

RISK-BASED CAPITAL MODEL GOVERNANCE (EX) TASK FORCE

Risk-Based Capital Model Governance (EX) Task Force March 24, 2026, Minutes

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

Memorandum Regarding the Request for Comments on Risk-Based Capital (RBC) Gaps (Attachment Two)

Comments on the Gap Analysis Request for Input (Attachment Three)

Summary Presentation of the Gap Analysis Comments by Bridgeway Analytics (Attachment Four)

Risk Adjustment Process Flowchart (Attachment Five)

Summary Presentation on the Comprehensive RBC Impairment Research Project by the American Academy
of Actuaries (Attachment Six)

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Draft: 4/1/26

Risk-Based Capital Model Governance (EX) Task Force
San Diego, California
March 24, 2026

The Risk-Based Capital Model Governance (EX) Task Force met March 24, 2026. The following Task Force members participated: Jon Godfread, Chair (ND); Nathan Houdek, Co-Vice Chair (WI); Doug Ommen, Co-Vice Chair, and Kevin Clark (IA); Michael Yaworsky represented by Jane Nelson (FL); Mike Causey represented by Jacqueline Obusek (NC); Judith L. French (OH); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Diane Cooper (SC); Amanda Crawford represented by Jamie Walker (TX); Jon Pike (UT); Kaj Samsom (VT); and Scott A. White represented by Dan Bumpus (VA). Also participating was Philip Barlow (DC) and Steve Drutz (WA).

1. Heard Opening Comments

Commissioner Godfread described how, in 2025, the Task Force spent significant time developing and adopting the risk-based capital (RBC) governance principles, which were an important step in clarifying how state insurance regulators view the RBC adjustment framework. He asked Task Force members to continue thinking about how those principles actually translate into the practical process for considering potential changes to RBC, specifically, how ideas enter the RBC process and where policy questions are considered. He also asked how commissioners ensure that when they ask technical regulators to undertake significant analytical work, they can be confident that the underlying policy question has been clearly framed. The idea of the meeting is not to resolve the answers to those questions but rather to start a discussion about whether the current process is achieving that balance and where this Task Force may fit into that discussion.

2. Adopted its 2025 Fall National Meeting Minutes

Commissioner Houdek made a motion, seconded by Commissioner Ommen, to adopt the Task Force's Dec. 10, 2025 minutes (*see NAIC Proceedings – Fall 2025, Risk-Based Capital Model Governance (EX) Task Force*). Drutz requested that the minutes reflect Commissioner Kuderer's participation. With that modification, the motion passed unanimously (Attachment One).

3. Received a Recap of Work Done in 2025

Commissioner Godfread highlighted the key work completed by the Task Force in 2025. Most importantly, the Task Force finalized the RBC governance principles. Those principles were intended to provide a shared framework for how the Task Force thinks about transparency, consistency, and accountability in the RBC adjustment process. Commissioner Godfread noted that the Task Force also provided input to the NAIC's consultant on the project, Bridgeway Analytics, as part of the effort to improve how the NAIC and states should communicate about RBC—both internally and externally. That messaging work will continue into 2026, and the Task Force expects to finalize something and have it ready for the NAIC Communications team later this year. Beyond those items, the Task Force also began discussing the RBC adjustment process itself, and how ideas move from initial concept through technical development and, ultimately, into the RBC framework. Those discussions raised several questions that deserve further exploration.

4. Received Comments on the Gap Analysis Request for Input and Summary of Comments

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Commissioner Godfread reminded participants that the Task Force had issued a request for comment (Attachment Two) on Feb. 10, seeking stakeholder input on potential gaps in RBC, including inconsistencies, areas for improvement, or issues warranting further review. Commissioner Godfread noted that the goal was not to invite fully developed technical solutions or to launch a detailed line-by-line analysis of the RBC formula. Rather, the purpose was to step back and ask a more fundamental question as to areas that deserve closer attention. In other words, the gap analysis was intended to be a high-level input exercise, an opportunity for interested parties to help inform the Task Force's thinking about whether there are clear issues, themes, or areas of concern that may warrant further consideration.

Commissioner Godfread asked that the comment letters (Attachment Three) be received into the public record. He announced that following this meeting, those comments would be reviewed more closely, and the Task Force could then consider whether any of the identified areas warrant additional discussion, refinement, or possible referral for technical evaluation. This Task Force's role is to first consider whether a perceived gap is real, material, and worthy of further work. If so, the next step would be to engage the appropriate technical groups within the Financial Condition (E) Committee structure to evaluate those issues further and determine whether they agree and, if so, how they should be addressed. He asked Amnon Levy (Bridgeway Analytics) to summarize the comments for the Task Force members' benefit, so the input can be digested more easily (Attachment Four).

Levy's summary highlighted his organization's appreciation for supporting the NAIC with this initiative. He noted how the request for comment was deliberately open-ended, noting that while the Task Force had initially focused on life investments, it was now looking for respondents to comment on the broader RBC framework and material gaps and inconsistencies across the life, property/casualty (P/C), and health formulas, and across components within each formula. Commenters pointed out a range of differences and gaps across life, P/C, and health formulas regarding the treatment of investments, which is the primary overlapping component across all three. Commenters have also pointed out a range of gaps and inconsistent components within each of the life, P/C, and health formulas beyond investments.

Levy also noted that common sub-themes on comments regarding governance, model monitoring, development, and update processes include general support for RBC principles, advocating governance, where many commenters explicitly supported the Task Force's effort to establish a clear, durable governance framework for evaluating and prioritizing RBC changes, often explicitly referencing the need for greater transparency, stronger documentation, and a more disciplined process.

Ongoing commissioner involvement was encouraged by several commenters, who noted that the work should not be viewed as a short-term exercise and urged commissioners to remain the primary drivers of policy goals and key decisions for the RBC framework, helping keep it anchored to its core objectives. The Federal Reserve was cited as a benchmark where senior policymakers are actively involved in the rulemaking process. However, one commenter advocated that changes continue to be managed bottom-up by the RBC working groups, which inherently build appropriate lenses through which solvency should be viewed for each line, and allow ongoing reviews by each working group to address material emerging risks and the overall effectiveness of each formula.

The American Academy of Actuaries (Academy), which provides the NAIC a great deal of support for RBC, supports consideration, within each formula, of where the RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately. The Academy also supports consideration of which RBC components materially violate the RBC principles and points out that attempting to comprehensively cover all material risks needs to be balanced with complexity. Creating an overly complex approach may increase model risk.

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Levy noted that many commenters shared views on the usefulness and process by which the gap and inconsistency analysis is conducted. Several recommendations effectively anchored the gap analysis to the RBC principles and the investment framework, and identified key components used in the capital charge calculation (e.g., tail risk definition). Others indicated the need to inventory and analyze inconsistencies and gaps in line with the RBC guiding principles to determine whether differences are intentional and appropriate, or whether adjustments are warranted. Athene provided a deeper look at specific inconsistencies in its listing of life C-1 factors.

Levy noted that with respect to themes regarding differences across formulas, many comment letters reinforced the importance of designing each RBC formula to address relevant risk, particularly the P/C trade associations. The Academy explained that additional effort and time are needed to complete a thorough analysis and identify material gaps and inconsistencies.

Levy also added a final note on his personal opinion. Specifically, having been involved in helping develop many model governance frameworks, he encouraged the Task Force to consider which elements might provide the most value to the community and which may be overly cumbersome or costly. As previously shared with the Task Force, model governance initiatives related to the post-Global Financial Crisis Federal Reserve Stress Tests, for example, provided much-needed structure, but in his opinion, went too far, resulting in tens of billions of dollars, if not much more, spent on systems that were cumbersome to the point of having limited use.

5. Discussed the Draft RBC Adjustment Process Flowchart and Received Input on Further Development

Commissioner Godfread directed participants to the draft flowchart included in the meeting materials that attempts to map the current RBC adjustment process. He noted that the intent of including that flowchart in the process was not to suggest that the process is broken. In many respects, it has worked well for many years. As has been seen, as the RBC framework becomes more complex, it is useful to step back occasionally and ask whether the NAIC has the right process for evaluating potential changes before significant technical work begins. Commissioner Godfread noted that one thing that became clear in the 2025 Task Force discussions was that RBC changes often involve two quite different types of questions. First, there are policy questions, such as whether there truly is a regulatory gap. That is, what problem is the NAIC trying to solve? And asking if RBC was the appropriate tool to address that issue. Then there are technical questions, which involve detailed modeling, calibration, and implementation decisions. Those technical questions are extremely important and require deep expertise, which is exactly why the NAIC and the states rely on groups like the Capital Adequacy (E) Task Force and the various RBC working groups. The individuals serving those groups bring tremendous knowledge and experience to the table, and the work they do is critical to maintaining the strength and credibility of the RBC framework. Commissioner Godfread noted that the question he wanted the Task Force to consider was whether there is value in making sure the policy questions are clearly addressed before we ask those technical groups to begin extensive work.

Commissioner Godfread said that often, Commissioners see issues enter the RBC process that quickly become highly technical discussions. He noted that sometimes those involve incredibly detailed modeling or calibration work, and that those efforts can continue for a considerable period of time, although they are particularly important and often necessary. But occasionally, what can happen is that after a year or two of very thoughtful technical analysis, the conversation eventually circles back to a more fundamental policy question as to whether this issue should be addressed through RBC at all, and the question can even arise as to what problem is ultimately trying to be solved. Commissioner Godfread noted that when that happens, it can put the technical experts in a difficult position. They may have invested significant time and effort in developing a technically sound solution, only for the broader policy discussion to begin much later in the process.

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Commissioner Godfread noted that he did not think anyone would suggest that the work being done in those situations is wrong. In fact, it is often of extremely high quality, but it raises the question of whether the RBC process is sequenced most effectively. He suggested that, ideally, commissioners should first have a clear understanding of the problem that is to be addressed and whether RBC is the appropriate tool to address it. Once there is agreement on that policy direction, technical experts can focus on the equally important question of how best to implement a solution.

Commissioner Godfread also suggested thinking about it differently. That is, the NAIC technical groups are incredibly good at solving complex problems. But as regulators, states also have a responsibility to step back and consider the broader market implications of those solutions. Sometimes a technically elegant answer may still raise broader policy considerations, such as potential impacts on the market, availability of coverage, or ultimately the consumers the states are trying to protect. Commissioner Godfread noted that such judgments naturally involve both policy considerations and technical expertise.

Commissioner Godfread asked the Task Force some specific questions. When a potential RBC issue is identified, where should the policy discussion take place? How does the Task Force ensure that there is a clear agreement on the problem to be solved before technical work begins? Is this Task Force the appropriate forum to help frame those policy discussions before matters move deeper into the RBC technical process? Commissioner Godfread noted that the goal is not to slow down or duplicate the excellent work being done by the technical groups; instead, the question is whether the NAIC can create a clearer front-end process that ensures that when technical groups begin their work, the policy direction has already been thoughtfully considered. He noted that this may ultimately make the process more efficient for everyone involved, including the technical experts themselves. Commissioner Godfread asked Task Force members for their thoughts on whether the flowchart (Attachment Five) accurately reflects the current process and whether there are opportunities to improve it going forward.

Commissioner Godfread noted how there were two sides to this coin. He described how, sometimes now, technical work is done, a solution is developed, and then the policy discussion happens. He believes that the Task Force is asking, "Is this the right way to do it?" Commissioner Godfread noted that he was not tied to any outcome and that the charge was included as something to be determined by this Task Force and requested input from Task Force members.

Commissioner Ommen thanked Commissioner Godfread for framing this item for discussion. He noted that when he thinks about the issue, it is one of those questions about which details need to be considered in the actual application once the group starts talking about policy, because it involves cost-benefit. He noted that, ultimately, the technical decision will impact it, but he certainly understands, on the front end, the importance of that policy discussion. Commissioner Ommen noted that he views this as ensuring that, at the commissioner level, there is informed consent and identified that the Task Force's challenges over the years have been those circumstances where commissioners may not have been as engaged. He likened it to going into surgery, where the patient does not need to tell the doctor how to perform the heart surgery, but before that surgery, the patient wants to make sure they are fully informed and understand the significance of those decisions.

Commissioner Pike noted that this was a member-driven organization and, from his experience, it is critical that commissioners and directors be actively involved in these types of decisions since they involve setting policy and strategic direction. Surely, the technical direction needs to be informed by the technical experts and the industry, but Commissioners need to be more involved in and aware of this important aspect of their jobs.

Director French noted that in Ohio, where this has worked best, the early stages of an issue are addressed with the full technical team. Therefore, it is important to understand that it is not just the policy decision that goes first; the technical and policy decisions must be integrated, and Ohio has some processes in place to help with

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that. Commissioner Godfread expressed his appreciation and noted that these policy discussions are not happening less today; it is more about where they are happening. He used the Capital Adequacy (E) Task Force as an example where there are a lot of policy discussions that happen there, but is that exposure enough to the vast number of commissioners that ultimately have to make that ultimate judgment, whether it is at the Financial Condition (E) Committee, the Executive (EX) Committee, Plenary or wherever it lands. He noted that, ultimately, the commissioners are going to be responsible for making that decision point, and this has been an age-old problem of how to get all commissioners to be involved in very technical work. How do you get them to understand it and desire it, given that all commissioners have different areas they want to dig into, but ultimately, they are responsible for the decisions made by the organization, by each of the state-level organizations, and what happens in the states?

Commissioner Godfread suggested that it is not for a lack of opportunity to learn these issues, but that is where the discussion ends up hitting with commissioners. They think, "I did not know about this, I did not know what the work was going on, and now you are expecting to make a vote on it." He said that commissioners have the responsibility to know what is going on, but is it better to have a better process to ensure that? Is there a better process to ensure engagement?

Bumpus said this is an important governance question and is very much tied to the adjustment process, which is one of the task forces. Bumpus added that one of the commenters noted that one of the things that worked best was when those things flowed bottom up, with technical solutions and problem identification by the technical groups. However, other commenters noted that the commissioners should be more involved. He suggested that things do not work one way or another, but rather together.

Commissioner Godfread discussed the need to provide a venue for those technical groups to say, hey, we've got an issue, we've found an issue. He asked what the Task Force members, as Commissioners, think, noting that, as Commissioner Ommen said, the Task Force will not have all the answers at this stage. However, he acknowledged that the Task Force members understand the impact, and it is about whether it should move forward before years of work. Ultimately, when the work does get completed, there will not be this fight over whether the process was followed or where it came from.

Director French discussed how some of the issues are very difficult to understand and that while she often tries to have her technical team explain it in a way that is more understandable, it cannot be a clean process where the commissioners have to decide a direction because she would not be able to have an informed decision without the technical input. Commissioner Godfread understood and noted that there was a reason his technical staff was sitting next to him, but it is also a good exercise for those technical groups to try to find the right words to give us a clear interpretation that commissioners can understand.

Clark noted that, as a technical regulator, the issues may be more around the lack of consistency of the process occurring, noting that sometimes these discussions do occur at the Financial Condition (E) Committee, but not all of the time, so that process may just need to be finalized so that technical regulators understand the expectations. He noted that in some cases, an issue may not be controversial or raise a lot of issues, then down the line, issues may end up popping up. Commissioner Godfread noted how there is some pretty consistent turnover at the commissioner-level, and at times this work spans multiple commissioners, multiple generations, or commissioners, so the goal is to leave this organization in a good state for whoever comes next.

