

RISK-BASED CAPITAL MODEL GOVERNANCE (EX) TASK FORCE

Risk-Based Capital Model Governance (EX) Task Force Dec. 10, 2025, Minutes

Risk-Based Capital Model Governance (EX) Task Force Dec. 3, 2025, Virtual Meeting Minutes (Attachment One)

Presentation by Bridgeway Analytics Regarding the Revised Risk-Based Capital (RBC) Principles (Attachment One-A)

Bridgeway Analytics Proposed Principles for RBC Requirements (Attachment One-B)

Comments Regarding the Revised RBC Principles (Attachment One-C)

Risk-Based Capital Model Governance (EX) Task Force Dec. 3, 2025, Evote Minutes (Attachment Two)
2026 Proposed Charges (Attachment Two-A)

Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force Oct. 23, 2025, Joint Virtual Meeting Minutes (Attachment Three)

Comment Letters Regarding Proposed Preamble Changes (Attachment Three-A)

Risk-Based Capital Model Governance (EX) Task Force Aug. 12, 2025, Edited Minutes (Attachment Four)
Revised RBC Principles (Attachment Five)

Presentation by Bridgeway Analytics Regarding Work in Progress for 2026 (Attachment Six)

Draft Pending Adoption

Draft: 12/14/25

Risk-Based Capital Model Governance (EX) Task Force
Hollywood, Florida
December 10, 2025

The Risk-Based Capital Model Governance (EX) Task Force met Dec. 10, 2025. The following Task Force members participated: Judith L. French, Co-Chair (OH); Nathan Houdek, Co-Chair (WI); Doug Ommen, Co-Vice Chair, and Kevin Clark (IA); Michael Wise, Co-Vice Chair (SC); Michael Conway represented by Rolf Kaumann (CO); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Jane Nelson (FL); Robert L. Carey (ME); Mike Causey represented by Jacqueline Obusek (NC); Jon Godfread and Matt Fischer (ND); D.J. Bettencourt represented by Edward Cataldo (NH); Cassie Brown represented by Jamie Walker (TX); Scott A. White and Dan Bumpus (VA); and Patty Kuderer represented by Steve Drutz (WA).

1. Adopted its Dec. 3, Oct. 23, and Summer National Meeting Minutes

The Task Force met Dec. 3. During this meeting, the Task Force discussed revised principles to address previously received comments. The Task Force also conducted an e-vote that concluded Dec. 3 to adopt its 2026 proposed charges.

Additionally, the Task Force met Oct. 23 in joint session with the Capital Adequacy (E) Task Force to coordinate discussions on the purpose and use of risk-based capital (RBC) as drafted into proposed changes to the RBC preamble.

Obusek made a motion, seconded by Bumpus, to adopt the Task Force's Dec. 3 (Attachment One), Dec. 3 e-vote (Attachment Two), Oct. 23 (Attachment Three), and Aug. 12 minutes (Attachment Four), modified to reflect edits made from the version included in the Proceedings of the Summer National Meeting. The motion passed unanimously.

2. Discussed Outstanding Comments on RBC Principles

Director French recognized the hard work of the NAIC's consultant, the drafting group, and various trade organizations that assisted in getting the principles to their current state. She noted she was looking for final comments on the revised principles included in the materials, as the next agenda item was to consider adoption. She asked Amnon Levy (Bridgeway Analytics) to summarize the remaining proposed edits provided to him since the Task Force's Dec. 3 call.

Levy stated his appreciation for the opportunity to support the Task Force in achieving its goals, including the development of an RBC model governance framework. He pointed out that the possible edits to the principles document since the last Task Force meeting include an edit to clarify that regulators are not necessarily taking action against insurers, and it is more appropriate to describe it as with respect to insurers. He also noted that the equal capital for equal risk principle has a second option.

Levy explained that commenters advocated for making it clear that RBC consistency requirements should be applied within lines of business, not across them, and this is not a uniform treatment applied without considering the underlying risks. In particular, the American Property and Casualty Insurance Association (APCIA) and the National Association of Mutual Insurance Companies (NAMIC) advocated for a second option that incorporates additional language around this concept. Levy stated that regardless of whether the Task Force chooses the first, second, or some other option, discussions with regulators highlighted concerns with the principle of equal capital for equal risk, given the variation in interpretation of the concept. He stated that while variation in interpretations

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is unavoidable, he believed the issue raised relates more to quantitative guidelines. He noted that the Task Force has previously discussed the concept of quantitative guidelines in the context of serving as benchmarks for specific RBC components such as life investments.

Levy stated that regarding the statistical safety level, the risks arise in the tax treatment, dividends, and other key modeling features. The quantitative guidelines serve as benchmarks with deviations expected; however, deviations will require articulated justification. The quantitative guidelines should help avoid disagreements as to whether an RBC proposal violates the principle of equal capital for equal risk. Director French noted she believed most regulators supported the first option. Bumpus stated that Virginia supports the first option because it was cleaner, but he thought the intent of the language in the second option was consistent with the first. Clark indicated that Iowa agrees with Virginia's comments.

Jeff Alton (Reinsurance Association of America—RAA) stated his appreciation for the collaborative nature of the work thus far, as it has been very interactive. He stated that the RAA, APCIA, and NAMIC have worked closely on the language in the second option, and the RAA is interested in additional clarity on the topic summarized by Levy, and the second option was drafted with that intent. He noted that with respect to these statistical set safety levels, the RAA believes it is important that RBC be maintained as an early monitoring system of troubled companies and not a robust capital standard such as the International Association of Insurance Supervisors (IAIS) Insurance Capital Standard (ICS) or Solvency II. He added that, as someone who fought against the ICS and Solvency II over the last 15 years, that fight continues with respect to the second option of providing that additional clarity. He stated that the second option is basically the system that has been used, especially on the property/casualty (P/C) side. He stated that this option has worked with respect to the way that the NAIC calibrates RBC and suggested that it should be maintained.

Alton stated his appreciation for Virginia's comment. He said that if the intent of the first and second options is to say the same thing, then the Task Force should consider documenting that in the notes. He also stated that it is important that the NAIC does not have the same statistical safety level that exists under Solvency II.

Mariana Gomez Vock (American Council of Life Insurers—ACLI) thanked the Task Force on the development of the principles and the related materials. She stated the ACLI's appreciation for the consultant as well as the transparent and cooperative process. She stated that the ACLI is in support of the prior draft of the principles and that the ACLI prefers the first option, as the language is clearer and it was vetted a little more thoroughly. She stated that the ACLI's suggestion would be to adopt the first option, with the potential to add a note to address the concern in the note section and not in the principal language. Iowa and Virginia noted their support for that suggestion, which was consistent with the previous statement from Director French that there was consensus among the regulators that the first option was preferred.

3. Adopted the Revised Principles

Commissioner Godfreed made a motion, seconded by White, to adopt the revised principles (Attachment Five), with the modifications agreed to by the Task Force during the meeting. The motion passed unanimously.

4. Heard a Presentation on Work in Progress for 2026

Levy provided an update on the Task Force's work in progress that will continue into 2026 (Attachment Six). The update included: 1) possible future preamble edits; 2) the process for future RBC adjustments; 3) gap analysis; 4) coordination with the American Academy of Actuaries (Academy); and 5) an education and messaging campaign.

Levy explained the edits that had been made by the drafting group to the RBC preamble, with the understanding that the purpose of such language needed to be consistent with the principles adopted regarding purpose and

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use, but he did not discuss the language in detail, only emphasizing the purpose of the two sets of different language.

Levy noted that more language changes are expected to be suggested by the drafting group to help streamline some of the language. The additional changes do not affect the purpose and use or consistency with the principles. Once completed, the changes could be presented to the Task Force in early 2026. Levy indicated that a draft of the model risk management standards has been completed, and more work with the drafting group and industry trades will need to be done before being presented to the Task Force for consideration.

Levy explained the current status of the inventory of issues to be considered for the gap analysis, which focuses initially on investment categorization and RBC model applications. Levy also discussed the Academy's Cross Practice RBC Task Force, which will be assisting in the efforts. Levy also reported that a PowerPoint had been developed as part of the messaging campaign, which NAIC staff and select trade organizations found helpful in framing the complex system.

Having no further business, the Risk-Based Capital Model Governance (EX) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/EX CMTE/RBCMGTG/121025 RBC Model Gov TF Minutes

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Risk-Based Capital Model Governance (EX) Task Force
Virtual Meeting
December 3, 2025

The Risk-Based Capital Model Governance (EX) Task Force met Dec. 3, 2025. The following Task Force members participated: Judith L. French, Co-Chair (OH); Nathan Houdek, Co-Chair (WI); Doug Ommen, Co-Vice Chair, and Kevin Clark (IA); Michael Wise, Co-Vice Chair, represented by Geoffrey Bonham (SC); Michael Conway represented by Rolf Kaumann (CO); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Jane Nelson (FL); Robert L. Carey (ME); Mike Causey represented by Jacqueline Obusek (NC); Jon Godfread represented by Matt Fischer (ND); D.J. Bettencourt represented by Edward Cataldo (NH); Cassie Brown, Jamie Walker, and Rachel Hemphill (TX); Scott A. White represented by Dan Bumpus (VA); and Patty Kuderer represented by Steve Drutz (WA).

1. Discussed the Revised RBC Principles

Amnon Levy (Bridgeway Analytics) provided an overview and summary (Attachment One-A) of the risk-based capital (RBC) revised principles (Attachment One-B). He reminded the Task Force of its goals, Bridgeway's role, and provided a retrospective of the process. He then reminded the group of the various concepts discussed in the context of principles for the purpose and use of RBC, starting with traditional purpose and use concepts and then moving on to other purpose and use concepts. He mentioned the work to modify these areas, as well as possible additional disclosures for the preamble, which stemmed from the joint meeting with the Capital Adequacy (E) Task Force on Oct. 23.

Levy said that, as outlined in the current preamble, the purpose of RBC is to identify weakly capitalized companies, and then regulators use RBC to take action against these companies. RBC is one of many tools within the statutory framework that provide state regulators with insight into potential risks. RBC ratios serve as an element of the state regulators' assessment of capital adequacy for insurance groups through group capital calculation (GCC) and the aggregation method (AM), which assigns meaning to values outside regulatory triggers.

He discussed how RBC conveys information regarding the solvency of regulated legal entities, as assessed by state regulatory authorities, to relevant stakeholders and the public. Rating agencies (e.g., S&P) use RBC ratios in assessing potential regulatory action, and as trigger points near, they are more likely to be reflected in financial strength ratings, all else being equal. Caution should be used when RBC is far from a regulatory trigger. Some insurers manage capital at the holding company level or through non-regulated entities, potentially adding capital when RBC drops below a reasonable level.

Levy noted that other concepts that have been discussed include 1) the need for RBC to protect policyholders without unnecessarily impeding access to insurance products that meet consumer needs; 2) protecting solvency and maintaining affordable insurance products; 3) prudent hedging, which has been cited as a motivating factor in recent generator of economic scenarios (GOES) and RBC C-3 calibrations; and 4) how the RBC framework maintains integrity, adaptability, and global competitiveness.

He discussed the differing opinions on whether and where these concepts should be situated within the governance framework. Notably, regulators have opted for parsimony in their principles, in part to avoid errors of omission that can result from including too many details, and to ensure that concepts remain relevant over time. He noted that while no objections have been raised over, for example, the concept that prudent hedging is

a motivating factor in developing RBC C-3, regulators have opted to consider including the concept in model risk management standards, where an assessment of potential incentives for hedging, in this case, would be included as part of model development since the update to RBC is material. He said that in the future, this could be in addition to an impact analysis conducted through field testing.

Levy then directed the Task Force to the revised principles, specifically the purpose and use. He discussed the development of model development standards and how some drafting group members raised concerns that such standards could become onerous, making updates to RBC prohibitively cumbersome. The drafting group recommended that the Task Force use sensitivity when developing these standards.

2. Received Written Comments on the Revised RBC Principles

Director French stated her appreciation to all of the parties that provided written comments (Attachment One-C). allowed each commenter to summarize their comments (and describe whether their concerns were addressed through the revised principles.

A. ACLI

Mariana Gomez-Vock (American Council of Life Insurers—ACLI) said the ACLI appreciates the work of the Task Force and its coordination with the Capital Adequacy (E) Task Force, noting that its members had not reviewed the revised principles. She stated, however, that its preliminary observations on the revised principles were that many of its concerns, which were included in its comment letter, were addressed in the final version. The ACLI is particularly supportive of the proposed definition of purpose and use, as well as the inclusion of these concepts into the principles. She said the notes attached to the principles were helpful and suggested including some of that language, as well as some of the language found in the slides.

B. APCIA

Jay Muska (American Property Casualty Insurance Association—APCIA) said the APCIA was generally supportive of the previous version of the principles and remains generally supportive of the current version, pending further review by its members. He noted that its comment letter focused on two issues: equal capital for equal risk and how this would be implemented in practice, with the goal of developing RBC factors to reasonably capture the risk. The APCIA's other concern is ensuring proper discussion with international regulators.

C. NAMIC

Colleen Scheele (National Association of Mutual Insurance Companies—NAMIC) said NAMIC appreciates the time, effort, and thoughtfulness invested in the project, which is evident in the final result. NAMIC does not have any major issues with the principles and is committed to continued work.

D. RRC

Lynn Manchester (Risk & Regulatory Consulting—RRC) said the RRC believes the principles have become more general with less detailed wording and are now concerned that they are overly vague. She then summarized the remainder of its comment letter.

Levy responded that some of the items noted appear to have been addressed by the changes made to the notes attached to the principles. Manchester noted that RRC's comments were in light of the notes, but stated appreciation that more work would be done on model governance.

E. UHG

James Braue (UnitedHealth Group—UHG) said UHG's comment letter agreed with the principles but identified areas for refinement, many of which were not addressed in the revised principles. However, based on the earlier presentation, these areas may be more appropriately addressed in the model governance standards that will be developed. He noted the need for regulators to conduct periodic reviews to determine whether the RBC formulas continue to meet their intended purpose.

Levy responded that this is an important point. Bridgeway Analytics has advocated for this process, and it is part of the initial draft of the model risk management standards. He emphasized the need to ensure the process also applies to the broader regulatory framework and that it is properly aligned with statutory accounting and reserving.

F. Academy

Katie Dzurec (American Academy of Actuaries—Academy) said many of the Academy's comments had been addressed, but that she will note a couple of items. First, the Academy suggested that clarification be provided regarding the definition of an identifiable segment of companies. Second, it concurred with the Task Force that RBC requires a process to capture emerging risks, and the Academy is willing to assist the NAIC in developing that process to capture those risks in a timely fashion. It can also assist in developing a process to holistically identify risks of higher priority, and it is willing to support the Task Force with those efforts. She noted that the Academy's Risk Management and Financial Reporting Council on Prudential Regulation has edits to the preamble. She also reiterated the importance of transparency and RBC information.

3. Requested Comments from Regulators on the Revised RBC Principles

Commissioner Houdek asked for comments from regulators on the revised principles. No comments or concerns were made.

Having no further business, the Risk-Based Capital Model Governance (EX) Task Force adjourned.

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Supporting the investment and regulatory community to navigate increasingly complex capital markets

RBC Model Governance (EX) Task Force

Principles for RBC

December 3, 2025

Bridgeway Analytics supports the investment and regulatory community in working to optimize the design, organization, and utility of regulations surrounding the management of insurance company businesses. While the content in this document is informed by extensive discussions with our client base, the broader industry, NAIC staff, and state regulators and may contain analysis that Bridgeway Analytics had conducted as part of a commercial engagement and retains the right to reuse, the views in this document are solely those of Bridgeway Analytics and are based on an objective assessment of data, modeling approaches, and referenced documentation, that in our judgment and experience, are viewed as appropriate in articulating the issues at hand. Methodologies are available to the public through an email request at support@bridgewayanalytics.com.

Agenda: RBC Model Governance

- **A reminder of Task Force goals and Bridgeway's role**
- **A retrospective of the process**
- **Traditional purpose & use concepts**
- **Other purpose & use concepts**
- **Proposed Purpose of RBC and other considerations**
- **Proposed Use of RBC and disclosure**
- **Revised proposed Principles for Maintaining & Prioritizing Updates to RBC**

Goals for 2025 (paraphrased)

1. Develop a set of guiding principles for RBC, which are coordinated with Preamble revisions.
2. Develop a list of gaps and inconsistencies in the RBC formula and suggestions (solutions) for what could improve/address such gaps.
3. Develop a plan, including priorities and sequencing, for changes to RBC in future years.
4. Develop an education and public messaging campaign to highlight the RBC framework's benefits and strengths as an important part of the U.S. state-based insurance regulatory system.
5. Create a process for analyzing both retrospective and future adjustments to RBC, incorporating regular reviews of RBC outcomes and ensuring future adjustments are made in alignment with guiding principles. This process will facilitate ongoing improvements to ensure the framework remains responsive to emerging risks and market trends, enabling the RBC framework to adapt proactively.

Task Force initiatives will not result in the work of other RBC-related efforts being paused or stopped.

Bridgeway's role is to present options for regulators to choose from.

- Bridgeway Analytics was hired to facilitate the gathering and synthesis of stakeholder suggestions and feedback, along with Bridgeway's own objective assessments, to help achieve the Task Force Goals and reach consensus.

A retrospective of the process

July 3, 2025

- [RBC Model Gov Chair Exposure](#) was published, requesting comment on preliminary principles for RBC.
- The proposed principles included concepts not traditionally associated with the purpose of RBC, including considerations for global competitiveness and product availability that meet consumer needs, with comments highlighting strong views on whether such concepts should be articulated within RBC principles.

September 24, 2025

- The Task Force posted a request for comment on [Proposed Principles for Maintaining and Prioritizing Updates to RBC Requirements](#), which incorporated feedback and generally included concepts for which there was consensus.
- The Task Force mapped out a coordinated plan with the Capital Adequacy (E) Task Force to revise the RBC Preamble, which discusses the purpose and use of RBC, to align with those principles.

October 23, 2025

- The joint Task Force and Capital Adequacy (E) Task Force session to review the Preamble suggested a consensus regarding the appropriate use and limitations of RBC, with concerns regarding potential inappropriate use addressed through disclosure. That left concepts related to the purpose of RBC needing to be worked through.

December 3, 2025

- Principles were revised with suitable locations within the governance framework identified for key concepts.
- Notably, while commenters have expressed strong views over whether ‘non-traditional’ concepts should be included as principles, there does not seem to be objections to acknowledging the legitimacy of many of those concepts elsewhere in the framework.

Traditional purpose & use concepts

Purpose of RBC. The purpose of RBC requirements is to identify potentially weakly capitalized companies.

