FINANCIAL CONDITION (E) COMMITTEE

Draft: 8/24/26

Financial Condition (E) Committee
Columbus, Ohio
August 14 2026

The Financial Condition (E) Committee met in Columbus, OH, Aug. 14, 2026. The following Committee members participated: Nathan Houdek, Chair (WI); Michael T. Caljouw, Vice Chair (MA); Michael Yaworsky represented by Nicole Crockett (FL); Doug Ommen, Kevin Clark, and Carrie Mears (IA); Mike Chaney represented by Mark Cooley (MS); Mike Causey represented by Jackie Obusek (NC); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French and Tom Botsko (OH); Michael Wise (SC); Amanda Crawford represented by Jamie Walker (TX); Scott A. White, Dan Bumpus, and Doug Stolte (VA); and Kaj Samsom (VT). Also participating were: Mike Peterson (CA); Philip Barlow (DC); Kathleen Orth and Fred Andersen (MN); and John F. Rehagan (MO).

1. Adopted its July 8 and Spring National Meeting Minutes

The Committee met July 8. During this meeting, it took the following action: 1) adopted proposed changes to the risk-based capital (RBC) preamble, RBC proposal 2026-12-IRE-MOD, and RBC proposal 2025-16-L-MOD; and 2) received an update on NAIC designations.

Director French made a motion, seconded by Commissioner Caljouw, to adopt the Committee's July 8 (Attachment One) and Spring National Meeting minutes (*see NAIC Proceedings – Spring 2026, Financial Condition (E) Committee*). The motion passed unanimously.

2. Adopted the Reports of its Task Forces and Working Groups

Commissioner Houdek stated that the Committee typically adopts one motion to approve its task force and working group reports, which are considered technical, noncontroversial, and not significant by NAIC standards (i.e., they do not include model laws, model regulations, model guidelines, or items deemed to be controversial). He reminded Committee members that after the adoption of its votes, all technical items in the reports adopted reports will be sent to the NAIC Members for review shortly after the conclusion of the 2025 Summer National Meeting as part of the Committee's technical changes report. Pursuant to the technical changes report process previously adopted by the Executive (EX) Committee and Plenary, the Members will have 10 days to comment. Otherwise, the technical changes will be considered adopted by the NAIC and effective immediately.

With respect to the task force and working group reports, Commissioner Houdek asked the Committee: 1) whether there are any items that should be discussed further; and 2) whether there are other issues not up for adoption that are currently being considered by task forces or working groups reporting to the Committee that require further discussion. The response to both questions was no.

In addition to presenting the reports for adoption, Commissioner Houdek reported that the Group Capital Calculation (E) Working Group did not meet, but it is expected to receive referrals from the International Insurance Relations (G) Committee related to whether further changes are needed to the group capital calculation (GCC) based on referrals from the Aggregation Method Implementation (G) Working Group. If there ends up being any changes proposed by the Group Capital Calculation (E) Working Group, those items will come back to this Committee following discussion by the Working Group.

Commissioner Houdek also noted that the Financial Analysis (E) Working Group met Aug. 11, July 16, June 18, May 27–28 and April 27–28 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss letter responses and financial results.

Additionally, the Valuation Analysis (E) Working Group met Aug. 11, and the Risk Retention (E) Working Group also met July 20, May 28 and April 23, both groups in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss valuation items related to specific companies.

Commissioner Ommen made a motion, seconded by Commissioner Caljouw, to adopt the reports of its task forces and working groups, including: the Accounting Practices and Procedures (E) Task Force; the Capital Adequacy (E) Task Force; the Financial Stability (E) Task Force; the Examination Oversight (E) Task Force; the Invested Assets (E) Task Force; the Receivership and Insolvency (E) Task Force; the Reinsurance (E) Task Force; the Group Solvency Issues (E) Working Group (Attachment Two); the NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group (Attachment Three); the National Treatment and Coordination (E) Working Group (Attachment Four), and the Reciprocal Exchanges (E) Working Group (Attachment Five). The motion passed unanimously.

3. <u>Received an Update from the Mutual Recognition of Jurisdictions (E) Working Group</u>

Rehagan provided an update on the activity of the Mutual Recognition of Jurisdictions (E) Working Group. The update included background information on how the Working Group meets annually to perform reviews of the qualified jurisdictions and reciprocal jurisdictions that are not subject to inforce covered agreements, as well as how they also meet to perform reviews of any applications by jurisdictions wishing to be granted qualified jurisdiction status. Rehagen noted that he wanted to make the Committee aware that the NAIC had received three formal applications from jurisdictions seeking to obtain qualified jurisdiction status. This includes Guernsey, a self-governing British crown dependency in the Channel Islands located off the coast of Normandy near France. It has its own government legal system and financial regulator. It is an established international finance and insurance center known for its political stability, significant experience in banking, investment funds, insurance, and reinsurance.

Rehagan stated that in addition, the NAIC has been in contact with the representatives from the Republic of Korea Financial Services Commission (FSC) supervisor, requesting that the NAIC restart its qualified jurisdiction review process, which was initially performed and then put on hold back in 2021. At that time, the NAIC was notified of data localization issues that needed to be addressed before this could move forward. He also noted that the Cayman Island Monetary Authority (CIMA) had formerly applied to be a qualified jurisdiction. The Cayman Island reinsurance sector has been growing over the past few years. So, at this point, it has filed this application for the NAIC's review.

Rehagan noted that the plan for these reviews is to follow the requirements of the process for evaluating qualified and reciprocal jurisdictions. While the NAIC does not yet have a timeline for the rules, he noted that the leadership of the Mutual Recognition of Jurisdictions (E) Working Group, the Reinsurance (E) Task Force, and NAIC committee support will begin to work through these and conduct timely reviews. Rehagan announced that the Working Group plans to meet in regulator-to-regulator session at the end of the month to discuss the plans for work to begin on these reviews.

4. <u>Adopted a Referral to the Life-Risk Based Capital (E) Working Group</u>

Commissioner Houdek noted that the materials included a draft letter to the Life-Risk Based (E) Working Group. He explained that the referral was being driven by the substantial increase in the use of life reinsurance and the need to factor some of these issues into the NAIC's solvency framework. He added that reinsurance has been a topic discussed by the Valuation Analysis (E) Working Group with the adoption of Actuarial Guideline *LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55), and commissioners heard a summary of that work at the Commissioners' Mid-Year Roundtable in June. He noted that while that Working Group's work is not final, it has been noted that some reinsurance agreements were flagged in the analysis of those reports due to their increasing risk on U.S. ceding companies.

Commissioner Houdek added that reinsurance has also been a topic discussed at the Financial Analysis (E) Working Group, and there is a general belief among insurance regulators that immediate attention is needed, given the significant increase in reinsurance activity. He went on to explain that another basis for the recommendation is information shared with the Financial Analysis (E) Working Group from U.S. domestic regulators from numerous states dealing with their concern about recapture risk and counterparty risk associated with these reinsurance arrangements. As a result, there is a concern among regulators that the life RBC framework may not adequately consider the level of recapture risk, as well as credit risk related to unrated and lower-rated reinsurers.

Commissioner White made a motion, seconded by Commissioner Ommen, to adopt the referral to the Life Risk-Based Capital (E) Working Group (Attachment Six). The motion passed unanimously.

5. <u>Exposed a Letter Regarding Model #285</u>

Commissioner Houdek explained that the materials included a draft letter requesting feedback on whether the *Disclosure of Material Transactions Model Act* (#285) should be modified. While the background and rationale are similar to those discussed under the previous agenda item on reinsurance—specifically, increased transparency for unaffiliated reinsurance transactions—the proposed changes could be broader. However, regulators currently have transparency into new reinsurance agreements with domestic affiliates under the *Insurance Holding Company System Regulatory Act* (#440), but they do not have that same transparency with unaffiliated reinsurance transactions.

Commissioner Caljouw made a motion, seconded by Commissioner White, to expose the letter for a 45-day public comment period ending Sept. 29 (Attachment Seven). The motion was unanimously carried. Commissioner Houdek announced that once comments are received, the Committee will review and discuss them to determine if it wants to request authority from the Executive (EX) Committee to modify Model #285.

6. <u>Exposed a Memorandum from the Natural Catastrophe Risk and Resilience (EX) Task Force</u>

Peterson explained that there was an exciting growing collaboration between the Financial Condition (E) Committee and the Natural Catastrophe Risk and Resilience (EX) Task Force. He explained that the Committee has various reporting requirements that produce data and metrics that help train financial analysts, actuaries, and examiners, and which are also used to implement changes to the *NAIC Financial Condition Examiners Handbook* and the *Financial Analysis Handbook*. Regulators use the data for planning and communicating with insurance stakeholders. The Task Force also has long-standing tools related to reinsurance and catastrophe modeling that help states understand market utility. Its focus is on strengthening those tools and improving regulators' understanding of how they can be used.

Peterson said that, looking ahead at the two groups' continued collaboration, the Natural Catastrophe Risk and Resilience (EX) Task Force composed the referral included in the materials so that it could continue to collect key data and build out those catastrophe modeling and reinsurance trainings. He noted how catastrophe risk is now informing a series of new training for regulator staff. There is a three-part catastrophe modeling series open to all states, not just state actuaries or analysts. Peterson noted that the California Department of Insurance (DOI) has attorneys that take it. He added that throughout the DOI's data collection team, others take it, and so it is becoming a significant resource for regulators. Those catastrophe modeling training courses include practical rate review training and samples, and this RCAT scenario analysis data can be helpful.

Peterson noted that there is also training on catastrophe climate risk for financial examiners and financial analysts. And then this past May, the NAIC collaborated with the Reinsurance Association of America (RAA) to host a reinsurance training that ended up including 50 attendees from 36 states. Peterson said the training had broad participation and was valuable. From the Task Force's perspective, it could be the first in a series of trainings designed to help regulators better understand property reinsurance and connect that work to the NAIC Catastrophe Risk Management Center of Excellence (COE).

Peterson described how there are numerous training courses that link these tools and show the nexus between reinsurance and the property/casualty (P/C) market, natural catastrophe risk, models, and forward-looking scenario analysis. He expressed a growing value for the NAIC for this type of information. He noted the Center for Insurance Policy and Research (CIPR) event two days prior that specifically focused on property reinsurance, where there were presentations from AON that examined current trends and how they look at that moving forward. Peterson said the value is building out those reinsurance trainings. Peterson explained that a secondary purpose of the referral is to continue collecting the data needed to support scenario analysis. For this referral that the Task Force has submitted, it is seeking to extend the RCAT data for four additional years when it reaches its sunset next year.