Barlow described how some of what is being contemplated could be beneficial, and not to determine whether to do the work because that happens very rarely—when one looks at the work and determine this is not something that RBC should not be addressing. However, it would be beneficial for prioritizing the work. He noted that he has felt many times the order in which work is done is not as productive. The one thing that needs to be determined

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is for the technical groups to make the presentations about what kind of information the commissioners need for them to make their decision.

6. Discussed and Received Input on its Plan for 2026

Commissioner Godfread noted that when this Task Force was created, the idea was to provide commissioner-level governance oversight for the RBC framework. He questioned what type of questions the Task Force should focus on. He stated that one way to think about it is to distinguish between “why” and “how” questions. The “why” questions tend to be policy-oriented, such as why RBC should address a particular risk, whether an adjustment is necessary, or what regulatory outcome is being achieved. The “how” questions are more technical, such as how a factor should be calibrated, how a model should be constructed, or how a change should be implemented within the RBC formula.

Commissioner Godfread noted that those technical questions are exactly the type of work that the Capital Adequacy (E) Task Force and the RBC working groups are exceptionally well-positioned to address, but that leads to a natural follow-up question which is whether there is value in having a more structured moment where the policy “why” questions are discussed and agreed upon before the technical “how” work begins. The purpose would not be to slow the process down but to ensure that when commissioners ask their technical experts to invest substantial time and resources, there has already been a clear policy discussion. Is this the place where those policy discussions should occur? Are there ways to clarify the front end of the RBC adjustment process so that the policy direction is well-understood before technical work begins? How is there assurance that any governance structure developed complements rather than complicates the work of the Capital Adequacy (E) Task Force and the other RBC groups?

Commissioner Godfread repeated some of the same points about having this Task Force, or another group, be responsible for the early capital adequacy proposal discussions before the technical RBC groups begin work on those projects. Commissioner Samsom asked whether there was a specific budgetary point at which such reporting would be appropriate. Commissioner Godfread noted that it is hard to make that determination because the most significant resource is time, which may not be known at the outset, and asked whether that discussion could occur early. Director French noted that it may be important to keep such a group small, form a commissioner-only group, and establish a parallel group with a more technical focus. She noted that if she were a member of that group, she would bring her technical person to such meetings. Director French noted that the discussions should continue with some of the technical regulators to understand the cadence of such meetings, such as once a quarter. Commissioner Ommen agreed with the idea of formalizing what the group may need in terms of its access to expertise.

7. Heard an Update from the Academy

Steven Jackson (Academy) provided a summary (Attachment Six) of a comprehensive RBC impairment research project underway at his organization, along with some initial points. Most significant among the initial findings is the question of whether the Academy considers all companies in a sector—life, health, or P/C. He said that again, the Academy is looking at all three separately but in a common framework. However, if it looks at all companies in a sector, are the RBC ratios and the probability of impairment related? The initial answer is no, or very weakly; however, if the data are restricted to exclude small companies (in part because their RBC ratios tend to be volatile) and companies with RBC ratios above some level, the answer is yes. Commissioner Samsom noted that there seemed to be a major flaw in the study: its inability to quantify regulatory and company attention and involvement when RBC starts trending down and during the period in between. Jackson summarized that the Academy will try to address this as the work moves forward.

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

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Draft: 3/24/26

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 and 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 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 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.

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MEMORANDUM

To: Interested Regulators and Interested Parties

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

Date: February 10, 2026

Re: Request for comments on RBC Gaps

Per its Charges, the Risk-Based Capital (RBC) Model Governance (EX) Task Force (Task Force) is conducting a comprehensive gap analysis and consistency assessment of the RBC framework. Separately, the Task Force will develop a process for analyzing retrospective and prospective adjustments to RBC. The findings of the comprehensive gap analysis and consistency assessment will aid the Task Force in setting priorities for developing and implementing the RBC adjustment process.

The RBC framework comprises separate formulas for life, property/casualty, and health insurance companies. Each component of a formula was developed and has been maintained to serve specific regulatory needs. As recognized in the recently adopted RBC Principles, the RBC framework tailors each RBC formula to the risks it addresses.

To aid in its efforts, the Task Force requests comments from interested parties to identify gaps and inconsistencies across the RBC framework. The Task Force welcomes comments on whether (1) gaps in a formula or all formulas result in material risks not captured, or (2) if inconsistencies across components within a formula, run counter to RBC's purpose to identify potentially weakly capitalized companies or meaningfully limit regulators' assessment of the solvency risk for all or an identifiable segment of companies.

Questions To Consider

The following is a list of questions for commenters to consider in drafting their comments to aid the Task Force in conducting a comprehensive gap analysis and inconsistency assessment of the RBC framework. While the Task Force's initial focus has been on investment components of Life RBC, **the Task Force is requesting comments on all RBC components**. The Task Force also welcomes comments at both the macro (i.e., across RBC formulas) and micro (i.e., RBC components of an RBC formula) levels of the RBC framework. When answering the questions and in providing other comments on the RBC framework, commenters are requested to consider materiality as defined in the RBC Principles: *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.*

Gaps

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CAPITAL MARKETS & INVESTMENT ANALYSIS OFFICE • One New York Plaza, Suite 4210 • New York, NY 10004	p 212 398 9000	f 212 382 4207

1. What material risks are not adequately captured within the RBC framework that are possibly insufficiently captured elsewhere? When evaluating material risks not adequately captured, consider the following:
 - a. Risks associated with potential misclassification of a risk (e.g., policy and/or asset class) when applying RBC components.
 - b. Risks associated with modeling limitations of RBC modeling components, possibly incongruencies with other aspects of the framework (e.g., reserves).
 - c. Risks associated with inadequate governance related to model monitoring, development, and update processes to effect timely material adjustments to RBC assessments.
2. Are there material new or emerging risks that the RBC framework does not capture?

Inconsistencies

3. Where do the Life, Property & Casualty, and Health RBC formulas diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately in the respective formula (after covariance)?
4. Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?
5. Which RBC components materially violate the RBC Principles?

The Task Force welcomes responses to these questions, as well as any other input from interested parties to identify gaps and inconsistencies across the RBC framework. The breadth of the RBC framework is vast, and the Task Force understands that many parties interact with only a formula or a component of it. All commenters, no matter their exposure to RBC, are welcome. Commenters are asked to clearly state the scope of their comments and should not feel obligated to address areas of the RBC framework or questions above outside of their intended focus.

All responses to this request for comment should be sent by March 12 to NAIC staff (Dan Daveline at ddaveline@naic.org) and Bridgeway Analytics (RBC-MoGo@BridgewayAnalytics.com).

From: Crawford, Michael <MCrawford@nationallife.com>
Sent: Thursday, February 12, 2026 4:07 PM
To: Daveline, Dan <DDaveline@naic.org>; RBC-MoGo@BridgewayAnalytics.com
Subject: FW: Exposure: Risk-Based Capital Model Governance (EX) Task Force - Due 03/12

My comment is related to #4, below:

“Fixed annuities and a block of well-hedged fixed indexed annuities are subject to almost identical interest rate (C3) risks, yet their C3 treatment is very different: fixed annuities use a model-based approach while FIAs use a factor-based approach. These approaches are not consistent.

Related to this is also inconsistent C3 treatment of callable/prepayable **assets** backing these two, similar, lines of business.

Callable/prepayable assets backing fixed annuities can very easily have a near \$0 capital requirement, since their risk is captured in a model-based approach

This is not consistent treatment with callable/prepayable assets backing FIA blocks – these assets have a factor based C3 charge of $0.5 * (\text{Book Value} - \text{Call Value})$ ”

To aid in its efforts, the Task Force requests comments from interested parties to identify gaps and inconsistencies across the RBC framework. The Task Force welcomes comments on whether (1) gaps in a formula or all formulas result in material risks not captured, or (2) if inconsistencies across components within a formula, run counter to RBC’s purpose to identify potentially weakly capitalized companies or meaningfully limit regulators’ assessment of the solvency risk for all or an identifiable segment of companies.

Inconsistencies

4. Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?



March 11, 2026

TO: NAIC Risk-Based Capital Model Governance (EX) Task Force
CC: NAIC Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Subject: Request for Comments (RFC) on RBC Gaps

Dear Chair, Co-Vice Chairs, and members of RBC Model Governance Task Force:

We commend the NAIC for its continued efforts to identify gaps and enhance consistency across Risk-Based Capital (“RBC”) frameworks and formulas. We have previously expressed our support for harmonizing RBC treatment for investment funds across Life, P&C, and Health insurers, and we believe such harmonization would help address several inconsistencies identified in this RFC:

- *Where do the Life, Property & Casualty, and Health RBC formulas diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately in the respective formula (after covariance)?*
- *Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?*
- *Which RBC components materially violate the RBC Principles?*

As noted in NAIC working group discussions, non-life insurers currently face more conservative RBC charges for bond funds than life insurers.¹ For example, where a private fund carries an NAIC designation, life insurers may apply a bond-like RBC charge commensurate with that designation. This approach accurately reflects the underlying investment risk. By contrast, non-life insurers invested in the same fund are required to apply a fixed 20 percent Schedule BA RBC charge irrespective of the fund’s designation. While covariance adjustments are available within the P&C RBC framework, the effect varies across insurers and, in some cases, does not sufficiently mitigate the current punitive capital charge.

As a result of these inconsistencies, non-life insurers, particularly smaller P&C carriers, face a meaningful regulatory hurdle when allocating to non-ETF bond funds. At the same time, these funds have increasingly enabled life insurers to access a broader range of asset classes, benefiting from funds’ diversification and operational efficiencies. While many of these products are capital-appropriate for life insurers, the risk-insensitive treatment applied to non-life insurers creates a punitive RBC hurdle that materially limits their access.

The initiative to harmonize RBC treatment for bond funds across insurer types directly supports the RBC principle of “**Equal Capital for Equal Risk.**” RBC charges for bond funds should reflect the risk of the underlying portfolio on a look-through basis with appropriate adjustments for fund-level features such as leverage, liquidity, and redemption terms – the exact analysis undertaken in the NAIC fund designation process. Finally, irrespective of legal form, ETF, mutual fund, or private fund, bond funds should receive bond-like RBC treatment consistent with their designation.

Sincerely yours,
Insurance Solutions and Strategies
PineBridge Investments, a MetLife Investment Management Company

¹ The NAIC RBC IRE Working Group June 23, 2025 meeting minutes stated [“filers potentially face more conservative capital charges,”](#) and [“filing with the SVO is optional, and the proposal for life insurers is to allow risk charges commensurate with the risk as represented by the SVO designations.”](#)



March 12, 2026

Commissioner Jon Godfread
Chair, Risk-Based Capital Model Governance (EX) Task Force
North Dakota Insurance Department

Commissioner Doug Ommen
Co-Vice Chair, Risk-Based Capital Model Governance (EX) Task Force
Iowa Insurance Division

Commissioner Nathan Houdek
Co-Vice Chair, Risk-Based Capital Model Governance (EX) Task Force
Wisconsin Office of the Commissioner of Insurance

National Association of Insurance Commissioners

Re: February 2026 Exposure Draft – RBC Model Governance Gap Analysis Framework

Dear Chair Godfread, Commissioners Ommen and Houdek:

On behalf of the Reinsurance Association of America (RAA) and its member companies, we appreciate the opportunity to comment on the February 2026 Exposure Draft regarding the proposed gap analysis under the RBC Model Governance initiative.

We support the Task Force’s effort to establish a clear and durable governance framework for how RBC changes are evaluated and prioritized. Greater transparency, stronger documentation, and a more disciplined process will improve predictability and confidence in RBC policy development across the life, P&C, and health sectors. We particularly support the continued emphasis on materiality as the key lens for determining when change is warranted.

As the Task Force moves from governance principles toward implementation through the proposed gap analysis, we respectfully offer several observations intended to help ensure this work strengthens RBC while preserving its longstanding purpose.

Preservation of RBC’s Core Purpose

RBC has functioned effectively for more than three decades as a minimum capital standard and early warning tool. It was not designed to function as an economic capital model or to rank well capitalized companies.

While smaller single-state or regional insurers have experienced insolvencies over time, the larger national carriers have remained financially strong. This experience indicates that the P&C RBC framework, together with supervisory oversight and other solvency monitoring tools, has performed its intended role of providing regulators with an early signal of financial deterioration before it develops into broader market disruption.



As the Task Force conducts the proposed gap analysis, it will be important that this core purpose remain central. Governance refinements should strengthen RBC's early warning function rather than gradually shift the framework toward a uniform capital adequacy regime.

Equal Capital for Equal Risk

We appreciate prior clarifications from Task Force leadership that the principle of "equal capital for equal risk" is not intended to impose a single statistical confidence level across all RBC components. We encourage the Task Force to continue reinforcing that interpretation as this work progresses.

A statistical safety level is ultimately a calibration choice. Moving toward a uniform confidence benchmark across formulas or risk types would represent a significant policy shift and would likely increase minimum capital requirements within a framework that is already functioning effectively for its intended purpose.

Capital is not free. Higher minimum capital requirements increase the capital insurers and reinsurers must hold against their business, which carries real economic cost and can influence capacity, pricing, and risk appetite.

Differences in methodology across sectors frequently reflect legitimate differences in liability structures, duration profiles, and underlying risk drivers. These differences should not automatically be interpreted as inconsistencies requiring alignment.

Materiality and Prioritization

We strongly support using materiality as the threshold for identifying gaps or inconsistencies. The gap analysis should focus on issues that meaningfully impair RBC's effectiveness as a solvency monitoring tool. Identifying theoretical inconsistencies or structural differences should not by itself trigger recalibration unless there is clear evidence that the issue materially affects regulators' ability to assess solvency risk.

It is particularly important that the gap analysis remain grounded in the actual drivers of insurer distress. In the P&C sector, underwriting and reserve risk have historically been the primary drivers of insolvency. Reviews of past failures consistently show that distress is most often linked to inadequate pricing, reserve deterioration, rapid premium growth, or concentrated catastrophe exposure rather than investment portfolio volatility.

By contrast, insolvencies in the life sector have more frequently been associated with asset liability mismatches, credit deterioration in investment portfolios, or exposure to complex asset structures. These differences reflect the distinct liability structures and business models of the two sectors and underscore why the P&C RBC framework appropriately places its primary solvency focus on underwriting and reserve risk.

A framework that places disproportionate emphasis on investment risk alignment or cross sector structural uniformity could unintentionally reduce RBC's sensitivity to the risks that historically matter most for P&C financial stability. Preserving this underwriting focus is essential to maintaining RBC's effectiveness as an early warning solvency tool.

Use of ORSA to Inform Gap Analysis

As the Task Force continues its evaluation of potential gaps in the RBC framework, we encourage the NAIC to consider conducting a focused review of Own Risk and Solvency Assessment (ORSA) submissions. ORSA filings provide regulators with detailed insight into the emerging risks insurers identify through their internal risk management and capital assessment processes. A structured review of these materials could help regulators better understand whether there are material risk exposures not currently captured within the RBC formulas.

Using ORSA in this way would provide an empirical foundation for identifying potential gaps rather than relying solely on theoretical comparisons across formulas or sectors. It would also allow the NAIC to evaluate whether risks identified through internal capital models are already being effectively managed through supervisory oversight, enterprise risk management, or other regulatory tools. This approach could help ensure that any future RBC adjustments remain focused on material solvency risks while preserving the framework's intended role as a minimum capital standard and early warning tool.

