (STLD plans and title change)—Adopted at the 2024 Fall National Meeting. 1 jurisdiction has adopted these amendments.

Property and Casualty Insurance (C) Committee

- Adoption of the ***Pet Insurance Model Act*** **(#633)**—Adopted at the 2022 Summer National Meeting. 16 jurisdictions have adopted this model.

Market Regulation and Consumer Affairs (D) Committee

- Amendments to the ***Public Adjuster Licensing Model Act*** **(#228)**—Adopted at the 2025 Spring National Meeting. 4 jurisdictions have adopted these amendments.

- Amendments to the ***Unfair Trade Practices Act*** **(#880)** (lead generator)—Adopted at the 2024 Spring National Meeting. 3 jurisdictions have adopted this model.

Financial Condition (E) Committee

- Amendments to the ***Insurance Holding Company System Regulatory Act*** **(#440)** (receivership)—Adopted at the 2021 Summer National Meeting. 30 jurisdictions have adopted these revisions.

- Amendments to the ***Insurance Holding Company System Model Regulation with Reporting Forms and Instructions*** **(#450)** (receivership)—Adopted at the 2021 Summer National Meeting. 32 jurisdictions have adopted these revisions.

- Amendments to the ***Property and Casualty Insurance Guaranty Association Model Act*** **(#540)** (insurance business transfers, corporate divisions, cybersecurity insurance)—Adopted at the 2023 Fall National Meeting. 10 jurisdictions have adopted these revisions.

- Amendments to the ***Mortgage Guaranty Insurance Model Act*** **(#630)** (capital and reserve requirements)—Adopted at the 2023 Summer National Meeting. No adoption activity.

Innovation, Cybersecurity, and Technology (H) Committee

- Adoption of the ***Insurance Data Security Model Law*** **(#668)**—Approved at the 2017 Fall National Meeting. 28 jurisdictions have adopted this model.

- Adoption of the ***Artificial Intelligence Bulletin***—Adopted at 2023 Fall National Meeting. 25 jurisdictions have adopted this bulletin.