Peterson explained that this information, combined with the information from the reinsurance interrogatory, brings together model losses collected under different scenarios. By doing this, it achieves a couple of things. First, it provides regulators with a baseline of probable maximum loss estimates for earthquake, hurricane, wildfire, and severe convective storms. And second, it provides medium and long-term modelled probable maximum loss estimates for hurricanes and wildfires under two future scenarios. This allows regulators to compare forward-looking projections. The information includes net and gross estimates related to reinsurance, as well as a description of the catastrophe reinsurance program.

Peterson noted that under this data collection, insurance companies have flexibility on the methodology they use to generate the data. This flexibility is important for two reasons. One is that it provides insurers with a way to use what is most relevant to them as they submit data. It also supports the training of department staff by allowing regulators to compare different methodologies and better understand how insurers are approaching these future scenarios. Peterson said that there were four key uses to share with Committee members from the Natural Catastrophe (EX) Task Force. First, it is used as a regulator-to-regulator tool, and that provides value to regulators. Second, it is a training mechanism to help train financial regulators on how to use scenario analysis. Third, it provides an ability to assess solvency of property reinsurers with an extremely high cat risk or a growing cat risk. Fourth, there have been fewer data quality issues, more engagement and submissions from the insurance companies, and also more engagement from the catastrophe modeling vendors who are part of this nexus of reinsurers, insurers cap modelers, and regulators.

Peterson said in closing, he wanted to leave the Committee with a couple of points on why the Task Force decided it wanted to send this referral to the Committee. First, the catastrophe scenarios mimic how reinsurers approach risk. So it provides a good opportunity to build out those reinsurance training courses in a way that helps multiple levels of staff understand how reinsurers are approaching the market. Reinsurers use similar scenarios when planning for capital and concentration risks, and it improves other data sources, like the reinsurance interrogatory and data that regulators get from public sources. Lastly, individual states like his are providing training for existing staff rather than contracting experts, which is a huge benefit internally to capacity. Peterson summarized that this referral recommends extending this data collection for four additional years under the same parameters. He noted that maintaining a consistent approach over the next several years will help the NAIC continue developing its reinsurance training series, resulting in a strong catastrophe modeling training series and a catastrophe and reinsurance for property training series.

Commissioner Caljouw made a motion, seconded by Commissioner Samsom, to expose the referral received (Attachment Eight). The motion passed unanimously.

7. Received an Update on the Future Work Plan of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Barlow provided an update on the future work plan for the Risk-Based Capital Investment Risk and Evaluation (E) Working Group. He said the Working Group is considering two tracks for its next steps. For the first, the NAIC committee support are reviewing annual statement data to categorize the asset backed securities (ABS) in the 2025 Schedule D filings to assist in determining which asset class to address next. The review will rank various types in order of magnitude and, to the extent determinable, also identify whether an asset class could be considered similar to collateralized loan obligations (CLOs). The Working Group will consider whether those asset classes can be mapped into the existing CLO factors, whether each asset class can be readily identified through Schedule D reporting, and whether totals are available through that reporting. He noted that the Working Group would avoid relying on company records to break out the assets, preferring instead to use the information reported directly in the financial statements. The Working Group also will consider whether the underlying assets are considered consumer or commercial assets. Once that list is put together, the Working Group will expose it for a public comment period. Then it will set priorities to work on those assets using the flow chart that the American Academy of Actuaries (Academy) developed.

The second path is asking the Academy to look at the three sensitivities for CLOs previously identified: 1) systemic risk; 2) the recovery, average, and collateral repurchase price; and 3) prepayment. The Working Group will expose parts of the previous Academy presentation discussing these three items shortly after this meeting. Barlow noted that the Working Group will specifically request comments on the correlation. In its previous work, the Academy indicated that the literature it reviewed did not reflect a consensus on the appropriate correlation to use. The Working Group is seeking feedback on whether a different correlation should be used. Barlow noted that this later path would be the focus for the rest of this year, and by then the Working Group would have the other assets prioritized and would start to look at the next category of assets.

Barlow also mentioned Matt Chung (IL) has agreed to take over as chair of the RiskBased Capital Investment Risk and Evaluation (E) Working Group next year, while Thomas Reedy (CA) will continue to serve as vice chair. Barlow said the Working Group looks forward to continuing its work and as seamlessly as possible. Commissioner Houdek said that the rest of this year is going to be focused on further refinement of the work that has been happening regarding CLOs while also soliciting input and feedback on what the next steps are with broader ABS. Barlow agreed and noted that the Academy's original work assumed that the items they are going to be looking at offset each other. If the review identifies an issue, the Working Group could propose revisions to the recently adopted factors. However, any proposed revisions would not be considered until next year at the earliest.

8. Received an Update on the Work of the Invested Assets (E) Task Force

Commissioner Houdek noted that as part of that transition in the formation of the new Task Force and the three working groups under it, the Committee agreed last year that it would continue to receive regular updates throughout 2026 to make sure that as the governing parent committee, people are comfortable with this new structure and to make sure things are working as expected.

Mears directed Committee members to the report of the Task Force and highlighted some key points of interest. The Credit Rating Provider (E) Working Group exposed the Credit Rating Provider (CRP) Due Diligence Framework (Framework)May 4 for a 60-day public comment period ending July 3. During its Aug. 12 meeting, the Working Group discussed comments received. Its next step is to continue working with PwC, the consultant hired to help with that project, to review those comments. Then the Working Group will re-expose the Framework at a later date.

Mears next turned to the Investment Designation Analysis (E) Working Group. The Working Group took over a lot of the key charges of the Valuation of Securities (E) Task Force, particularly related to the Securities Valuation Office (SVO). The Working Group received a new application from a rating agency interested in being an NAIC CRP. The Working Group decided that the application should be referred to the Credit Rating Provider (E) Working Group. However, any applications received while the Framework is still being developed should not be considered until it is fully implemented.

The third working group is the Investment Analysis (E) Working Group, which meets primarily in regulator-to-regulator session. Mears noted that after the Task Force heard a presentation at the Spring National Meeting on residential mortgage loans, the Working Group used that information, along with an analysis of how residential mortgage loans are reported in the statutory financial statements, to develop two referrals. One referral was sent to the Statutory Accounting Principles (E) Working Group to consider whether additional disclosure is needed for residential mortgage loans, including related loan attributes, and whether a clearer definition of that asset group is needed. The second referral was sent to the Life Risk-Based Capital (E) Working Group to review the capital charges for that asset group. The work will begin with the Statutory Accounting Principles (E) Working Group, followed by the Life Risk-Based Capital (E) Working Group.

Mears said the broader issue before the Task Force is how to evaluate Level 3 assets, which are difficult to value. The Working Group has concluded that improvements could be made to Note 20C because it really lacks structure, functions more as a free form disclosure, and has resulted in significant variability among insurers. As part of its continued work in this area, the Task Force heard a presentation during its Aug. 13 meeting from the NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group on its processes for auditing the fair values of private credit within the generally accepted accounting principles (GAAP) and statutory accounting principles (SAP) audit process, particularly for Level 3. Mears explained how that was important because regulators generally try to leverage as much of that work from the auditor during the examination period so as not to duplicate some of the efforts there. She said that was an informative presentation and that the Task Force will likely continue exploring ways to leverage the audit work in its examination process.

9. <u>Received an Update on the AI Systems Evaluation Supplement Pilot Process</u>

Commissioner Samsom explained how earlier this year, the Big Data and Artificial Intelligence (H) Working Group finalized a draft of the AI systems evaluation supplement, which represents the latest step in adapting examination and related processes for regulating insurance company use of artificial intelligence (AI). The supplement does this by adding AI-specific guidance and resources to existing materials.

The pilot officially started in March and involved 12 states: California Colorado, Connecticut, Florida, Iowa, Louisiana, Maryland, Pennsylvania, Rhode Island, Vermont, Virginia, and Wisconsin. Commissioner Samsom thanked those states for working through the pilot. The pilot began with training and then transitioned to weekly meetings to share feedback and discuss what each state was hearing. The pilot group quickly heard feedback on common themes, including the need for more clarity on definitions of AI systems and models, materiality, and risk assessment. The pilot group is also working to address the scope of the tool and the use of the term “direct impact.”

The pilot group will consider all feedback received and make changes as appropriate. The goal is to provide a copy of the updated supplement to the Working Group during its Aug. 31 meeting. The pilot group will use that meeting to explain any changes made and take initial clarifying questions. Commissioner Samsom explained that the pilot group anticipates allowing comments beyond the comment period that would follow that meeting to ensure any feedback that comes in from the pilot is incorporated into the supplement.

Commissioner Houdek responded that he believed it was a positive process overall, with a lot of good feedback and opportunities to learn on both the regulatory and industry sides. He added that the pilot ultimately will lead to a positive outcome for what the supplement will look like.

Having no further business, the Financial Condition (E) Committee adjourned.

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Financial Condition (E) Committee
Virtual Meeting
July 8, 2026

The Financial Condition (E) Committee met July 8, 2026. The following Committee members participated: Nathan Houdek, Chair (WI); Michael T. Caljouw, Vice Chair (MA); Michael Yaworsky represented by Carolyn Morgan (FL); Doug Ommen and Kevin Clark (IA); Vicki Schmidt represented by Tish Becker (KS); Grace Arnold and Ben Slutsker (MN); Mike Chaney represented by Mark Cooley (MS); Mike Causey represented by Jacqueline Obusek (NC); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French and Dale Bruggeman (OH); Michael Wise (SC); Amanda Crawford and Jamie Walker (TX); Scott A. White represented by Doug Stolte (VA); Kaj Samsom represented by Christine Brown (VT); and Jeff Rude (WY). Also participating were: Ken Cotrone (CT) and Philip Barlow (DC).

1. Heard Opening Comments

Commissioner Houdek noted that the Capital Adequacy (E) Task Force has procedures that require changes to risk-based capital (RBC) to be adopted by the end of June before the forthcoming year-end Dec. 31. He stated that the Committee typically adopts any significant changes that have been adopted by the Capital Adequacy (E) Task Force in early July, and this is the purpose of the meeting.