Continued Evolution of the P&C RBC Framework

The P&C RBC formula continues to evolve through targeted, evidence based refinements that reinforce its core solvency focus on underwriting and reserve risk.

Recent initiatives including incorporating wildfire into the RCat charge, separating earthquake and hurricane experience in PR100, reassessing diversification credits, and studying catastrophe covariance demonstrate that the formula is actively maintained to address changes in underwriting exposure and catastrophe risk.

These developments illustrate that the P&C framework is not static. Rather, it continues to evolve through structured regulatory processes that strengthen RBC's solvency signal while maintaining focus on the risks that historically drive insurer distress.

Conclusion

The RAA supports the Task Force's efforts to improve governance, transparency, and prioritization within the RBC framework. We believe the proposed gap analysis can provide useful insights if it remains grounded in material solvency relevance and if efforts to address inconsistencies do not evolve into de facto standard calibration across risks.

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

Sincerely,



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



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March 12, 2026

VIA ELECTRONIC SUBMISSION

Commissioner Jon Godfread
Chair, 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 RBC Gaps Exposure

Dear Commissioner Godfread,

Thank you for the opportunity to comment on the Risk-Based Capital (RBC) Model Governance (E) Task Force's RBC Gaps Exposure (Exposure). The National Association of Mutual Insurance Companies (NAMIC)¹ is appreciative of the engagement with industry thus far in this process. This Task Force has spent an immense amount of work and time on this project, taking measured steps towards establishing the foundational Principles, and we hope that attitude continues into this new phase of work. We believe that this Task Force should continue to emphasize and focus on each individual formula's consideration of underlying material risk exposure, including the nature, scale and complexity of risks as relevant to that line of business. The three RBC formulas produce appropriate, proportional, and tailored solvency measures across insurers that reflect differences in line of business (life/non-life/health). RBC is one tool in the toolbox that regulators have to look into the financial wellbeing of insurers. We offer the below comments on the Exposure.

The Incorporation of Materiality

NAMIC agrees that materiality must be considered when contemplating any change to the P/C RBC formula. The stated definition of materiality captures the impact on a regulator's assessment of solvency. RBC's primary

¹ *The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies—including local and regional insurers as well as some of the nation's largest carriers—NAMIC members collectively write \$383 billion in annual premiums, representing 61% of the homeowners and 48% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.*



objective is to protect policyholders by ensuring that insurers maintain sufficient capital and are solvent to support their obligations under a variety of risk scenarios. It is prudent to address any gaps in current formulas that would result in material issues in a regulator's view of an insurer's solvency.

P/C RBC Formula Currently Captures Material Risks for the P/C Industry

The RBC formula has served industry and regulators well, functioning as an early warning mechanism for insolvency for many years; therefore, we think it is critical that regulators can continue to rely on RBC as an early-warning signal of potentially troubled insurers.

The fundamental differences between lines of business are appropriately reflected in the respective RBC formulas, such as the P/C focus on short-duration liabilities which reflect the product offerings, reserve risk and premium risk as those are the main capital drivers in this line of business. There are inconsistencies between the formulas; however, the formulas are calibrated on purpose. For example, in the P/C space, the focus of primary charges is on risk of loss from reserves (R4) and premiums (R5). Zooming out to think about the P/C model, that focus makes sense. This focus reflects the core solvency concern for P/C insurers: are premiums collected and established reserves ultimately enough to pay policyholder claims? The risk that loss reserves will prove inadequate - particularly in longer-tail liability lines - or the risk that premium pricing may not reflect the true cost of claims creates a certain level of uncertainty as these risks can develop over many years. It is important that all three formulas continue to focus on the material solvency risks that occur in different lines of business as to not mask relevant risks for that line.

A good example of how material emerging risks have been methodically and thoughtfully incorporated into the P/C formula is the RCAT charge. Given the P/C RBC formula is primarily an underwriting-risk model, catastrophe exposure such as hurricane, earthquake, and wildfire risk is incorporated through a specific catastrophe risk charge within the underwriting component. Historically, the RBC formula relied heavily on premium volume as a proxy for catastrophe exposure. Over time, this proved insufficient for property writers with concentrated catastrophe risk. As a result, the NAIC added a modeled catastrophe component for Hurricane and Earthquake risk in the mid-2010's and most recently wildfire risk. The working group is currently working on an approach to add severe convective storms. The catastrophe charge is now less proxy-based and more exposure-based, which enhances regulatory supervision of material solvency concerns. There is likely more work to be done in the catastrophe space, but a well-designed and thoughtful process is in place to look at any material emerging risks.



Maintenance of the P/C Formula

It is important to note that the P/C RBC formula is not a fully dynamic risk model; however, the approach taken by regulators charged with developing and maintaining the formula is to recalibrate the components within the formula on a regular basis. Therefore, the focus of regulators should rightly be on components that impact the solvency of P/C insurers the most. We continue to emphasize that regulators use multiple tools for solvency and financial wellbeing oversight, such as periodic calibration of the factors, catastrophe modeling updates, and regular interactions with insurers through financial examinations reviews, quarterly reporting, and other corporate level disclosures. As additional material emerging risks are identified, these can typically be addressed and understood through examination first before being developed as a risk charge within the RBC formula.

While the Capital Adequacy Task Force oversees the work of the three RBC formula working groups, changes typically are bottom-up as opposed to top-down. This structure is a strength of the current framework as it inherently builds in the appropriate lenses through which solvency should be viewed for each line and allows for ongoing reviews by each working group to address material emerging risks and overall effectiveness of each formula. NAMIC does not object to having the Principles serve as the lens through which the working groups should consider changes but does think that technical work of a change needs to stay at the working group level.

Regulators charged with maintaining the formula should continue to focus on enhancements that directly improve solvency monitoring for regulators. Modifications that require additional regulatory infrastructure or company expenses without a noted and meaningful corresponding benefit to solvency oversight should be carefully analyzed. We believe it is important that the regulators charged with maintaining each of the formulas remain focused on the core purpose of RBC: to help regulators identify weakly capitalized companies with material solvency concerns.

Handwritten signature of Colleen Scheele in blue ink.

Colleen Scheele
AVP – Policy
National Association of Mutual Insurance Companies

Handwritten signature of Jonathon Rodgers in blue ink.

Jonathon Rodgers
Policy Vice President – Solvency
National Association of Mutual Insurance Companies



March 12, 2026

Dan Daveline
Director, Financial Regulatory Services
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
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Via email: ddaveline@naic.org

Bridgeway Analytics
Via email: RBC-MoGo@BridgewayAnalytics.com

Re: Response to Request for Comments on RBC Gaps (RBC Model Governance (EX) Task Force)

Dear Mr. Daveline and Bridgeway Analytics Team,

Athene Holding Ltd. (Athene) appreciates the opportunity to provide comments on the Risk-Based Capital (RBC) Model Governance (EX) Task Force's request for input on gaps and inconsistencies in the RBC framework.

We strongly support the Task Force's initiative. The life insurance sector is central to delivering long duration guarantees that help close the retirement savings gap. That central mission depends on a capital framework that is stable, predictable, analytically grounded, and calibrated to measurable solvency risk. RBC should first and foremost protect policyholders, and it should also do so in a way that avoids unintended distortions that unnecessarily reduce product availability or increase costs for consumers.

I. Scope of Our Comments

The Task Force's exposure appropriately recognizes the importance of investment risk (C-1) and increasing insurer investment in securitizations and other structured assets. While we believe the gap analysis should ultimately consider a broader set of issues across the RBC framework, including cross-border reinsurance and comparability of reserve credit and capital requirements across jurisdictions, this letter focuses primarily on C-1 design consistency and the governance process for identifying and prioritizing changes.

II. Anchor the Gap Analysis in the RBC Principles and the Investment Framework

We recommend the Task Force explicitly anchor its gap analysis and its process for retrospective and prospective RBC adjustments to:

1. **The Principles for RBC Requirements**, including Equal Capital for Equal Risk, which calls for consistent treatment of comparable economic risks across asset classes, and



2. **The Financial Condition (E) Committee’s Investment Framework**, which emphasizes regulator-led, transparent, coordinated, and iterative processes for investment-related solvency regulation.

Practically, this means:

- Methods, assumptions, and models should be transparent and explainable, not “black box” outputs.
- Calibration should be empirical and data-driven, supported by validation and governance standards commensurate with the impact of the change.
- Coordination across workstreams should be a design feature.

III. Start With an Inventory of Existing RBC Elements

A credible gap analysis requires a baseline: an inventory of the existing RBC elements that govern capital treatment across asset classes, along with a view of which elements are most material to solvency assessment.

Accordingly, we recommend the Task Force begin by developing (or directing the development of) an **inventory that maps the key components used in capital charge calculation across major asset classes**, including:

- credit risk measurement approach (e.g., third-party ratings),
- tail risk definition (e.g., 96 VaR), accounting for risk margin embedded within reserves,
- embedded assumptions (e.g., reinvestment),
- modeling approach (e.g., stochastic)
- additional adjustments (e.g., concentration or other modifiers), and
- the materiality of each component in the overall capital charge.

In our view, this inventory is the prerequisite to identifying true inconsistencies versus intentional, risk-justified differences, and it is essential to prioritize the most material issues.

IV. Diagnose Cross-Asset Inconsistencies in C-1 Using a Common Set of Design Dimensions

Athene conducted a review of how several key C-1 design choices vary across asset classes, and how those variations can translate comparable economic risks into meaningfully different capital outcomes while reducing transparency into the underlying



assumptions. Our analysis is provided in the attached Appendix slides, summarized as follows:

- **Slide 1:** Overview of the current NAIC C-1 framework.
- **Slide 2:** Comparison of key C-1 design choices across asset classes (measurement approach, loss basis, granularity, adjustments).
- **Slides 3–4:** Comparison of embedded statistical safety levels and time horizons, based on tail specification, loss metric, timeframe, portfolio construct, reinvestment treatment, modeling approach, and discounting assumptions.
- **Slide 5:** Comparison of how C-1 addresses credit default risk versus market value risk.
- **Slides 6–7:** Diagnostic implications, highlighting where similar risk features are treated differently.
- **Slides 8–9:** Illustration of the intrinsic price methodology for RMBS/CMBS and how it differs from other C-1 approaches.

We are not suggesting that every difference is definitionally wrong. We are suggesting that the Task Force should adopt a consistent analytical “lens” to identify where differences are (a) intentional and risk-justified, (b) legacy decisions, and/or (c) candidates for modernization under the RBC Principles.

V. A Disciplined Process for Addressing Gaps and Inconsistencies

After identifying potential gaps and inconsistencies, we believe the Task Force should apply a disciplined sequence that is explicitly rooted in the RBC Principles:

1. Determine whether the gap/inconsistency is material to solvency assessment (as defined by the RBC Principles).
2. Assess whether the difference is risk-justified, or a legacy methodological divergence that is not core to future RBC assessments.
3. Prioritize reforms based on materiality and feasibility, recognizing that stability and predictability are core virtues of an effective capital framework.
4. Implement changes with governance and validation proportional to the impact, including post-implementation monitoring and retrospective review.

A materiality-based approach will help regulators and stakeholders focus limited resources where they matter most, avoid over-correcting low-impact issues, and ensure RBC modernization improves the solvency signal rather than simply rearranging the furniture.



VI. New and Emerging Risks the Task Force Should Incorporate Into the Gap Analysis

The exposure invites commenters to identify material new or emerging risks that RBC may not adequately capture. In addition to the C-1 diagnostics above, we recommend the Task Force incorporate the following emerging areas into its gap analysis workplan, with appropriate prioritization based on materiality and observed market trends:

A. Cross-Border Reinsurance: Reserve Credit, Capital Comparability, and Supervisory “Seams”

The gap analysis should also consider whether the current reinsurance credit framework sufficiently tests total solvency protection when liabilities are ceded to non-reviewed jurisdictions. In those structures, base reserve collateral can be fully secured, yet solvency capital, governance standards, and transparency may not be validated in a manner comparable to U.S. expectations, leaving a potential mismatch between statutory credit and total-asset resilience under stress. This risk is most readily observed in Cayman structures, where reported capital standards and disclosure practices can differ meaningfully from U.S. norms.

Given the cross-cutting nature of this issue, the NAIC may wish to address it directly through either this task force (as a solvency-capital consistency issue) or the Reinsurance Task Force (as a credit-for-reinsurance and jurisdictional consistency issue), rather than attempting to resolve it indirectly through a gap analysis alone.

B. Governance and Monitoring: When Models and Methods “Drift”

Where RBC components rely on models or model-like methodologies, the framework needs governance that addresses model drift, recalibration cadence (and triggers for revision) and validation standards. Without these tenets, inconsistencies can widen over time and only get addressed after they become contentious. The Task Force’s charge to establish a process for retrospective and prospective adjustments is the right place to build those guardrails.

C. Transparency and Coordination Across RBC-Adjacent Workstreams

Several NAIC workstreams can meaningfully influence solvency outcomes (or market behavior) even when they are not “branded” as C-1 modernization. The Task Force’s coordination role should be used to ensure those efforts remain consistent with the Investment Framework and the RBC Principles, and to prevent duplicative or conflicting approaches from taking root.

D. Ongoing need for Commissioner-Level Engagement on Financial Policy

The creation of the RBC Model Governance (EX) Task Force is an important and welcome step, because it gives the NAIC a credible platform to address solvency issues through both a technical and policy lens. But NAIC EX Task Forces are not built to exist indefinitely, and



as the NAIC has already recognized the issues now arising in prudential regulation are too consequential to be left solely to technical working groups.

The Federal Reserve provides a useful model. It does not treat capital, supervision, and financial stability as matters for staff analysis alone. Rather, those issues are governed through a durable structure in which senior policymakers, including the Board of Governors and relevant committees, remain directly engaged in matters that shape both institutional resilience and broader market conditions. The Fed's structure reflects an important reality, namely that prudential decisions can affect not just supervised entities, but credit formation, market behavior, and the real economy more broadly.

The same is increasingly true in insurance regulation. NAIC decisions on capital, investment treatment, and related solvency issues do not operate in a vacuum, they shape insurer behavior, influence the availability and cost of retirement products, and affect the flow of long-term capital into the broader economy. These are not simply technical determinations, they are policy choices with meaningful market consequences.

For that reason, the RBC Model Governance (EX) Task Force should not be viewed as a short-term exercise or disbanded prematurely, as it still has important work to do in addressing significant prudential and solvency issues. At the same time, because NAIC EX task forces are not designed to exist indefinitely, the NAIC should begin considering how, once that work is complete, it can transition to a more durable financial policy governance mechanism that sits above, and operates across, the existing committee structure. Decisions on capital, investment treatment, and related prudential matters now reach far beyond technical solvency calibration. They influence the strategic direction of the life, health, and property and casualty sectors alike, and they can materially affect product availability, consumer access, capital formation, and the broader functioning of insurance markets. These are, in substance, market governance decisions and should remain in the hands of senior policymakers.

A standing body of Commissioners, potentially drawn from the NAIC officers, E Committee and F Committee leadership, and other relevant members, could provide that continuing senior-level oversight, while coordinating with the existing committees on technical development and implementation. This would give the NAIC an important opportunity to recognize and formalize its expanded role as a financial policymaker outside the confines of its traditional committee structure. It would also send a clear signal, domestically and internationally, that the NAIC is permanently embracing its role not only as a prudential supervisor, but as a market regulator whose decisions shape the future of the U.S. insurance sector as a whole.