Regulators' Use of RBC

- RBC requirements are primarily used to facilitate regulatory action against weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.
- Component of a Robust Regulatory Framework. RBC is one of many tools within the statutory framework that collectively protect policyholders and provide state regulators with insight into potential risks. It should be designed and calibrated to account for and complement the full spectrum of supervisory tools and resources.
- RBC ratios serve as an element of the state regulators' assessment of capital adequacy for insurance groups through GCC and the Aggregation Method, which assigns meaning to values outside regulatory triggers.
- Convey information regarding the solvency of regulated insurance legal entities, as assessed by state regulatory authorities, to relevant stakeholders and the public.
- Rating agencies (e.g., S&P) use RBC ratios in assessing potential regulatory action and, as trigger points near, are more likely to be reflected in financial strength rating, all else equal. Surplus Notes held by insurers can receive Designations based on agency ratings.
- Caution should be used when RBC is far from a regulatory trigger. Some insurers manage capital at the holding company level or non-regulated entities, potentially adding capital when RBC drops below a reasonable level.

Other purpose & use concepts

Secondary considerations or acknowledgments

- Protect policyholders without unnecessarily impeding access to insurance products that meet consumer needs.
- Protecting solvency and maintaining affordable insurance products.
- Hedging. While measurement is the focus, prudent hedging has been cited as a motivating factor in recent GOES and RBC C-3 calibrations. General agreement that RBC should not restrict insurers' prudent risk-taking.
- RBC framework maintains integrity, adaptability, and global competitiveness.

Possible locations to include concepts

- Principles (a guiding north star)
- Preamble
- Model risk management standards. An assessment of potential incentives for hedging or policy offering can be included as part of the model development standards when an update to RBC is material, for example.
- Other locations

Proposed Purpose of RBC and other considerations language

Principle 1. Purpose. The purpose of RBC requirements is to identify potentially weakly capitalized companies.

Other considerations. Regulators explored the possibility of **incorporating concepts in model development standards**, with the following formative language: *RBC requirements, by design, differentiate capital charges according to the risk profile of business activities, whether those activities involve policy offerings, investment strategies, or other risk exposures. Material regulatory requirements can influence insurers' behavior, affecting product design, investment strategies, reinsurance strategies, and competitive dynamics. These effects may be desirable and deliberately considered in model development as an acceptance criterion (for example, remove disincentives to prudent hedging in life RBC C-3). Therefore, material RBC model updates should include a qualitative, and where practical, a quantitative assessment of reasonably foreseeable and material resulting incentives, along with their implications. The assessment should be proportionate to the materiality of the incentive. Reasonably foreseeable and material resulting incentives can include:*

- **Risk management**, including prudent hedging.
- **Product design and policyholder impact**, including potential effects on pricing, product availability, or distribution.
- **Market and competitive effects**, including disproportionate impacts across identifiable insurer segments.
- **Alignment with NAIC Policy Objectives**, beyond maintaining solvency protection, such as promoting fair competition and supporting access to insurance.
- **Broader systemic and operational considerations**, including changes in asset allocation, reinsurance strategies, or cross-sector risk exposures

Proposed Use of RBC and disclosure

Principle 2. Use. RBC requirements are primarily used to facilitate regulatory action against weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.

Preamble - Other uses and disclosure

- Regulators explored the possibility of **incorporating disclosure guidelines into the Preamble** with the following formative language: *RBC requirements are a regulatory tool and are not intended or appropriate as a means to rank insurers. Therefore, state laws generally prohibit insurers and their regulators from making assertions or disclosures regarding comparisons of RBC information with limited exceptions. Insurers may make assertions or disclosures of certain RBC information, consistent with applicable state law, to accommodate the interests of other stakeholders, including policyholders, investors, ratings agencies, and other regulatory authorities. **Any insurer's assertion or disclosure of RBC information must be consistent with applicable state laws and should be accompanied by a disclosure statement alongside the RBC information articulating the relevant considerations when using RBC calculations outside of their stated regulatory purpose, as described in this Preamble.** State laws mandate that some elements of the RBC calculation and all RBC Plans are confidential and may not be disclosed.*

Proposed Principles for Maintaining & Prioritizing Updates to RBC

Revised, incorporating feedback from September 24, 2025, comment request

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, unless there are substantial enough 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, 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.

BRIDGEWAY RELIES ON A SPECTRUM OF SUBJECT EXPERTS AND TOOLS, INCLUDING ARTIFICIAL INTELLIGENCE AND LARGE LANGUAGE MODELS. WHILE BRIDGEWAY ASPIRES TO PROVIDE ACCURATE AND TIMELY INFORMATION, THE NATURE OF DISTILLING INFORMATION TO WHAT BRIDGEWAY DEEMS MOST RELEVANT, AND THE EVOLVING AND SUBJECTIVE NATURE OF THE RULES, IMPLIES THAT THE DATA REPRESENTS BRIDGEWAY'S OPINION OF THE RULES AND NOT THE RULES THEMSELVES. LICENSEE AGREES TO CONSULT ITS LEGAL, COMPLIANCE, AND ACCOUNTING PROFESSIONALS BEFORE APPLYING ANY DATA GENERATED BY OR RESULTING FROM LICENSEE'S USE OF THE SOFTWARE, IN LICENSEE'S BUSINESS PROCESSES. BRIDGEWAY DOES NOT GUARANTEE THE ACCURACY, ADEQUACY, COMPLETENESS, TIMELINESS, OR AVAILABILITY OF DATA AND/OR CONTENT, AND IS NOT RESPONSIBLE FOR ERRORS OR OMISSIONS (NEGLIGENT OR OTHERWISE), REGARDLESS OF THE CAUSE, AND IS NOT LIABLE FOR ANY DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR LOST PROFIT AND OPPORTUNITY COSTS) IN CONNECTION WITH ANY USE OF THE DATA AND/OR CONTENT.



Proposed Section E of the Preamble. Proposed Principles for RBC Requirements

Acknowledging the complex and varied insurance business activities and their associated risks, RBC requirements are established to capture risks using a wide range of data, methodologies, and regulatory judgment. These Principles of RBC Requirements serve as a guiding North Star for governing the purpose and use of RBC requirements, as well as maintaining and prioritizing updates to RBC.

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 against 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, unless there are substantial enough 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, and should reflect measurable risks that can impact solvency, including the mitigating effects of risk management. RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, reflecting measurable risks that can impact solvency, including mitigating effects of risk management, except where the nature of a risk or business model warrants differences.~~
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. ~~Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.~~
6. **Accuracy.** Sufficiently precise to assess solvency risk, while avoiding unnecessary complexity. ~~Precise, allowing assessment of 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, 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, ~~material~~ considerations.



Appendix: Notes from Task Force Deliberations on Principles

Location. Regulators felt that Principles should reside in RBC Instructions, and Notes should reside in meeting notes that will be considered for adoption.

1. Purpose and 2. Use

- Secondary considerations. Stakeholders had different viewpoints on whether considerations beyond identifying weakly capitalized companies should be introduced as a purpose of RBC requirements, with some advocating for considerations of concepts such as global competitiveness and product availability that meet consumer needs. Regulators chose principles that align with the traditional positioning of the purpose and use of RBC, while acknowledging that these concepts should be considered elsewhere in the framework. Discussions suggested the possibility of incorporating the concepts into model risk management standards, which might require an assessment of incentives resulting from material changes to RBC requirements. The following formative language was explored:

***An Assessment of Incentives.** RBC requirements, by design, differentiate capital charges according to the risk profile of business activities, whether those activities involve policy offerings, investment strategies, or other risk exposures. Material regulatory requirements can influence insurers' behavior, affecting product design, investment strategies, reinsurance strategies, and competitive dynamics. These effects may be desirable and deliberately considered in model development as an acceptance criterion (for example, remove disincentives to prudent hedging in life RBC C-3).*

Therefore, material RBC model updates should include a qualitative, and where practical, a quantitative assessment of reasonably foreseeable and material resulting incentives, along with their implications. The assessment should be proportionate to the materiality of the incentive. Reasonably foreseeable and material resulting incentives can include:

- ***Risk management,** including prudent hedging.*
- ***Product design and policyholder impact,** including potential effects on pricing, product availability, or distribution.*
- ***Market and competitive effects,** including disproportionate impacts across identifiable insurer segments.*
- ***Alignment with NAIC Policy Objectives,** beyond maintaining solvency protection, such as promoting fair competition and supporting access to insurance.*
- ***Broader systemic and operational considerations,** including changes in asset allocation, reinsurance strategies, or cross-sector risk exposures.*
- Parsimony. Regulators chose to limit principles to their core concepts, deliberately avoiding the following non-contentious concepts, acknowledging they naturally fit elsewhere in the framework:
 - Component of a Robust Regulatory Framework. RBC is one of many tools within the statutory framework that collectively protect policyholders and provide state regulators with insight into potential risks. RBC requirements are designed and calibrated to account for and complement the full spectrum of supervisory tools and resources.
 - Various uses beyond state regulators. Rating agencies use it to assess potential regulatory action, which impacts the ratings (e.g., surplus notes), the SEC requires detailed reporting, the IAIS requires transparency for AM, and consumers and consumer groups use it.
 - Language. Regulators felt it was unnecessary to include references to 'legal entities' or to add references to 'state law', which some have advocated for, noting that the concepts are implicit within the 'company' and 'regulatory action'.

3. Materiality.



- Discussions highlighted that a materiality threshold aligned with a traditional concept of ‘identifying weakly capitalized companies’ would be too high, in the context of ongoing changes to RBC. It was pointed out that it is unlikely that any of the changes to life RBC in recent years would have resulted in regulators otherwise not identifying weakly capitalized companies. However, there was a general consensus that those changes improved the framework and were broadly desirable. The phrase ‘regulator’s assessment of the solvency risk’ was viewed as providing a more reasonable threshold. The concept of ‘*regulator’s assessment of the solvency position*’ was also explored, with some regulators viewing it as alluding to a measure that can rank-order RBC ratios, which they wanted to avoid.
- The question of whether RBC should be updated only to address material industry-wide risk was explored in various settings prior to the formation of the Task Force. Regulators agreed on addressing this question directly by allowing for materiality to include cases where the materiality threshold can be reached for only an ‘identifiable segment of companies.’
- The potential for components that are not material individually, but material when aggregated, was also discussed and acknowledged.
- Regulators deliberately avoided including the concept of a measurable risk within materiality since parameters of many RBC requirements rely heavily on professional judgment.
- No edits were incorporated from comments received. Notably, there was a deliberate decision to avoid the term measurable since many parameters of RBC requirements rely heavily on professional judgment. There was also a deliberate decision to keep the principle at a high level.
- 4. **Equal capital for equal risk.** While regulators broadly agreed to include this concept, different stakeholders interpreted equal risk differently, which led regulators to spell out the concept with several notable areas the Drafting Group explored:
 - Arbitrage. Often in the context of structuring assets, reinsurance blocks, and accounting permitted practices, regulators, NAIC staff, and other stakeholders have pointed to practices that change capital requirements without any significant alteration of the risks. In the context of structuring assets, reinsurance blocks, and accounting permitted practices, regulators, NAIC staff, and other stakeholders have highlighted activities that can change capital requirements without a corresponding change in risk. Regulators discussed cases where there can be a perception of this occurring without violating the principle of equal capital for equal risk. For example, differences in accounting methodologies that affect the carrying value of an asset can change the risk of loss, even if the underlying source of cash flows is identical. If an accounting methodology systematically results in lower carrying values than another, then the total exposure at risk of loss will be less. All other variables being equal, this would justify a lower capital charge than if the asset were held at a higher carrying value due to accounting treatment. This is reflected in Principle #5 - Grounded in Statutory Accounting and Reserving.
 - Tail risk. Some regulators advocated having the principle read ‘Equal capital for equal tail risk’. Rather than narrowly focus on tail risk, regulators agreed to broaden the concept to include ‘considerations for factors that impact risk, including but not limited to concentration, diversification, and tail risks.’
 - To avoid varying interpretations of ‘equal risk’, additional language was incorporated:
 - The phrase ‘unless there are substantial enough differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty) to warrant alternative treatments except where the nature of a risk or business model warrants differences’ was incorporated to qualify differences in life, property & casualty, and health business models, acknowledging the need for different RBC requirements. Discussions also pointed to more nuanced cases, such as long tail property & casualty, which highlighted the need for sensitivity of RBC requirements to varying business risks. Rcat RBC, for example, focuses on natural catastrophes and is calibrated to the 100-year return period.



- Consistency in the treatment of risk across components, for any single business model, was viewed as critical, ~~noting that different~~ Differences in RBC components across business lines were also viewed as critical. For example, RBC requirements account for ~~reat~~ taxes and discounting, for example, differently (e.g., life RBC calculations measure discounted loss net of tax loss offsets, while property & casualty do not). The language 'the nature of the risk in the context of the business model (e.g., life vs property & casualty)' was chosen to be broad and not limited to only risks of reported assets and liabilities, but the business model, with added emphasis that life and property & casualty business model risks are substantially different.
- Measurable. Discussions pointed to the need for measurable differences in risks that can impact solvency to be considered in RBC requirements, which led to the phrase, 'reflecting measurable risks that can impact solvency...'
- Regulators reviewed comment letters from the second exposure that suggested revised language to achieve a more deliberate delineation of consistency within a business model, which the Drafting Group acknowledged the principle could benefit from. The concept possibly warranting its own principle was explored. Edits refined the language while maintaining the principle at a high level. The Notes are also updated to better articulate the concept.
- 5. **Objectivity.** The phrase ~~'thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk'~~ 'thereby avoiding the promotion or inhibition of objectives that are unrelated to assessing solvency risk.' was introduced to ensure that RBC requirements represent an unadulterated measure of solvency risk. An example was explored where, while underserved communities are supported by social programs, there should be no such consideration in RBC since it would distort regulators' ability to assess solvency risk.
- Several commenters suggested clarifying language in the second exposure, which the Drafting Group incorporated.
- 6. **Accuracy.**
 - There were several aspects to this principle that were deliberated over, notably the tension the principle has with materiality, with several examples discussed:
 - The pre-2021 NAIC Designations have 6 categories. The factors calibrated to those categories were analytically appropriate, but regulators started observing that insurers were investing more heavily at the bottom end of each Designation range to a degree that became concerning; it was unclear whether the 6 categories were appropriately capturing the investment risk. As a result, in 2021, there was a change to include modifiers to get additional precision (~20+ sub-categories). The tension with the materiality principle can be seen if one focuses exclusively on a single Designation, say, 5.B, whose associated RBC charges on their own would not be considered material, although the full set of charges does pass the materiality threshold.
 - Residential mortgage loans (RMLs) have a flat RBC charge that was derived judgmentally from a historical CML framework that has since been replaced. While this was likely supported given the lack of materiality of RMLs at that time, growth in insurer holdings of RMLs may warrant a more precise, risk-sensitive framework in the future.
 - Precision was discussed in the context of both statistical accuracy and granularity.
 - The final language, 'Sufficiently precise to assess solvency risk, while avoiding unnecessary complexity. RBC requirements should be sufficiently precise to assess solvency risk, while avoiding unnecessary complexity,' and deliberately incorporate the concept of RBC being only as complex as needed to assess solvency risk.
 - Several commenters suggested clarifying language in the second exposure, which the Drafting Group incorporated.
- 7. **Grounded in Statutory Accounting and reserving.**



- There was broad agreement with having this concept as a separate principle from 'Equal capital for equal risk', given its significance. Deliberations pointed to important differences across RBC components (e.g., life reserves account for asset risk, needing life RBC to be measured net of reserves, which is not the case for property & casualty).
- This principle reflects that the calibration of RBC requirements will be affected by how risks are accounted for, as accounting practices determine how a risk impacts surplus. For example, two economically identical investments may warrant different RBC requirements if one were accounted at amortized cost and the other at market value.
- Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.
- 8. **Emerging risks.** Regulators generally agreed that emerging risks should be addressed, although some thought the concept should be organized alongside RBC updates. Three aspects of the principle were discussed more extensively:
 - Regulators agreed that 'identifiable segment of companies' should be emphasized, aligning with the emphasis in the materiality concept.
 - The added reference to macroprudential risks makes clear that the financial system and broader macroeconomic risks may be relevant considerations when assessing emerging risks
 - When incorporating emerging risks into RBC requirements, several considerations were explored:
 - The degree to which the risk is currently captured in RBC requirements;
 - The level and growth in industry or an identifiable segment of companies' exposure to the emerging risk;
 - How quickly the risk (including macroprudential risk) can become material; and
 - The identification and measurement limitations of emerging risks, acknowledging the natural limitations associated with emerging risk data. It does not suggest that RBC requirements should or should not capture an emerging risk, as referenced in the 'Process' principle, which acknowledges that RBC '...may rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions...'
- Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.
- 9. **Transparency.** When exploring documentation and transparency standards, notable points were made regarding the need for model documentation to include:
 - Solvency risks included or excluded, along with their current perceived materiality;
 - Solvency risks addressed through other regulatory processes; and
 - Model limitations and their appropriate use. For example, new investment types often get assigned RBC factors of other investments that they most closely resemble (e.g., Bond ETFs receiving bond C-1 factors). Model documentation standards should provide guidance for articulating the degree to which those factors are appropriate.
- Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.
- 10. **Process.**
 - While commenters and regulators supported the concept of model risk management standards, some regulators raised concerns over their potential to be onerous to the point of debilitating future revisions to RBC requirements. It was also pointed out that resources will be needed to maintain a repository of 'accessible articulation of methodologies and supporting rationale,' or to ensure standards are adhered to, for example. Since the requirements will be articulated and will vary, possibly greatly, depending on the nature of the RBC update, regulators agreed to revisit the practicalities once draft standards are available.



- The benefits of the framework improving efficiency were discussed, allowing for the avoidance of reverse engineering the rationale behind poorly documented models. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly. The transparency of the framework should aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.
 - There was general consensus that, when applicable, RBC Governance Standards follow [Actuarial Standard of Practice No. 56, Modeling \(ASOP No. 56\)](#), which defines **Model Risk** as: *The risk of adverse consequences resulting from reliance on a model that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation.*
 - The question of what constitutes a model was explored, with a general consensus of a broad interpretation of the concept. [SR 11-7](#) describes a model as referring to: *a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. A model consists of three components: an information input component, which delivers assumptions and data to the model; a processing component, which transforms inputs into estimates; and a reporting component, which translates the estimates into useful business information. Models meeting this definition might be used for analyzing business strategies, informing business decisions, identifying and measuring risks, valuing exposures, instruments or positions, conducting stress testing, assessing adequacy of capital, managing client assets, measuring compliance with internal limits, maintaining the formal control apparatus..., or meeting financial or regulatory reporting requirements and issuing public disclosures. The definition of model also covers quantitative approaches whose inputs are partially or wholly qualitative or based on expert judgment, provided that the output is quantitative in nature.*
 - It was agreed that the standards should recognize that some RBC requirements warrant a greater degree of analytical rigor and model sophistication than others, the involvement of regulatory judgment, data limitations, and other relevant considerations.
 - Concepts discussed that were viewed as needing to be addressed within the standards included:
 - Model development standards;
 - Ongoing monitoring standards; and
 - Change management standards that include procedures ensuring transparent communication and documentation of proposed and adopted updates, controlled implementation with considerations for retroactive applications, or gradual changes to parameters, and, when applicable, an assessment of materiality and the implications of proposed RBC updates. When discussing change management standards, regulators explored whether a model update that is generally viewed as improving accuracy should be limited in its applicability. Regulators agreed that any model update includes model risks, with uncertainties over unintended consequences. As such, significant updates should deliberately consider their impact.
 - While many changes to RBC requirements are originated by the Task Force and its Working Groups, some proposals, with supporting information, are presented by interested parties. The process requirements may limit proposals to interested parties with sufficient resources to comply with process requirements or require a separate compliant review before acting on the proposal.
 - [Regulators felt comfortable with the wording of the principle, and no edits were incorporated from comments received from the second exposure.](#)
- 11. Prioritization.**
- Regulators generally agreed on the concept and considerations related to prioritization. However, some expressed concern that it may not be an RBC principle but instead a process consideration. Given the significance of the concept, regulators felt that a standalone principle is warranted :



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- Necessity. Certain changes are required for calculations to remain functional. For example, changes to annual statement blanks often require changes to the RBC formula. Some aspects of the formulas require annual updates by design, etc.
 - Materiality. More material changes should be prioritized over less material changes.
 - Time and resource intensity. Some changes may require significant dedication of time and resources, while others may not. This should be balanced along with the necessity, materiality, and other material considerations in determining the appropriate prioritization of changes. For example, a change that is less material but requires little time or effort to make may warrant addressing prior to a more material, long-term project.
 - Other material considerations.
- Regulators removed “material” from the end of the principle after the second exposure since materiality is already mentioned as a factor.