2. Adopted Proposed Changes to the RBC Preamble

Commissioner Houdek reminded the Committee that approximately two years ago, the Capital Adequacy (E) Task Force recommended revisions to the preamble to clarify the role of RBC. He noted that in 2025, the Risk-Based Capital Model Governance (EX) Task Force engaged in work that also impacted the preamble, namely, the adoption of the RBC principles at the 2025 Fall National Meeting. In June 2026, both the Risk-Based Capital Model Governance (EX) Task Force and the Capital Adequacy (E) Task Force unanimously adopted the revised preamble. Therefore, it is now ready for the Committee to adopt.

Commissioner Ommen made a motion, seconded by Commissioner Caljouw, to adopt the revised preamble (Attachment One-A). The motion passed unanimously.

3. Adopted RBC Proposal 2026-12-IRE-MOD

Barlow noted that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met on June 23 to consider RBC Proposal 2026-12-IRE-MOD and six comment letters received on the proposal. A significant amount of time was spent discussing numerous options for addressing the comments, but in the end, the Working Group adopted the original proposal from the American Academy of Actuaries (Academy) with a couple of modifications.

The first modification was that the Academy proposed applying the factors to both middle-market collateralized loan obligations (CLOs) and broadly syndicated CLOs. The Working Group also chose to include collateralized bond obligations (CBOs) and collateralized debt obligations (CDOs) to maintain consistency with annual statement reporting. The second modification to the Academy's proposal concerned the portfolio adjustment factor. The Academy proposed two options for the portfolio adjustment factor, and the Working Group opted for the approach that kept the factor and, for 2026, continued to allow insurance companies to count CLOs in the traditional bond portfolio adjustment.

Joe Engelhard (Alternative Investment Management Association—AIMA) summarized AIMA's comments (Attachment One-B). He emphasized that for years, it has sought a rigorous economic analysis to ensure that the capital charges for CLOs reflect the actual level of economic risk. He noted that the Academy proposal and its work used a comparable-attributes approach that empirically validates that the structural protections and broadly syndicated CLOs produce a meaningfully different level of actual economic risk than comparably rated corporate bonds. He said they also appreciated the Working Group's decision not to impose a corporate bond floor, which would have undermined the data-driven integrity of the framework, and this process shows the model of governance principles working as intended.

Engelhard asked whether the Committee could direct the Academy to complete the same data-driven asset-specific analysis for middle-market CLOs targeting year-end 2027 implementation for two reasons. First, AIMA believes this is the most consistent way to comply with the model governance risk principles. Second, there are some particularly important differences between broadly syndicated loans (BSLs) and middle-market CLOs that relate to how the RBC calibration was made. There are key differences, including collateral composition, default recovery dynamics, structural protections, and tranche thickness.

Marc Altschull (American Council of Life Insurers—ACLI) stated that the ACLI appreciates the significant work that has gone into the Academy's CLO modeling effort and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group's review. The ACLI understands that the broader objective is to preserve regulatory certainty, maintain confidence in the RBC framework, and continue the disciplined modernization of structured security's capital requirements. The question was how the Committee would pair year-end 2026 with a clear, transparent, and timely commitment to model enhancements for year-end 2027. The ACLI recognizes the practical value of moving forward with a consistent approach in 2026 and is prepared to support the Academy-derived factors to both BSLs and middle-market CLOs, while also encouraging a clear commitment to continued analysis and model enhancements for year-end 2027. The ACLI is suggesting that the model enhancements are a request to establish a defined next phase of work that allows the framework to continue evolving as additional data analysis is completed and validated. Altschull said that distinction is important.

The ACLI is not claiming that the Academy model is not applicable to middle-market CLOs. The point is more precise. The Academy's analysis focused on a subset of the CLO market, principally BSL CLOs, and therefore, has not yet completed a middle-market-focused validation exercise. Applying the same factors to middle-market CLOs for 2026 may be a practical implementation decision, but the analytical work should continue to confirm whether that treatment remains appropriate over time. A separate middle-market focus workstream would allow regulators, NAIC committee support, and the Academy to determine whether the same factors remain appropriate for middle-market CLOs or whether adjustments are warranted based on the data. The objective should not be to assume different treatments. The objective should be to validate through analysis whether a different treatment is warranted. This is especially important because RBC is intended to reflect tail risk. If certain structural collateral features affect tail loss behavior, the model should be able to evaluate those features directly. If the analysis ultimately supports using the same factors for BSL and middle-market CLOs, that conclusion would bring confidence in the framework. If the analysis supports a different calibration, that conclusion would also strengthen the framework by ensuring capital remains aligned with validated risk characteristics.

The ACLI also believes this work aligns with the Working Group's discussion regarding when an asset class segment reaches sufficient scale or represents a significant industry allocation to justify more focused analysis. As structured security markets evolve, regulators will need a disciplined way to determine when additional data analysis is warranted to validate the appropriateness of CLO factors being applied. The defined 2027 roadmap for CLO model enhancements would be a practical and constructive example of that approach. The most immediate next phase on the structured products roadmap.

Altschull said that this work should include middle-market-focused validation, review of key sensitivity drivers, and further evaluation of tranche-level calibration. There is also a practical benefit to acting now. The Academy's familiarity with the data assumptions and modeling framework is highest while this work remains active. Authorizing the next phase now will help preserve continuity, reduce implementation risk, and avoid the inefficiency of restarting the effort after institutional knowledge has dissipated. This is not limited to CLOs, as the ACLI understands that the CLO project is part of a broader, structured security modernization initiative. Decisions made in the CLO context will set an important precedent for how model-based capital is applied to other structured assets.

For these reasons, Altschull said if the Committee moves forward with year-end 2026 adoption, the ACLI encourages it to do so with an explicit commitment to the 2027 enhancement roadmap, including middle-market focus validation, exposure of any proposed refinements for comment, and timely execution of validated improvement. He said that the ACLI supports moving forward in 2026 with regulatory certainty to advance the modernization of structured security. The ACLI also believes the Committee can strengthen confidence in the framework by making clear that 2026 adoption is the foundation for the next phase of model development, not the end of the analytical process. The defined 2027 roadmap would allow regulators, NAIC committee support, and the Academy to maintain momentum, preserve continuity, validate the model's application to middle-market CLOs, and establish a disciplined precedent for future structured securities work under the committee's oversight.

Commissioner Houdek stated that adopting the proposal does not mean the end of the Committee's work on CLO RBC modeling. The Risk-Based Capital Investment Risk and Evaluation (E) Working Group is planning to develop a work plan for further data collection and potential further refinement of the CLO modeling. However, the Working Group also has to balance the continued work on CLO modeling with other priority projects for the coming year. Commissioner Houdek noted that he anticipates hearing from Philip Barlow, chair of the Working Group, on further plans for the CLO RBC modeling work at the Summer National Meeting next month.

Commissioner Caljouw made a motion, seconded by Director Wise, to adopt RBC Proposal 2026-12-IRE-MOD (Attachment One-C). The motion passed unanimously.

4. <u>Adopted RBC Proposal 2025-16-L-MOD</u>

Slutsker said that historically, collateral loans were subject to a flat RBC charge equal to 6.8% of the asset value. The collateral backing of some of these loans can be fairly risky, so a good portion could be illiquid, sourced by an affiliate, not have an observable market value, and may otherwise incur a 30% or 45% RBC charge, instead of the 6.8%. Therefore, the proposal is to use a look-through approach, meaning that the charges are based on the risk of the underlying collateral rather than the loan itself.

He said that the Life Risk-Based Capital (E) Working Group also agreed that there should be a percentage reduction in the capital charge to reflect what is referred to as overcollateralization, given that the value of the collateral exceeds the loan amount, providing a cushion in the event of non-payment. In addition, RBC Proposal 2025-16-L-MOD has a few safeguards. The first is that a third party must independently verify the asset value to receive that reduction in the RBC charge. Second, upper and lower bounds must be provided for the possible range of that asset value. Third, a floor is set such that the reduction to the RBC charge cannot exceed 50%. For example, on a collateralized loan, a 30% charge applies; even with extensive overcollateralization, the charge will never drop below 15%. This outcome was reached through multiple public calls, in collaboration with various interested parties, and was ultimately voted on unanimously by the Capital Adequacy (E) Task Force. Slutsker noted that this change would not become effective until 2027.

Director French made a motion, seconded by Commissioner Arnold, to adopt RBC Proposal 2025-16-L-MOD (Attachment One-D). The motion passed unanimously.

5. Discussed NAIC Designations Update

Cotrone, chair of the Investment Designation Analysis (E) Working Group, reported that the NAIC designations assigned through the filing exemption (FE) process were fully adopted on Nov. 19, 2024. He added that implementation of this process depended on the development of the necessary technology enhancements to comply with the adopted process, and further that the basic required functionality for the FE Discretion process is now operational.

He also reported that the NAIC previously reported publicly that several credit rating agencies have paused their data feeds to the NAIC, and consequently, the NAIC temporarily suspended assigning NAIC designations to insurer investments that are based upon a public or private credit rating provider (CRP) rating (i.e., NAIC designations assigned through the FE/private letter rating [PLR] process). NAIC designations assigned by the Securities Valuation Office (SVO) or Structured Securities Group (SSG) are not impacted. He noted that insurers are allowed to use CRP-based FE/PLR NAIC designations from AVS+ as of June 17, 2026, the last date prior to suspension, for purposes of their filings with state insurance regulators and the NAIC for June 30, 2026, reporting until the CRP rating feed suspension impacting FE/PLR NAIC designations has been lifted and regular publication of all NAIC designations has resumed.

Having no further business, the Financial Condition (E) Committee adjourned.

Risk-Based Capital
Preamble

History of Risk-Based Capital by the NAIC

A. Background

1. The NAIC, through its committees and working groups, facilitated many projects of importance to state insurance regulators, the industry, and users of statutory financial information in the early 1990s. That was evidenced by the original mission statement and charges given to the Capital Adequacy (E) Task Force (~~CADTF~~Task Force) of the Financial Condition (E) Committee.

2. From the inception of insurance regulation in the mid-1800s, the limitation of insurance company insolvency risk has been a major goal of the regulatory process. The requirement of adequate capital has been a major tool in limiting insolvency costs throughout the history of insurance regulation. Initially, the states enacted statutes requiring a specified minimum amount of capital and surplus for an insurance company to enter the business or to remain in business.