VII. Conclusion and Offer of Continued Engagement

Athene supports the NAIC's ongoing efforts to modernize and strengthen RBC. Aligning the gap analysis and the adjustment process with the Task Force's guiding principles and the Investment Framework will help ensure modernization is structured, analytically sound, and focused on what is material to solvency oversight.

We appreciate the opportunity to provide these comments and would welcome the chance to discuss our diagnostic work and potential solution concepts as the Task Force's effort progresses.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael Consedine".

Michael Consedine

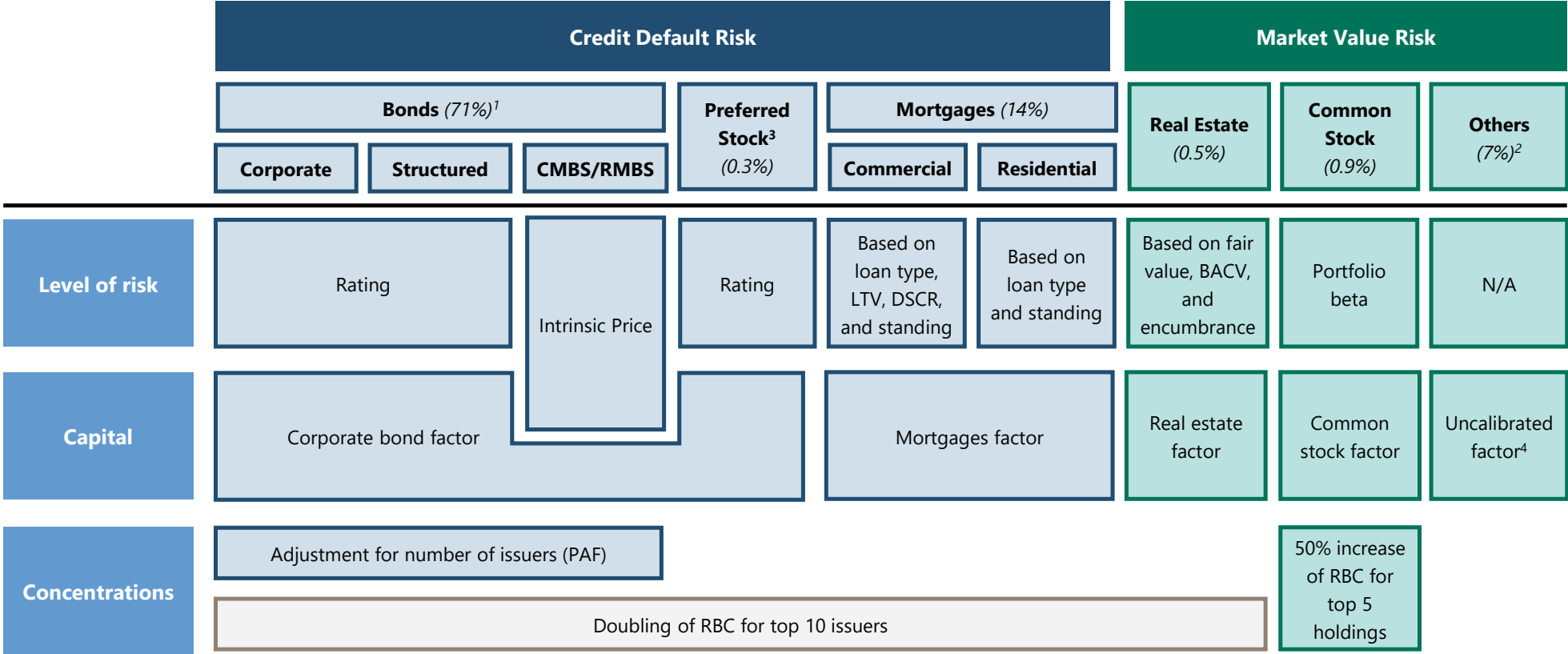
Executive Vice President

Global Head of Government and Regulatory Affairs

Athene Holding Ltd.



Current State: NAIC’s Asset Risk (C-1) Framework



1. Percentage of life insurance investment portfolio (as of December 31, 2023); 2. Others excludes contract loans and cash (~6% of investments); 3. Starting with 2004YE, the preferred stock factors were changed to be the same as bonds; 4. Capital charges vary by asset class; however, significant portion of other assets are mapped to equity charge (30%) and not independently calibrated
 Source: S&P Capital IQ

Capital charges: Overall methodology varies by asset type

	Credit Default Risk						Market Value Risk		
	Corporate Bonds	Structured Products	CMBS/RMBS	Preferred Stock	Commercial Mortgages	Residential Mortgages	Real Estate	Common Stock	Others
Approach	Rating	Rating	Intrinsic price	Rating	Categorical	Categorical	Categorical	Portfolio beta	Mapped to specific charge by asset type
Type³	Expected loss (static)	Expected loss (static)	Prudent loss (dynamic)	Expected loss (static)	Risk-relevant characteristics	Risk-relevant characteristics	Single measure	Beta	N/A
Charge Granularity	19 buckets	19 buckets	19 buckets	6 buckets	8 buckets	2 buckets ¹ , 3 standings	1 bucket ² , 2 schedules	1 bucket	N/A
Considers industry/sector	No	No	Yes (comm v. res)	No	Yes	No	No	Indirect (via beta)	N/A
Adjustments	N/A	N/A	N/A	N/A	Involuntary reserves, cum. write-downs, mortgage standings	N/A	Fair value, book value, encumbrance	N/A	N/A

1. There is a charge applied for insured / guaranteed residential mortgages, and a separate charge for all others; these charges differ depending on loan standing (good standing, 90 days overdue, in process of foreclosure).
 2. Though there are separate charges applied to Schedule A and Schedule BA real estate, the base factor is simply the 11% Schedule A charge, and the 13% Schedule BA charge is a 20% premium on top of the 11% base factor.
 3. Static loss is calibrated and set on historical data, unchanging from year to year, while dynamic loss is calibrated and set on new economically sensitive scenarios that change from year to year.

Capital charges: Calibration approach varies significantly by asset type (1 of 2)

	Credit Default Risk				Market Value Risk		
	Corporate Bonds ¹	Structured Products ³	Commercial Mortgages	Residential Mortgages	Real Estate	Common Stock	Others
Tail definition	Portfolio VaR96	<i>Same as corporate bond model</i>	Asset-level VaR92	<i>Details on calibration not available</i>	Index VaR96.8	Index VaR95	N/A
Loss metric	PV net credit losses		PV net credit losses ²		Change in index value	Change in index value	N/A
Timeframe	10-years		Actual (capped at 10 years)		2-years	2-years	N/A
Portfolio	Insurer holdings		Insurer holdings		Index (NCREIF NPI)	Broad index (S&P500)	N/A
Reinvestment	Yes		No		N/A	N/A	N/A
Probability of default	Historically calibrated to long-term averages		Historically calibrated to long-term averages		N/A	N/A	N/A
Loss given default	Historically calibrated to long-term averages		Historically calibrated to long-term averages		N/A	N/A	N/A
Modelling approach	Stochastic simulation (default and LGD)		Stochastic simulation (default and LGD)		Historical observation	Historical observation	N/A
Correlation	MIS ratings correlations ⁴		Implicit (< 100%)		Implicit (< 100%)	Implicit (< 100%)	N/A
Calibration dataset (years)	Moody's Corporate Default & Recovery (1983-2020 ⁵)		Proprietary Moody's Data (via CMM) (1970s – 2010)		NCREIF Property Index (1978-2010)	S&P500 total return (1960-1991)	N/A

1. Corporate bond factor applies to corporate bonds, structured products, CMBS / RMBS, and preferred stock; 2. Includes foreclosure and servicing cost; 3. Initial analysis has been done, no robust capital methodology has been proposed; collateralized loan obligations (CLOs) are subject to ongoing methodology refinement and key modeling assumptions; 4. For CMBS/RMBS, the correlation is implicitly assumed to be 100%. 5. For probability of default; LDG is calibrated from 1987-2019. 6. For probability of default, LGD is expected to be 1987-2018.

Capital charges: Calibration approach varies significantly by asset type (2 of 2)

	Credit Default Risk						Market Value Risk		
	Corporate Bonds	Structured Products	Preferred Stock	CMBS/RMBS	Commercial Mortgages	Residential Mortgages	Real Estate	Common Stock	Others
Tax rate	21%	<i>Follows corporate bond methodology</i>	<i>Follows corporate bond methodology</i>	<i>Follows corporate bond methodology</i>	<i>Missing</i>	<i>Missing</i>	All modelling done on "cash" basis; no tax liability consideration	All modelling done on "cash" basis; no tax liability consideration	<i>N/A</i>
Expected loss	Best-estimate plus 0.5 standard deviations	<i>Follows corporate bond methodology</i>	<i>Follows corporate bond methodology</i>	<i>N/A</i>	Best estimate	<i>Missing</i>	No offset for expected loss	No offset for expected loss	<i>N/A</i>
Discount rate	2.74% post tax (2000-2020 window) ¹	<i>Follows corporate bond methodology</i>	<i>Follows corporate bond methodology</i>	Security coupon rate	5% flat rate	<i>Missing</i>	No discounting	No discounting	<i>N/A</i>
Reinvestment	Yes, for remaining maturity of simulation	<i>Follows corporate bond methodology</i>	<i>Follows corporate bond methodology</i>	No reinvestment	No reinvestment	<i>Missing</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

1. 3.47% discount rate pretax discount factor

Approach to Credit Default Risk vs. Market Value Risk

Credit Default Risk vs. Market Value Risk

	Credit Default Risk ¹	Market Value Risk
Tail definition ①	Var96	VaR95, VaR96.8
Accounting treatment ②	Book value	Market value ²
Method	Credit impairments	Decline in value
Timeframe ③	10-years	2-years
Portfolio	Insurer holdings	Index
Modelling approach	Stochastic simulation (default and LGD)	④ Historical observation
Discount rate	Discounting applied to losses	N/A

Key Considerations

- ① **Tail definition:** fixed income and equity risk are similar in their tail definition, but not perfectly aligned
- ② **Accounting treatment:** variation in accounting treatment for assets drive many of the differences between fixed income and equity risk
- ③ **Timeframe:** the 10-year horizon for corporate bonds is intended to capture average duration of the liabilities and average length of a business credit cycle; the 2-year horizon for equities is intended to capture the maximum length of a peak-to-trough drawdown
- ④ **Historical observations:** equity asset charges based on historical observation vs. stochastic simulation for credit risk

1. Corporate bond methodology 2. Real estate base factor is calibrated based on fair value, but adjusted based on book value



Differences in the NAIC Asset (C-1) Risk Framework: Overview

Asset-Specific Risk Level

	Credit Default Risk						Market Value Risk		
	Corporate Bonds	Structured Products	CMBS/RMBS	Preferred Stock	Commercial Mortgages	Residential Mortgages	Real Estate	Common Stock	Others
Approach	Rating	Rating	Intrinsic price ²	Rating	Categorical	Categorical	Categorical	Portfolio beta	Mapped to specific charge by asset type
Type³	Expected loss (static) ³	Expected loss (static)	Prudent loss (dynamic)	Expected loss (static)	Risk-relevant characteristics	Risk-relevant characteristics	Single measure	Beta	N/A
Charge Granularity	19 buckets	19 buckets	19 buckets	6 buckets	8 buckets	2 buckets ¹ , 3 standings	1 bucket ² , 2 schedules	1 bucket	N/A
Considers industry/sector	No ¹	No	Yes (comm v. res)	No	Yes	No	No	Indirect (via beta)	N/A
Adjustments	N/A	N/A	N/A	N/A	Involuntary reserves, cum. write-downs, mortgage standings	N/A	Fair value, book value, encumbrance	N/A	N/A

Key Considerations

- 1 Industry & sector diversification:** industry and sector diversification is not treated consistently across methodologies: while not considered for corporate bonds and ABS, it is explicitly considered for commercial mortgages and implicitly for common stock
- 2 Intrinsic price:** the approach for CMBS / RMBS is inconsistent with other asset classes that use the corporate bond factor
 - Considers prudent loss (conservative view of expected loss), which is then mapped to closest bond factors (VaR96) to set capital
 - Dynamic view that reflects current macro-economic factor (vs. through-the-cycle factors for bonds)
- 3 Expected loss:** Current approach for bonds uses expected loss to assess tail risk, although this relationship may be inconsistent across different types of assets

1. There is a charge applied for insured / guaranteed residential mortgages, and a separate charge for all others; these charges differ depending on loan standing (good standing, 90 days overdue, in process of foreclosure);
 2. Though there are separate charges applied to Schedule A and Schedule BA real estate, the base factor is simply the 11% Schedule A charge, and the 13% Schedule BA charge is a 20% premium on top of the 11% base factor



Differences in the NAIC Asset (C-1) Risk Framework: Calibration

Capital Measurement

	Credit Default Risk				Market Value Risk		
	Corporate Bonds ¹	Structured Products ²	Commercial Mortgages	Residential Mortgages	Real Estate	Common Stock	Others
Tail definition ②	Portfolio VaR96		Asset-level VaR92		Index VaR96.8	Index VaR95	N/A
Loss metric	PV net credit losses		PV net credit losses ²		Change in index value	Change in index value	N/A
Timeframe	10-years		Actual (capped at 10 years)		2-years	2-years	N/A
Portfolio	Insurer holdings		Insurer holdings		Index (NCREIF NPI)	Broad index (S&P500)	N/A
Reinvestment ③	Yes	Same as corporate bond model	No	Details on calibration not available	N/A	N/A	N/A
Probability of default	Historically calibrated to long-term averages		Historically calibrated to long-term averages		N/A	N/A	N/A
Loss given default	Historically calibrated to long-term averages		Historically calibrated to long-term averages		N/A	N/A	N/A
Modelling approach	Stochastic simulation (default and LGD)		Stochastic simulation (default and LGD)		Historical observation	Historical observation	N/A
Correlation ④	MIS ratings correlations ⁴		Implicit (<100%)		Implicit (<100%)	Implicit (<100%)	N/A

Key Considerations

- ① **Corporate bond factor:** corporate bond capital charges are modelled based on corporate bond distributions, but are applied across structured products, CMBS / RMBS, and preferred stock
- ② **Tail definition:** tail definition varies within book value assets and fair value assets by both risk metric (e.g., VaR96, CTE90, VaR92, etc.) and grouping of holdings (e.g., portfolio, asset-level, index, etc.)
- ③ **Reinvestment:** reinvestment in corporate bonds and current structured products is done at the portfolio level, while reinvestment in proposed structured products are at the asset level and not done at all for commercial mortgages
- ④ **Rating correlations:** MIS rating correlations are considered on a global scale, while insurers largely invest in US holdings

1. Corporate bond factor applies to corporate bonds, structured products, CMBS / RMBS, and preferred stock; 2. Includes foreclosure and servicing cost; 3. Initial analysis has been done, no robust capital methodology has been proposed; collateralized loan obligations (CLOs) are subject to ongoing methodology refinement and key modeling assumptions; 4. For CMBS/RMBS (using the corporate bonds methodology), the correlation is implicitly assumed to be 100%



Overview of Intrinsic Price for CMBS/RMBS

The applicable C-1 factors are determined based on 'intrinsic price', which measures the expected loss under a dynamic set of scenarios

RBC framework for determining NAIC designation / RBC factor (sample inputs)

Bond type	CMBS			
NRSRO Rating	AA-			
Hypothetical Book Price¹	\$99.0			
1 Modeling Scenario²	Optimistic	Baseline	Conservative	Most Conservative
Scenario Probability	10%	55%	25%	10%
Modelled Loss NPV	\$0	\$0	\$0	\$8.80
2 Weighted Loss NPV	\$0.88 <i>Modelled loss NPV weighted by scenario probability</i>			
Intrinsic Price [IP]	\$99.12 <i>Par minus Weighted Loss NPV</i>			

Compare the **intrinsic price** to the **boundary column** in the lookup table to the right

- **NAIC designation:** NAIC 1F
- **Gross RBC Factor:** 0.816%

NAIC designation / RBC factor lookup table

3 NAIC Designation	Midpoint ³ of RBC factors	Boundary [Par minus midpoint]	Gross RBC Factor
1A	0.21%	\$99.79	0.158%
1B	0.35%	\$99.66	0.271%
1C	0.47%	\$99.53	0.419%
1D	0.59%	\$99.41	0.523%
1E	0.74%	\$99.26	0.657%
1F	0.92%	\$99.08	0.816%
1G	1.14%	\$98.86	1.016%
...