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October 23, 2025

aima.org

Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Re: Revised Preliminary Risk-Based Capital Principles

Dear Director French, Commissioner Houdek, and Members of the RBC Model Governance (EX) Task Force:

The Alternative Investment Council (ACC),¹ a global trade association of alternative investment managers working with insurers across multiple jurisdictions, appreciates the opportunity to provide comments on the revised preliminary RBC principles released on September 23, 2025. We thank the Task Force for its continued engagement with stakeholders and for incorporating several important points raised in our July 24, 2025

¹ The Alternative Credit Council is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US\$2 trillion of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board, which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure, as well as the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.

Alternative Credit Council (ACC)

The ACC is the private credit affiliate of the Alternative Investment Management Association Limited (AIMA)



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comment letter.²

In particular, we welcome the changes that are consistent with our earlier recommendations:

- Elevating materiality to a standalone principle, ensuring that RBC updates are pursued only where they meaningfully affect solvency assessment.³
- Strengthening transparency and process, including clearer documentation, communication of methodologies, and acknowledgment of the role of proxies and expert judgment where appropriate.⁴
- Adding a principle on prioritization, which reflects the need for proportionality, regulatory judgment, and efficiency in updating RBC requirements.⁵

These enhancements will contribute to a more consistent and workable RBC framework, better aligned with the overarching goal of equal capital for equal risk. However, we are concerned that the Task Force's removal of core elements of the principles into a narrower "maintenance and prioritization" dilutes the significance and effectiveness of these principles. The Task Force charge was to develop guiding principles for the framework that "support integrity, adaptability, global competitiveness, and equal capital for equal risk", not just a workplan filter. The principles should therefore include an upfront statement of that purpose and be adopted as soon as possible so that near-term RBC updates are anchored to that common foundation.

We also applaud the restoration of Equal Capital for Equal Risk as a standalone principle, as well as the inclusion of the principle's express recognition of the importance of the mitigating effects of risk management. This language reflects the fact that equal capital for equal risk does not mean gross or theoretical risk; rather it is the insurer's actual risk, which is impacted by mitigating factors, including credible, effective risk mitigation.

While implied by the principles, we believe it is important to clarify that equal capital for equal risk applies both within an asset class and across different asset classes. "Within an asset class" clarifies that RBC factors and charges would vary only because of actual risk

² ACC Comment Letter on Proposed Preliminary RBC Principles, July 24, 2025, at 2–3.

³ NAIC Revised RBC Principles Exposure Draft, Sept. 23, 2025, Principle 1.

⁴ *Id.*, Principles 7–8.

⁵ *Id.*, Principle 9.





differences, and not because of inconsistent or arbitrary modeling or classification. For example, an increase in an RBC capital charge should be proportional to the increase in risk (expected loss), such that the capital charge is risk-graded, not step-functioned or distorted by rating inconsistencies. This creates a more rational, risk-sensitive, and equitable approach. “Across asset classes” means that two investments carrying the same level of risk should require the same amount of capital, even if they belong to different asset types. Any differences in RBC factors/charges between asset classes should directly relate to differences in risk.

Similarly, the clause “except where the nature of a business model or risk warrants differences” in the Equal Capital for Equal Risk principle is also confusing. The Task Force discussion in the appendix implies that this concept should only refer to lines of business. Because of the differences in risk within an asset class and across different asset classes, even where the durations are similar, it is likely that they will warrant individual treatment to best capture those risks. We would ask that the principle be clarified to reflect the diversity of underlying risks.

As a result, we recommend that the equal capital for equal risk principle be modified as follows: RBC requirements should be guided by the principle of equal capital for equal risk, including within and across asset classes. They should be consistent in their statistical safety levels and time horizons unless there are substantial enough differences in the nature of the risk of the liability, asset, or business model to warrant alternative treatments. RBC requirements should also reflect measurable risks that can impact solvency, including mitigating effects of risk management, except where the nature of a risk or business model warrants differences.

We also recommend that the RBC principles explicitly promote harmonization of look-through treatment across funds, partnerships, and other vehicles, taking into account the economic value and risk characteristics of the underlying investments rather than just the legal form of the vehicle. Often, there are material differences across asset classes that require bespoke consideration to avoid capital treatment that materially under- or overstates the underlying risk. While we appreciate the NAIC’s desire to create a consistent approach to determining RBC levels, a one-size-fits-all approach – particularly in relation to statistical safety levels and time horizons – may not always be appropriate, and the principles should reflect this. This is also important to ensure the NAIC does not inappropriately disincentivize investments in certain asset classes.

We also encourage the Task Force to give greater consideration to the interaction between RBC and statutory accounting treatment. As highlighted in our July submission, the prudential impact of an investment often depends as much on its SAP categorization and





valuation method as on the capital charge itself.⁶ When reviewing for gaps or establishing new RBC requirements, changes to the risk-based capital should integrate a review of accounting principles and reserves to help avoid distortions where economically identical exposures are treated differently. Such a holistic, comprehensive approach would thereby support consistency and sound risk recognition in the RBC framework.

Supervision of asset risk falls across multiple jurisdictions within the NAIC and is interconnected with other regulatory solvency tools. Without careful coordination, NAIC may see redundancies within the financial regulatory framework. We believe the principles should include consideration of potential RBC connections and interdependencies within the entire solvency framework to ensure that asset risks are mitigated in the most effective manner.

We believe these changes would substantially contribute to the NAIC's goal of maintaining both the coherence and the global competitiveness of the U.S. solvency framework, while continuing to reflect the prudence embedded in statutory accounting, reserves and risk-based capital requirements. We commend the Task Force for advancing this important governance initiative and look forward to continued collaboration.

If you have any questions or would like to discuss further, please do not hesitate to contact us at jkrol@aima.org or Joe Engelhard, Head of Private Credit & Asset Management Policy, Americas, at jengelhard@aima.org.

Sincerely,

Jiří Król
Global Head of Alternative Credit Council

⁶ ACC Comment Letter, supra note 1, at 6–7 (discussion of SAP and economic substance vs. legal form).





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Oct. 23, 2025

Director Judith French and Commissioner Nathan Houdek
Co-Chairs Financial Condition E Committee
National Association of Insurance Commissioners (NAIC)
Via email: ddaveline@naic.org

Re: Exposure of revised preliminary principles for Risk Based Capital (RBC)

Dear Director French and Commissioner Houdek:

Thank you for the opportunity to provide comments on the proposed revised preliminary principles for RBC (hereafter, “the principles”). Our comments reflect ACLI’s understanding of the charges for the Model Governance Task Force, which we believe recognize both the foundational roles of the RBC framework in assessing capitalization of insurers and in achieving global competitiveness. ACLI recognizes the thoughtfulness and effort that went into the creation of the principles. With this in mind, we would like to outline several specific concerns with the proposed principles that we believe merit further consideration. Part I of our letter outlines general observations about the exposed RBC principles. Part II provides specific feedback on individual principles.

Part I. High-Level Feedback

A. If the scope of the principles is limited to “Maintenance and Prioritization,” then ACLI recommends including a drafting note describing the intent behind their development.

While the diligence and effort invested in developing the principles is evident, ACLI is concerned about the removal of RBC’s purpose/use and the more aspirational aspects of the Task Force’s charges, including principles related to adaptability and global competitiveness. The exposure memo explained that these elements were removed because the Task Force elected to narrow the scope of the principles and focus on “RBC Maintenance and Prioritization.”

The new scope of the principles appears more focused than the Task Force’s initial charge. The initial intent, which is reflected in the Task Force charges, indicated the goal was to create foundational principles that would promote a consistent approach to future RBC adjustments and promote the consistent application of several aspirational objectives. While recognizing the intent to concentrate on maintenance and prioritization, ACLI believes that articulating clear guidance regarding the purpose and application of RBC is relevant to the maintenance and prioritization of future RBC updates. If the Task Force moves forward with a narrower set of principles than originally envisioned, ACLI strongly encourages the Task

ACLI response to RBC Principles (Oct 2025)

Force to include a drafting note or statement of intent preceding the principles that references the key concepts from the Task Force's original memo and charges:

"The principles should serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness and further the principle of 'equal capital for equal risk'."

This language will not be law, regulation or even part of the RBC calculation. Its inclusion does not undermine the robustness or integrity of RBC. This language would remind regulators in years to come of RBC's impact and the impetus behind the principles. For the same reasons, we think the principles should also include language about balancing solvency and consumer needs in the principles or a drafting note.

Furthermore, ACLI encourages formal adoption of the principles in 2025. Adopted principles will provide greater clarity and guidance to insurers and stakeholders. Adoption may also increase the utility of the principles in the international messaging and education campaign. Regulators can amend the principles if changes are needed in the future.

B. There are circumstances when it is appropriate to consider the impact and consequences of an RBC change.

We understand that the intent behind the directional change was to focus on process, not the impact of future changes to RBC. ACLI agrees that a strong structural foundation is essential for the RBC framework to accurately reflect underlying risks. However, there **are** circumstances when it is appropriate to consider the quantitative and qualitative impact of a particular RBC revision, including any potential unintended consequences. A complete impact analysis also includes assessing whether there are unintended consequences associated with a particular change.

Understanding the impact of a change in RBC does not mean lowering solvency standards but it does create awareness if a change to one part of RBC will impact another part of the formula or solvency framework. The cumulative effect of those changes should be evaluated together, not separately. A proposed RBC change to address a risk may appear reasonable when evaluated in isolation, however, when the change is viewed through a wider lens, it may reveal that the same risk is addressed elsewhere in the RBC formula. In those circumstances it is appropriate to consider whether the change will result in double counting or some other result that is different from the intended outcome. The impact and consequences of potential RBC changes should be considered when maintaining or revising a framework.

To address this concern, ACLI recommends adding a sentence to principle #8

"The process should include an analysis of impacts, including impacts on other components of the formula and solvency framework."

ACLI response to RBC Principles (Oct 2025)

C. The principles should include language highlighting the need to consider interconnectedness and co-dependencies when evaluating future revisions to RBC.

ACLI previously advocated for a separate principle on the need for regulators to have a full understanding of the interconnections and co-dependencies associated with proposals to change RBC. Many singular features of RBC are interconnected with other elements of the broader financial regulatory framework. Refinements to RBC should include considerations of interconnectedness and co-dependencies – including areas where material risk may already be captured - before the adoption of proposals. ACLI reiterates our request that the Task Force address this in the RBC principles, either by incorporating it into principle 8 or as a standalone principle. Acknowledging this concept will promote greater alignment across separate NAIC working groups and give regulators a wider lens into how the solvency framework addresses a particular risk.

ACLI recommends adding the following language to principle 8:

“Updates should also consider the interconnectedness and co-dependencies of RBC to other areas of the solvency framework.”

There is evidence that this consideration is needed, including a recent proposal by the Life RBC Working Group that makes significant changes to equity risk and its correlation to other risk factors (i.e., credit, interest rate, etc.). The proposal does not seem to consider how the correlation changes will interact with existing equities and common stock RBC charge (30%), which has additional conservatism that does account for economic correlations and other risks. The RBC governance process should seek to address how these interrelationships and co-dependencies are impacted when a change to RBC is proposed.

D. The principles should include effective feedback mechanisms and coordination between Commissioners and technical regulators.

ACLI believes the ongoing involvement of the RBC MoGo or another Commissioner-body is necessary to ensure coordination and alignment between related working groups (sometimes located under different letter committees). This will ensure Commissioners are apprised of developing technical workstreams ensure the work aligns with the NAIC's overarching regulatory priorities. ACLI recommends recognizing the need for clear feedback loops between technical regulators and Commissioners. Establishing this feedback loop will also combat fragmentation and promote greater alignment across Committees, Task Forces, and Working Groups.

The Task Force or another governing body of Commissioners can help prioritize initiatives proposed by technical working groups. This will ensure that the regulators pursue the most appropriate and urgent regulatory solutions, with insight from Commissioners whose role may afford them a more comprehensive view of the broader regulatory landscape. Encouraging and enhancing feedback loops between the technical regulators and Commissioners will also promote coordination and alignment between leadership and regulator working groups.

ACLI response to RBC Principles (Oct 2025)

Principle 9 states that groups responsible for 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, material considerations.” ACLI suggests revising the principle to highlight the need for communication and guidance from Commissioners. This change will provide Commissioners with additional transparency and enable them to offer strategic direction for key workstreams.

ACLI’s amendment recognizes the need for the involvement of an overarching committee of commissioners to encourage and enhance feedback loops between technical regulators and Commissioners and to promote coordination and alignment between leadership and working groups. It also ensures that Commissioners are kept apprised of developing workstreams before the culmination of a project.

***9. 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, material considerations. These groups should regularly communicate their priorities to a Commissioner-level body for review and feedback prior to finalizing a proposed change to RBC.*

Part II. Specific Feedback on the principles

[Red text = ACLI’s amendments; recommended additions are **underlined**, and recommended deletions are strike-through.]

Exposed principle, including ACLI edits	Additional comments
1. 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	ACLI supports.
2. Equal Capital for Equal Risk. RBC requirements should be guided by the principle of equal capital for equal risk, including within and across asset classes, and should be consistent in their statistical safety levels and time horizons unless there are substantial enough differences in the nature of the risk of the liability, asset, or business model to warrant alternative treatments, and should reflect—reflecting measurable risks that can impact solvency, including the mitigating effects of risk management. .except where the nature of a business model or risk warrants differences.	<p>ACLI does not support the principle as it is currently written.</p> <p>ACLI is concerned that the exposed language “except where the nature of the business or risk warrants differences” does not actually clarify when the nature of a risk or business model would “warrant differences” so significant that equal capital for equal risk would no longer apply.</p> <p>The Exposure’s Appendix indicates that this phrase was added to “qualify differences in life, property and casualty, and health business models, acknowledging the need for different RBC requirements. ACLI appreciates the concerns</p>

ACLI response to RBC Principles (Oct 2025)

Exposed principle, including ACLI edits	Additional comments
	<p>raised by other sectors but we recommend an edit to clarify the scope of the exception to equal capital for equal risk.</p> <p>As noted in our comments below, risk management is intertwined with RBC, however we feel this concept is better captured in Principle 3, Objectivity, so ACLI recommends striking “including the mitigating effects of risk management” from Principle 2.</p>
<p>3. Objectivity. Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks. thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk. <u>The framework should not incorporate objectives that would misrepresent the underlying solvency risk of an asset or liability. Regulators should avoid changes that would disincentivize prudent risk management practices.</u></p>	<p>ACLI opposes as written. The phrase ‘thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk’ lacks clarity. Drawing on the context from the Task Force memo, we have suggested alternative language to more clearly capture the intent. For example, the framework should not incentivize public policy objectives by materially reducing RBC factors.</p> <p>The RBC framework is deeply intertwined with company risk management practices, for which domicile regulators have specific expectations. Regulators should consider whether an RBC charge may negatively impact these activities. As such, ACLI recommends including language to clarify that framework updates should not disincentivize prudent risk management.</p>
<p>4. Accuracy. Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity</p>	<p>ACLI supports.</p>
<p>5. 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 <u>and in consideration of Total Asset Requirements, to the extent practical.</u></p>	<p>ACLI supports this principle, although we would like the principle to expressly recognize the concept of “total asset requirements.”</p>
<p>6. 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.</p>	<p>ACLI supports.</p>
<p>7. Transparency. The process to maintain and update RBC requirements must adhere to the <i>NAIC Policy Statement on Open Meetings</i> and follow standards that provide for clear,</p>	<p>ACLI supports.</p>

ACLI response to RBC Principles (Oct 2025)

Exposed principle, including ACLI edits	Additional comments
complete, and transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale.	
<p>8. 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, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions. <u>Updates should also consider the interconnectedness and co-dependencies of RBC to other areas of the solvency framework.</u> The process should include an analysis of impacts, including impacts on other components of the formula and solvency framework”.</p>	<p>ACLI does not support this principle as currently written.</p> <p>We have recommend including language noting the need to consider the interconnectedness of RBC, both within RBC and with other elements of then solvency framework.</p> <p>We have also proposed language to address the need for impact analysis. Embedding impact analysis within the guiding principles would ensure that changes are both technically sound and aligned with the broader objectives of solvency regulation. Evaluating the full consequences of a refinement to RBC helps maintain the integrity and coherence of the RBC system.</p>
<p>9. 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, material considerations. <u>These groups should regularly communicate their priorities to a Commissioner-level body for review and feedback prior to finalizing a proposed change to RBC.</u></p>	<p>ACLI does not support as currently written. ACLI recommends including language recognizing the need for enhanced feedback loops between Commissioners and technical regulators, which will promote coordination and alignment between leadership and working groups. Involving the Commissioners in prioritization discussions will also ensure that Commissioners are apprised of developing workstreams before the culmination of a project.</p>

Thank you for the opportunity to provide this feedback. We look forward to ongoing discussions on these matters. We would be happy to answer any follow-up questions you may have.

Sincerely,


Mariana Gomez-Vock
SVP, Prudential Policy & International


Carrie Haughwout
SVP, Life Insurance & Regulation



October 23, 2025

VIA ELECTRONIC SUBMISSION

Dan Daveline
NAIC
ddaveline@naic.org

Bridgeway Analytics
RBC-MoGo@BridgewayAnalytics.com

RE: Request for comments on proposed revised preliminary Risk-Based Capital principles

Dear Mr. Daveline:

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to comment on the *Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements that have been developed by the NAIC RBC Model Governance Task Force (the Task Force)*. APCIA is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members include companies of all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

APCIA supports the goal of the Task Force and appreciates the ongoing engagement with staff and Bridgeway Analytics. Due to the short comment period, as well as our member companies working on their 3rd quarter statutory and GAAP accounting close, our comments are preliminary and at a relatively high level. APCIA also appreciates the *Notes from Task Force Deliberations on Each Principles* as they helped contextualize the principles. We believe that, while helpful in understanding the thought process, they should not be considered part of the guidance in the future. It would be helpful to incorporate any important points from the Annex directly into the principles.