3. Fixed minimum capital requirements were largely based on the judgment of the drafters of the statutes and varied widely among the states. Those fixed minimum capital and surplus requirements have served to protect the public reasonably well for more than a century. However, they fail to recognize variations in risk between broad categories of key elements of insurance, nor do they recognize differences in the amount of capital appropriate for the size of various insurers.

4. In 1992, the NAIC adopted the life risk-based capital (RBC) formula with an implementation date of year-end 1993. The formula was developed for specific regulatory needs. Four major risk categories were identified for the life formula, which took into consideration their diversification properties through a covariance adjustment that recognizes that problems in all risk categories are unlikely to occur simultaneously: asset risk; insurance risk; interest rate risk; and all other business risk. The property/casualty and health formulas were implemented in 1994 and 1998, respectively. The focus of these two formulas is: asset risk; underwriting risk; credit risk; and business risks (health).

5. Since then, RBC requirements have evolved, utilizing data beyond what is reported in annual statements, enabling a more accurate identification of solvency risk. The life RBC formula, for example, now assesses the risk of differentiated segments of commercial real estate mortgage investments, which has become a material asset class. The property/casualty RBC formula now recognizes that catastrophe risks are significant for some companies and reflects how exposure to region-specific events, such as natural weather events, can have on solvency. The health RBC formula now removes federal pass-through premium payments, which, by their nature, do not exhibit underwriting risk.

6. The use of RBC requirements has also expanded. It is now used by regulators to assess the solvency risk of insurance groups in Group Capital Calculations and the U.S. Aggregation Method~~, addressing International Capital Standards under the International Association of Insurance Supervisors~~. It is also used by other stakeholders who are assessing potential regulatory action.

~~The total RBC needed by an insurer to avoid being taken into conservatorship is the Authorized Control Level RBC, which is 50% of the sum of the RBC for the categories, adjusted for covariance. The~~

~~covariance adjustment is meant to take into account that problems in all risk categories are not likely to occur at the same time.~~

B. The Mission of the Task Force

76. The mission of the ~~CADTF~~Task Force was to determine the amount of capital an insurer should be required to hold to avoid triggering various specific regulatory actions. It pursued that objective through the RBC formula, which ~~The RBC formula~~ largely consisteds of a series of risk factors that are applied to selected assets, liabilities, or other specific company financial data to establish the threshold levels generally needed to bear the risk arising from that item.

87. To carry out its mission, the ~~CADTF~~ Task Force was charged with carrying out the following initiatives:

- Evaluate emerging "risk" issues for referral to the RBC working groups/subgroups for certain issues involving more than one RBC formula.
- Monitor emerging and existing risks relative to their consistent or divergent treatment in the three RBC formulas.
- Review and evaluate company submissions for the schedule and corresponding adjustment to total adjusted capital (TAC).
- Monitor changes in accounting and reporting requirements resulting from the adoption and continuing maintenance of the *Accounting Practices and Procedures Manual*, *Annual Statement Blanks*, and the *Valuation Manual* to ensure that model laws, publications, formulas, analysis tools, etc., supported by the ~~CADTF~~Task Force continue to meet regulatory objectives.
- Monitor and evaluate changes to the *Purposes and Procedure Manual* of the NAIC Investment Analysis Office to determine if assets or, specifically, investments evaluated by the NAIC Securities Valuation Office are relevant to the RBC formula in determining the threshold capital and surplus for all insurance companies or whether reporting available to the regulator is a more appropriate means to address the risk.
- Evaluating refinements to the existing NAIC RBC formula and considering improvements and revisions to the various RBC Blanks to (1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity (when it is determined to be necessary); and (2) oversee the development of additional reporting formats within the existing RBC Blanks as needs are identified.

9. The Task Force will consider different methods of determining whether a particular risk should be added as a new risk to be studied and selected for a change to the applicable RBC formula, but due consideration will be given to the materiality of the risk to the industry, identifiable segments of companies, as well as the very specific purpose of the RBC formulas to develop regulatory threshold capital levels.

108. The RBC forecasting, and instructions, as well as RBC reports were developed and are now maintained in accordance with the Task Force mission and charges.~~mission of the CADTF as a method of measuring the threshold amount of capital appropriate for an insurance company to avoid capital specific regulatory requirements based on its size and risk profile.~~

CB. Purpose of Risk-Based Capital Requirements

11~~9~~. The purpose of RBC requirements is to ~~help~~ identify potentially weakly capitalized companies. RBC requirements ~~in order to~~ facilitate regulatory actions designed to, in most cases, ensure policyholders will receive the benefits promised without relying on a guaranty association or taxpayer funds. Consequently, the RBC formula calculates ~~capital level trigger points~~ thresholds that enable regulatory intervention in the operations of such companies.

12~~0~~. ~~RBC instructions,~~ RBC reports and adjusted report(s) are intended solely for use by the commissioner/state in monitoring the solvency of insurers and the need for possible corrective action with respect to insurers and are considered confidential. All domestic insurers are required to file an RBC report unless exempted by the commissioner. There are no state permitted practices to modify the RBC formula, and all insurers are required to abide by the RBC instructions.

13~~1~~. Comparison of an insurer's TAC to any RBC ~~l~~Level is a regulatory tool that may indicate the need for **possible** corrective action with respect to the insurer and is **not intended or appropriate as a means to rank insurers generally**. Therefore~~—except as otherwise required under the provisions of~~ , *Risk-Based Capital (RBC) for Insurers Model Act* (#312) ~~or~~ and the *Risk-Based Capital (RBC) for Health Organizations Model Act* (#315) ~~—~~strictly restrict insurers and their regulators from making assertions or disclosures regarding comparisons of insurers' TAC or derived component with limited exceptions as referenced in the Model Law. ~~the making, publishing, disseminating, circulation or placing before the public, or causing, directly or indirectly to be made, published, disseminated, circulated or place before the public, in a newspaper, magazine or other publication, or in a form of a notice, or in any other way, an advertisement, announcement or statement (including but not limited to press releases, earnings releases, webcast materials, or any other earnings presentations or webcasts) containing an assertion, representation or statement with regard to the RBC levels of any insurer or of any component derived in the calculation by any insurer is prohibited.~~ The RBC framework has been developed with certain regulatory needs in mind. While methodologies are transparent, state regulators keep company-specific calculations confidential, as well as any workout plans for companies that have triggered a regulatory action.

14. ~~C~~RBC requirements are a regulatory tool and are not intended or appropriate as a means to rank insurers. Therefore, state laws generally prohibit insurers and their regulators from making assertions or disclosures regarding comparisons of RBC information with limited exceptions. Insurers may make assertions or disclosures of certain RBC information, consistent with applicable state law, to accommodate the interests of other stakeholders, including policyholders, investors, ratings agencies, lenders, and other regulatory authorities. Any insurer's assertion or disclosure of RBC information must be consistent with applicable state laws. While this Preamble does not establish independent disclosure requirements or prohibitions, when RBC-related information is disclosed outside its stated regulatory purpose and in the context of this paragraph, insurers should, as applicable, provide appropriate contextual information alongside it, describing RBC's purpose as a regulatory tool and its limitations for other uses. The nature and extent of any such contextual information should be determined by the disclosing party based on the facts and circumstances and applicable legal requirements.

~~C~~D. Objectives of Risk-Based Capital Reports

1~~2~~5. The primary responsibility of each state insurance department is to regulate insurance companies in accordance with state laws, with an emphasis on solvency for the protection of policyholders. The ultimate objective of solvency regulation is to ensure that policyholder, contract holder and other legal obligations are met when they come due and that companies maintain capital and surplus at all times and in such forms as required by statute.

16. To support this role, the RBC reports identify potentially weakly capitalized companies, in that each insurer must report situations where the actual TAC is below a threshold amount for any of the several RBC levels. This is known as an "RBC event" and reporting is mandatory. The state regulatory response is likely to be unique to each insurer, as each insurer's risk profile will have some differences from the average risk profile used to develop the RBC formula factors and calculations.

17. There are several RBC ~~levels~~ Levels with different ~~levels~~degrees of anticipated required additional regulatory oversight following the reporting of an RBC event. Company Action Level (CAL) has the least amount of additional regulatory oversight, as it envisions the company providing to its regulator a plan of action to increase capital or reduce risk or otherwise satisfy the regulator of the adequacy of its capital. Regulatory Action Level (RAL) is the next ~~higher level~~threshold, where the regulator is more directly involved in the development of the plan of action. Authorized Control Level (ACL) anticipates an even higher amount of regulatory action in implementing the plan of action. Mandatory Control Level (MCL) requires the insurance commissioner to place the reporting entity under regulatory control.

E~~D~~. Critical Concepts of Risk-Based Capital

1~~3~~8. Over the years, various financial models have been developed to try to measure the "right" amount of capital that an insurance company should hold.[1] "No single formula or ratio can give a complete picture of a company's operations, let alone the operation of an entire industry. However, a properly designed formula will help in the early identification of companies with inadequate capital levels and allow corrective action to begin sooner. This should ultimately lower the number of company failures and reduce the cost of any failures that may occur."

1~~4~~9. Because the NAIC formula develops threshold levels of capitalization rather than a target level, it may not be meaningful ~~it is neither useful nor appropriate~~ to use the RBC formula to compare the RBC ratio developed by one insurance company to the RBC ratio developed by another. ~~Comparisons of amounts that exceed the threshold standards do not provide a reliable assessment of their relative financial strength. For example, a company with an RBC ratio of 600% is not necessarily financially stronger than a company with an RBC ratio of 400%.~~ While companies that maintain RBC ratios well above the threshold standards can be considered to have minimal solvency risk, the information content of those insurers' RBC ratios is limited. For this reason, Model #312 and Model #315 prohibit insurance companies, their agents, and others involved in the business of insurance from using the company's RBC results to compare competitors.

[1] Report of the Industry Advisory Committee to the Life Risk-Based Capital (E) Working Group, p. 6; Nov. 2~~1~~7, 1991.

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20. The principal focus of solvency measurement is the determination of financial condition through an analysis of the financial statements and RBC requirements, while appropriately accounting for differences in business models as reflected in each of the formulas. However, protection of the policyholders can only be maintained through continued monitoring of the financial condition of the insurance enterprise. Operating performance is another indicator of an enterprise's ability to maintain itself as a going concern.