These are the **same RBC factors** used for **NAIC C-1 bond base factors**

Key steps

- 1 NAIC utilizes a third-party to model various economic scenarios and determine modelled loss
- 2 Intrinsic price of the CMBS / RMBS is determined by subtracting the weighted loss NPV from the par value
- 3 RBC factor is determined by comparing the intrinsic price to the boundary price points for each NAIC designation

1. No longer applicable to CMBS/RMBS that close on or after Jan 1, 2013; 2. There are a total of 8 dynamic scenarios (4 shown on the table), which are revised each year; 3. The midpoint reflects the midpoint of the RBC factors calculated from VaR at the 96th percentile; for example, the midpoint for 1A is determined as the midpoint of the RBC factors for 1A and 1B
 Source: Changes to Investments Risk-Based Capital for U.S. Insurers: A Potential Positive for Public Structured Product, MetLife Investment Management, June 2021



Differences in Intrinsic Price Methodology

Differences vs. Corporate Bond Methodology



Category	Commentary
Risk metric	Calculates expected loss, rather than tail risk, by using scenarios with both optimistic and conservative outcomes
Asset v. portfolio	Determines RBC factor based on an asset-level, rather than portfolio-level, assessment
Maturity	Chosen methodology results in higher capital for longer-maturity assets, which could discourage ALM matching
Reinvestment	Does not consider reinvestment, inconsistent with corporate bond methodology
Correlation	Does not consider correlation, but rather implies 100% correlation of underlying securities
Scenario construction	Relies on dynamic scenarios, which are recalibrated each year, rather than a through-the-cycle approach
Scenario calibration	Limit transparency on the calibration (probability) of conservative and optimistic scenarios and update process



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March 12, 2026

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

Re: February 2026 RBC Model Gov Exposure - RBC Gaps

Dear Members of the RBC Model Governance (EX) Task Force:

The Alternative Credit Council,¹ the private credit affiliate of the Alternative Investment Management Association Ltd (AIMA), appreciates the opportunity to comment on gaps and inconsistencies in the risk-based capital (RBC) framework. This submission responds to the Task Force's inquiry regarding gaps or inconsistencies in the current RBC framework, with an emphasis on Life RBC.

¹ The Alternative Credit Council (ACC) 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, and 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 to strengthen 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)



AIMA is registered in England as a Company Limited by Guarantee, No. 4437037. VAT Registration no. 577 5913 90. Registered Office as above.



The ACC strongly supports the Task Force’s governance initiative and believes that implementing a comparable attributes approach, harmonizing look-through treatment, and integrating RBC-SAP interactions will significantly enhance the framework’s effectiveness while maintaining the prudential protections essential to insurance regulation.

Overall recommendations

The ACC recommends the Task Force prioritize the following actions to enhance RBC model governance:

- **Complete the Academy’s approach of using comparable attributes for all ABS:** Adopt the Academy’s comparable attributes approach across all ABS asset classes to ensure capital charges reflect economic risk characteristics rather than legal form classifications. The use of comparable attributes could also potentially be applied to other asset classes.
- **Harmonize look-through treatment:** Establish consistent, transparent methodologies for look-through treatment of funds, partnerships, and other investment vehicles based on underlying economic value and risk characteristics. This should take into account the accounting rules and the economic risk of the underlying assets as well as any structural or other features that meaningfully reduce overall risk.
- **Integrate RBC-SAP interaction:** Review the interaction between RBC charges and statutory accounting treatment to eliminate distortions where economically identical exposures receive different accounting or prudential treatment. Integration of these two key elements is critical to ensuring substance over form.
- **Enhance Governance Processes:** Establish clear procedures that enable data-driven analysis and consistent statistical measures to ensure the principle of equal capital for equal risk, regardless of legal form or SAP categorization.

1. Material Risks Not Adequately Captured Within the RBC Framework

We have identified several categories of material risks that are insufficiently calibrated within the current RBC framework:

a. Risks Associated with Asset Misclassification

The current RBC framework’s reliance on broad asset class categorizations fails to capture the true economic risk characteristics of structured investments and alternative credit instruments. As detailed in our prior submissions, the RBC framework does not yet adequately implement the Academy of Actuaries’ (the Academy’s) concept of “comparable attributes” that would measure risk based on underlying economic characteristics rather than legal form or nominal asset class designation. While the Academy has done





extensive work to address this issue for broadly syndicated collateralized loan obligations (CLOs), there remain several others, including middle-market direct lending CLOs, in which the current capital charges do not account for the key features of the underlying assets or how they are structured to reduce the actual level of economic risk.

Prime auto asset-backed securities (ABS), for instance, exhibit low cumulative net losses, rapid amortization, and meaningful excess spread, yet are often subject to capital charges that do not reflect these risk-mitigating structural features. The framework fails to distinguish between senior tranches with substantial credit enhancement and subordinated exposures, leading to a material overstatement of required capital for lower-risk positions.

Similarly, credit card ABS structures with dynamic collateral management, high excess spread, and rapid deleveraging mechanisms should not be treated as if they were direct unsecured consumer loan exposures, ignoring the structural protections inherent in these master trust arrangements.

b. Modeling Limitations and Framework Incongruencies

The RBC framework contains fundamental modeling limitations that create incongruencies with other aspects of statutory accounting and reserving requirements. Most significantly, the interaction between RBC charges and Statutory Accounting Principles (SAP) categorization creates distortions where economically identical exposures receive materially different prudential treatment based solely on form rather than substance.

The framework's static approach to risk assessment fails to incorporate dynamic hedging strategies, collateral substitution mechanisms, and structural cash flow diversions that are central to the actual risk profile of many alternative credit investments. This creates a fundamental disconnect between regulatory capital requirements and economic reality.

c. Inadequate Look-Through Treatment Governance

Current governance processes for model monitoring, development, and updates fail to ensure timely material adjustments to RBC assessments. The lack of standardized look-through methodologies across different investment vehicles creates regulatory arbitrage opportunities and undermines the framework's risk-sensitive objectives.

Fund investments, partnerships, and other pooled vehicles receive inconsistent treatment depending on legal structure rather than underlying economic risk characteristics. This creates material gaps where substantially similar risk exposures receive vastly different capital treatment based purely on organizational form.

2. Material New or Emerging Risks





We have no comment on this question.

3. Inter-Formula Divergences in Risk Treatment

Significant inconsistencies exist in how Life, Property & Casualty, and Health RBC formulas treat economically similar risks:

Bond Fund Investments: Life RBC provides relatively sophisticated look-through treatment for certain bond exchange-traded funds using weighted average rating methodologies, while it does not do so for economically similar bond mutual funds. Property & Casualty and Health formulas apply more simplistic approaches that do not recognize the underlying credit quality of fund holdings.

Alternative Investment Vehicles: Schedule BA Fund investments (LLCs, partnerships, and joint ventures) receive different treatment across various aspects of the NAIC RBC framework, including for capital charges and accounting treatment. There are also significant differences at the state level regarding look-through treatment as well as limitations on Schedule BA assets, with some providing look-through methodologies and others applying flat percentage-of-assets charges regardless of underlying investment quality.

4. Intra-Formula Component Inconsistencies

Within individual RBC formulas, components diverge inappropriately in treating similar risks. These inconsistencies potentially undermine the framework's coherence and create uneven prudential treatment for economically equivalent exposures across different formula components.

Accordingly, we recommend that the Task Force develop an inventory that maps the key components used in capital charge calculation across major asset classes, including:

- credit risk measurement approach (e.g., third-party ratings),
- tail risk definition accounting for risk margin embedded within reserves,
- embedded assumptions (e.g., reinvestment),
- modeling approach (e.g., stochastic),
- additional adjustments (e.g., concentration or other modifiers), and
- the materiality of each component in the overall capital charge.

5. RBC Principles Violations

Several RBC components materially violate the stated RBC Principles, particularly the principle of risk-sensitive capital requirements:

Equal capital for equal risk: The framework's reliance on asset classification rather than economic risk characteristics violates the fundamental principle that similar risks should attract similar capital charges regardless of legal form, but instead on a fact-





based analysis of the economic risks associated with the assets and their investment vehicle structure.

Transparency and predictability: The lack of clear, standardized methodologies for look-through treatment creates uncertainty and reduces the framework's effectiveness as a supervisory tool.

Regulatory efficiency: Inconsistent treatment across similar risk exposures undermines regulatory efficiency and creates compliance burdens that do not correspond to risk mitigation benefits.

Conclusion

The RBC framework's effectiveness as a supervisory tool depends critically on its ability to accurately measure and consistently treat economic risks across different investment categories. The gaps and inconsistencies identified in this submission undermine both the framework's risk sensitivity and its role in promoting competitive equality among insurers.

We encourage the Task Force to consider the best application of these four recommendations across all aspects of RBC framework development and refinement.

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

Joe Engelhard
Head of Private Credit & Asset Management Policy, Americas





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March 12, 2026

Commissioner Jon Godfread,
Chair, RBC Model Governance (EX) Task Force
1101 K Street, N.W., Suite 650
Washington, DC 20005
[Via email:] ddaveline@naic.org

Re: RBC Model Governance Gap Exposure

Dear Commissioner Godfread and Members of the Task Force,

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the Risk-Based Capital (RBC) Model Governance Task Force's request for input regarding RBC gap analysis and consistency assessment. ACLI supports the Task Force's objective of using this work to help set priorities for the development and implementation of the RBC adjustment process. We commend the Task Force for its leadership and look forward to contributing to this collaborative process moving forward. We especially look forward to working together on applying sound governance principles in a way that establishes a robust, transparent process for evaluating risks, ensuring the framework remains effective and relevant in a changing risk environment.

Consistent with ACLI's prior comments, it is critical to keep at the forefront of the conversation the notion that RBC is one of several tools within the statutory framework designed to protect policyholders without unnecessarily impeding access to insurance products and provide regulators with insight into potential risks. RBC operates alongside other key elements of the solvency framework, including asset adequacy testing, Own Risk and Solvency Assessment (ORSA), liquidity monitoring and stress testing, and group capital assessments. As such, ACLI believes it is important for regulators to consider all solvency tools and to maintain a broad, holistic view when contemplating future adjustments to RBC, recognizing the interconnectedness and co-dependencies within the overall framework.

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

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

Further, ACLI supports the Task Force's charge to create a process for analyzing retrospective and future adjustments to RBC in line with the RBC guiding principles. ACLI believes this effort should be viewed as an iterative and ongoing process, rather than a one-time exercise. Given the complexity of the RBC framework and its role within the broader U.S. solvency regime, adjustments and refinements are best considered over time, to allow for adequate dialogue and consideration of potential overlap and interaction with other regulatory tools before heavy technical work begins.

We will address the two principal questions outlined in the exposure in greater detail below. Broadly, however, it is important to recognize that variations within the RBC framework may arise for a range of legitimate reasons, including intentional efforts to prevent double counting, manage volatility and operational simplicity. That said, differences should not automatically be interpreted as deficiencies or shortcomings within the framework but should be documented and understood to determine if these differences are appropriate.

Question 1: Whether gaps in a formula or all formulas result in material risks not captured

The existing RBC framework is designed to capture the principal and substantial risks facing life insurers and has demonstrated its effectiveness over time. Given that methodologies and assumptions may have evolved differently over the years, there may be gaps and cross-component inconsistencies that merit review. As a regulatory tool, RBC is intended to support solvency monitoring and supervisory action rather than to serve as a comprehensive or standalone measure of all risk in isolation. The identification of potential gaps should therefore be viewed in that context. In some cases, differences in treatment or scope may reflect deliberate design choices, interactions with other regulator tools, or tradeoffs made to balance risk sensitivity, stability and operational considerations. As a result, ACLI believes that addressing perceived gaps should be approached iteratively and with appropriate regard for substantial risk. As a part of the process for analyzing retrospective and future adjustments, we recommend strengthening governance mechanisms for identifying issues, ensuring a baseline understanding across stakeholders before assigning work to the appropriate committee, and sequencing potential refinements.

One approach commissioners might consider is implementing a structured process to help all relevant stakeholders develop a shared baseline understanding of specific issues under consideration. This approach, and any subsequent action to explore or address perceived gaps, should be driven by policy-level discussion among leadership. Only after this leadership discussion and guidance should the matter be formally assigned to the appropriate technical group or committee. At this stage, the technical group would be tasked with developing a work plan, including timelines, deliverables, and criteria for success, ensuring that subsequent work is both targeted and aligned with the overarching policy objectives. This method would promote more effective, transparent, and well-prioritized enhancements to the RBC framework than a bottom up, siloed process.

Question 2: Whether inconsistencies across components within a formula run counter to RBC's purpose to identify weakly capitalized companies or meaningfully limit regulators assessments

Inconsistencies and gaps should be inventoried and analyzed in line with the RBC guiding principles to determine whether these differences were intentional and appropriate or whether adjustments are warranted.

As already noted, inconsistencies within or across formulas, and within each formula, do not necessarily indicate deficiencies. However, inconsistencies may warrant further review where they violate the RBC

guiding principles and reflect structural design mismatches that can drive materially different capital outcomes for similar economic risks. In conducting such reviews, ACLI believes regulators could use a similar approach as noted above. It is important that any analysis be grounded in the purpose of RBC, guided by NAIC leadership's policy objectives, and conducted in coordination with existing instructions, statutory accounting frameworks, and other supervisory tools and assessments, rather than considering RBC formulas in isolation.

Conclusion

ACLI appreciates the Task Force's thoughtful approach and continued commitment to a risk-based capital framework that is both responsive and resilient. As further changes are evaluated it is important to do so with a clear understanding of how capital requirements, accounting standards, reserving practices, and supervisory processes work together as a larger solvency framework.

ACLI remains committed to supporting the Task Force and NAIC staff through each stage of this process. We believe that a collaborative approach to governance is essential for ensuring any enhancements to the RBC framework are practical, sustainable, and well-integrated within the broader regulatory structure.