In general, we believe the principles are reasonable and significantly improved from the initial exposure. Our comments are more clarifying questions on a couple of the principles rather than significant concerns and stem more from how to interpret the principles considering the Task Force Deliberations in the Annex. Additionally, we do question how, or if, these principles will be incorporated into an overarching RBC framework and where the principles will reside (e.g., preamble or instructions?). The two principles where we have questions/comments are equal capital for equal risk and accuracy and are discussed below. In addition, we do have one suggested edit that has implications for multiply principles. This would be to add the concept of a risk being measurable to the principles prior to addressing a new risk or changing the required capital for an existing risk. We suggest adding “measurable” to Principle 1 so that it would read “RBC requirements should be updated when a change is measurable and material”.

Equal capital for equal risk

We support the theory of equal capital for equal risk, and especially to address arbitrage situations. However, we appreciate that this principle must respect the inherent fundamental differences between life and property and casualty business models and thus we also strongly agree with the

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last part of the principle, “except where the nature of a risk or business model warrants differences” These inherent business model differences result in the need to consider different time horizons and different capital treatments and can result in changes to address life investment RBC concerns not being material or necessary for property and casualty RBC. We are just a little unsure how the principle would be applied in practice (especially in an investment context). We are also unsure of the intent of 2.c.ii in the Appendix, “Consistency in the treatment or risk across components was viewed as critical, noting that different RBC components treat taxes and discounting” and how it specifically impacts application of the principle. We are unsure if this statement suggests that the life and property and casualty tax treatments should be consistent or if it was just identifying a known difference. APCIA would not be supportive of changing the property and casualty tax treatment to be consistent with life tax treatments as it would likely require significant work without a corresponding benefit to solvency.

Accuracy

When reviewing the principles for when RBC changes should be made, most principles could be easily incorporated into an overarching RBC framework. This one appears more applicable to individual risks and even then, for risks with a lot of historical data where the future is expected to behave like the past. Is the accuracy principle intended to be considered in the context of the overall RBC capital requirement for life, property and casualty or health, or at an individual risk level? While accuracy can be relatively high for many individual risks, and especially investment risks, precision is not possible for all risks, especially those subject to highly uncertain events. Additionally, the level of precision decreases when risks are amalgamated. While accuracy is a reasonable goal in theory, the current framework is designed to determine the appropriate capital for each risk when thinking about it at the individual risk level. The processes used to determine the appropriate level of capital should be designed to be as “accurate” as possible recognizing that there are limitations for some risks. It may be helpful to distinguish the level that the principles would apply to and consider whether “Appropriate capital for the risk” might be a better principle than “Accuracy” as that is more reflective of what RBC is trying to achieve.

We welcome the opportunity to continue to work with Bridgeway Analytics and the Task Force in the development of the Model Governance Framework. Should you have any questions, please contact us. Thank you for your consideration.

Sincerely,



John (Jay) Muska, CFA, CPA
Vice President of Accounting and Financial Issues
American Property and Casualty Insurance Association

cc: D. Keith Bell
Chair, APCIA Financial Management and Risk Committee



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October 23, 2025

VIA ELECTRONIC SUBMISSION

Director Judith French
Commissioner Nathan Houdek
Co-Chairs, Risk-Based Capital Model Governance (EX) Task Force
VIA Email: Dan Daveline; ddaveline@naic.org
Bridgeway Analytics; RBC-MoGo@BridgewayAnalytics.com

RE: Request for Comments on Proposed Preliminary Risk-Based Capital Principles and Questions

Dear Director French and Commissioner Houdek,

Thank you for the second opportunity to comment on the Risk-Based Capital (RBC) Model Governance (E) Task Force's Proposed Preliminary Principles (Principles). The National Association of Mutual Insurance Companies (NAMIC)¹ understands the goal of the National Association of Insurance Commissioners (NAIC) with the Principles and is appreciative of the engagement with industry thus far. This Task Force has spent an immense amount of work and time on this project, taking measured and transparent steps towards establishing the foundational Principles. We welcome the emphasis on materiality, transparency, and focus on each formula's reflection of underlying risk exposure, including the nature, scale and complexity of risks. We offer the below comments on the Principles. We believe the Principles are reasonable. Our comments below are to clarify how to interpret the Principles and logistical questions.

¹ The National Association of Mutual Insurance Companies consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write \$391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



Next Steps

NAMIC supports this Task Force's transition under the E Committee after this year. This would ensure that the Principles and the work of the Task Force can continue under the letter Committee where this project makes sense to live long-term. It would also ensure that the Principles can be amended if the need arises.

We do have questions about where the finalized Principles will live after they are adopted. Does it make sense for these to live in the Preamble? In the RBC Instructions themselves?

Equal Capital for Equal Risk:

We believe that the Task Force should clarify that "consistent" as used in this Principle, does not mean the exact same formula or factors across lines, but rather the similar methodological way of looking at the risk. This clarification will hopefully make clear that the Task Force does not intend a uniform statistical calibration across all formulas. As referenced in our earlier comments, the three RBC formulas produce appropriate, proportional, and tailored solvency measures across insurers that reflect differences in line of business (life/non-life/health). The RBC charges should be derived from and consistent with values reported in the statutory accounting annual statement. We continue to support a proportional, flexible governance model which preserves RBC's function as a solvency tool rather than a total economic capital model.

Emerging Risks

Principle 6 "Emerging Risks" discusses the need for RBC to be updated to incorporate emerging risks by the time they become material to the industry or an identifiable segment of companies. NAMIC supports this Principle as RBC should evolve with emerging risks to remain effective at assessing the adequacy of an insurer's capital in relation to its particular and individual risk profile. A clarifying edit - does the word "material" reference Principle 1? If so, NAMIC suggests the below edit:

Emerging risks. Updated to incorporate emerging risks (including macroprudential risk) by the time they become material, **as defined in Principle 1**, to the industry or an identifiable segment of companies.

Appendix

The notes and thought process of the regulators and drafting group were incredibly insightful and helpful when reviewing the latest draft of Principles. If the Task Force intends to publish and adopt the Appendix along with the Principles, to avoid distortion of the ideas in the Appendix, we suggest the below:

Appendix: Notes from Task Force Deliberations on Each Principle - Not to Be Interpreted As Guidance.



It is NAMIC's impression that the Appendix should not serve as a standing sole interpretation of the Principles and inform the reader of what the words in the Principles should mean. Just how issue papers in Statutory Accounting hierarchy, provide historical documentation of discussions and issues leading to the adoption of new statutory accounting concepts, we believe the Appendix should be treated in a similar manner². In this case, the Principles and existing RBC instructions would sit above the Appendix and the Appendix would only be used as historical documentation of the discussions around the Principles. In the case that the Principles are changed in the future, historical documentation can be added as well, allowing a flexible approach with a clear hierarchy of guidance.

For example, the notes in the Appendix accompanying Principle 2 include an illustration that *Property & Casualty reserves are not net of tax*. Calculating P&C reserves net of tax would be operationally complex, requiring major changes to Schedule P and RBC factor calculations. Any impact on RBC would likely be minimal, as statutory reserves already reflect appropriate prudence. We urge the Task Force to retain the gross-of-tax approach and clarify in the Appendix that "equal capital for equal risk" does not require uniform tax treatment across industries. While the above was stated as perhaps only a demonstration of different framework design, the Appendix could be misinterpreted as implying that such reserves *should* be adjusted for tax in pursuit of equal treatment in the Principles themselves if equal weight is given to both Principles and the Appendix.

NAMIC looks forward to working with the NAIC in the next steps of this project. RBC's primary objective is to protect policyholders by ensuring that insurers maintain sufficient capital to support their obligations under a variety of risk scenarios. We believe the Principles advance this goal. This Task Force has taken in industry comments with a thoughtful and open mind; thank you.

Colleen Scheele
Senior Vice Policy President and Counsel, Tax and Fiscal Policy
National Association of Mutual Insurance Companies

² https://content.naic.org/sap_app_updates/app_e_issues.htm



October 21, 2025

Director Judith French
Commissioner Nathan Houdek
Co-Chairs, Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners (NAIC)
Via Email: ddaveline@naic.org; RBC-MoGo@BridgewayAnalytics.com

Re: Proposed Preliminary Risk-Based Capital (RBC) Principles – September 23, 2025 Exposure Draft

Dear Director French and Commissioner Houdek:

On behalf of the Reinsurance Association of America (RAA) and its member companies, we respectfully submit the following comments to the Risk-Based Capital Model Governance (EX) Task Force regarding the September 23, 2025 exposure draft of the *Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements*.

The RAA appreciates the Task Force's measured and transparent approach in establishing foundational principles before undertaking broader structural revisions to the RBC framework. We particularly support the emphasis on materiality, transparency, and governance as key guideposts for maintaining RBC's credibility and consistency across industry segments.

Equal Capital for Equal Risk

The RAA appreciates the clarification of Principle 2, *Equal Capital for Equal Risk*, which we interpret as reinforcing methodological consistency in assessing similar risks rather than mandating a uniform statistical safety level or calibration across all RBC components. While consistency in methodology is essential, we believe that this principle should not be read to imply that all risks must be modeled at the same statistical confidence level (e.g., 99.5% VaR). RBC has historically operated as an early warning and minimum capital adequacy framework, not an economic capital model calibrated to a uniform solvency standard. Its strength lies in proportionality and flexibility across sectors while maintaining comparability and regulatory oversight.

We recommend that the Task Force clarify that "equal capital for equal risk" refers to consistency in principles, structure, and transparency, not uniform calibration or tax treatment. Specifically, Section 2.c.ii of the Drafting Notes references "consistency in the treatment of risk across components." The RAA recommends clarifying that this consistency applies to the methodological treatment of risks within each industry framework (Health, Life, P&C), rather than requiring alignment of statistical or tax treatments across all frameworks.

As noted in the Appendix example under Principle 2, Property and Casualty (P&C) reserves are presented on a gross (pre-tax) basis to reflect the full liability to policyholders. This approach intentionally excludes tax assumptions, providing a clear view of solvency and avoiding embedded tax variability. Since RBC serves as an early warning tool for solvency monitoring, we recommend the Task Force retain the gross-



of-tax approach for P&C RBC reserves. This preserves consistency with statutory reporting, avoids unnecessary operational complexity, and recognizes that “equal capital for equal risk” does not require uniform tax treatment across industries, given the legitimate structural and regulatory distinctions among sectors.

Materiality and Consistency with Statutory Accounting Principles

Consistency in applying materiality between the RBC framework and Statutory Accounting Principles (SAP) is essential for coherence, transparency, and efficiency. Materiality is well established in SSAP No. 1R – Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures, which defines when information is significant to statutory reporting. Aligning RBC reporting with this standard promotes clarity and prevents conflicting interpretations.

Establishing a separate materiality threshold for RBC purposes could result in inconsistent treatment of the same item, immaterial under SAP but material under RBC, which would be conceptually unsound and operationally inefficient. The RAA therefore recommends that the RBC framework explicitly reference SSAP No. 1R to ensure that materiality determinations for RBC purposes are consistent with statutory accounting guidance. This alignment enhances comparability, reduces administrative burden, and reinforces the integrity of the RBC process.

Statutory Hierarchy of RBC Guidance

As outlined in our July 23, 2025 comment letter, the RAA recommended establishing a clear statutory hierarchy for RBC guidance to promote consistency across jurisdictions. Mirroring the Statutory Accounting hierarchy, the RBC Principles and formally adopted RBC Instructions should serve as the authoritative sources. Supporting materials such as Q&As, technical memoranda, and the RBC Principles Appendix should provide historical and regulatory context but not binding authority.

The RAA views the Appendix in the September 23 Exposure Draft as analogous to SAP Issue Papers, documenting deliberations and rationale without serving as an interpretation of the Principles. Positioning the Appendix below the Principles and Instructions in the hierarchy preserves transparency, prevents misinterpretation of illustrative examples as prescriptive requirements, and supports a coherent, regulator-led framework that balances clarity, consistency, and practicality.

Governance

The RAA believes that unified governance of both the RBC model and the underlying principles is essential to maintain consistency, transparency, and accountability. After the RBC Principles are developed under the direction of this Task Force, oversight and ongoing maintenance should be transferred to the Capital Adequacy (E) Task Force (CATF). Consolidating oversight ensures that responsibility for the conceptual framework and corresponding formula design remains within one governance structure, allowing the body charged with formula oversight to also guide interpretation and evolution of the Principles.

Maintaining governance of both the model (formulas and factors) and the process (principles and framework) under CATF promotes a coordinated, regulator-led structure. This approach mirrors statutory accounting governance, where one body oversees both overarching principles and detailed standards. Centralized oversight strengthens policy alignment, enhances transparency in future updates, and ensures RBC remains a credible and coherent regulatory capital framework.

The RAA also supports a proportional governance model, applying rigorous validation to model-driven components while maintaining appropriately scaled oversight for formulaic, factor-based segments to preserve RBC's purpose as a solvency signal rather than an economic capital model.

Next Steps and Coordination

The RAA supports the Task Force's continued coordination with the Capital Adequacy (E) Task Force regarding the RBC preamble and purpose statement. Maintaining clarity that RBC is a minimum capital adequacy standard and early warning tool is essential to preserving its foundational purpose. We look forward to contributing to future discussions on governance, calibration, and framework maintenance as these workstreams advance.

Conclusion

The RAA thanks the Task Force for its thoughtful and transparent approach and for incorporating stakeholder input into the development of the Preliminary RBC Principles. We respectfully request clarification on the interpretation of "consistency across components" within Principle 2 and confirmation that the P&C reserve example does not signal a shift toward net-of-tax measurement.

We appreciate the opportunity to comment and look forward to continued dialogue as the framework progresses.

Sincerely,



Jeff Alton
Senior Vice President – Accounting, Finance & Risk
Reinsurance Association of America



Memo

To: Director Judith French and Nathan Houdek, Co-Chairs of the Risk-Based Capital Model Governance (EX) Task Force

From: Dave Heppen, FCAS, MAAA, Partner, Risk & Regulatory Consulting, LLC
Lynn Manchester, FSA, MAAA, Director, Risk & Regulatory Consulting, LLC
Nan Nguyen, ASA, MAAA, Manager, Risk & Regulatory Consulting, LLC

Date: October 23, 2025

Subject: RRC Comments regarding Request for comments on *Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements*

Background

The Risk-Based Capital Model Governance (EX) Task Force exposed a new document on September 23, 2025 and is requesting comments on the revised Proposed Preliminary Principles for Maintaining and Prioritizing Updates to RBC Requirements (“the Exposure”).

Risk & Regulatory Consulting, LLC (“RRC”) appreciates the opportunity to offer our comments on the proposed principles as a component of the Risk-Based Capital (RBC) governance framework. Should you have any questions, we would be glad to discuss our comments with you and Task Force members.

RRC regularly supports regulators in assessing the financial solvency of insurance companies, in the context of risk-focused examinations and financial analysis. As such, we have a perspective on the key risks currently facing insurance companies and the importance of the risk-based capital framework as a valuable tool to regulators.

We appreciate the continuing work that the RBC Model Governance Task Force has undertaken to modernize the RBC governance framework.

We continue to strongly encourage the Task Force to consider RBC holistically in developing these principles, rather than focusing on specific subsets of RBC in isolation. The principles should apply across the life, health, and property/casualty formulas and should apply to all risk components. The principles should also consider other aspects of the regulatory framework, such as Statutory Accounting Principles, that are closely interconnected with the current RBC framework.

We have reviewed the revised Proposed Preliminary Principles as well as the Appendix, which includes *Notes from Task Force Deliberations on Each Principle*. We will begin with a few general comments, and then address each principle below.

I. General comments:

1. In general, it seems that the wording of each of the revised principles is briefer, and perhaps more general, than in the July 3 exposure. While we understand that some of the concepts in the Appendix of the Exposure may also be included in the Framework, we believe that the principles

themselves should not be oversimplified or stated too briefly. While not every detail can be included, we believe it is important to include enough detail to avoid ambiguity and misinterpretation. To illustrate our point, we compare the principles of Objectivity and Emerging Risks as stated in the July 3 and September 23 exposure drafts below; in each case, we believe there are important details in the July 3 version that are excluded from the September 23 version:

The principle of Objectivity:

In the July 3, 2025 exposure:

Objectivity. *RBC charges should be objective and measured at a consistent statistical safety level. RBC charges should reflect the risk exposure they are intended to measure, capturing differences in their risk distributions, with appropriate considerations for concentration, diversification, and tail risks. They should recognize differences in accounting, reserving requirements, and other offsets (e.g., taxes or discounting) and consider overall business practices and their treatment within the framework (e.g., hedging strategies).*

In the September 23, 2025 exposure:

Objectivity. *Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.*

The principle of Emerging Risks:

In the July 3, 2025 exposure:

Emerging Risks. *Evaluation of emerging risks should consider:*

- a. The level and growth in exposure to the emerging risk;*
- b. How quickly the risk can become materially incorporated into insurers' business;*
- c. Industry exposure to the risk, as well as industry segment exposure; and*
- d. Identification and measurement limitations of emerging risks.*

In the September 23, 2025 exposure:

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.*

It is critical that future users of the RBC framework fully understand key aspects and premises of the framework.

II. Regarding the Proposed Preliminary Principles, we have the following comments:

1. **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.

RRC Response: RRC believes this statement should focus on the materiality of the risk, rather than the materiality of the change. If a risk has the prospect of posing a material concern for the

solvency of an identifiable segment of the industry, and that risk is not appropriately represented in the RBC framework, then a change should be made to the RBC framework.

In the Appendix, we see the description of the development of the phrase ‘identifiable segment of companies’, and agree with this position. While ‘industry-wide risk’ may be too broad, if a reasonable segment of the industry is impacted the risk should be addressed.

2. **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, reflecting measurable risks that can impact solvency, including mitigating effects of risk management, except where the nature of a risk or business model warrants differences.

RRC Response: RRC suggests including language that was in the July 3 exposure reflecting that “RBC charges should balance the appropriateness of the existing charge with the added complexity and materiality of the possible change”. Also, we suggest changing “...risks that can impact solvency...” to “...risks that can materially impact solvency...”.

3. **Objectivity.** Appropriately consider factors that impact risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of actions that are unrelated to solvency risk.

RRC Response: See our comments on this in the General Comments section. In summary, RRC believes this principle may have been oversimplified since the prior exposure. We would suggest reverting to the principle as stated in the prior exposure.

4. **Accuracy.** Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity.

RRC Response: RRC agrees with this and does not have any further comments.

5. **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.

RRC Response: RRC agrees with the importance of recognizing the interconnectedness with Statutory Accounting and other critical components of the regulatory framework. One specific example is the concept of amortized cost accounting.

6. **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.