~~16. The CADTF and its RBC working groups are charged with evaluating refinements to the existing NAIC RBC formula and considering improvements and revisions to the various RBC blanks to 1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity (when it is determined to be necessary); and 2) oversee the development of additional reporting formats within the existing RBC blanks as needs are identified.~~

~~17. The CADTF and its RBC working groups will monitor and evaluate changes to the annual financial statement blanks and the *Purposes and Procedure Manual of the NAIC Investment Analysis Office* to determine if assets or, specifically, investments evaluated by the NAIC Securities Valuation Office are relevant to the RBC formula in determining the threshold capital and surplus for all insurance companies or whether reporting available to the regulator is a more appropriate means to addressing the risk. The CADTF will consider different methods of determining whether a particular risk should be added as a new risk to be studied and selected for a change to the applicable RBC formula, but due consideration will be given to the materiality of the risk to the industry, as well as the very specific purpose of the RBC formulas to develop regulatory threshold capital levels.~~

F. Limited use of Risk-Based Capital

21. ~~Use of~~ RBC ratios ~~is~~ are intended ~~limited~~ to help identify~~ing~~ potentially weakly capitalized companies to facilitate regulatory action and oversight, and do not provide a complete, clear, or meaningful ranking of insurers. Regulators consider the insurer's overall financial situation when interpreting them. They were not developed or intended for any other use. Nevertheless, to the extent RBC ratios are considered for purposes beyond identifying potentially weakly capitalized companies, their usefulness may ~~Any other application of RBC would be inappropriate to the detriment of policyholders, companies, and investors. While RBC may be used in other components of the regulatory framework, such uses should be in the context of identifying potentially weakly capitalized companies. For example, statutory accounting may leverage RBC in determining the admissibility of certain types of assets, when the benefits of those assets may not be readily available to the policyholders of a troubled company.~~ be limited for companies that are not at risk of triggering an action level. A spectrum of factors entering into RBC calculations should be considered when using RBC ratios beyond identifying weakly capitalized companies, including, but not limited to:

- Insurers voluntarily strengthening or weakening assumptions used for reserving, resulting in a reduction or increase of an insurer's RBC ratio.
- RBC requirements are often developed with data that extends over a substantial period of years, with actuarial modeling often extending over long horizons. As a result, RBC ratios often represent a relatively stable, durable measure of capital.
- While RBC requirements are designed to reflect differentiated risks across components, on their own, they may be insufficient for assessing differentiated risks for purposes other than identifying weakly capitalized companies. Limitations may result from RBC components not being sufficiently granular to differentiate risks, given the immateriality as it relates to solvency risk, or a single

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component not reflecting a comprehensive perspective of risk, as is the case, for example, with asset risk, which may not reflect liquidity, market, or duration risks, which are captured elsewhere in the framework when applicable.

- RBC requirements may fluctuate without indicating a corresponding change in the insurer's financial condition. Fluctuations may be driven by changes in the RBC formula, dividends, capital infusions, reinsurance transactions, the sale or acquisition of a block of business, and a significant change in new business written.

~~19. RBC does not provide a complete, clear, or meaningful ranking of insurers. For example, an insurer voluntarily strengthening assumptions used for reserving would generally reduce an insurer's RBC ratio but does not indicate a weaker position than a similarly situated insurer who did not elect to strengthen assumptions used for reserving. Regulators are able to consider a complete picture of the insurer's financial situation to appropriately follow up on RBC action levels. Using RBC beyond its intended purpose could create perverse incentives for companies that are not at risk of triggering an action level.~~

~~20. Reviewing an individual insurer's RBC over time may not provide a complete, clear or meaningful picture of the insurer's change in financial condition. Items that may have an impact on RBC which make year-to-year comparisons problematic include changes in the RBC formula, dividends, capital infusions, reinsurance transactions, sale or acquisition of a block of business, and a significant change in new business written.~~

~~20. RBC requirements for particular risk categories were developed based on specific regulatory guidelines and following agreed upon procedures and methodologies. The RBC requirements were developed with regulatory needs in mind. They were not developed or intended for any other use. As such, except where prescribed, RBC requirements would not be appropriate to rely on in other contexts such as reserve setting or risk management or evaluating the risk of investments. While the development of RBC requirements often rely on historical data points, the data used extends over a substantial period of years and the actuarial modeling extends out over a long time horizon. They do not reflect risk at any one point in time. Moreover, the granularity of an analysis for RBC purposes likely differs from the granularity appropriate for other applications. Therefore, RBC requirements are not appropriate to evaluate the relative or absolute level of risk outside of the context of a regulatory framework for identifying potentially weakly capitalized companies.~~

~~21. Because RBC is a broad tool to facilitate regulatory oversight, an insurer's RBC can fluctuate without indicating a corresponding change in the insurer's financial strength. Reviewing an individual insurer's RBC over time may not provide a complete, clear, or meaningful picture of the insurer's change in financial condition. Items that may limit the information content include changes to the RBC formula, dividends, capital infusions, reinsurance transactions, the sale or acquisition of a block of business, or a significant change in new business written.~~

G. Principles for RBC Requirements

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

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

2. **Use**. RBC requirements are primarily used to facilitate regulatory action with respect to weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.
3. **Materiality**. RBC requirements should be updated when a change is material. Materiality for purposes of RBC means a level at which a decision whether to update RBC could meaningfully impact the regulator's assessment of the solvency risk for all or an identifiable segment of companies.
4. **Equal capital for equal risk**. RBC requirements should be guided by the principle of equal capital for equal risk, consistent in their statistical safety levels and time horizons, appropriate for the underlying risk, unless there are substantial differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty) to warrant alternative treatments. RBC requirements should reflect measurable risks that can impact solvency, including the mitigating effects of risk management.
5. **Objectivity**. Appropriately consider only the factors that impact solvency risk, including but not limited to concentration, diversification, and tail risks, thereby avoiding the promotion or inhibition of objectives that are unrelated to assessing solvency risk.
6. **Accuracy**. Sufficiently precise to assess solvency risk, while avoiding unnecessary complexity.
7. **Grounded in Statutory Accounting and reserving**. Derived from values reported in the statutory annual statement and calibrated to align with Statutory Accounting and reserving practices, to the extent practical.
8. **Emerging risks.** Updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.
9. **Transparency.** The process to maintain and update RBC requirements must adhere to the *NAIC Policy Statement on Open Meetings* and follow standards that provide for clear, complete, and transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale.
10. **Process.** Maintaining and updating RBC requirements must adhere to model risk management standards, relying on data-driven methodologies with assessments of model performance and model validation when possible, acknowledging the need to rely on expert judgment and proxies, significantly so in some cases, and the use of interim solutions.
11. **Prioritization**. Recognizing the vast number of potential refinements that could be made to RBC requirements at any given time, the groups tasked with updating and maintaining the RBC model should use regulatory judgment to prioritize changes, considering their necessity, materiality, time and resource intensity, and other relevant considerations.

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Notes from Task Force Deliberations (not to be included in the Preamble): These meeting notes provide non-authoritative background and context for the proposed edits to the Preamble; they are not binding interpretations of the Principles or the Preamble. References to discussions or regulators do not reflect those of the entire Task Force since the Principles were developed over many sessions, often with different members of Task Force present.

Notes on the Preamble:

- **The Scope of the Preamble**.
  - Regulators felt the Preamble should provide a narrative on the purpose and use of RBC. The scope should not be expanded to include references to the Principles for Maintaining and Prioritizing Updates to RBC, which would be redundant.
  - The language within the Preamble should be consistent with the Principles for the Purpose and Use of RBC.
  - The language must be consistent with Model Laws 312 and 315, since they are codified in state laws.
- **Paragraph 5**. Regulators felt that it was desirable to include historical context for RBC, as well as to provide context for how RBC requirements have evolved in terms of precision and application since their initial development.
- **Paragraph 7 (now Paragraph 8).** Consolidates text from Paragraphs 16 and 17, which describe CADTF's charges.
- **Paragraph 11~~.~~ (now Paragraph 14).**
  - There was an acknowledged nuance that Model Laws 312 and 315 restrict insurers from making assertions or disclosures regarding comparisons of insurers' TAC or derived components, such as RBC ratios, to rank insurers. Regulators pointed out the potential for the Model Laws to be interpreted more restrictively, limiting any assertions or disclosures of insurers' TAC or derived statistics, and that some states adopted language that is more restrictive than the Model Law. For example, Washington D.C. §31–3451.08, is relatively clear in that any assertions or disclosures of insurers' TAC or derived statistics are prohibited, with limited exceptions. To address this issue, the paragraph was framed in the context of state laws.
  - The question of whether guidelines should be provided on the level of disclosure and language was explored. Cases that were discussed that may warrant different levels of disclosure:
    - Responding to a question about RBC on an earnings call, which narrowly referenced only the RBC ratio in the context of its stated purpose of regulatory intervention, with information that is not subjective and public (e.g., the RBC ratio is 440%, which is 140 pp above the threshold that triggers potential regulatory intervention).
    - Statements that include subjective assessments (e.g., RBC ratio is 440%, which is significantly above our 400% target, and 140pp above the threshold that triggers potential regulatory intervention). The 400% target is subjective and suggestive, especially when reinforced with the word significant.
    - When RBC ratios are reported in written material alongside, say, Financial Strength Ratings, or is reported outside the context of potential regulatory intervention, such as reporting of GCC.
  - Regulators opted to remain silent on the matter for now, agreeing that further discussion is needed, particularly in light of the potential conflict with Model Laws and state statutes.
  - Concern was raised over whether the Preamble is the best place for added disclosure requirements, and the authority, in earnest, that it would provide state regulators to take action on companies

violating the disclosure requirements. Regulators felt that the Model Law is a more appropriate location, but that the change would be unnecessarily cumbersome and would not ensure that state laws would be modified accordingly. To avoid the possible conflict, regulators considered replacing the word 'must' with 'should'.
  - Other edits included simplifying the language in Paragraph 11, which referred to and paraphrased the Model Law, which has been adopted into state law in various forms. Given the length and detail in the Model Law, the regulators felt that a reference to the Model Law streamlines the flow.
  - The question of whether regulators have the right to refute any RBC ratios that they view as not representative of potential regulatory action outside of the regulatory trigger points was explored.
- **Paragraph 14** (now Paragraph 19). Regulators pointed out that the concept of financial strength was not defined. To avoid potential confusion, the chosen language generalizes the concepts and avoids the introduction of new terminology.
- **Paragraphs 18-21** (now Paragraph 21).
  - Regulators consolidated paragraphs 18-21, attempting to retain key concepts and streamline the articulation of the various considerations.
  - Regulators agreed that the following sentence, in its current form, is overly restrictive given its acknowledged broader use (e.g., AM): *Any other application of RBC would be inappropriate to the detriment of policyholders, companies, and investors*.