Recognizing that risks, data, and supervisory tools will continue to evolve, we encourage this process to be viewed as ongoing rather than finite. We value the Task Force's willingness to engage with stakeholders and look forward to working together to strengthen the RBC framework and support the stability of the U.S. insurance sector.

Sincerely,



Carrie Haughawout
SVP, Life Insurance and Regulatory Policy
American Council of Life Insurers



Mariana Gomez-Vock
SVP, Prudential Policy and International
American Council of Life Insurers

PETER GOULD

March 12, 2026

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

Sent via email to:

Dan Daveline (ddaveline@naic.org)
Bridgeway Analytics (RBCMGo@BridgewayAnalytics.com)

Re: Request for comments on Risk-Based Capital gaps

[https://content.naic.org/sites/default/files/inline-files/February 2026 RBC Model Gov Exposure %281%29.docx](https://content.naic.org/sites/default/files/inline-files/February%202026%20RBC%20Model%20Gov%20Exposure%281%29.docx)

Dear Members of the RBCMETF:

I am a retiree and am writing to comment as a consumer and annuity contract owner with skin in the game. I depend on annuities for a considerable portion of my retirement income. I purchased annuities as a source of retirement income I would not outlive - not as speculative investments. I appreciate the opportunity to comment on the RBC project.

In my initial comment letter on this project last July, I listed the following RBC "gaps":

1. Counterparty risk - reinsurance, captive reinsurance, offshoring, modco, ceding up to the parent or ceding down to a subsidiary, etc. All of these "techniques" employ the sanctioned alchemy of the Model Credit for Reinsurance rules. Regardless of the viability of the transaction, the liabilities magically disappear from the insurer's balance sheet.
2. Misclassification of Assets to avoid RBC charges - I'm not a regulatory auditor, but I have been shown statutory annual statements where assets are obviously being misclassified to game RBC calculations.
3. Financial engineering of junk grade assets to avoid RBC charges - This practice was recently eloquently described in an article in Financial Times (see <https://www.ft.com/content/ee40241a-c568-4673-88df-001c0244fb37>). Again, with the use of alchemy and the admonition "Don't look at the man behind the curtain", junk assets magically become investment grade securities.

The above-mentioned gaps aren't just little pinholes - they're big enough to drive a barn through them! As the RBC project discussions have continued, I've had time to consider the effect of the gaps in RBC's efficacy as a metric and better articulate the gaps and their effect on users of RBC.

P.O. Box 8815 Bloomington, IN 47407-8815

Risk-Based Capital Model Governance (EX) Task Force
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If all insurers operated with similar business models so that the calculation and reporting of RBC was consistent across companies, we'd have no gaps. That may have been the case in centuries past, but the landscape has changed exponentially since then. As a result, two similarly sized and situated insurers may have widely different RBCs due to the structure of their operations.

To improve the accuracy and consistency of RBC reporting, I propose that the current RBC reporting be enhanced by the required addition of "characteristic" codes after the RBC number. These codes would direct the RBC user to factors important for interpreting the reported RBC. The format would be:

###-ABC

is the current RBC score

ABC are the characteristic code(s) that inform the user of exceptions, deviations and other aspects affecting the RBC calculation which can distort the reported RBC. These codes would be helpful to all stakeholders (including state insurance examiners). An insurer could have one or more characteristic codes. Codes could be added or modified, as the need arises over time.

Initially, the characteristic codes would include the following:

A = no reportable RBC characteristics

B = regulator permitted practice/exception granted to the insurer that affects RBC calculation

Highlights deviations from normal regulatory requirements - a big caveat emptor. This would suggest the need for regular periodic evaluation of the exception(s), how it affects RBC and what RBC would be without the exception.

C = concentration of affiliated/related assets that exceeds the lesser of: (1) 10% of assets, or (2) 50% of Total Adjusted Capital.(TAC)

Highlights investments exceeding Model #280/440 Limitation Investments of Insurers Model Act. Points to Increased risk to TAC due to a decline in the value of concentrated affiliated investment holdings.

D = captive or affiliated US domiciled reinsurance arrangement (ceded liabilities NOT considered in RBC calculation)

Highlights counterparty risk.

Peter Gould

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E = captive or affiliated offshore reinsurance arrangement (ceded liabilities NOT considered in RBC calculation)

Highlights counterparty risk.

F = captive or affiliated US domiciled modco arrangement (ceded liabilities NOT considered in RBC calculation)

Highlights counterparty risk.

G = captive or affiliated offshore modco arrangement (ceded liabilities NOT considered in RBC calculation)

Highlights counterparty risk.

H = liabilities ceded to parent (ceded liabilities NOT considered in RBC calculation) (ceded liabilities NOT considered in RBC calculation)

Highlights counterparty risk.

I = liabilities ceded to subsidiary or related company (ceded liabilities NOT considered in RBC calculation)

Highlights counterparty risk

J = regulator permitted practice/exception granted to a counterparty (reinsurer, modco, parent, affiliate, etc.) that affects RBC calculation

Highlights deviations from normal regulatory requirements - a big caveat emptor. This would suggest the need for regular periodic evaluation of the exception(s), how it affects RBC and what RBC would be without the exception.

K = concentration of counterparty liabilities (ceded to a single entity or related entities) that exceeds the lesser of: (1) 10% of assets, or (2) 50% of Total Adjusted Capital.(TAC)

Highlights increased risk, not reflected in RBC score, due to concentration of ceded liability in the event of the failure of a counterparty.

It's important to note that the proposal for enhanced RBC is for reporting/informational purposes only. It does not prescribe operational guidelines or establish enforceable guardrails. Concurrently with enhanced RBC reporting, a User's Guide to RBC would assist regulators and stakeholders in interpreting the RBC score and the effect of reported characteristics, as well as where to locate the pertinent information in an insurer's Statutory Annual Report.

Peter Gould

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Here are hypothetical examples of the enhanced RBC reporting:

1. Insurer has an RBC of 420 and no reportable characteristics

Enhanced RBC: 420-A
Alerts user that no reportable characteristics exist.

2. Insurer has an RBC of 500, has treaties with captive US and captive offshore reinsurers and the insurer has been granted a permitted practice/exception from their domicile regulator

Enhanced RBC: 500-BDE
Alerts user to important factors that affect the reported RBC.

Here are real examples of enhanced RBC reporting for actual companies, using information from Statutory Annual Reports

1. **PHL Variable Life** - information from 2023 Annual Statutory Report - 5 Year Historical Data (page 68)

ANNUAL STATEMENT FOR THE YEAR 2023 OF THE PHL Variable Insurance Company

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.
\$000 omitted for amounts of life insurance

	1 2023	2 2022	3 2021	4 2020	5 2019
Risk-Based Capital Analysis					
30. Total adjusted capital	(135,955,275)	43,622,703	56,705,673	33,321,348	61,559,234
31. Authorized control level risk - based capital	8,029,016	8,151,790	8,196,894	6,949,681	6,789,048

2019 RBC (as reported) = 906% (\$61,559,234/\$6,789,048)

2022 RBC (as reported) = 535% (\$43,622,703/\$8,151,790)

2019 RBC (enhanced) = 906%-CDEJK

2022 RBC (enhanced) = 535%- CDEJK

Without enhanced RBC reporting, the regulators, 92,000 PHL policy owners, advisors and other stakeholders were blindsided by the company's 2023/2024 implosion. With the proposed enhanced RBC reporting, they could have investigated the reported characteristics.

On the Notes to PHL's 2021 Annual Report (Accounting Practices - page 19) is states "As of December 31, 2021, the Commissioner had not prescribed or permitted the Company to use any accounting practices that would result in the Company's earnings or financial position deviating materially from NAIC SAP". In fact, regulator permitted practices were approved for the PHL's reinsurers. This is not disclosed anywhere on the insurer's Statutory Annual Statement - it was only discoverable through the rehabilitation documentation. Without characteristic code K, this crucial information would remain hidden from those depending on the claims paying ability of the insurer to meet its contractual obligations.

Peter Gould

Risk-Based Capital Model Governance (EX) Task Force
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2. New York Life Insurance Company - information from 2025 Annual Statutory Report - 5 Year Historical Data (page 22)

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE NEW YORK LIFE INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.
\$000 omitted for amounts of life insurance

	1 2025	2 2024	3 2023	4 2022	5 2021
Risk-Based Capital Analysis					
30. Total adjusted capital	36,076,321,337	34,529,448,539	33,007,577,544	31,125,178,376	31,203,100,782
31. Authorized control level risk - based capital	3,905,706,961	3,629,996,851	3,495,828,339	3,472,419,760	3,367,357,307

2025 RBC (as reported) = 923% (\$36,076,321,337/\$3,905,706,961)
2025 RBC (enhanced) = 923%-CDI (note, cannot tell if K applies, since counterparty permitted practices are hidden)

With enhanced RBC reporting, regulators, policy owners, advisors and other stakeholders can see that the reportable characteristics for the company that would affect reported RBC.

3 Athene Annuity and Life Company - information from 2025 Annual Statutory Report - 5 Year Historical Data (page 22)

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE Athene Annuity and Life Company

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.
\$000 omitted for amounts of life insurance

	1 2025	2 2024	3 2023	4 2022	5 2021
Risk-Based Capital Analysis					
30. Total adjusted capital	9,503,503,398	7,682,669,584	5,839,888,115	3,846,996,051	2,619,396,427
31. Authorized control level risk - based capital	1,090,950,938	916,775,140	745,656,571	495,597,826	360,560,052

2025 RBC (as reported) = 871% (\$9,503,503,398/\$1,090,950,938)
2025 RBC (enhanced) = 871%-BCDEFGHIJ (note, cannot tell if K applies, since counterparty permitted practices are hidden)

With enhanced RBC reporting, regulators, policy owners, advisors and other stakeholders can see that the reportable characteristics for the company that would affect reported RBC.

While preparing these real company examples, this metric (not sure if it qualifies as a "gap") jumped out at me:

Ratio of concentrated affiliated assets (Five-Year Historical Data, line 49) to Total Surplus (Liabilities, Surplus and Other Funds, line 38)

New York Life Insurance Company =85% (\$23,500,029,080/\$27,564,506,859)

Athene Annuity and Life Company = 1,262% (\$52,014,803,107/\$4,121,783,748)

Without characteristic code C, a regulator or other stakeholder might not further explore the insurer's exposure to concentrated affiliate risk.

Peter Gould

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Thank you for your consideration of my comments and for the work that you do to protect consumers.

Yours truly,

Peter Gould

Peter Gould



March 12, 2026

VIA ELECTRONIC SUBMISSION

Dan Daveline
NAIC
ddaveline@naic.org

Bridgeway Analytics
RBC-MoGo@BridgewayAnalytics.com

RE: Request for comments on RBC Gaps

Dear Commissioner Godfread:

The American Property Casualty Insurance Association (APCIA)¹ appreciates the ongoing engagement with the industry on this project and the opportunity to provide comments on the RBC Model Governance Task Force's *Request for comments on RBC GAPS*. APCIA is supportive of the work thus far on the project and in full agreement that the purpose of the RBC requirements should be limited to identify weakly capitalized companies. We also agree with the focus on material risks in the principles and the acknowledgement that different business models may require different RBC treatments for individual risks that may appear to be similar. This is important to ensure that all three RBC formulas continue to focus on the risks to solvency that occur in the different business models.

APCIA is also supportive of evaluating whether there are gaps in the current formulas or processes that are not currently being addressed. For property and casualty RBC (PCRBC), we are not aware of any gaps or flaws in the process for addressing emerging risk(s). We are fully supportive of the ongoing process to incorporate catastrophe risk into the PCRBC formula and to also address the issue of diversification of risks. Additionally, given that the last few years have had elevated inflation that hopefully appears to be abating, it would be appropriate to look at a mechanism in the PCRBC to calibrate the threshold for excessive growth penalty to some inflation index. Since the growth penalty is currently based solely on group gross written premium, raising premium rates to keep up with the pace of high inflation can add to the trigger for this penalty, even if exposures remain flat or grow modestly.

We do caution that if there are gaps identified in any of the three formulas, the materiality of the risk should be considered separately for each formula. This is important to not inadvertently change the focus of each formula as a result of risks that may be more material to one formula but not another. For instance, insolvencies for property and casualty insurers are primarily due to underwriting and catastrophe risk and not investment risk. If changes are made to the Life RBC formula for investment risk and then brought over to PCRBC, it would change the focus on relevant risks within the formula and result in either false negatives or positives.

¹ 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.

Our responses to the questions are in the attached Appendix.

Should you have any questions, please do not hesitate to contact the undersigned, Jay Muska, at jay.muska@apci.org. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Jay Muska". The signature is written in a cursive, slightly slanted style.

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

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

Appendix

GAPS

1. **What material risks are not adequately captured within the RBC framework that are possibly insufficiently captured elsewhere? When evaluating material risks not adequately captured, consider the following:**
 - a. **Risks associated with potential misclassification of a risk (e.g., policy and/or asset class) when applying RBC components.**
 - b. **Risks associated with modeling limitations of RBC modeling components, possibly incongruencies with other aspects of the framework (e.g., reserves).**
 - c. **Risks associated with inadequate governance related to model monitoring, development, and update processes to effect timely material adjustments to RBC assessments.**

Response: The current property and casualty RBC framework adequately covers or is in the process of covering material risks for property and casualty RBC and aligns well with the causes of insolvency. The NAIC continues to incorporate catastrophe risk through the work of the Property and Casualty Risk Based Capital Working Group and the Catastrophe Risk Subgroup. The governance and model review process used to incorporate catastrophe risk has been deliberate and thoughtful. This process is a good model to follow for similar risks that might emerge in the future.

2. **Are there material new or emerging risks that the RBC framework does not capture?**

Response: As noted in question 1, there is more work to be done on catastrophe risk for PCRBC, but the process is already underway. We also support the work that is being done to consider the impact of diversification of risks and how the PCRBC may be adjusted for such impacts.

Inconsistencies

3. **Where do the Life, Property & Casualty, and Health RBC formulas diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately in the respective formula (after covariance)?**

Response: After covariance and considering differences in accounting, we are not aware of differences that result in risks not being treated appropriately in the respective formula.

4. **Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?**

Response: We do not believe that any of the PCRBC components diverge in the treatment of the same or similar material risks that result in risks not being treated appropriately.

5. **Which RBC components materially violate the RBC Principles?**

Response: We do not believe that any of the RBC components in the PCRBC formula violate the RBC Principles for material risks.



March 12, 2026

VIA ELECTRONIC SUBMISSION

Dan Daveline
NAIC
ddaveline@naic.org

Bridgeway Analytics
RBC-MoGo@BridgewayAnalytics.com

Re: IIF Response to Request for Comments on RBC Gaps (RBC Model Governance (EX) Task Force)

Dear Commissioner Godfreed,

The Institute of International Finance (IIF) welcomes the opportunity to comment on the Risk-Based Capital Model Governance (EX) Task Force's gap analysis and consistency assessment. We are supportive of the Task Force's initiative. The RBC framework is a crucial tool available for regulators to protect policyholders and monitor insurers' solvency—in a manner that is grounded in sound analysis, and that is sensitive to the broader consequences of capital requirements on market functioning, product availability, and consumer outcomes.

We offer the following observations as well as comments addressing the Task Force's questions.