RRC Response: RRC agrees with this principle, but we suggest adding that, in order to ensure emerging risks are incorporated into the RBC framework by the time they become material, those emerging risks that have the prospect of posing a material industry risk should, to the extent possible, be reviewed and discussed by NAIC working groups prior to those emerging risks becoming material. If it is determined that a change is warranted, the change to RBC should be developed and adopted in time to result in companies being flagged for the risk of insolvency as soon as possible.

7. **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.

RRC Response: RRC agrees with this and does not have any further comments.

8. **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, the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions.

RRC Response: This appears to be a re-working of the Governance principle from the July 3 exposure document. While the processes described are important, RRC believes that this principle should also state that the modeling underlying RBC requirements should be subject to a formal model governance process. We also agree that the use of interim solutions may be especially important to address emerging risks.

9. **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, material considerations.

RRC Response: RRC agrees that changes to RBC, just as with proposals to change other aspects of the regulatory framework, should be prioritized based on the judgement of regulators on where the most significant benefits will be realized.

Thank you for the opportunity to provide comments on this important topic. We can be reached at 813-506-7238/lynn.manchester@riskreg.com if you or other members have any questions.

UNITEDHEALTH GROUP

Corporate Finance – Actuarial Services Division
185 Asylum Street, CityPlace I • Hartford, CT 06103

October 23, 2025

Director Judith L. French, Co-Chair
Commissioner Nathan Houdek, Co-Chair
Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via electronic mail to Dan Daveline.

Re: Preliminary Risk-Based Capital Principles.

Dear Director French and Commissioner Houdek:

I am writing on behalf of UnitedHealth Group with regard to the September 23 exposure requesting comments on the proposed revised preliminary Risk-Based Capital (RBC) principles. We appreciate the opportunity to provide our comments.

In general, we consider the principles stated in the exposure document to be appropriate. We direct our comments to those principles that we think could benefit from further clarification or refinement. The comments below are organized under the number and title of each relevant principle.

We also offer the general comment that it may be useful to supplement some or all of the principles with sub-principles that provide more detailed discussion. This may be especially helpful with regard to Principles 2 (Equal capital for equal risk), 3 (Objectivity), and 8 (Process), each of which contains multiple points that might benefit from further elaboration.

1. Materiality.

We agree with the principle that “RBC requirements should be updated when a change is material.” However, we note that there are procedures in place to update certain factors periodically without an assessment of materiality. Since those procedures already exist, and operate on a routine basis, they should not be considered to be precluded by the principle of materiality.

4. Accuracy.

This principle appears to address granularity rather than “accuracy” per se, and probably to avoid confusion it should be renamed accordingly. Although the notes from the Task Force’s deliberations also refer to “statistical accuracy,” that consideration is not clearly reflected in the final wording of the principle, and would perhaps be better thought of as an element of Objectivity, as addressed by Principle 3.

8. Process.

We have several comments with regard to this principle.

- A. The process should include periodic review of how each formula as a whole is performing relative to regulators’ expectations. In particular, based on actual results over some recent period:
 - 1. Do regulators feel that the formula has done a good job of flagging the companies that in fact experienced financial difficulties?
 - 2. Has the formula missed a significant number of companies that subsequently experienced financial difficulties, and do those examples suggest potential revisions to the formula to capture the problems that arose in those cases?
 - 3. Does the formula flag an excessive number of companies that are not actually in any financial difficulty, thereby making an inefficient use of regulatory and industry resources
- B. This principle as written places emphasis on methodology. Some statement should also be included acknowledging the importance of data quality and data recency.
- C. Another important element to include in the discussion of process is how frequently existing RBC factors and RBC structures should be reviewed, including studies that would confirm or replace existing factors. We addressed the frequency of reviews in our comment letter of July 24, 2025, in our response to question #5.
- D. The notes from the Task Force’s deliberations state, “some proposals, with supporting information, are presented by interested parties. The process requirements may limit those proposals to interested parties with sufficient resources to comply with process requirements or require a separate compliant review before acting on the proposal.” It is not clear who would be performing the “separate compliant review.” As to limiting proposals to interested parties who can themselves perform the necessary analysis, or cause it to be performed on their behalf, that may make sense if a specific change to the formula is being proposed, and if there is externally available data that can be used in the analysis, as may be true with regard to many investment issues. However, this approach should not be implemented in such a way that it would discourage interested parties from making more general suggestions as to possible enhancements to the formula. For example, with respect to analyses of underwriting

risk, the necessary data may only be available from the NAIC to begin with; and usually in those circumstances, the NAIC will request an analysis from the American Academy of Actuaries, rather than from an industry party. Of course, the regulators will decide whether any suggested enhancements are worth pursuing.

- E. We strongly support the idea of thorough and publicly available documentation of the methodologies used to determine factors within the formulas. As noted during the Task Force's deliberations, this will make updating factors periodically much easier. It will also help to maintain consistency in the methodologies employed over time, and will permit an evaluation of past methodologies to identify areas for improvement in the future.

9. Prioritization.

This principle lists materiality as one of the criteria to consider when prioritizing potential changes to the RBC formulas. It may be worth noting explicitly that "materiality" in this context refers not only to the current materiality of a risk, but also the anticipated materiality of a rapidly growing category of risk (e.g., the widespread introduction of a new product, or growth in the holdings of an innovative investment vehicle).

* * * * *

Thank you for the opportunity to provide these comments. We would be happy to discuss these comments with you and the Task Force.

Sincerely,



James R. Braue
Vice President, Actuarial Services
UnitedHealth Group

cc: Dan Daveline, NAIC
Bridgeway Analytics
Alena Yankouskaya, UnitedHealth Group
Mollie Zito, UnitedHealth Group



October 23, 2025

Director Judith French (OH), Co-Chair
Commissioner Nathan Houdek (WI), Co-Chair
Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners

Re: Request for comments on proposed revised preliminary Risk-Based Capital principles

Dear Director French and Commissioner Houdek:

On behalf of the American Academy of Actuaries' (Academy)¹ Life Practice Council (LPC), Health Practice Council (HPC), Casualty Practice Council (CPC), and Risk Management and Financial Reporting Council (RMFRC), we appreciate the opportunity to provide comments to the Risk-Based Capital (RBC) Model Governance (EX) Task Force (Task Force) on the revised preliminary principles outlined in the [Request for comments on revised preliminary RBC principles memo issued Sept. 23, 2025](#) (Memo). Subject matter experts with unique actuarial perspectives and expertise across health, life, property/casualty, and financial reporting and risk management, have reviewed the revised preliminary RBC principles and the supporting context and notes, and we offer the following comments.

1. Materiality

We concur with the Memo's focus on changes being made based on a regulator's assessment of solvency risk. That assessment should include all industry risks that may be material to solvency.

We note that this assessment should occur at the segment level. In other words, separately for Life, Health, and Property/Casualty companies. There may be risks that are material to one segment that are not material to another. However, to the extent that similar risks have different factors by segment due to independent groups creating the factors, then a re-evaluation on a risk basis would be appropriate to study.

We would also suggest that the Task Force provide clarification regarding how "an identifiable segment of companies" is defined.

2. Equal capital for equal risk

We are in general agreement with this principle; however, the exception needs further clarification.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

3. Objectivity

We recommend the following edits to this principle (with emphasis added) for clarity:

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 actions that are unrelated to solvency risk.

4. Accuracy

We note that RBC should provide regulators with a reasonable assessment of the solvency risk of an entity. The overall precision of RBC is limited by both certain necessarily imprecise calculations (such as correlation) and not quickly addressing emerging risks. We believe that the statement in the Appendix better captures the principle and suggest replacing “Precise, allowing assessment of solvency risk, while avoiding unnecessary complexity” with “RBC requirements should be sufficiently precise to assess solvency risk, while avoiding unnecessary complexity.”

5. Grounded in statutory accounting and reserving

We thank the Task Force for reflecting the Academy’s previous comments on this issue and reiterate the Academy’s support for a process grounded in statutory accounting and reserving.

6. Emerging risks

We concur with the Task Force that in order for the RBC to retain relevance, a process to capture emerging risks is needed. As part of this review process, the Academy would be willing to assist the NAIC in developing a process to capture these risks in a timely fashion.

7. Transparency

We agree with this principle being included and reiterate the Academy’s support for a transparent, collaborative process.

8. Process

We generally concur with the current version of the principle and appreciate the consideration of [Actuarial Standard of Practice No. 56, Modeling](#), as noted in the document’s appendix.

9. Prioritization

While we understand that making certain higher priority “quick fixes” may be important, the Academy encourages development of a process to holistically identify risks that are high priority. We recognize that doing so will require time and resources and are willing to support the Task Force in this effort.

We look forward to the continued collaborative dialogue with the Task Force and other stakeholders as you continue your work on this project. If you have any questions or would like to discuss these comments further, please contact Katie Dzurec, Public Policy Outreach (State) Director (dzurec@actuary.org).

Sincerely,

Annette James, MAAA, FSA
Vice President, Health Practice Council
American Academy of Actuaries

Jason Kehrberg, MAAA, FSA
Vice President, Life Practice Council
American Academy of Actuaries

Susan Kent, MAAA, FCAS
Vice President, Casualty Practice Council
American Academy of Actuaries

Steve Malerich, MAAA, FSA
Vice President, Risk Management and Financial Reporting Council
American Academy of Actuaries

Draft: 12/4/25

Risk-Based Capital Model Governance (EX) Task Force
E-Vote
December 3, 2025

The Risk-Based Capital Model Governance (EX) Task Force conducted an e-vote that concluded Dec. 3, 2025. The following Task Force members participated: Judith L. French, Co-Chair (OH); Nathan Houdek, Co-Chair (WI); Michael Wise, Co-Vice Chair (SC); Michael Conway represented by Rolf Kaumann (CO); Michael Yaworsky represented by Jane Nelson (FL); Dean Cammeron represented by Eric Fletcher (ID); Mike Causey represented by Jacqueline Obusek (NC); Jon Godfread represented by Matt Fischer (ND); D.J. Bettencourt represented by Edward Cataldo (NH).

1. Adopted its 2026 Proposed Charges

The Task Force considered adoption of its 2026 proposed charges, which remained the same from 2025.

Director Wise made a motion, seconded by Obusek, to adopt the Task Force's 2026 proposed charges. (Attachment Two-A). The motion passed unanimously.

Having no further business, the Risk-Based Capital Model Governance (EX) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Committees/Committee Folders/EX CMTE/RBCMGTF/Fall National Meeting/120225 RBC Model Gov TF Email Vote.docx

Adopted by the Executive (EX) Committee and Plenary, Dec. 11, 2025

Adopted by the Risk-Based Capital Model Governance (EX) Task Force, 3, 2025

2026 Charges

Risk-Based Capital Model Governance (EX) Task Force

1. The Risk-Based Capital Model Governance (EX) Task Force will:
 - a. Develop a set of guiding principles for the RBC framework to ensure a consistent approach to future RBC adjustments. These principles will serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness and further the principle of “Equal Capital for Equal Risk.”
 - b. Complete a comprehensive gap analysis and consistency assessment to identify and inventory gaps that exist and establish a plan for addressing identified gaps and potential inconsistencies that improve the framework.
 - c. Oversee the development of an education and public messaging campaign to highlight the benefits and strengths of the RBC framework as an important part of the U.S. state-based insurance regulatory system.
 - d. Facilitate and oversee coordination and alignment among all NAIC committees/task forces/etc. related to this initiative and implementation of the guiding principles, including the Life Actuarial Task Force (LATF), the Capital Adequacy Task Force (CATF), the Accounting Practices and Procedures Task Force (APPTF), and the Invested Asset Task Force. The work of this Task Force will not result in the work of other RBC-related committees/task forces/etc. being paused or stopped.
 - e. Create a process for analyzing both retrospective and future adjustments to RBC, incorporating regular reviews of RBC outcomes and ensuring future adjustments are made in alignment with guiding principles. This process will facilitate ongoing improvements to ensure the framework remain.

Draft: 11/1/25

Risk-Based Capital Model Governance (EX) Task Force
and Capital Adequacy (E) Task Force
Virtual Meeting
October 23, 2025

The Risk-Based Capital Model Governance (EX) Task Force met Oct. 23, 2025, in joint session with the Capital Adequacy (E) Task Force. The following Risk-Based Capital Model Governance (EX) Task Force members participated: Judith L. French, Co-Chair (OH); Nathan Houdek, Co-Chair (WI); Doug Ommen, Co-Vice Chair (IA); Micheal Wise, Co-Vice Chair (SC); Rolf Kaumann (CO); Jack Broccoli (CT); Trim Bradley (FL); Eric Fletcher (ID); Jacqueline Obusek (NC); Matt Fischer (ND); Ned Cataldo (NH); Jamie Walker (TX); Stephen Thomas (VA); and Steve Drutz (WA). The following Capital Adequacy (E) Task Force members participated: Mike Yanacheak, Chair (IA); Tom Botsko, Vice Chair (OH); David Phifer (AK); Charles Hale (AL); Thomas Reedy (CA); Rolf Kaumann (CO); Wanchin Chou (CT); Trim Bradley (FL); Matt Cheung (IL); Roy Eft (IN); Tish Becker (KS); Vicki Lloyd (KY); Fred Andersen (MN); William Leung (MO); Matt Fischer (ND); Tadd Wegner (NE); David Wolf (NJ); Liz Ammerman (RI); Will Davis (SC); Jamie Walker (TX); Stephen Thomas (VA); Steve Drutz (WA); and Amy Malm (WI).

1. Heard Introductory Remarks

Director French said part of the purpose of the meeting was to provide information to members of both Task Forces, but focusing on Risk-Based Capital Model Governance (EX) Task Force members, who may not be as familiar with the past discussions on the topics related to the Preamble of the risk-based capital (RBC) formulas. The Preamble relates specifically to the purpose and use of RBC, which the Risk-Based Capital Model Governance (EX) Task Force has discussed. The ultimate goal is to ensure that the important work of both Task Forces is consistent, and to assist in those efforts, the discussion will begin with some history of the Capital Adequacy (E) Task Force, with an overview by its chair, Yanacheak. Once that history has been provided, Task Force members, interested regulators, and interested parties will be given an opportunity to ask questions. The goal is to educate members about what is occurring within the Capital Adequacy (E) Task Force and allow those who have submitted comments to share a summary with the audience. Director French reiterated the educational goal and encouraged as much interaction as possible during the meeting.

2. Heard an Update on the RBC Preamble Issue

Yanacheak provided a history of the Preamble discussion. He said that in the late 1980s and early 1990s, by and large, U.S. insurers had to hold a flat minimum capital level that could vary by state. He gave an example of something as simple as \$5 million. As anyone in financial regulation can see today, realistically, comparing multiple companies with varying risk and capital levels would be cumbersome. RBC was created knowing they needed to create a different minimum threshold for capital. The RBC instructions are quite long and extensive, usually over a couple hundred pages. The Preamble is effectively the opening statement that explains RBC at a very high level.

Yanacheak said that, regarding the proposed changes to RBC, an ad hoc group of regulators and industry members had a few meetings in 2023 to discuss various related issues. One of those was to look at making changes to the RBC Preamble following those meetings. It was clear in those meetings that there was a difference of opinion, and any further work would be best done in a more formalized public setting within the NAIC committee structure. There is no working group for this, and that is why it is now a responsibility of the Capital Adequacy (E) Task Force.

Yanacheak said the purpose of the changes being discussed concerns the potential for people to unknowingly rely on RBC for purposes for which it is not currently being maintained. More specifically, the regulators who have

been involved want to be clear that RBC is being maintained as a minimum threshold, not as a tool to rank, rate, or compare companies. If companies are adequately capitalized, RBC has no value in being maintained to enable or help comparability between two companies. One of the issues brought up by the ad hoc group had to do with a statement to clarify that one should not compare a company with a 400% RBC ratio to one with a 600% RBC ratio. Some took issue with that, saying that because those two numbers are so far apart, there should be some indicative value. Others disagreed, saying that it is still not appropriate because the types of risks companies have might be very different, and RBC is only maintained by the regulators for a threshold level. At the same time, everyone recognizes that industry and many others have used RBC for purposes beyond that threshold level, and it is an indicator that is used for other items, whether for capital sufficiency to support dividend payments to a holding company and onto shareholders or for other means to be just one element in looking at the strength of a company. There were some very strong opinions on both sides.

Director French summarized that the regulators' concern seemed to be the potential for people to rely on RBC for something it was not intended for. She asked Yanacheak if he had examples. Yanacheak noted the previous example of a company with a 400% RBC ratio and another with a 600% ratio, and how many non-regulators had the opinion that the ratios were so far apart there could be some value placed on that fact. However, other regulators felt very strongly that it was not appropriate. Yanacheak reiterated that regulators are not maintaining RBC to rank companies or have specific levels for targeted supervision.

Director French responded that as a regulator, she has used it in some instances when it was necessary to decide what kind of action to take based on a particular number. She said her primary concern in all of this is maintaining the integrity of RBC for her own purposes and for other regulators. She asked Yanacheak if there had ever been any discussion about requiring some type of disclosure that says if RBC is going to be used for an unintended purpose, one must disclose the original purpose. He responded that there had been some side conversations over the last year on the idea between regulators and non-regulators.

Commissioner Ommen asked Yanacheak if they have been moving forward on this issue in regular order despite the existence of the new Risk-Based Capital Model Governance (EX) Task Force. Yanacheak answered that that was the direction he received from NAIC staff, but it was not formalized. He said NAIC staff told them they needed to continue their work until told otherwise. He said the question for the Risk-Based Capital Model Governance (EX) Task Force is whether they have reached the point where these two things meet between the two groups. Director French noted that there is a clear overlap, and she thought Commissioner Houdek wanted to speak to that issue later in the meeting.

3. Discussed Comments Received on Proposed Preamble Changes

Director French noted that she would like to hear from industry members who submitted comment letters (Attachment Three-A). Scott Harrison (National Alliance of Life Companies—NALC) noted that he had comments but would be happy to hold them until after those submitting written comments had been given an opportunity. Director French asked Harrison to proceed.

Harrison stated that the NALC agreed with the comments submitted by the American Council of Life Insurers (ACLI). He said he had been doing this work for over 20 years as a regulator and practitioner, but is currently the chief executive officer (CEO) of NALC. He stated that he was trying to recall if there had ever been confusion in the early days of RBC. He noted that he understands the states' use of RBC well, but the reality is that over time, RBC has developed. He said the ACLI's letter does a good job of identifying examples where it has emerged as a useful benchmark. He noted that if the NAIC goes in the suggested direction of eliminating, preventing, or prohibiting the use of RBC for benchmarking purposes, people will find alternatives that may not be as uniform as RBC. He stated that he was concerned that the Task Forces may actually create more confusion.