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Bridgeway Analytics supports the investment and regulatory community in optimizing the design, organization, and utility of regulations surrounding the management of insurance company business activities. 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. For more information, visit www.BridgewayAnalytics.com.

July 2, 2026

VIA EMAIL

Financial Condition (E) Committee
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Re: Comments on NAIC RBC Proposal 2026-12-IRE – CLO Factor

Dear Chairman Houdek and Members of the Financial Condition (E) Committee:

The Alternative Credit Council ("ACC")[1] and the LSTA, Inc. ("LSTA")[2] submit these follow-up comments on Proposal 2026-12-IRE to renew a single, specific request: that the Financial Condition (E) Committee direct the American Academy of Actuaries (the "Academy") to complete a data-driven, asset-specific analysis of middle-market ("MM") CLOs in time to support year-end 2027 implementation. The ACC and LSTA have asked for this analysis in each of their prior submissions in this proceeding before the Risk-Based Capital Investment Risk and Evaluation (E) Working Group ("RBC-IRE WG"), and the NAIC's own RBC Model Governance principles confirm that it is the necessary next step before any modeled factor is extended to the MM CLO segment.

I. Acknowledgment of the working group's work

We begin by expressing appreciation to Chairman Barlow of the RBC-IRE Working Group, Chairman Slutsker of the Capital Adequacy Task Force ("CATF"), and the American Academy of Actuaries ("the Academy") for the substantial time and effort invested in developing a thorough, data-driven approach to broadly syndicated loan (CLO) capital charges. The record assembled over the course of this process

[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.

[2] LSTA, Inc. is a not-for-profit trade association that has been the leading advocate for the U.S. corporate lending market since 1995. LSTA's mission is to promote a fair, orderly, efficient and growing corporate loan market while advancing and balancing the interests of all market participants. Our 600+ member institutions include commercial banks (ranging in size from GSIBs to community banks), investment banks, broker-dealers, asset managers, and institutional lenders, as well as law firms and market service providers. LSTA undertakes a wide variety of activities in pursuit of its mission, including advocacy, thought leadership, data analytics, education, and standardization of documents, practices and operations. LSTA's offerings are designed for the voluntary use by our members and benefit from LSTA's ability to build a consensus of diverse stakeholders. For more information, visit www.lsta.org.

reflects a serious commitment to analytical rigor, and the ACC and LSTA recognize and appreciate that commitment.

We will not repeat all the comments we submitted to the RBC-IRE Working Group. The ACC and LSTA generally support the comparable attributes approach taken by the American Academy of Actuaries C-1 Subcommittee (the "Academy"), because it empirically validates that the structural protections in CLOs result in meaningfully different levels of actual economic risk relative to comparably rated corporate bonds. We also appreciate the RBC-IRE WG's decision not to impose a floor based on corporate bond factors, as that approach would not have been consistent with the Academy's data analysis and findings and would have undermined the data-driven integrity of the entire framework.

II. The ACC and LSTA have consistently asked for a data-driven, asset-specific analysis of MM CLOs

This request is not new. In three successive submissions on Proposal 2026-12-IRE, the ACC and LSTA have asked for the same thing: a data-driven, asset-specific analysis of MM CLOs before any factor calibrated to broadly syndicated loan ("BSL") CLO data is extended to the MM CLO segment.

In our April 16, 2026 joint comment letter to the RBC-IRE WG, Re: Comments on the American Academy of Actuaries' March 2, 2026 Presentation – C-1 Subcommittee Update on CLO C-1 Factors Modeling (the "April Letter"), we proposed a sequenced implementation framework: implement the Academy's BSL CLO C-1 factors for U.S. BSL CLOs at year-end 2026, and conduct a data-driven, asset-specific analysis of MM CLOs in time to support year-end 2027 implementation. The April Letter also asked the Academy to apply its same CTE-90 methodology to MM CLOs rather than inferring MM CLO risk from the BSL CLO analysis.

In our June 5, 2026 joint comment letter to the RBC-IRE WG, Re: Comments on NAIC RBC Proposal 2026-12-IRE – CLO Factor (the "June Letter"), we reiterated that request and confirmed that the data needed to support a dedicated MM CLO modeling workstream is available. Credit rating agencies with significant MM CLO market coverage have indicated a willingness to share the data necessary for the Academy to apply its current modeling methodology, and S&P alone rates approximately two-thirds of the MM CLO market on a dollar basis. The June Letter urged the RBC-IRE WG to direct the Academy to begin that workstream immediately, targeting year-end 2027 implementation.

This letter renews that request a third time, now to the Financial Condition (E) Committee. The consistency of the request reflects its analytical foundation: the Academy has confirmed that its BSL CLO analysis excluded MM CLO data, and no asset-specific analysis of MM CLOs has yet been performed or directed.

III. The NAIC's RBC Model Governance principles require this analysis

The NAIC's recently approved RBC Model Governance principles are not aspirational; they set the standard against which the Committee should measure any request to extend a modeled factor beyond the data on which it was built. Four principles apply directly to the MM CLO question.

1. Principle 4, equal capital for equal risk, requires that a capital charge reflect the actual economic risk of the asset held. Applying a factor calibrated to BSL CLO data to MM CLOs does not achieve equal capital for equal risk; it produces an uncalibrated result, because MM CLOs differ materially from BSL CLOs in collateral composition, default and recovery dynamics, structural protections, and loss history.

2. Principle 5, objectivity, and Principle 6, accuracy, require that a factor be grounded in data and analysis specific to the asset to which it applies. The Academy has confirmed that its BSL CLO

model excluded MM CLO data, so applying that model's output to MM CLOs cannot satisfy either principle.

3. Principle 9, transparency, requires that the analytical basis for a capital charge be disclosed and subject to public comment. No MM CLO-specific analysis has been exposed for comment, because none has yet been performed.

4. Principle 10, data-driven and evidence-based decision-making, requires the workstream the ACC and LSTA have requested since April: a dedicated, asset-specific analysis of MM CLOs using available data, completed before any modeled factor is applied to that segment.

Together, these principles compel a single conclusion: the Committee should direct the Academy to complete a data-driven, asset-specific analysis of MM CLOs, and that analysis, not an extrapolation from the BSL CLO model, should inform any factor applied to MM CLOs beginning at year-end 2027.

IV. MM CLOs differ from BSL CLOs in ways material to RBC calibration

MM CLOs differ from BSL CLOs across the dimensions that drive model calibration and are most directly relevant to CTE-90 tail-risk measurement. These differences are the substantive reason a dedicated MM CLO analysis is required, and each is described below.

Specifically, MM CLOs differ from BSL CLOs in the following respects, each of which is material to RBC calibration:

Collateral composition. MM CLO portfolios consist primarily of loans to middle-market borrowers that are typically illiquid, lack broadly available market pricing, and are originated through bilateral or club processes rather than broadly syndicated across institutional investors.

Default and recovery dynamics. Middle-market borrowers exhibit different default frequency and loss-given-default profiles than the large-cap corporate borrowers that dominate BSL CLO portfolios. Recovery rates in middle-market lending reflect lender control, covenant structure, leverage levels, and collateral access, none of which have been calibrated in the Academy's model.

Structural protections and tranche thickness. MM CLO tranche thickness distributions differ from those in BSL CLOs, and structural features including overcollateralization triggers and manager flexibility operate differently across the two structures.

Loss history. Historical loss data for MM CLO tranches reflects a pattern distinct from BSL CLO tranches, and that distinction is directly relevant to CTE-90 calibration.

A dedicated Academy workstream for MM CLOs is achievable within a nine-month timeline. Credit rating agencies with significant MM CLO market coverage have confirmed their willingness to share the data necessary to support that workstream, and the data are sufficient for the Academy to apply its current modeling methodology without modification. S&P rates approximately two-thirds of the MM CLO market on a dollar basis, providing a primary and sufficient data source. There is no data gap that would preclude beginning this work immediately upon direction from the Committee.

We continue to believe that adopting the BSL CLO factors for middle-market CLOs with an effective date of year-end 2027 is the approach that best reflects sound RBC principles and the NAIC's model government framework. Given the NAIC's need to assess other ABS categories using the Academy's flowchart, we suggest that industry be given the opportunity to model middle market CLOs using the Academy framework during this one-year delay period.

If the NAIC does not vote to permit a one-year delay and prefers to conduct the analysis of middle market CLOs itself, we support that process as well and are committed to providing data as helpful.

V. Conclusion

For the reasons set out above, the ACC and LSTA respectfully request that the Financial Condition (E) Committee direct the American Academy of Actuaries to begin immediately a dedicated, data-driven, asset-specific analysis of middle-market CLOs, using available credit rating agency data, targeting year-end 2027 implementation.

This request is consistent with the data-driven principles the NAIC has committed to apply throughout this process, and it is the approach required by Principles 4, 5, 6, 9, and 10 of the RBC Model Governance principles as applied to the MM CLO segment specifically. We would welcome the opportunity to discuss this request further with the Committee and its staff.

If you have any questions, please reach out to Joe Engelhard, Head of Private Credit & Asset Management Policy, Americas, at ACC, at jengehard@aima.org, or to Andrew Berlin, Director of Policy Research at LSTA, at aberlin@lsta.org.

Sincerely,

ALTERNATIVE INVESTMENT
MANAGEMENT ASSOCIATION

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Capital Adequacy (E) Task Force

RBC Proposal Form

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

	DATE: 5/1/2026	**FOR NAIC USE ONLY**
CONTACT PERSON:	**Maggie Chang**	Agenda Item # 2026-12-IRE MOD Year 2026
TELEPHONE:	**816-783-8976**	**DISPOSITION**
EMAIL ADDRESS:	**mchang@naic.org**	**ADOPTED:** ☐ TASK FORCE (TF) ☒ WORKING GROUP (WG) 6/23/2026 ☐ SUBGROUP (SG)
ON BEHALF OF:	**Risk-Based Capital Investment Risk and Evaluation (E) Working Group**	**EXPOSED:** ☐ TASK FORCE (TF) ☒ WORKING GROUP (WG) 5/6/2026 ☐ SUBGROUP (SG)
NAME:	**Philip Barlow, Chair**	**REJECTED:** ☐ TF ☐ WG ☐ SG
TITLE:	**Associate Commissioner of Insurance**	**OTHER:** ☐ DEFERRED TO ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)
AFFILIATION:	**District of Columbia**	
ADDRESS:	**1050 First Street, NE Suite 801** **Washington, DC 20002**	

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

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

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

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

Additional Staff Comments:

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

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

Key customizations adopted are summarized as below:

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

Chart 1

Pre-Tax Factors

4

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

Investment Grade

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

Below Investment Grade

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

Note: For Aaa through Baa2 the Modeled C-1 value spans both thickness columns; for Residual the value spans both columns.