Overarching Comments

Equal capital for equal risk. Capital charges should reflect the actual underlying economic risk of an exposure and the level of capital required to absorb it. Where the current framework produces materially different outcomes for economically comparable risks—whether through RBC charges, reserving, or accounting treatment—a thorough understanding of those differences is needed, and adjustments should be considered.

Timeliness and responsiveness. Capital frameworks must keep pace with the risks they are designed to capture as well as insurers' risk management practices. The IIF encourages the NAIC to adjust RBC components to keep pace with market developments, including structural changes in investment risk, underwriting risk, and operational risk. The Task Force's important contribution is establishing a durable, transparent governance process for ongoing RBC calibration, based on careful sequencing of adjustments and active stakeholder dialogue. Further to the Task Force's commitment to a transparent, sequenced governance process, we encourage the NAIC to ensure that Commissioners remain the primary drivers of policy goals and key decisions for the RBC framework. Commissioner-led direction will help keep the framework anchored to its core public interest objectives.

Specific Comments

- 1. What material risks are not adequately captured within the RBC framework that are possibly insufficiently captured elsewhere?***

As noted above, we believe capital outcomes should reflect the actual underlying economic risk of an exposure and align for economically comparable risks. Where material disparities exist without clear risk justification — and where the basis for those differences is not transparent to industry stakeholders — the principle of equal capital for equal risk principle is not being met.

3. *Where do the Life, Property & Casualty, and Health RBC formulas diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately in the respective formula (after covariance)?*

We urge the Task Force to consider that not all divergences across formulas are necessarily inappropriate. Some reflect intentional design choices, the avoidance of double-counting, or the management of volatility that is specific to a line of business. The materiality of a risk should be assessed separately for each formula as risks that are significant in the life context may be peripheral in P&C or Health. Importing calibration changes across formulas without accounting for these differences risks distorting each formula's focus and producing false signals at the individual company level. The appropriate response is therefore to catalogue divergences systematically and evaluate each against the RBC Principles—not to treat cross-formula consistency as an end in of itself.

4. *Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?*

As noted above, we believe capital outcomes should reflect the actual underlying economic risk of an exposure and align for economically comparable risks. Where material differences are identified and are not risk-justified, the equal capital for equal risk principle is not being met.

5. *Which RBC components materially violate the RBC Principles?*

The IIF recommends the Task Force approach this question as a forward-looking governance exercise. The RBC Principles serve as the appropriate benchmark for assessment: a component warrants attention where it produces capital outcomes that would not meaningfully inform a regulator's assessment of solvency risk, or where it treats comparable risks differently without substantive justification. Applied consistently, that standard is more useful than any fixed list of violations.

With that framing, the IIF would note that the areas most likely to meet that threshold are those where calibration has remained static in the face of material changes in the markets. These are, by definition, timeliness concerns as much as design concerns, and they reinforce our primary recommendation: that this process establish a durable governance structure for ongoing RBC review, with defined update triggers and transparent calibration documentation, so that the framework can remain aligned with the Principles on a continuing basis rather than through periodic crisis-driven reform.

The IIF encourages the NAIC to ensure that Commissioners remain at the helm of this process — setting policy direction, resolving key design questions, and ensuring that the framework remains balanced.

Conclusion

The IIF and its members remain committed to the principle that well-designed, transparent, risk-sensitive capital requirements—and supervisory frameworks more broadly—serve the interests of both industry and consumers by promoting financial stability, policyholder protection, and sustainable insurance markets.

We look forward to engaging constructively with the Task Force as this work progresses.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Philippe Brahin". The signature is fluid and cursive, with the first name "Philippe" and last name "Brahin" clearly distinguishable.

Philippe Brahin

Director, Insurance and NBF Regulation and Policy
Regulatory Affairs Department
Institute of International Finance (IIF)



Memo

To: Jon Godfread, Chair of the Risk-Based Capital Model Governance (EX) Task Force

From: Dave Heppen, FCAS, MAAA, Partner
Lynn Manchester, FSA, MAAA, Director
Veronika Cooper, FSA, MAAA, Senior Associate
Becky Sheppard, FSA, MAA, Senior Manager

Date: March 12, 2026

Subject: RRC Comments regarding Request for comments on *RBC Gaps*

Background

The Risk-Based Capital Model Governance (EX) Task Force exposed a new document on February 10, 2026, requesting comments "...from interested parties to identify gaps and inconsistencies across the RBC framework".

Risk & Regulatory Consulting, LLC ("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.

RRC appreciates the opportunity to offer our comments on this important issue. Should you have any questions, we would be glad to discuss our comments with you and Task Force members. Our comments will focus on the following areas:

- I. General Comments
- II. RBC for Property and Casualty
- III. RBC for Life
- IV. RBC for Health
- V. Investment issues related to RBC

Our comments on gaps represent areas for which we have general awareness based on our normal course of business, and are not meant to represent a comprehensive gap analysis. We realize that many of the items mentioned below may be currently under consideration by the Task Force for changes and updates.

I. General Comments

1. Many components of the RBC formulas were originally developed based on data from the 1970s–1980s. Since that time, there have been significant changes in markets, interest rates, mortality, longevity, and product design. Therefore, updates to certain components may be warranted.
2. Certain risk factors are treated inconsistently across lines of business. For example, Life RBC differs materially from P&C and Health formulas in structure, factor calibration, and accounting bases (e.g., amortized cost vs. market value). While some differences are needed based on the underlying risk profiles, some of these inconsistencies may create distortions when trying to assess weak capitalization for different types of insurers. The reasons for differences should also be well documented so that they are understood in the future.

II. RBC for Property and Casualty

1. The capital charges for lines of business that are subject to significant volatility or significant tail risk (i.e. very high expectation of loss in extreme scenarios) may be insufficient based on the current level of granularity in the RBC formula. For example, the blended personal auto liability reserve risk charge is likely to be insufficient for an insurer that has significant Personal Injury Protection exposure. Other Liability reserve risk charges are likely to be insufficient for insurers with significant mass tort exposure.
2. Smaller companies tend to have increased underwriting risk due to the volatility of their business; differences in volatility based on company size are not contemplated in the RBC formula.
3. Long-tailed lines' experience development could include more than the ten years captured in Schedule P (the data the RBC underwriting risk factors are calibrated on) to better capture the full development history for these lines.
4. The catastrophe risk adjustment does not address all catastrophe perils, for example Severe Convective Storms.

III. RBC for Life

1. Some risks are not directly reflected in the RBC formulas. For example, policyholder behavioral risks such as dynamic lapses, and product option utilization such as index-based account options in annuities and life insurance.
2. Interest rate risk (C-3) may be too simplistic for some annuity and life insurance products, such as Universal Life with Secondary Guarantees (ULSG), and other long-duration interest-sensitive products. For example, ULSG tail risk expands dramatically under prolonged low interest rate scenarios, a pattern not reflected in current factor-based C-3 formulas.
3. Interest rate risk (C-3 P1) factors, where RBC Cash Flow Testing is not required, assume well-matched asset/liability durations, adding only a fixed 50% load for mismatches. This simplification may understate or misstate real ALM risk, especially for products with embedded options or equity indexing. ALM mismatch may also be driven by movements in credit spreads, which is not directly contemplated.

4. The correlation formula may not adequately address observed risk correlations.

IV. RBC for Health

1. The Health RBC (H-RBC) factor-based approach does not sufficiently differentiate and account for risk across health products. For example:
 - a. ACA Risk-Adjustment (RA) Settlement Volatility & Timing Risk - Large, uncertain year-end RA receivables/payables (finalized mid-year following the coverage year) create material underwriting volatility that is not explicitly recognized in H-RBC. Current factors applied to premium/claims implicitly assume claim volatility but do not isolate RA transfer dispersion, which can swing margins materially especially for issuers with high concentration in a specific plan metal tier (e.g., Bronze, Silver, Gold, or Platinum) or plans that have narrow networks.
 - b. Rapid Enrollment Growth / Start-Up Expansion Risk - Rapid growth (e.g., new market entries, large group wins, or Medicaid auto-assignment) elevates pricing error and execution risk before credible experience emerges; current H-RBC does not include explicit growth charges that vary by product type.
 - c. Catastrophic High-Cost Claim Concentration (Specialty/Gene Therapies) - A small number of ultra-high-cost therapies can create idiosyncratic tail risk in smaller or concentrated blocks even when average claim volatility is modest; existing H2 factors do not explicitly recognize claim concentration at the member-or-therapy level.
 - d. The Managed Care Credit categories may not be sufficiently detailed and appropriate as there has been an increase in managed care arrangements compared to when HRBC was developed where fee-for-service arrangements were dominant.
2. There may be inconsistencies regarding the application of the RBC formulas within Health and across other lines. For example:
 - a. Reinsurance - Credit-risk factors in Health RBC do not explicitly differentiate offshore or concentrated reinsurance counterparties for stop-loss/quota-share used by commercial and Medicaid issuers, whereas other lines have highlighted this exposure.
 - b. ASO - Administrative services-only (ASO) business has limited premium as an exposure base, yet embedded stop-loss or guarantees create underwriting-like volatility not commensurate with fee revenue used in H2.
 - c. Correlated Risks - Health insurers can experience correlated stresses (e.g., rapid growth + pricing shortfall + ACA RA swing). The current square-root covariance can over-diversify these risks.

V. Investment issues related to RBC

1. There are differences in treatment of asset risks across the three formulae, for example the Life RBC formula has risk category rankings for Commercial Mortgage Loans, while the formulas for other lines do not. The Life

RBC formula has a beta adjustment for common stock, while the formulas for other lines do not. The Life RBC formula has more granularity for Schedule BA than the formulas for other lines.

2. There is insufficient recognition of the risks that may arise associated with illiquid instruments. Because illiquidity can result in market value losses upon forced sales, the use of illiquid assets does have capital implications.
3. For fixed income instruments, there is insufficient recognition of differences in interest rate and spread duration that may also significantly contribute to market volatility.
4. There is insufficient recognition of the risk associated with Investments reported on Schedule BA that may be subject to high risk of volatility or payment uncertainty, which also may be difficult to assess given the lack of transparency for those assets.

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



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

RBC-MoGo-TF

RBC gaps & inconsistencies A review of RFC responses

March 24, 2026

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.

Request for comments: RBC gaps and inconsistencies

Gaps

- What material risks are not adequately captured within the RBC framework that are possibly insufficiently captured elsewhere? When evaluating material risks not adequately captured, consider the following:
 - Risks associated with potential misclassification of a risk (e.g., policy and/or asset class) when applying RBC components.
 - Risks associated with modeling limitations of RBC modeling components, possibly incongruencies with other aspects of the framework (e.g., reserves).
 - Risks associated with inadequate governance related to model monitoring, development, and update processes to effect timely material adjustments to RBC assessments.
- Are there material new or emerging risks that the RBC framework does not capture?

Inconsistencies

- Where do the Life, Property & Casualty, and Health RBC formulas diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately in the respective formula (after covariance)?
- Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?
- Which RBC components materially violate the RBC Principles?

Comment letters

Comment letters

- Alternative Credit Council (ACC)
- American Academy of Actuaries (Academy)
- American Council of Life Insurers (ACLI)
- American Property Casualty Insurance Association (APCIA)
- Athene
- Institute of International Finance (IIF)
- MetLife Investment Management/Pinebridge Investments
- National Association of Mutual Insurance Companies (NAMIC)
- National Life
- Peter Gould
- Reinsurance Association of America (RAA)
- Risk & Regulatory Consulting, LLC (RRC)

Common themes on governance & process

- Governance, model monitoring, development, and update processes
- Differences across formulas
- Gap and inconsistency process
- Linkages to the broader framework

Gaps & inconsistencies

- Life, P&C, and Health
 - Differences across the three formulae
 - Investments
- Life, RBC correlation
- Life, reinsurance
- Life, policyholder risk
- Life, C-3
- P&C
- Health

Common themes on governance & process (paraphrased)

Governance, model monitoring, development, and update processes

- **Support Principles.** Commenters were explicitly or implicitly supportive of the Principles and the materiality concept. (ACC, ACLI, APCIA, Athene, IIF, NAMIC, RAA)
- **Governance.** Support the Task Force's effort to establish a clear and durable governance framework for how RBC changes are evaluated and prioritized. Greater transparency, stronger documentation, and a more disciplined process. (ACC, ACLI, Athene, IIF, RAA)
 - Consider a process to help all relevant stakeholders develop a shared baseline understanding of specific issues under consideration, driven by policy-level discussion among leadership, subsequently assigned to the appropriate technical group or committee. (ACLI)
- **Commissioner involvement.** Encourage Commissioners to remain the primary drivers of policy goals and key decisions for the RBC framework, helping keep it anchored to its core objectives. The Federal Reserve was cited as a benchmark where senior policymakers are actively involved in the rulemaking process. (ACLI, APCIA, Athene, IIF)
- **Ongoing process.** RBC Model Governance (EX) Task Force should not be viewed as a short-term exercise. Although the effort may not be most appropriate for the EX-Committee. (ACLI, Athene)
- **Timeliness and Responsiveness.** Adjust RBC components to keep pace with market developments. (IIF)
- **Working Groups.** Changes should continue to be managed bottom-up, which inherently builds appropriate lenses through which solvency should be viewed for each line and allows for ongoing reviews by each working group to address material emerging risks and overall effectiveness of each formula. (NAMIC)

Common themes on governance & process (paraphrased)

Gap & inconsistency process

- **Useful.** The gap analysis can provide useful insights if it remains grounded in material solvency relevance. (ACLI, APCIA, Athene, RAA, RRC)
- **Strengthen governance.** Strengthen governance mechanisms for identifying issues. (RAA, ACLI, Athene, ACC, RRC)
- **Inventory gaps & inconsistencies.**
 - Anchor the Gap Analysis to the RBC Principles and the Investment Framework, inventory key components used in capital charge calculation (e.g., tail risk definition),... Inconsistencies and gaps... should be inventoried and analyzed to determine whether differences are intentional and appropriate or whether adjustments are warranted (e.g., prevent double counting, managing volatility and for operational simplicity). (ACC, ACLI, Athene, RRC)
 - Athene provides an analysis summarizing linkages and (in)consistencies across Life C-1 components and the broader framework. (Athene)
 - Support consideration, within each formula, of where the RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately. Also support consideration of which RBC components materially violate the RBC Principles... attempting to comprehensively cover all material risks needs to be balanced with complexity. Creating an overly complex approach may increase model risk if there is inadequate model governance. (Academy)

Common themes on governance & process (paraphrased)

Differences across formulas

- **Design each formula to address relevant risk.** The fundamental differences between lines of business are appropriately reflected in the respective RBC formulas, with the resulting inconsistencies deliberately calibrated. It is important not to inadvertently change the focus of each formula as a result of risks that may be more material to one formula but not another. (Academy, APCIA, NAMIC, IIF, Peter Gould, RAA)

Linkage to the broader framework

- **Interactions with Statutory Accounting.** Review the interaction between RBC charges and statutory accounting treatment to eliminate distortions where economically identical exposures receive different accounting or prudential treatment. In doing so can maintain substance over form. (ACC, Athene, IIF, RRC)
- **The broader toolbox.** It is important for regulators to consider all solvency tools and to maintain a broad, holistic view when contemplating future adjustments to RBC, recognizing the interconnectedness and co-dependencies within the overall framework. (ACLI, NAMIC, RAA)
- **Misclassification of assets.** Address the ability to misclassify assets to avoid RBC charges. (Peter Gould)
- **Improving reporting.** To improve the accuracy and consistency, require RBC *characteristic* codes. These codes would direct the RBC user to factors important for interpreting the reported RBC. (Peter Gould)

No gaps in the process for developing RBC models to address emerging risks.