Mariana Gomez-Vock (ACLI) summarized the ACLI members' views. Before doing so, she commended the regulators for their commitment to transparent dialogue on the Preamble as well as the efforts by the Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force to coordinate their work around the purpose and use of RBC. Gomez-Vock noted that the changes are extensive with respect to the proposed Preamble revisions, and the ACLI is deeply concerned that the changes will decrease transparency. She suggested that the changes emphasize RBC's perceived limitations instead of RBC's strengths, which could hamper the NAIC's efforts to promote the strength of RBC internationally. The changes also state that the only appropriate use of RBC is to identify weakly capitalized companies and heavily criticize the use of RBC for any other purpose. If enacted, the new Preamble language would create tension between what companies must publicly disclose in annual statements, generally accepted accounting principles (GAAP) filings, and U.S. Securities and Exchange Commission (SEC) reports, and what companies are permitted to discuss on earnings calls and releases. She noted that the ACLI agrees that it is inappropriate to use RBC ratios to rank or compare insurers' financial strength, but these concerns can be addressed in a more targeted way than the current exposure allows.

Gomez Vock noted that if Preamble changes are needed, the ACLI's letter includes suggested revisions to the Preamble that offer a reasonable compromise. There does seem to be tension around the purpose/use of RBC. The ACLI agrees that RBC and intervention levels are critical tools that allow supervisors to safeguard consumers. She said RBC must remain fit for that purpose. However, other uses of RBC have also emerged. First, within the regulatory community, RBC is part of a complex solvency assessment framework that includes tools like the Own Risk and Solvency Assessment (ORSA), liquidity stress testing (LST), and group capital. Within the group capital calculation (GCC) and aggregation method (AM), RBC levels above the minimum are relevant for understanding group solvency. For companies, a basic component of sound risk management involves assessing the company's own measure of capital resources, which for some companies includes RBC, in baseline and stressed conditions, which can inform decision-making. Finally, third-party stakeholders want to understand the degree of excess capital available for dividends or other capital expenditures, and RBC ratios provide a trusted, objective measure when they are compared to a company's target capital levels. Rating agencies want to know if a company is approaching intervention, which is understandable given that their products may need to reflect such risk.

Gomez-Vock clarified that the other uses of RBC should not necessarily influence how regulators evaluate risk or set capital requirements, just that publicly available RBC data is a trusted tool that provides great value to multiple stakeholders, which in and of itself is a strong endorsement of RBC's integrity and rigor. The state-based solvency framework, of which RBC is just one tool, is strong and robust, thanks to the efforts of Task Force members and many other regulators who came before. This strength should be celebrated consistently across NAIC publications. That is why the ACLI respectfully requests that the Task Forces reconsider how the Preamble or any other NAIC materials, like the RBC principles, reflect the important and appropriate role RBC plays in the U.S. solvency system.

Director French asked if there had been consideration of a disclosure requirement that would act as a disclaimer. Gomez-Vock noted that the ACLI did float the concept in its May letter but did not include specific language in that letter. She said the ACLI is open to the suggestion of a disclosure.

Peter Gould (Retired) discussed that he wrote a comment letter as a consumer and an annuity holder. He noted his former belief was that relying on the RBC ratio was a good way to gauge his insurers, but he has learned that is not the case. However, he noted his biggest concern with the proposal was decreased transparency. He indicated support for the suggested changes from the ACLI. He highlighted some of the more specific comments in his letter and suggested that the NAIC's financial overview report available to consumers should include the RBC for the current year and the preceding five years. He noted concern with the proposed language that seems to make things less transparent and questioned if this was the case in 2008, before the great financial crisis. He

stated his appreciation to Rachel Hemphill (TX), who helped him understand that there is greater calibration of RBC at the lower end of the RBC range than at the higher end.

Director French asked Gould and Brendan Bridgeland (Center for Insurance Research—CIR), who is a consumer representative for the NAIC and a consumer advisor to the Interstate Insurance Product Regulation Commission (Compact), if a consumer could be confused by various information provided by the insurer, especially with something that might be more advertising. Gould responded that advertising was already disallowed when it comes to RBC. Bridgeland responded that there is always the chance that a consumer might be confused, but the answer is not to deny the information to the consumer. He discussed the various levels of experience that consumers have, and one of his roles is to help answer consumers' questions that may seem more complicated to them. He noted his experience with mergers and where consumer groups often contact him. He said he points them to different information, such as the annual statement and the five-year historical page, and explains how the regulators monitor the company. He said something used in advertising and stamped everywhere are rating agency ratings, and that they can be confusing with their own different grades. Of course, the details of those ratings are cost-prohibitive. He said it is useful for consumers to have a metric they can look at, and while the consumer does not need to see all the details, they can see if the company is above the threshold.

Director French summarized that Bridgeland seemed to suggest that it cannot be assumed that a consumer will not understand something complex, and that there should still be transparency for the consumer. He responded that this was the case because when things are not transparent, there will always be even more confusion for the consumer. He again noted his support for the ACLI's suggestions, but he said that great caution should be shown in rewriting the Preamble so that it does not downplay the value of RBC.

Cheung presented his own views on this issue, not those of the Illinois Commissioner or the department. He stated that, as an actuary, there are times when RBC is confusing. One issue he has seen is when companies explain that they are at an RBC of say 400% but that some things have changed and are now at an RBC of 420%. He thinks it is confusing for the company to say they are a stronger company with the increase, because that may not actually be the case. He noted that with respect to RBC being public, it has been long enough that it would be hard to take it away, but it may be appropriate to add some disclosure around it that talks about its limitations. He noted that as members of some of the RBC groups, they have been busy trying to clean up the structure a bit to remove some of the confusion. Yanacheak added that he could think of an example where a company may have increased its reserves, which lowers its available capital and the RBC ratio. This company is not actually weaker, but its RBC ratio has decreased. This example shows responsibility and professionalism that came from the actual analysis of the sufficiency of the reserves. Chou provided an example of a company that might have an RBC ratio in the 1,000s, but that does not mean they are stronger than another company with a lower ratio.


Ray Nelson (AHIP) stated that AHIP was appreciative of the work done and understood the concerns, and that issues related to the improper use of marketing and RBC comparisons are important. However, AHIP believes that disclosure of RBC and things like earnings presentations and earnings materials or similar uses should be allowed so long as it is not being used for marketing and comparison purposes. He noted AHIP's agreement with the ACLI's proposed changes.

4. Discussed Related Issues at the Risk-Based Capital Model Governance (EX) Task Force

Commissioner Houdek explained that he had received some questions about the rationale behind narrowing the principles and removing some of the original concepts from the July 3 version compared to the most recent version of the proposed principles from the Risk-Based Capital Model Governance (EX) Task Force. He noted that the current exposure is intended to really focus specifically on the principles for maintaining and prioritizing updates to RBC, with the principles for purpose and use of RBC to be coordinated through calls such as these with the

Capital Adequacy (E) Task Force, which was why this call was held today. In addition, the most recent draft also contains modifications to the principles because certain concepts were identified and determined to be more appropriately included elsewhere in the broader governance framework, such as in the model risk management standards. Once the current exposure ends, we will take the comments received, and Bridgeway Analytics and the ad hoc group will review the comments and make recommendations to the Task Force. After that, another call will be scheduled prior to the Fall National Meeting. More information will be available in the coming weeks.

Having no further business, the Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/ Member Meetings/E Cmte/CADTF/ 



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October 15, 2025

Judith French, Co-Chair, Risk-Based Capital Model Governance (EX) Task Force
Nathan Houdek, Co-Chair, Risk-Based Capital Model Governance (EX) Task Force
Mike Yanacheak, Chair, Capital Adequacy (E) Task Force
Health Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via Email: Dan Daveline at ddaveline@naic.org and Eva Yeung at eyeung@naic.org

Re: Comments on the Previously Exposed NAIC 'Risk-Based Capital Preamble'

Dear Director French, Commissioner Houdek and Mr. Yanacheak:

On behalf of AHIP, we appreciate the opportunity to provide comments on the above referenced NAIC exposure.

AHIP is very appreciative of the work done to date on the drafting of edits to the existing NAIC Risk-Based Capital (RBC) Preamble. AHIP understands the concerns raised about a public exposure of RBC measures. We agree it is important to focus on RBC disclosure restrictions related to sales and marketing materials and RBC comparisons; however, we believe that disclosure of RBC in earnings presentations and materials, or similar uses, should be allowed so long as this is not being used for marketing or comparison purposes.

Thank you for the opportunity to provide these comments to this NAIC exposure. We look forward to continuing to engage in this important discussion.

Sincerely,

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MMotter@AHIP.org
202-923-7346

cc: LaCosta Wix, AHIP Senior Regulatory Counsel
Raymond Nelson, AHIP Consultant



Mariana Gomez-Vock
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October 20, 2025

Director Judith L. French, *Co-Chair, NAIC Model Governance (EX) Task Force (MoGo)*
Commissioner Nathan Houdek, *Co-Chair, NAIC Model Governance (EX) Task Force (MoGo)*
Mr. Mike Yanacheak, *Chair, NAIC Capital Adequacy (E) Task Force (CADTF)*

Re: Proposed Edits to the Risk-Based Capital (RBC) Preamble

Dear Chairs French, Houdek, and Yanacheak:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit comments regarding RBC proposal form 2024-16-CA which would limit insurers' ability to discuss important RBC-related information in public forums, emphasize RBC's perceived limitations, and reduce transparency around companies' capital positions. This issue is deeply concerning to our members.

While we agree that a company's RBC ratio alone should not be used to rank insurers' financial strength generally, the Preamble should continue to re-affirm the appropriate disclosure and discussion of information that is already publicly disclosed in annual statements. ACLI has proposed preamble changes (as shown in the *Appendix* below) to better reflect the important and appropriate role RBC plays in the U.S. solvency system. We encourage CADTF to adopt ACLI's amendments.

We have strong concerns about the exposed Preamble language because it will decrease transparency around the industry's capital levels and cast doubt on reasonable uses of RBC and we urge the NAIC not to adopt the exposed amendments. ACLI concerns with the proposed preamble are outlined below:

- Reducing transparency around RBC and financial regulation contradicts the NAIC's broader goal of promoting the strength of the state-based regulatory framework internationally. Affirming the **benefits** of Annual Statement RBC disclosures in the Preamble would better align with global solvency standards.
- Moving toward RBC obscurity and opacity is unnecessary and unwarranted, when the industry, regulatory community, and other stakeholders have benefited from and become accustomed to public disclosure of RBC over the past 30 years. Restricting public discussion of RBC-related information already disclosed in Annual Statements may erode stakeholder trust and hinder informed engagement.
- Impeding disclosures required by other regulatory or standard-setting bodies (Federal Reserve, Securities and Exchange Commission, Financial Accounting Standards Board, etc.) could create compliance challenges and reduce regulatory alignment. The proposed Preamble amendments would create tension with what the companies are **required** to publicly disclose in the Annual Statement, 10-K, 10-Q and GAAP financials, and what they are permitted to **discuss**.
- Limiting RBC's role to identifying potentially weakly capitalized companies disregards other regulatory uses of RBC, including in the Group Capital Calculation and Aggregation Method, where

ACLI response to RBC Preamble Exposure
Oct. 20, 2025

the use of Excess Relative Ratio scalars indicates that capital levels above the minimum action levels are relevant for understanding group solvency.

- Limiting the use of RBC solely to identify weakly capitalized insurers disregards the appropriate ways that companies use RBC levels outside of RBC action levels and provides an inappropriate critique of valid, non-regulator uses of RBC.
- Addressing concerns around potential misuse of RBC ratios to rank order insurers can be done in a more targeted way that does not decrease the transparency of company's capital positions or limit companies' ability to discuss publicly available data in earnings releases.

RBC is a vital component of the larger policyholder protection framework, which benefits from public disclosure, transparency and understanding.

ACLI agrees that RBC is a critical tool to help regulators identify potentially weakly capitalized companies and take action, when necessary, to ensure that policyholders will receive their promised benefits. However, RBC has evolved over the years to provide an increasing amount of precision about the underlying risks. For example, regulators have increased the granularity of C-1 bond factor changes from six categories to twenty potential categories and designations.

Beyond the specific components of the framework, the uses of RBC have changed as well. RBC is no longer solely used to "identify weakly capitalized companies." It is now part of a complex solvency assessment and regulatory framework that includes other tools like the Own Risk Solvency Assessment and Liquidity Stress Testing that support efforts to assess capital adequacy and risk management. RBC also serves as the foundation for an enterprise view of capital in the Group Capital Calculation and Aggregation Method (AM), the latter of which serves as the U.S. implementation of the global Insurance Capital Standard (ICS). RBC ratios have also become a vital resource for a broader set of stakeholders than state insurance regulators which, has been foundational to growth, competitiveness, and stability of the U.S. insurance market. ACLI urges the NAIC to focus on messages that promote the strength of the RBC system, rather than emphasize its perceived limitations.

The Preamble should reflect how appropriate uses of RBC information furthers the shared goals of prudential transparency, regulatory effectiveness, and consumer protection.

While staying within the bounds of the RBC Model Act, insurers should be permitted to explain RBC ratios, the basic components of which are publicly available for most companies. Stakeholders have a legitimate interest in knowing this information which provides crucial transparency and insights into the general financial condition of insurers. Transparency can strengthen public perceptions of the U.S. state-based regulatory system of insurance companies, especially during times of stress.

ACLI disagrees with the proposed changes to Section E that claim *any* non-regulator use of RBC is inappropriate. For companies, understanding excess capital over Authorized Control Level (ACL) RBC provides useful information to companies for managing financial and solvency risk. RBC levels are also used for risk management purposes: a basic component of sound risk management involves an assessment of statutorily required and available capital levels in baseline and stressed conditions which to inform risk-based decision making. In addition, according to the American Academy of Actuaries May 8 letter, some companies can reasonably use RBC as their primary capital management tool to the extent that they have performed an analysis and determined that it effectively captures their solvency risks. ACLI strongly opposes the insertion of language in the Preamble that denigrates reasonable uses of RBC by companies.

ACLI response to RBC Preamble Exposure
Oct. 20, 2025

Restricting insurers from discussing publicly available RBC information in earnings releases and earnings calls reduces the availability of critical solvency information and will lead to the creation of less uniform alternatives.

Restricting insurers from disclosing RBC levels in earnings communications could unintentionally reduce the availability of critical solvency information to investors and policyholders. Many public companies disclose their RBC levels and how the ratio compares to a company's targets and risk tolerances. Information about RBC levels helps investors assess the company's position and potential actions the company may take in raising or deploying capital, and it allows stakeholders to assess the amount of capital available to the holding company for dividends, share repurchases and other strategic transactions.

Prohibiting this type of disclosure and discussion of information that is already available in the Annual Statement (e.g., five-year history of Total Available Capital/Authorized Control Level RBC) runs counter to the principles of transparency and accountability that underpin effective prudential oversight and may weaken market discipline by obscuring signals of financial strength or emerging vulnerabilities.

RBC levels are an objective and transparent measure for the market, rating agencies, investors, and other stakeholders to use when considering the financial position of insurers. Without it, the industry and its stakeholders will need to create alternative capital measures for communicating the financial position of insurers and holding companies. These new metrics may be less uniform and may create confusion in the marketplace. Consumers advocacy groups have also raised concerns that information asymmetry could arise if they are forced to rely on costly third-party methodologies.

Conclusion

ACLI strongly urges CADTF to accept the ACLI proposed Preamble changes (as shown in the *Appendix* below) which will address concerns about using RBC to rank order companies while also acknowledging the important and appropriate role of RBC in the US solvency system. If CADTF declines to adopt ACLI's proposed changes, we urge the Task Force to engage in more dialogue with the industry before adopting any edits to the Preamble. This will help ensure the RBC framework continues to protect policyholders while appropriately balancing U.S. insurers' ability to innovate and compete on the global stage while providing transparency to all stakeholders.

ACLI reaffirms our willingness to work with the Task Force(s) on drafting potential disclaimer language regarding the intended purpose of RBC data, for companies to include when they are providing RBC-related information to stakeholders. Thank you very much for the opportunity to submit this commentary and we look forward to the next meeting on this subject on October 23, 2025.

Sincerely,



Mariana Gomez-Vock



Colin Masterson

cc: Eva Yeung, NAIC; Maggie Chang, NAIC

ACLI response to RBC Preamble Exposure
Oct. 20, 2025

Appendix – ACLI Suggested Preamble Edits:

We are sending the following red-line edits and additions which build on those which ACLI originally submitted in our comment letters from June 2024 and May 2025. These edits aim to strike the appropriate balance between regulator's concerns over the use of RBC outside of NAIC's regulatory framework, while providing the appropriate transparency expected of the insurance industry for other regulators, consumers, and the market writ large.

We note for clarity that the yellow highlights reflect the original CADTF-proposed Preamble edits and the red text is what is being put forward by ACLI for NAIC consideration.

Note: Yellow highlighted text indicates additions proposed by CADTF. Red text, including strikeouts, are ACLI's proposed edits.
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Section B 11.

- Comparison of an insurer's TAC to any RBC level is a regulatory tool that may indicate the need for possible corrective action with respect to the insurer and is not intended or appropriate as a means to rank insurers generally. Therefore—except as otherwise required under the provisions of Risk-Based Capital (RBC) for Insurers Model Act (#312) or the Risk-Based Capital (RBC) for Health Organizations Model Act (#315)—the making, publishing, disseminating, circulation or placing before the public, or causing, directly or indirectly to be made, published, disseminated, circulated or place before the public, in a newspaper, magazine or other publication, or in a form of a notice, or in any other way, an advertisement, announcement or statement ~~(including but not limited to press releases, earnings releases, webcast materials, or any other earnings presentations or webcasts)~~ containing an assertion, representation or statement with regard to the RBC levels of any insurer or of any component derived in the calculation by any insurer is prohibited.

Because the RBC framework has been developed with certain regulatory needs in mind, state regulators have decided keep some elements of the calculation confidential, as well as any workout plans for companies that have triggered a regulatory action level. Publication of limited RBC disclosures accommodates the interests of stakeholders that include policyholders, investors, insurers, and other regulatory authorities, and provides an appropriate degree of transparency.

Section D 14.

- Because the NAIC formula develops threshold levels of capitalization rather than a target level, it may not be meaningful 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%. For this reason, Model #312 and Model #315 prohibit insurance companies, their agents and others involved in the business of insurance using the company's RBC results to compare competitors.

Section E 18.

- Use of RBC is intended limited to identifying potentially weakly capitalized companies to facilitate regulatory action and oversight. 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

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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.

Section E 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.~~

Draft: 8/15/25

Risk-Based Capital Model Governance (EX) Task Force
Minneapolis, Minnesota
August 12, 2025

The Risk-Based Capital Model Governance (EX) Task Force met in Minneapolis, MN, Aug. 12, 2025. The following Task Force members participated: Judith L. French, Co-Chair (OH); Nathan Houdek, Co-Chair (WI); Doug Ommen, Co-Vice Chair (IA); Michael Wise, Co-Vice Chair (SC); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais and Jack Broccoli (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Jane Nelson (FL); Robert L. Carey represented by Vanessa Sullivan (ME); Mike Causey represented by Jacqueline Obusek (NC); Jon Godfread (ND); D.J. Bettencourt represented by Edward Cataldo (NH); Cassie Brown represented by Jamie Walker (TX); Scott A. White, Dan Bumpus, and Doug Stolte (VA); and Patty Kuderer and Steve Drutz (WA).