1. Under practical expedient accounting

C1SC Update on CLO C-1 Factors Modeling
June 23, 2026

American Academy of Actuaries

Chart 2

Summary of Findings—Portfolio Adjustment Factors

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

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

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

American Academy of Actuaries

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

BONDS
LR002

Basis of Factors

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

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

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

Specific Instructions for Application of the Formula

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

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

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

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

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

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

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

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

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

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

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

Line (24)

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

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

Line (25)

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

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

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

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

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

Company Name		BONDS								Cocode: 00000
BONDS										
	SVO Bond Designation Category	Annual Statement Source	(1) Non-CLOs/CBOs/CDOs Book / Adjusted Carrying Value		Factor	(2) CLOs/CBOs/CDOs Book / Adjusted Carrying Value		(3) Factor		(4) Total RBC Requirement
	Long Term Bonds									
(1)	Exempt Obligations	C(1) AVR Default Component Column 1 Line A1	$0	X	0.00000	XXX		XXX	=	$0
(2.1)	NAIC Designation Category 1.A	C(1) AVR Default Component Column 1 Line A2.1 C(2) AVR Default Component Column 1 Line A9.1	$0	X	0.00158	$0	X	0.00040	=	$0
(2.2)	NAIC Designation Category 1.B	C(1) AVR Default Component Column 1 Line A2.2 C(2) AVR Default Component Column 1 Line A9.2	$0	X	0.00271	$0	X	0.00050	=	$0
(2.3)	NAIC Designation Category 1.C	C(1) AVR Default Component Column 1 Line A2.3 C(2) AVR Default Component Column 1 Line A9.3	$0	X	0.00419	$0	X	0.00050	=	$0
(2.4)	NAIC Designation Category 1.D	C(1) AVR Default Component Column 1 Line A2.4 C(2) AVR Default Component Column 1 Line A9.4	$0	X	0.00523	$0	X	0.00050	=	$0
(2.5)	NAIC Designation Category 1.E	C(1) AVR Default Component Column 1 Line A2.5 C(2) AVR Default Component Column 1 Line A9.5	$0	X	0.00657	$0	X	0.00170	=	$0
(2.6)	NAIC Designation Category 1.F	C(1) AVR Default Component Column 1 Line A2.6 C(2) AVR Default Component Column 1 Line A9.6	$0	X	0.00816	$0	X	0.00170	=	$0
(2.7)	NAIC Designation Category 1.G	C(1) AVR Default Component Column 1 Line A2.7 C(2) AVR Default Component Column 1 Line A9.7	$0	X	0.01016	$0	X	0.00970	=	$0
(2.8)	Subtotal NAIC 1	Sum of Lines (2.1) through (2.7)	$0			$0				$0
(3.1)	NAIC Designation Category 2.A	C(1) AVR Default Component Column 1 Line A3.1 C(2) AVR Default Component Column 1 Line A10.1	$0	X	0.01261	$0	X	0.02180	=	$0
(3.2)	NAIC Designation Category 2.B	C(1) AVR Default Component Column 1 Line A3.2 C(2) AVR Default Component Column 1 Line A10.2	$0	X	0.01523	$0	X	0.03240	=	$0
(3.3)	NAIC Designation Category 2.C	C(1) AVR Default Component Column 1 Line A3.3 C(2) AVR Default Component Column 1 Line A10.3	$0	X	0.02168	$0	X	0.03280	=	$0
(3.4)	Subtotal NAIC 2	Sum of Lines (3.1) through (3.3)	$0			$0				$0
(4.1)	NAIC Designation Category 3.A	C(1) AVR Default Component Column 1 Line A4.1 C(2) AVR Default Component Column 1 Line A11.1	$0	X	0.03151	$0	X	0.15140	=	$0
(4.2)	NAIC Designation Category 3.B	C(1) AVR Default Component Column 1 Line A4.2 C(2) AVR Default Component Column 1 Line A11.2	$0	X	0.04537	$0	X	0.25150	=	$0
(4.3)	NAIC Designation Category 3.C	C(1) AVR Default Component Column 1 Line A4.3 C(2) AVR Default Component Column 1 Line A11.3	$0	X	0.06017	$0	X	0.27990	=	$0
(4.4)	Subtotal NAIC 3	Sum of Lines (4.1) through (4.3)	$0			$0				$0
(5.1)	NAIC Designation Category 4.A	C(1) AVR Default Component Column 1 Line A5.1 C(2) AVR Default Component Column 1 Line A12.1	$0	X	0.07386	$0	X	0.31300	=	$0
(5.2)	NAIC Designation Category 4.B	C(1) AVR Default Component Column 1 Line A5.2 C(2) AVR Default Component Column 1 Line A12.2	$0	X	0.09535	$0	X	0.42310	=	$0
(5.3)	NAIC Designation Category 4.C	C(1) AVR Default Component Column 1 Line A5.3 C(2) AVR Default Component Column 1 Line A12.3	$0	X	0.12428	$0	X	0.56880	=	$0
(5.4)	Subtotal NAIC 4	Sum of Lines (5.1) through (5.3)	$0			$0				$0
(6.1)	NAIC Designation Category 5.A	C(1) AVR Default Component Column 1 Line A6.1 C(2) AVR Default Component Column 1 Line A13.1	$0	X	0.16942	$0	X	0.57840	=	$0
(6.2)	NAIC Designation Category 5.B	C(1) AVR Default Component Column 1 Line A6.2 C(2) AVR Default Component Column 1 Line A13.2	$0	X	0.23798	$0	X	0.66340	=	$0
(6.3)	NAIC Designation Category 5.C	C(1) AVR Default Component Column 1 Line A6.3 C(2) AVR Default Component Column 1 Line A13.3	$0	X	0.30000	$0	X	0.85120	=	$0
(6.4)	Subtotal NAIC 5	Sum of Lines (6.1) through (6.3)	$0			$0				$0
(7.1)	NAIC 6	C(1) AVR Default Component Column 1 Line A7 C(2) AVR Default Component Column 1 Line A14	$0	X	0.30000	$0	X	0.92560	=	$0
(7.2)	CLO in NAIC Designation Category 2.C or below, with thin tranches (See Instruction)	C(2) AVR Default Component Column 1 Line A10.3, in part + Line A11.1, in part + Line A11.2, in part + Line A11.3, in part + Line A12.1, in part + Line A12.2, in part + Line A12.3, in part + Line A13.1, in part + Line A13.2, in part + Line A13.3, in part	XXX		XXX	$0	X	0.11770	=	$0
(8)	Total Long-Term Bonds	Sum of Lines (1) + (2.8) + (3.4) + (4.4) + (5.4) + (6.4) + (7.1) + (7.2)	$0			$0				$0
	(Line (8) Column (1) + Line (8) Column (2) - Line (7.2) Column (2) should equal Page 2 Column 3 Line 1 + Schedule DL Part 1 Column 6 Line 2009999999)									
	Short Term and Cash Equivalent Bonds									
(9)	Exempt Obligations	AVR Default Component Column 1 Line C1 + Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.000	XXX		XXX	=	$0
(10.1)	NAIC Designation Category 1.A	AVR Default Component Column 1 Line C2.1 + Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 0019999999	$0	X	0.00158	XXX		XXX	=	$0
(10.2)	NAIC Designation Category 1.B	AVR Default Component Column 1 Line C2.2 + Schedule E, Part 2, Footnote L000001A, Amount 2	$0	X	0.00271	XXX		XXX	=	$0
(10.3)	NAIC Designation Category 1.C	AVR Default Component Column 1 Line C2.3 + Schedule E, Part 2, Footnote L000001A, Amount 3	$0	X	0.00419	XXX		XXX	=	$0
(10.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line C2.4 + Schedule E, Part 2, Footnote L000001A, Amount 4	$0	X	0.00523	XXX		XXX	=	$0
(10.5)	NAIC Designation Category 1.E	AVR Default Component Column 1 Line C2.5 + Schedule E, Part 2, Footnote L000001A, Amount 5	$0	X	0.00657	XXX		XXX	=	$0
(10.6)	NAIC Designation Category 1.F	AVR Default Component Column 1 Line C2.6 + Schedule E, Part 2, Footnote L000001A, Amount 6	$0	X	0.00816	XXX		XXX	=	$0
(10.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line C2.7 + Schedule E, Part 2, Footnote L000001A, Amount 7	$0	X	0.01016	XXX		XXX	=	$0
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)	$0							$0