- The current framework allows for proper, periodic analysis of emerging risks. (Academy)
- For P&C RBC, there are no gaps or flaws in the process for addressing emerging risk(s), although ongoing revisions are needed (e.g., incorporating catastrophic risk). (APCIA)

Gaps & inconsistencies (paraphrased)

Life, P&C, and Health - differences across the three formulae

- Life RBC risk category rankings for Commercial Mortgage Loans, while the formulas for other lines do not. (RRC)
- Life RBC has a beta adjustment for common stock, while the formulas for other lines do not. (RRC)
- Life RBC has more granularity for Schedule BA than the formulas for other lines. (RRC)
- Advocate harmonizing RBC treatment for bond funds across insurer types (ACC, MetLife IM/Pinebridge)

Life, P&C, and Health - investments

- Significant differences at the state-level Schedule BA limits and allowance of look-through treatment for capital charge determination. (ACC)
- Insufficient recognition of Schedule BA asset volatility or payment uncertainty, with limited transparency. (RRC)
- Complete the Academy's approach of using comparable attributes for all ABS. (ACC)
- Concerns of financial engineering of junk-grade assets to avoid RBC charges. (Peter Gould)
- Insufficient recognition of illiquidity risk. (RRC)
- Insufficient recognition of interest rate and spread duration risk. (RRC)

Gaps & inconsistencies (paraphrased)

Life, RBC correlation

- The correlation formula may not adequately address economic risks. (RRC)

Life, reinsurance

- Base reserve collateral can be fully secured, yet solvency capital, governance standards, and transparency may not be validated in a manner comparable to U.S. expectations, leaving a potential mismatch between statutory credit and total-asset resilience under stress. (Athene)
- Concern over reinsurance resulting in the liabilities disappearing from the insurer's balance sheet. (Peter Gould)

Life, policyholder risk

- Risks are not reflected in the RBC formulas, such as policyholder behavioral risks (e.g., dynamic lapses, product option utilization, such as index-based account options in annuities and life insurance). (RRC)

Life, C-3

- Fixed annuities and a block of well-hedged fixed indexed annuities are subject to almost identical interest rate (C-3) risks, yet their C-3 treatment is very different: fixed annuities use a model-based approach while FIAs use a factor-based approach. (National Life)
- C-3 may be too simplistic for some annuity and life insurance products, such as Universal Life with Secondary Guarantees (ULSG), and other long-duration interest-sensitive products. (RRC)
- C-3 Phase I factors, where RBC Cash Flow Testing is not required, assume well-matched asset/liability durations, adding only a fixed 50% load for mismatches. This simplification may understate or misstate real ALM risk. (RRC)

Gaps & inconsistencies (paraphrased)

P&C

- Concerns with lines subject to significant volatility or tail risk (e.g., Personal Injury Protection or mass tort). (RRC)
- Long-tailed lines' experience development could include more than ten years to better capture risk. (RRC)
- Smaller companies tend to have increased underwriting risk due to the volatility of their business. (RRC)
- The catastrophe risk adjustment does not address all perils (e.g., Severe Convective Storms). (RRC)
- For P&C RBC, while APCIA is not aware of any gaps or flaws in the process for addressing emerging risk(s), it raises the point that the P&C RBC excessive growth penalty threshold should be calibrated to an inflation index. (APCIA)

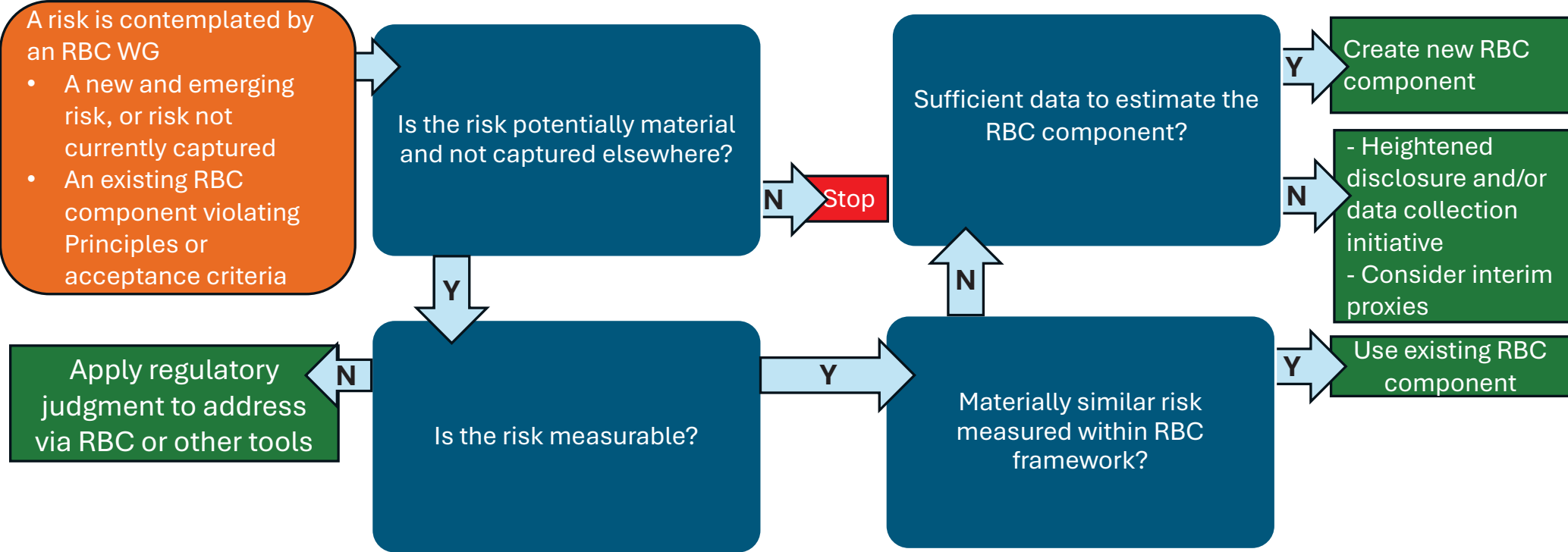
Gaps & inconsistencies (paraphrased)

Health (RRC)

- Insufficient differentiation for risks across health products (e.g., ACA RA Settlement Volatility & Timing Risk).
- Current H-RBC does not include growth charges by product type; e.g., Rapid Enrollment Growth / Start-Up Expansion Risk - Rapid growth elevating pricing error and execution risk before credible experience emerges.
- Current H-2 factors do not recognize claim concentration at the member-or-therapy level. Catastrophic High-Cost Claim Concentration (Specialty/Gene Therapies) can create tail risk in concentrated blocks.
- Managed Care Credit categories may be insufficiently detailed as managed care arrangements have increased.
- There may be inconsistencies regarding the application of the RBC formulas within Health and across other lines.
 - Reinsurance - Credit-risk factors do not explicitly differentiate offshore or concentrated reinsurance counterparties for stop-loss/quota-share used by commercial and Medicaid issuers.
 - ASO business has limited premium as an exposure base, yet embedded stop-loss or guarantees create underwriting-like volatility not commensurate with fee revenue used in H-2.
 - Correlated Risks insufficiently captured (e.g., rapid growth + pricing shortfall + ACA RA swing).

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Sufficiently precise while avoiding complexity



- **Material is defined in RBC Principles** as meaningfully impacting the assessment of the solvency risk for all or an identifiable segment of companies.
- **A risk is contemplated by an RBC WG.** While gaps or inconsistencies in RBC formulas can be raised by many parties, the process ultimately requires an RBC Working Group to address them. Typically, the process is initiated by:
 - Industry is raising a concern.
 - An issue is referred by SAPWG, IATF, FSTF, or another group within the NAIC.
 - An issue is identified by NAIC staff.
 - An issue is identified during the review of an individual insurer.
 - An issue is identified by other industry regulators that may also impact insurance.
- **Is the risk potentially material and not captured elsewhere?** Risks identified as potentially material, with additional data, possibly additional disclosure, and analysis needed to assess whether the risk is in fact material. In many cases, risks are more effectively captured elsewhere in the framework.
- **Is the risk measurable?** If a risk is identified as material and not measurable, regulatory judgment must be exercised to address it via RBC or other tools. By its nature, any update to RBC would not be data-driven, and the degree to which the update is interim will be determined by the materiality of the risk and the degree to which it may be measurable and associated costs (e.g., through heightened disclosure).
- **Materially similar risk measured within RBC framework?** To avoid complexity, risks should be captured within an existing RBC component to the extent the component is already appropriately measuring a materially similar risk.
- **Sufficient data to estimate the RBC component?**
 - If there is insufficient data, regulatory judgment will determine whether to consider:
 - Heightened disclosure and/or data collection initiative
 - Interim proxies
 - If there is sufficient data, a new RBC component will be developed using comparable attributes if available. If comparable attributes are not available, the new RBC component would model each risk factor individually.

AMERICAN ACADEMY OF ACTUARIES—MARCH 25, 2026

To: NAIC Risk-Based Capital (RBC) Model Governance (EX) Task Force
From: American Academy of Actuaries, RBC Impairment Research Work Group,
Risk Management and Financial Reporting Council

Update on RBC Ratios and Impairment Risk Research Initiative

In the [September 2025 letter](#) from the American Academy of Actuaries' (Academy) RBC Impairment Research Work Group to the NAIC's RBC Model Governance (EX) Task Force (Task Force), we outlined a crosspractice research initiative to update and expand prior work assessing the relationship between insurers' RBC ratios and subsequent insolvency or impairment outcomes across the life, health, and property/casualty sectors.

As described previously, the purpose of this project is to provide an objective, datadriven view of how RBC levels relate to emerging financial distress, recognizing that many factors beyond formulabased capital contribute to impairment.

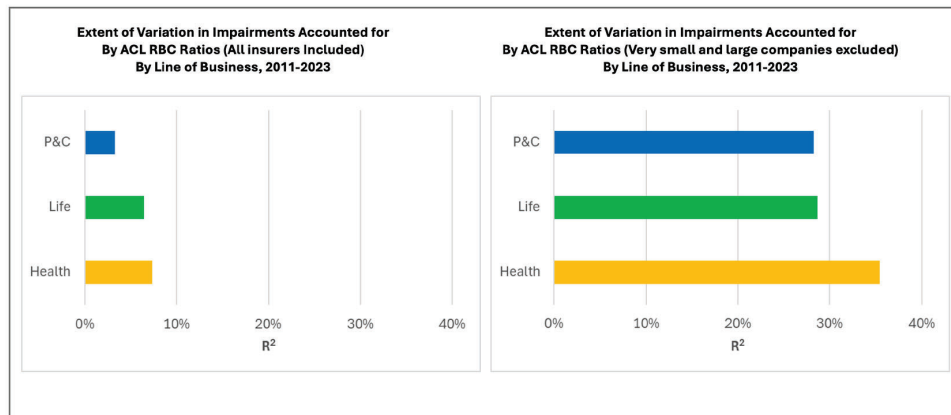
Since September, the Academy has undertaken a comprehensive analysis of impairments from 2000–2023, incorporating improved sample selection and multiyear probability modeling. This update is meant to provide an overview of key results from this work, following up on the September letter that had requested NAIC input and sharing initial analysis with the Task Force.



Key Research Objective

Assess whether a meaningful relationship exists between RBC ratios and impairment by looking at how closely differences in RBC ratios align with differences in the likelihood of impairment. The following analysis focuses on the 2011-2023 time period.

Graph 1: Extent of Variation in Impairments Accounted for by ACL RBC Ratios



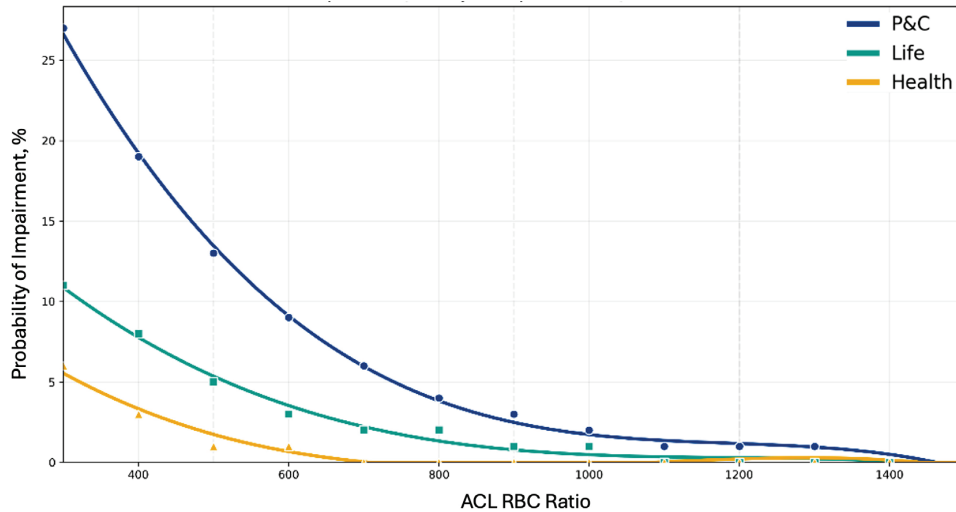
- Across all insurers and all lines, **RBC ratios alone show little to no relationship with impairment experience** (Graph 1, left). This holds consistently for life, health, and P&C companies.
- When the analysis excludes very small companies (bottom 10% by size) and companies with extremely high RBC ratios (above roughly 1200%–1500%), a clear relationship emerges (Graph 1, right). **RBC becomes meaningfully predictive of impairment risk one to five years ahead.**

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Graph 2: Probability of Impairment, % vs ACL RBC Ratio



- Within the analyzed samples, impairment probabilities fall toward zero once RBC ratios reach the 10–15 ACL range (1000%-1500%), indicating that additional capital above those levels adds little incremental predictive value (Graph 2).

Takeaways¹

RBC ratios, on their own and across the full industry (P&C, Life, and Health) show little meaningful relationship with impairment experience. However, once we remove very small insurers and companies with extremely high capital levels, a much clearer and more stable predictive pattern emerges. In these filtered samples, RBC levels become materially less informative of impairment risk when ACL RBC ratios exceed 1000%-1500%.

Next Steps

In addition to sensitivity testing of the results presented here, we will be examining the relationship between the RBC ratios and impairment risk when we account for other factors that are very likely also related.

The Academy anticipates providing a more complete analysis of this research by the Summer National Meeting. In the interim, we are happy to discuss the work completed thus far and are interested in the Task Force’s feedback. Please feel free to contact Steve Jackson, Director of Research (sjackson@actuary.org), if you have any questions or would like to discuss the project further.

¹ In performing the analysis, we assessed whether a meaningful relationship exists by looking at how closely differences in RBC ratios align with differences in the likelihood of impairment. This was done by analyzing max rescaled R-squared (RSQ) values from logistic regressions as an indicator of goodness of fit. We selected the “best” sample for each line of insurance by optimizing RSQ and the number of impaired companies in the filtered sample. We calculated the estimated probability of impairment by applying the parameters estimated in the logistic regression on the “best” sample to various levels of RBC ratios.