1. Adopted its Spring National Meeting Minutes

Commissioner Ommen made a motion, seconded by Director Wise, to adopt the Task Force's March 25 minutes (see *NAIC Proceedings – Spring 2025, Risk-Based Capital Model Governance (EX) Task Force*). The motion passed unanimously.

2. Heard a Summary of Significant Comments from Bridgeway Analytics

Commissioner Houdek provided background information related to the meeting. He noted that one of the Task Force's major goals for this year is to develop guiding principles that can be used to maintain risk-based capital (RBC) going forward. As part of that effort, the co-chairs and co-vice chairs exposed a set of preliminary principles and a series of questions that would help guide the Task Force's development of the principles, for a 21-day comment period that ended July 24. The NAIC engaged Bridgeway Analytics as an outside consultant to assist the Task Force with its work. Since being engaged in May, Bridgeway Analytics has reached out to industry trade groups and other stakeholders to solicit input and feedback in order to help develop the proposed draft principles that the Task Force is discussing.

Commissioner Houdek noted that due to the very granular nature of this work, the co-chairs and co-vice chairs asked a group of technical regulators to serve as a drafting group to provide further input to Bridgeway from a regulatory perspective. Bridgeway took the input provided by these various parties and developed the preliminary draft principles that were exposed. Commissioner Houdek reinforced that it was very much a preliminary draft. Commissioner Houdek noted that the Task Force's leadership felt it was important to issue an exposure to solicit public feedback and continue moving the work forward in a transparent and collaborative manner. Commissioner Houdek thanked everyone who took the time to provide comments.

Amnon Levy (Bridgeway Analytics) provided a background on Bridgeway Analytics' work and a summary (Attachment One) of some of the more significant themes from the 16 comment letters the Task Force received (Attachment Two). Levy summarized some background on Bridgeway Analytics' work, including goals and intended work products. He noted that his presentation summarized comments with themes advocating for refining the substance of the preliminary proposed principles and themes from deliberations with regulators. The intent is to frame the key differences in views to pave the path toward a consensus. This presentation should be reviewed alongside an attached document that outlines the broader set of comments, including those advocating refinement of language. Levy noted that the drafting group includes chairs and co-chairs of the Capital Adequacy

(E) Task Force and its working groups. Levy emphasized that Bridgeway Analytics was hired to facilitate gathering and synthesizing stakeholder suggestions and feedback, along with its own objective assessments, to help the Task Force achieve its goals and reach a consensus. He noted that while principles will serve as a foundational north star for assessing and changing RBC components, the overall governance framework will likely consist of additional components, including:

- **Quantitative guidelines** (such as statistical safety level), which will articulate aspirational quantitative benchmarks and allow for quantitative comparability across RBC calculations (e.g., statistical safety level). The guidelines serve as benchmarks, not hard requirements. Deviations are expected but should be documented and justified.
 - Notably, to avoid confusion over how the principles are applied across different insurer types and policy categories (e.g., natural catastrophes), this presentation positions quantitative guidelines as segmented at a level of granularity that permits identifying potentially weakly capitalized companies while protecting the policyholders' benefits without restricting insurers' prudent risk-taking (e.g., investments supporting long-duration life and annuities).
- **Model governance standards**, which will provide a process for adjustments to RBC calculations, incorporating regular reviews of RBC outcomes. This ensures that future adjustments are made in alignment with guiding principles and supporting guidelines.
- **Case studies**, which will provide additional guidance. Many RBC components will require additional guidance when assessing their characteristics and the materiality of a principle being violated. Since constructing quantitative thresholds is not often practical, Bridgeway Analytics proposes building out a series of case studies to provide further guidance.

Levy pointed out the proposed preliminary principles on the sixth slide, comments on which will be explored in detail. He highlighted that all commenters uniformly agree with the spirit of RBC's purpose of identifying potentially weakly capitalized companies. It is part of the state legal framework, providing regulators with legal permission and/or requirements to intervene at the company level. He noted that while commenters uniformly agreed that RBC ratios should represent an unadulterated measure of solvency, roughly 60% objected to including a secondary mandate or consideration such as consumer needs, which the memorandum references as an aspiration. The concern from regulators, property/casualty (P/C) stakeholders, and some life stakeholders was the potential distraction from the primary purpose of having RBC represent an unadulterated measure and the potential for subjectivity when assessing consumer needs. Some P/C stakeholders also raised concerns over references to group capital calculations (GCCs). Levy noted that advocates and non-objectors (the remainder) pointed to the memorandum's aspirational language for principles to serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness, and further the principle of equal capital for equal risk.

Levy stated that Bridgeway Analytics expects this key difference in views to be an area that commenters will present, and Task Force members might consider exploring if and where these concepts should be articulated in the future. Related to this, deliberations with the regulator drafting group pointed to the ideas that:

- Introducing secondary mandates can result in scope creep and unintended consequences and be sprawling; for example, the NAIC's mission includes considerations that would be challenging to incorporate into RBC.
- Secondary considerations (e.g., product availability) are viewed as more naturally fitting into other parts of the solvency framework and as an outcome of a well-designed solvency framework, consistent with President Godfread's presentation during the Opening Session.

- It was acknowledged that secondary factors have been discussed in the context of RBC. For example, while measurement is the focus, prudent hedging has been cited as a motivating factor in recent generator of economic scenarios (GOES) and C-3 calibrations. The general agreement is that RBC should not restrict insurers' prudent risk-taking.

Levy noted that the eighth slide asks where the RBC ratio provides insights beyond its value at regulatory triggers and what precision level the RBC ratio should aspire to. Several commenters said RBC ratios should be accurate, beyond regulatory triggers, rather than only at trigger points. They added that RBC ratios should aspire to represent a measure of financial strength that can rank order companies, noting that: 1) GCC directly repurposes RBC as a key financial indicator at the holding-company level, reinforcing the role of RBC ratios in assessing resilience; and 2) rating agencies can find RBC ratios useful in assessing potential regulatory action, as is the case with Moody's, for example. Levy said Bridgeway Analytics understands that rating agencies rely heavily on judgment and context and generally do not incorporate RBC mechanistically. Nevertheless, Bridgeway Analytics understands that the closer RBC gets to requiring regulatory action, the more likely it is to impact the financial strength rating. Notably, agency ratings of surplus notes held by insurers are used to determine designations and RBC.

Deliberations with the regulator drafting group pointed to:

- The need for caution when RBC is far from a regulatory trigger. Notably, while insurers generally retain their capital, some insurers manage capital at the holding company level or some other entity outside of the regulated insurance entities. These groups can keep the capital at a reasonable level, possibly adding capital when RBC drops below that reasonable level.
- While RBC is designed as a minimum capital threshold, RBC ratios beyond regulatory triggers are used in GCC, and as such, it assigns meaning to values outside regulatory triggers.

Commenters posed several provocative questions regarding the first principle. The National Association of Mutual Insurance Companies (NAMIC) asked what the vision is for the RBC formula at the end of this process. The American Property Casualty Insurance Association (APCIA) asked if the objective of this project is to require insurers to hold capital above the current intervention levels in line with the International Association of Insurance Supervisors (IAIS) insurance capital standard (ICS).

Levy noted that several commenters advocated for governance standards to cover the overarching regulatory framework, rather than focus narrowly on RBC, which transcends the mandate of this initiative. In addition, deliberations with regulators pointed to the benefits of a governance framework and process for streamlining changes to RBC across company types, particularly for investments. For context, there are significant and deliberate differences in the RBC frameworks across companies (e.g., treatment of reserves or taxes). A naive application of changes to RBC for life will generally not be appropriate for P/C. Those differences are inefficiently revisited with new proposals. To the degree that governance guidelines can document and possibly streamline these issues, it would allow future changes to be more efficient and ensure that those differences are not repeatedly reevaluated.

A. Washington

Drutz provided the highlights from Washington's comments. He noted that Washington believes item 1A in the exposure document, which covers the acknowledgement of the RBC calculation's impact on product availability, should be removed. Drutz said Washington believes the need for granularity is covered elsewhere in the

document. Drutz stated that Washington does not understand how one would acknowledge the impact and does not believe that a desired outcome for specific product availability should influence the risk charge.

Regarding item 1B, Drutz said that Washington believes the title for insurance groups and global competitiveness should be changed to better match the description that follows. Drutz noted that the title “insurance groups and global recognition” might better describe RBC’s use as a part of the GCC.

Regarding item 3 on consistency with statutory accounting, Drutz said that Washington believes adding the phrase “whenever possible” to the description would better describe the reality that not all information used in the RBC report can be pulled from the annual statement. Drutz noted that Washington believes adding the phrase “as such, regulators and industry should work together to try and minimize instances when values used in the RBC formula are not reported in the annual statement,” would help incentivize movement toward minimizing those instances where the information utilized is not available in the annual statement.

Regarding item 4, Drutz said that Washington believes adding a subheader labeled “E” that would consider how the risk is currently accounted for in the RBC formula would help evaluate emerging risks and when they might need to be addressed in the formula.

B. Virginia

Bumpus said he would start with a couple of overarching thoughts before getting into some specifics from Virginia’s comments. First, regarding the principles themselves, Bumpus said that Virginia found the July 3 release to be too “in the weeds” and did not cover the breadth of the RBC framework. Bumpus said Virginia would like to see a clear identification of high-level principles in the next draft, followed by a limited amount of interpretive guidance. He said that going forward, Virginia would ask Task Force leadership to engage the membership of the Task Force before future exposures. Bumpus noted that two principles Virginia would like to see in the next release are clear identification that there is one and only one purpose for RBC in order to identify weekly capitalized insurance companies, and that the RBC calculations must follow the principle of equal capital for equal risk, which includes the consideration of tail risk.

Bumpus said Virginia’s second point is that any steps the Task Force takes to change the RBC framework must be true enhancements to the framework. It is important to remember that RBC is a foundational component of the U.S. system, it serves regulators well, and that the U.S. is the largest and most robust insurance market in the world. One specific point Virginia made is that there is no place in the principles for secondary considerations, acknowledgements, or the balancing of competing interests against solvency. They fall outside the purpose of the RBC framework. They also interfere with the implementation of the principle of equal capital for equal risk, which includes consideration of tail risk. Bumpus said Virginia agrees with commenters who oppose the RBC framework turning into a capital adequacy tool focused on outcomes other than company solvency and regulatory intervention. He said RBC sets a minimum level of capital for an insurance company. It does not assess the appropriate level of capital for an insurance company to successfully meet its business objectives. He said the RBC framework must remain flexible. It needs to empower state regulators to recognize where meaningful differences exist across and within asset classes to take those differences into account and determine the appropriate RBC treatment.

Bumpus said that regulators must be able to continue to use their expert judgment to allow them to act before an ideal data set exists and can be analyzed, and this would include the use of interim solutions or circumstances warrant. Regarding flexibility, Bumpus said Virginia pushes back on commenters seeking to establish rigid materiality thresholds for risks to be included within the framework. He said one lesson from the great financial

crisis is that regulators need flexibility to address emerging risks, including potential systemic risks posed by a small number of companies or insurance groups that may not yet be pervasive across the entire industry. Bumpus noted that Virginia stands by the rest of its comments and welcomes any questions.

C. Connecticut

Broccoli indicated that Connecticut agrees with Virginia's comments but wanted to add that as part of the project's gap analysis, the Task Force should study how certain intercompany transactions, affiliated reinsurance agreements permitted practices, and offshore reinsurance agreements may impact RBC and whether there is adequate disclosure on these transactions to ensure transparency for regulators and other readers of the financial statements. The primary purpose of RBC is to provide an early warning of potentially troubled companies so that regulators can take appropriate regulatory action and attempt to correct the problem and avoid any solvency issues. RBC, therefore, is designed to represent the minimum level of capital required to support the insurer's operation, and it is not designed to measure the appropriate level of capital required to achieve a company's goals.

D. RAA

Jeff Alton (Reinsurance Association of America—RAA) said the RAA's comments would focus on three areas where the RAA's view diverges from other commenters: 1) RBC's purpose and scope; 2) the principle of equal capital for equal risk calibration; and 3) governance approach. He also gave a reminder of the P/C RBC formula's strong track record since its establishment in 1994.

Alton noted that the RAA maintains that RBC must remain a minimum capital adequacy standard, a threshold solvency test designed to trigger regulatory attention when capital position indicates potential impairment. This is exactly why RBC was conceived and codified in the U.S. statutory framework. By contrast, some commenters propose broadening RBC's role to consider product availability and international comparability. While these are valid industry concerns, they are market objectives, not solvency oversight functions, and embedding them in RBC risks blurs RBC's statutory intent and diverts it from its core purpose.

Alton said the RAA supports equal capital for equal risk in principle, but stresses proportionality, legal entity focuses, and solvency relevance anchored in statutory accounting. The RAA believes recalibration shall only occur when disparities are material and solvency outcomes. In the P/C RBC formula, different lines of business have distinct risk profiles, and the current system is built to accommodate those differences. Some commenters advocate for uniform statistical safety standards, but the RAA disagrees. Adding a fixed confidence level and more frequent calibration across all risks may enhance mathematical comparability; however, those additions risk transforming RBC into an economic capital-like framework, inconsistent with statutory design.

Alton noted that the RAA favors proportional governance, rigorous oversight for modeled, assumption-heavy components, and lighter oversight for transparent, risk-based charges. This aligns with decades of statutory RBC practice, which is rules-based, formula-driven, and transparent to both regulators and insurers. In contrast, some commenters advocate applying full model governance to all RBC components, mirroring a European Union (EU) Solvency II-style regime. This would add complexity and cost without necessarily improving RBC performance as a statutory solvency tool.

Alton noted that since its inception in 1994, the P/C RBC formula has been tested by major market and loss events and has performed admirably. He said it has adapted effectively to lessons learned, whether due to cat losses, changes in liability trends, financial market swings, or evolving underwriting practices. In each case, refinements

have been targeted proportionate to lessons learned, preserving RBC's role as a credible early warning tool without over-engineering it. This measured adaptability should guide governance decisions going forward. It avoids over-engineering the framework into an economic capital model and resists objectives, such as product availability, which fall out of RBC's statutory mandate. The RAA urges the Task Force to anchor its model governance work on this proportionate, risk-sensitive, statutory-aligned approach.

E. Transamerica

Bill Schwegler (Transamerica) limited Transamerica's oral comments to three areas of substantive differentiation. First, Transamerica believes it is important to acknowledge the legitimate interest that nonregulatory stakeholders have in RBC information. These stakeholders include public policyholders, as RBC is not solely a tool for regulators to use behind closed doors. Transamerica recommends including language that acknowledges these nonregulatory interests within a broader principle about the purposes of RBC. Second, Transamerica highlights the tension that emerges when measurements of risk are linked to statutory accounting, which employs a mixture of accounting bases. The result of this linkage is that pressure is put on statutory accounting treatment due to its significant effects on required capital. Schwegler noted Transamerica is not sure this represents an optimal outcome or is consistent with the notion of equal capital for equal risk. Third, in the realm of governance, Transamerica suggests a subprinciple about historical documentation. Every RBC factor calculation and statement line has a history, and from time to time, it is necessary to revisit that history. At present, this can be incredibly challenging simply because the information, which may be decades old, is not readily available. Transamerica encourages the Task Force to make documentation part of the governance framework around RBC.

F. ACLI

Carrie Haughwout (American Council of Life Insurers—ACLI) said there has been some discussion of beginning some of the technical work on the items that will guide the gap analysis, and the ACLI believes it is necessary to finalize these candidate principles before moving on to the technical guidance. This ensures that the principles will have gone through the normal NAIC process and will be used to inform the gap analysis and the guiding work. The ACLI supports the creation of consistent principles for future changes to the RBC formula, which is just one of the many tools that work together to promote solvency in the U.S. As work proceeds, the ACLI encourages the Task Force to maintain a broad collective viewpoint that evaluates interconnections and ensures an integrated solvency framework.

Haughwout said there has been some concern, as noted here today, regarding language around the secondary purpose of RBC. The ACLI wants to be clear about its comments in this space. The ACLI believes the RBC charges should remain risk-based. The ACLI's comment includes alternative language that clarifies this important point while acknowledging the need to continue to strike the right balance to protect policyholders without unnecessarily impeding access to products, especially long-term products. Acknowledging this balance in the principles regulators already strike between protecting policyholders with strong and stable insurance markets is appropriate for a broad and foundational principle on RBC. As also noted here today, the U.S. solvency framework is one of the best in the world in offering long-term products, and regulators have achieved that without sacrificing rigor or policyholder protection. Other authorities have adopted solvency systems that are volatile and punitive toward long-term products, which has led to a market decline in long-term products in those regions. The ACLI would therefore encourage the Task Force to include ACLI-suggested language about balancing policyholder protection without unnecessarily impeding access to the products in those final principles.

Mariana Gomez-Vock (ACLI) stated that the ACLI's members also support the concept of equal capital for equal risk. The ACLI's comment letter submitted clarifying amendments to promote a shared understanding of equal

capital for equal risk. The ACLI's definition reflects a consensus position by ACLI members, and she encouraged the Task Force to consider its adoption. The suggested amendment emphasizes the need to consider tail risk and consistency across asset classes to ensure that risk charges align with the associated risks and are calibrated with enough granularity to capture material differences and risks across asset types.

G. MetLife

Francisco Paez (MetLife) highlighted four points from MetLife's comment letter. First, RBC has successfully worked for over 30 years by following the focused objective of identifying weakly capitalized companies and should continue to do so. U.S. RBC supports the largest and most innovative insurance market on the planet with an enviable record of stability. Considerations of product stability that meet consumer needs, closing the retirement gap, or capital market strength cannot interfere with the objective of RBC. Paez asked how a consumer who purchases that product would be helped if a company becomes insolvent.

Paez said the second point is that, because the single purpose of RBC should remain to help identify weakly capitalized companies, the evaluation of emerging risks should be done at the individual insurance company level. He said that even when that requires the use of interim solutions, the NAIC has successfully done so many times over the years. A lesson from the great financial crisis is that unchecked risk accumulation at individual companies can lead to unhealthy competitive dynamics that could quickly transform initially idiosyncratic risk into a systemic event.

Paez said MetLife's third point is that it is critical to clarify that the concept of equal capital for equal risk here refers by definition to tail risk. RBC is designed to capture potential unexpected losses as measured by tail losses. This goes beyond the expected losses captured by reserves. Importantly, credit ratings are not specifically designed to uniformly measure this type of risk across asset classes and are, therefore, not the ideal universal attribute to identify equal risk. For example, S&P Global Ratings developed its own methodology to determine RBC adequacy, which can assign capital factors nearly four times higher for certain subordinated tranches of securitizations versus corporate bonds of the same S&P rating.

Paez said MetLife strongly encourages the NAIC to preserve its independent definition of RBC, which best serves its objective of protecting policyholders. While some see this as a myth, the NAIC, as the regulatory body for the largest and most active insurance industry in the world, has the sole discretion to define what the minimum regulatory capital for the companies under its supervision should mean, as it has successfully done over the last 30 years.

H. RRC

Tricia Matson (Risk & Regulatory Consulting—RRC) and Ed Toy (RRC) focused their verbal remarks on areas where they have diverging views from other commenters. Matson noted that RRC agrees with the concept that the RBC framework is intended to be a regulatory tool and not to meet other uses, as noted in the exposure. She stated that RRC believes that developing a robust tool for regulators to use as part of their supervisory process is one of the NAIC's critical responsibilities. She said RRC also believes that trying to develop a tool to meet the needs of multiple stakeholders, such as rating agencies and companies' internal risk management programs, is unrealistic. RRC also advocates for equivalent treatment of risks in terms of both the safety level and the time horizon, but acknowledges that the specific risk under evaluation may impact the consideration of the time horizon. RRC also advocates for consideration of tail risk, including fat tails. In other words, a risk should not be excluded simply because it manifests beyond the defined safety level. Using averages in the tail rather than a point estimate of the safety level would address this.

I. Academy

Katie Dzurec (American Academy of Actuaries—Academy) provided actuarial perspectives across life, health, and P/C. She highlighted that the Academy supports using a balanced and transparent process for updating the RBC framework that considers all asset and liability risks holistically and allows for appropriate stakeholder input. She also indicated that the availability and credibility of data will vary by risk factor, and the Academy encourages as much consistency in approach as possible. The Academy recommends leveraging the model risk governance frameworks currently available, which include the Actuarial Standard of Practice (ASOP) 56 on modeling. She noted that the Academy recognizes that there is room for considering the balance between protecting solvency and maintaining affordable insurance products.

J. Athene

Mike Consedine (Athene) commended the Task Force for taking up RBC modernization at a moment when U.S. consumers and markets need both safety and innovation more than ever. He noted that the work was being watched closely by regulators and policymakers across the globe. He hypothetically asked what RBC is and what it should become. He asked if it is a blunt alarm that rings when a company is already in trouble or a transparent metric that balances solvency while leaving capital available to finance new jobs, products, and retirement security. Consedine said he would argue that the NAIC has already answered that question when it framed RBC as an early warning threshold, as it did not build a zero-failure mandate, but rather a system that also includes robust state guarantee funds. That architecture lets U.S. insurers hold sufficient capital for unexpected losses and still deploy surplus capital into growth and needed products. In contrast, Europe chose a different path with Solvency II, which has a prescriptive 99.5 Value at Risk (VaR) standard, the absence of guarantee funds, and the explicit goal of eliminating insolvency, which has tightened capital so much in Europe that EU officials and regulators now can see the constraints. So much so, they are innovating and seeking the kind of flexibility present in the U.S. system. Therefore, in Europe, officials and regulators have already acknowledged the direct connection between solvency capital models and the availability of products.

Consedine said the question before the NAIC is not about seeking a new growth principle nor dilution of prudential safeguards; it is about the NAIC explicitly preserving an existing principle, one that balances policyholder protection and availability of capital finance to finance products for consumers and jobs. He said America faces a widening retirement crisis. For almost a decade, the NAIC has prioritized addressing these protection gaps. Capital flows to authorities that align risk and capital most efficiently. Europe has now recognized that and is reevaluating Solvency II capital requirements to allow for the increased flow of capital. The U.S.'s opportunity is simpler: evolve RBC to adapt to today's markets by reaffirming RBC's founding, which provides strong protection and productive capital. Consedine said this Task Force will keep the U.S. at the forefront of safety and consumer value.

K. APCIA

Jay Muska (American Property Casualty Insurance Association—APCIA) noted that the APCIA has struggled to understand how some of the principles relate to RBC. The current structure of the formula seems to work well, with a lack of deficiencies in the overall ratio for P/C companies, particularly with the way catastrophe risk was brought into the formula in a thoughtful way. He discussed that the three RBC formulas have different underlying accounting that needs to be considered, and the three formulas are different. This is probably why there are three different views. The APCIA is concerned about the differences in views on life investment risk issues. The APCIA noted that it is concerned that these changes are being forced upon the P/C sector, which does not carry the same degree of investment risk as life insurance companies. He said that oftentimes, a decision is made that the

formulas should be consistent on the investment side, which often ends up being a cost to the P/C companies. Muska said that the APCIA supports the three different formulas for three purposes that should be embedded in the principles. The APCIA noted that it agreed with many of the states providing written comments, as well as with the RAA. Muska cautioned against the suggestion of granularity and consistency because, with the IAIS ICS, the standard formula was calibrated to the same problem; however, in the end, when everything was accumulated, a great deal of subjectivity was added in total in order to get the total requirement to a more reasonable requirement.

L. NAMIC

Colleen Scheele (National Association of Mutual Insurance Companies—NAMIC) stated that NAMIC supports the RAA's and APCIA's comments and offered three different points. She noted that while NAMIC supports the Task Force's overall goal, NAMIC is confused about what these principles are trying to accomplish in their scope. She asked whether these principles document what RBC is today or if they are trying to improve RBC. She also asked whether they are designed to assist with how changes procedurally flow through to the three separate formulas, or if they are looking to expand the tool. When looking at existing literature on RBCs, such as the preamble, it is NAMIC's opinion that these principles do not currently fit seamlessly into that existing framework. The RBC formula represents the minimum level of capital an insurer must hold to deliver on their promises to policyholders, not a competitive market tool or an economic capital model. NAMIC believes that the three respective RBC formulas are the gold standard worldwide. NAMICs caution against any offers to amend RBC for its main purpose, which has served the U.S. well since its inception.

NAMIC cautions against the impulse to use RBC for any secondary considerations. RBC should be risk-based. It is inappropriate for measuring the availability of products, such as homeowners insurance or global competitiveness, to factor into an RBC calculation. The RBC formula should be rooted in transparent, credible data, sound, actuarial practices, and, when needed, expert judgment that can reflect both historical experiences and forward-looking risk assessments while considering the nuances of each line of business. Product availability and global competitiveness are byproducts of the current gold standard system, not drivers to be built into it.

Scheele said that any proposed principles for RBC should keep the legal entity focused, which is a bedrock of the U.S. solvency system. The U.S. focuses regulatory attention on individual legal entities from legal entity accounting and capital standpoints. Since the focus of U.S. regulation is the protection of policyholders, the U.S. has always believed that capital must be held at the level of the company that is writing the insurance policy in order to protect those customers entering into a contract with that company. The U.S. regulatory framework is premised on legal entity solvency, not group solvency, and, as in NAMIC's opinion, maintaining that idea is essential to the U.S. solvency system. Scheele thanked the Task Force for the extensive time spent on this project and for listening to comments with open ears.

M. UHG

Molly Zito (UnitedHealth Group—UHG) stated that UHG believes that the preliminary RBC governance principles as exposed are reasonable, but that much will depend on how the principles are implemented. UHG thinks that the evaluation of risk should be objective and based on data and that the RBC formulas should be consistent with statutory accounting principles (SAPs). Since SAPs are the current measure of insurer net worth, RBC and SAPs should not embody competing views of solvency. Finally, UHG believes that the actual performance of the RBC formulas should be evaluated periodically to ensure they meet their intended purpose.

N. ACC

Joe Engelhard (Alternative Credit —ACC) thanked the Task Force for launching this important effort to strengthen the governance, transparency, and consistency of the RBC framework. He said he would focus on three comments. First is a component of principle two. Namely, RBC should recognize differences in accounting reserve requirements and other offsets. He said the U.S. RBC framework is below this overall solvency framework, is unique, and relies heavily on very conservative statutory reserves, which already provide substantial first-layer policyholder protection. Engelhard said that when considering RBC, the ACC thinks it is especially important that the Task Force takes that into account. He said there have been a few references already. Engelhard noted that the implementation of the ICS has had some negative impacts, so when determining any changes to RBC, that should be taken into account.

Engelhard said that secondly, principle three says that RBC charges should be derived from statutory accounting values. This is a principle that the ACC agrees with, but the principle drafted does not sufficiently address some especially important disparities in capital treatment caused by different legal forms. The ACC's comment letter recommends extending this principle so that if two investments had the same underlying assets and the same type of economic risk, the charges should be the same regardless of legal form, whether it is held directly in a bond or joint venture, unless there is empirical evidence to the contrary. So, the ACC recommends that principle three better support this overarching goal of equal capital for equal risk regardless of legal form. The ACC supports all the other comments for transparent, data-driven processes to ensure capital charges match actual risk. There are some historical precedents, some of which have been highlighted already, that overly conservative charges will have an extremely negative impact. Solvency II failed to accurately measure economic risk, particularly with interest rates, and it decimated the entire long-term guaranteed product industry, resulting in products that pushed all the risk onto the policyholders. Therefore, it seems logical that the outcome should be avoided anytime RBC is evaluated.

O. Peter Gould

Peter Gould (Retired) introduced himself as a retiree and annuity contract owner. He noted that he hoped the result of this project would not be a static measure that becomes ineffective, but a dynamic measure with a framework and process to keep it relevant and effective as a useful tool for all stakeholders now and in the future. Protecting products should not be a consideration. Life insurance and annuities are long-tailed contracts. They have existed in the U.S. for over two centuries, yet the products are still sold on a caveat basis, and it is impossible to get an accurate picture of an insurer's financial picture.

Gould noted that with respect to the exposed memorandum, the purpose of RBC is to identify potentially weekly capitalized companies. For consumers and those who advise them, this is one of many key metrics when evaluating and ensuring before making a purchase, as well as ongoing monitoring and policy management. In the memorandum, there are references to transparency, which should be an overarching priority so that the RBC calculations, as reported in the methodology for calculating RBC, including future proposed changes to the methodology, and the data underpinning the calculations, are easily available to all stakeholders. The NAIC's website has a searchable consumer information overview financial report system, and he proposed that RBC be added.

Gould noted that the annual statutory statements, counterparty risks, and regulatory exceptions are some of the gaps he identified. Other gaps Gould identified are reinsurance, captive reinsurance, and offshore and ceding reinsurance to the parent or ceding down to a subsidiary. All of these techniques employ the sanctioned alchemy of the model credit for reinsurance rules, regardless of the viability of the transaction or the strength of a reinsurer. Gould said the liabilities matter. He said that even if the 2017 covered agreement rules limit regulators'

prescriptive options, there is no reason to limit transparency. In the case of RBC, counterparty risk should either be incorporated into the calculus or clearly disclosed separately. He also noted the potential for the misclassification of assets to avoid RBC charges and financial engineering of junk-grade assets to avoid RBC charges when there is minimal change in actual economic risks.

Gould suggested annual statements, real-time reporting, or near real-time reporting, so insurers are unable to shuffle assets to increase RBC on the snapshot reporting date, and not the other 364 days of the year. He said low-quality assets escape RBC charges. Regulatory arbitrage shopping for the most lenient domicile, and finally granting of regulatory exceptions (e.g., exempting captives from cash flow testing), accepting excess of loss (XOL) agreements, parental guarantees, and contingent letters of credit as assets. Per the memorandum, one of the goals is to develop an education and public messaging campaign to highlight the RBC's framework's benefits and strengths as an important part of the U.S. state-based insurance regulatory system. If one plans to install the virtues of RBC, then it is incumbent on them to disclose the shortfalls and limitations of RBC.

Lastly, Gould noted that the Capital Adequacy (E) Task Force is currently considering a preamble amendment that is diametrically opposed to this Task Force's work.

3. Discussed Next Steps

Commissioner Houdek stated his appreciation for all the commenters taking the time to submit comments and share overviews. He said Bridgeway Analytics will continue to work with all the interested parties, the previously mentioned ad hoc group, and Task Force members. He said that the Task Force should expect another exposure in the coming weeks, once Bridgeway has pulled together the input from all stakeholders, in order to ensure that all Task Force members have an opportunity to provide input on the next set of guiding principles.

Having no further business, the Risk-Based Capital Model Governance (EX) Task Force adjourned.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/EX CMTE/RBCMGTF/081225 RBC Model Gov TF Minutes.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/EX%20CMTE/RBCMGTF/081225%20RBC%20Model%20Gov%20TF%20Minutes.docx)



Proposed Section F of the Preamble. Proposed Principles for RBC Requirements

Acknowledging the complex and varied insurance business activities and their associated risks, RBC requirements are established to capture risks using a wide range of data, methodologies, and regulatory judgment. These Principles of RBC Requirements serve as a guiding North Star for governing the purpose and use of, as well as maintaining and prioritizing updates to, RBC requirements.

1. **Purpose.** The purpose of RBC requirements is to identify potentially weakly capitalized companies.
2. **Use.** RBC requirements are primarily used to facilitate regulatory action with respect to weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.
 - A commenter pointed out that the regulators aren't necessarily taking an action against the insurer.
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, 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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Supporting the investment and regulatory community to navigate increasingly complex capital markets

RBC Model Governance (EX) Task Force

The next steps for developing a governance framework

December 10, 2025

Bridgeway Analytics supports the investment and regulatory community in working to optimize the design, organization, and utility of regulations surrounding the management of insurance company businesses. While the content in this document is informed by extensive discussions with our client base, the broader industry, NAIC staff, and state regulators and may contain analysis that Bridgeway Analytics had conducted as part of a commercial engagement and retains the right to reuse, the views in this document are solely those of Bridgeway Analytics and are based on an objective assessment of data, modeling approaches, and referenced documentation, that in our judgment and experience, are viewed as appropriate in articulating the issues at hand. Methodologies are available to the public through an email request at support@bridgewayanalytics.com.

Agenda: The next steps for developing a governance framework

- **RBC Preamble edits**
- **A process for analyzing retrospective and future RBC adjustments**
- **Gap analysis, initially focusing on life RBC**
- **2026 planning and coordinating with the American Academy of Actuaries**
- **Education and public messaging campaign to highlight the RBC framework's benefits and strengths**

Proposed RBC Preamble edits (1/2)

Current state

- The Task Force has an informal consensus on conceptual revisions to the Preamble.

The next steps

- Before adoption, several regulators pointed to the benefits of streamlining some of the language (e.g., there are 5 references to weakly capitalized companies).
- Regulators opted to remain silent on specific guidance on the level of disclosure, for now, agreeing that further discussion is needed alongside the potential conflict with Model Laws and state statutes.

Substantive proposed revision #1. Introduction of a new concept on disclosure:

- RBC requirements are a regulatory tool and are not intended or appropriate as a means to rank insurers. Therefore, state laws generally prohibit insurers and their regulators from making assertions or disclosures regarding comparisons of RBC information with limited exceptions. Insurers may make assertions or disclosures of certain RBC information, consistent with applicable state law, to accommodate the interests of other stakeholders, including policyholders, investors, ratings agencies, and other regulatory authorities. **Any insurer's assertion or disclosure of RBC information must be consistent with applicable state laws and should be accompanied by a disclosure statement alongside the RBC information articulating the relevant considerations when using RBC calculations outside of their stated regulatory purpose, as described in this Preamble.** State laws mandate that some elements of the RBC calculation and all RBC Plans are confidential and may not be disclosed.

Proposed RBC Preamble edits (2/2)

Substantive proposed revision #2. Articulated limitations of RBC (this is a revised version of the proposed Section E). Since the information content of RBC ratios can be limited for companies that are not at risk of triggering an action level, a spectrum of **factors entering into RBC calculations should be considered when using RBC ratios beyond identifying weakly capitalized companies**, including:

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

A process for analyzing retrospective and future RBC adjustments

Bridgeway has compiled a formative draft Model Risk Management Guidelines document that attempts to articulate governance concepts related to:

- Roles and responsibilities
- Risk-ranked model inventory
- Model development guidelines that include criteria for selection of data and model methodologies and assumptions, and model validation, as well as an assessment of impact and incentives.
- Model monitoring guidelines.
- Model update guidelines.
- Model documentation guidelines.

The guidelines include a proportionality concept to address concerns over the possibility of model development guidelines becoming onerous to the point where less material updates to RBC become prohibitively cumbersome.

The next steps

- A natural application and field test of these guidelines for the gap analysis and prioritization with the Academy (next slide).
- We have shared the draft with key industry stakeholders and hope to refine it as we apply the guidelines and consider their practical implications while collaborating with the Academy.

Gap analysis, initially focusing on life RBC

The current state – we have a formative inventory and gap analysis

- **Identification of investment categories and application of RBC models – significant nuances:**
 - The inventory evaluates each RBC instruction line as well as an assessment of all items that fall under each RBC reporting line, which can include aggregated assets with varying risk characteristics.
 - The RBC instructions can be more granular than ASI/ASB. For example, Commercial Real Estate Mortgages (~\$650 billion) require completing an RBC worksheet with details regarding credit quality (e.g., LTV), which is not public; aggregates are available in some cases when there are AVR lines, but not always.
- **Evaluation of models, including consistency with Statutory Accounting and Reserves**
 - Model documentation is identified, often limited to references in NAIC Proceedings.
 - For each investment category, key model characteristics are evaluated (e.g., statistical safety level).
 - For each category, the treatment under SAP and reserving is evaluated, since RBC aspires to align with both.
 - An example of nuanced inconsistency: RBC instructions have a single line for *Preferred Stocks*, but *Redeemable Preferred Stocks* with Designations 1-3 are valued at amortized cost, while *Perpetual Preferred Stocks* are valued at fair value. Bond RBC factors applied to Preferred Stock were calibrated to amortized cost, resulting in a gap for *Perpetual Preferred Stocks* that is inventoried.
- **Incomplete or inconsistent RBC instructions** and inconsistencies with SAP, ASI, or the VM are communicated with NAIC staff.
- **Investment trends** are evaluated to assess the degree to which a gap might pose a risk to regulators' assessment of solvency.

2026 planning and coordinating with the Academy

Current state

The Task Force submitted a formal request to the American Academy of Actuaries (Academy), requesting that Academy representatives, Bridgeway, and NAIC Staff work toward a more formal project plan for a gap analysis, initially focusing on life RBC.

- The Academy expressed its desire and intent to support the effort.
- Acknowledging the significance of the effort, the Academy formed the **Cross-Practice RBC Task Force**, which will work with other relevant Academy groups when needed.

The next steps – with timelines determined at the end of the year at the earliest

- As part of the gap analysis effort, the Academy was asked to review a data set provided by Bridgeway to provide feedback on the sample life investment content.
- The Academy will be seeking assistance from the Life Practice Council and relevant committees/subcommittees.
- Based on the Academy's preliminary feedback, Bridgeway will update the gap analysis.
- The Academy will make recommendations on prioritization based on the updated gap analysis.

Education and public messaging campaign

Current state – we have a formative deck that covers key concepts

- The NAIC & the U.S. State-Based System
- The U.S. state-based regulatory toolbox
- RBC: An evolving tool within the broader toolbox
- IAIS harmonization and AM comparability

Industry stakeholders and NAIC staff find the content helpful in framing the complex system. It is content-heavy, avoiding errors of omission.

The next steps

- Ongoing incorporation of updates from the Aggregation Method Implementation (G) Working Group
- Once consensus is formed, work toward a distilled variant of the deck

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