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

LR002

(11.1)	NAIC Designation Category 2.A	AVR Default Component Column 1 Line **C3**.1 + Schedule E, Part 2, Footnote L000001B, Amount 1	$0	X	0.01261	XXX	XXX	=	$0	
(11.2)	NAIC Designation Category 2.B	AVR Default Component Column 1 Line **C3**.2 + Schedule E, Part 2, Footnote L000001B, Amount 2	$0	X	0.01523	XXX	XXX	=	$0	
(11.3)	NAIC Designation Category 2.C	AVR Default Component Column 1 Line **C3**.3 + Schedule E, Part 2, Footnote L000001B, Amount 3	$0	X	0.02168	XXX	XXX	=	$0	
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)	$0						$0	
(12.1)	NAIC Designation Category 3.A	AVR Default Component Column 1 Line **C4**.1 + Schedule E, Part 2, Footnote L000001C, Amount 1	$0	X	0.03151	XXX	XXX	=	$0	
(12.2)	NAIC Designation Category 3.B	AVR Default Component Column 1 Line **C4**.2 + Schedule E, Part 2, Footnote L000001C, Amount 2	$0	X	0.04537	XXX	XXX	=	$0	
(12.3)	NAIC Designation Category 3.C	AVR Default Component Column 1 Line **C4**.3 + Schedule E, Part 2, Footnote L000001C, Amount 3	$0	X	0.06017	XXX	XXX	=	$0	
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3)	$0						$0	
(13.1)	NAIC Designation Category 4.A	AVR Default Component Column 1 Line **C5**.1 + Schedule E, Part 2, Footnote L000001D, Amount 1	$0	X	0.07386	XXX	XXX	=	$0	
(13.2)	NAIC Designation Category 4.B	AVR Default Component Column 1 Line **C5**.2 + Schedule E, Part 2, Footnote L000001D, Amount 2	$0	X	0.09535	XXX	XXX	=	$0	
(13.3)	NAIC Designation Category 4.C	AVR Default Component Column 1 Line **C5**.3 + Schedule E, Part 2, Footnote L000001D, Amount 3	$0	X	0.12428	XXX	XXX	=	$0	
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3)	$0						$0	
(14.1)	NAIC Designation Category 5.A	AVR Default Component Column 1 Line **C6**.1 + Schedule E, Part 2, Footnote L000001E, Amount 1	$0	X	0.16942	XXX	XXX	=	$0	
(14.2)	NAIC Designation Category 5.B	AVR Default Component Column 1 Line **C6**.2 + Schedule E, Part 2, Footnote L000001E, Amount 2	$0	X	0.23798	XXX	XXX	=	$0	
(14.3)	NAIC Designation Category 5.C	AVR Default Component Column 1 Line **C6**.3 + Schedule E, Part 2, Footnote L000001E, Amount 3	$0	X	0.30000	XXX	XXX	=	$0	
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)	$0						$0	
(15)	NAIC 6	AVR Default Component Column 1 Line **C7** Schedule E, Part 2, Footnote L000001F, Amount 1	$0	X	0.30000	XXX	XXX	=	$0	
(16)	Total Short-Term and Cash Equivalent Bonds (Column (1) should equal Schedule DA Part 1 Column 6 Line 0509999999 + Schedule DL Part 1 Column 6 Line 9509999999 + Schedule E Part 2 Column 7 Line 0509999999)	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)	$0			$0			$0	
(17)	Total Long-Term and Short-Term Bonds (pre-MODCO/Funds Withheld)	Line (8) + (16)	$0			$0			$0	
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column (13) Line (0399999)							$0	
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	LR045 Modco or Funds Withheld Reinsurance Ceded - Bonds C-1o Column (4) Line (9999999)							$0	
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (9999999)							$0	
(21)	Total Long-Term and Short-Term Bonds (including MODCO/FundsWithheld and Credit for Hedging adjustments.)	Lines (17) - (18) - (19) + (20)	$0			$0			$0	
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2, Schedule DA Part 1 and Schedule E Part 2, in part†	$0	X	0.00158			=	$0	
			Non-CLOs/CBOs/CDOs RBC Requirement			**CLOs/CBOs/CDOs RBC Requirement**				
(23)	**RBC Requirements** Subject to Size Factor	**Company Records (See Instruction)**	$0			$0			$0	
(24)	Number of Issuers	Company Records **(See Instruction)**								
(25)	Size Factor for Bonds		2.4			1.0			XXX	**Column (1) =ROUND(IF(D85>0,(MIN(D85,50)*2.4+MIN(MAX(0,D85-50),50)*1.53+MIN(MAX(0,D85-100),100)*0.85+MIN(MAX(0,D85-200),300)*0.85+MAX(0,(D85-500))*0.82)/D85,2.4),3)**
(26)	Bonds Subject to Size Factor after the Size Factor is Applied	**Column (1)** Line (23) x **Column (1)** Line (25) + **Column (2) Line (23) X Column (2) Line (25)**							$0	**=ROUND(D84*D86+G84*G86,0)**
(27)	Total Bonds	Line (22) + Line (26)							$0	

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

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

LR002

Capital Adequacy (E) Task Force

RBC Proposal Form

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

		FOR NAIC USE ONLY
	DATE: 02/04/2026	Agenda Item # 2025-16-L MOD V.3 with editorial updates Year 2027
CONTACT PERSON:	**Kazeem Okosun**	**DISPOSITION**
TELEPHONE:	**816-783-8981**	**ADOPTED:** ☐ TASK FORCE (TF) ☒ WORKING GROUP (WG) **06-11-2026** ☐ SUBGROUP (SG)
EMAIL ADDRESS:	**kokosun@naic.org**	**EXPOSED:** ☐ TASK FORCE (TF) ☒ WORKING GROUP (WG) **11/14/2025** **02-10-2026 (V.1)** **03-22-2026 (V.2)** **04-23-2026 (V.3)** ☐ SUBGROUP (SG)
ON BEHALF OF:	**Life Risk-Based Capital (E) Working Group**	**REJECTED:** ☐ TF ☐ WG ☐ SG
NAME:	**Ben Slutsker, Chair**	**OTHER:** ☐ DEFERRED TO ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)
TITLE:	**Director of Life Actuarial Valuation**	
AFFILIATION:	**Minnesota Department of Commerce**	
ADDRESS:	**85 7th Place East, Suite 280** **Saint Paul, MN 55101**	

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

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

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

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

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

Additional Staff Comments:

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

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

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

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

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

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

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

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

Specific Instructions for Application of the Formula

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

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

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

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

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

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

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

Company Name									Cocode: 00000
OTHER LONG-TERM ASSETS									
			(1)	(2)	(3)		(4)		(5)
			Book / Adjusted						RBC
		Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †		Factor		Requirement
(43.1)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line F2	$0		$0	X	0.3000	=	$0
	Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests								
(43.2)	**OC < 111% or No independent verification obtained**	**Company Records**	**$0**		**$0**	**X**	**0.3000**	=	**$0**
(43.3)	**OC Percentage ≥ 111% and < 143%**	**Company Records**	**$0**		**$0**	**X**	**0.2400**	=	**$0**
(43.4)	**OC Percentage ≥ 143% and < 200%**	**Company Records**	**$0**		**$0**	**X**	**0.1800**	=	**$0**
(43.5)	**OC Percentage ≥ 200%**	**Company Records**	**$0**		**$0**	**X**	**0.1500**	=	**$0**
(43.6)	**Total Schedule BA Collateral Loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests (Column (1), line 43.6 should be equal to sum of AVR Equity Component lines K3 and K4)**	**Lines (43.2) + (43.3) + (43.4)+ (43.5)**	**$0**		**$0**				**$0**
(44)	Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line F5	$0		$0	X	0.3000	=	$0
(45.1)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line I13	$0		$0	X	0.4500	=	$0
	Schedule BA Collateral Loans backed by Residual Tranches or Interests								
(45.2)	**OC < 111% or No independent verification obtained**	**Company Records**	**$0**		**$0**	**X**	**0.4500**	=	
(45.3)	**OC Percentage ≥ 111% and < 143%**	**Company Records**	**$0**		**$0**	**X**	**0.3600**	=	**$0**
(45.4)	**OC Percentage ≥ 143% and < 200%**	**Company Records**	**$0**		**$0**	**X**	**0.2700**	=	**$0**
(45.5)	**OC Percentage ≥ 200%**	**Company Records**	**$0**		**$0**	**X**	**0.2250**	=	**$0**
(45.6)	**Total Schedule BA Collateral Loans backed by Residual Tranches or Interests (Column (1), line 45.6 should be equal to sum of AVR Equity Component lines K5 and K6)**	**Lines (45.2) + (45.3) + (45.4)+ (45.5)**	**$0**		**$0**				**$0**
(46)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs) (pre-MODCO/Funds Withheld)	Line (42) + (43.1) + (43.6)+ (44) + (45.1) + (45.6)	**$0**		**$0**				**$0**
(47)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)							$0
(48)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)							$0
(49)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs) (including MODCO/Funds Withheld.)	Lines (46) - (47) + (48)	$0						$0
	Schedule BA - All Other (C-1o)								
(50.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line F3	$0						
(50.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line F4	$0						
(50.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (50.1) + (50.2)	$0		$0	X	0.3000	=	$0
(51)	**All Other Schedule BA Collateral Loans**	**AVR Equity Component Column 1 Lines K7 + K8 + K9 + K10 + K11 + K12**	$0		$0	X	0.0680	=	$0
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line L1	$0		$0	X	0.0050	=	$0
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line L2	$0		$0	X	0.0163	=	$0
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)	$0		$0				$0
(53.1)	Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line J7 + L3	$0						
(53.2)	Less NAIC 1 thru 6 Rated/Designated Surplus	Column (1) Lines (22) through (27) + Column (1)	$0						

LR008

Company Name									Cocode: 00000
OTHER LONG-TERM ASSETS									
			(1)	(2)	(3)		(4)		(5)
		Annual Statement Source	Book / Adjusted Carrying Value	Unrated Items ‡	RBC Subtotal †		Factor		RBC Requirement
	Notes and Capital Notes	Lines (32) through (37)							
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)	$0	$0	$0	X	0.3000	=	$0
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (50.3) + (51) + (52.3) + (53.3)	$0						$0
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)							$0
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)							$0
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)	$0						$0
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (49)+ (57)	$0						$0

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

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

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

LR008

Company Name Cocode: 00000

ASSET CONCENTRATION FACTOR

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

Details Eliminated to Conserve Space

LR010 MOD

Company Name | Cocode: 00000

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

Details Eliminated to Conserve Space

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
	Common Stock							
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	$0	X	0.2100	=	$0	
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)	$0	X	0.2100	=	$0	†
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)	$0	X	0.2100	=	$0	†
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)	$0	X	0.2100	=	$0	
(127)	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) **Line (49) - Line (45.1) - Line (45.6)**	$0	X	0.2100	=	$0	
(128)	Total Residual Tranches or Interests/ **Schedule BA Collateral Loans backed by Residiual Tranches or Interests**	LR008 Other Long-Term Assets Column (5) Line (45.1) **+ Line (45.6)**	$0	X	0.2100	=	$0	
(129)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	$0	X	0.2100	=	$0	
(130)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)	$0	X	0.1575	=	$0	
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)	$0	X	0.1575	=	$0	
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	$0	X	0.2100	=	$0	
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	$0	X	0.2100	=	$0	
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)	$0				$0	
	Insurance Risk							
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)	$0	X	0.2100	=	$0	
(136)	Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)	$0	X	0.2100	=	$0	
(137)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (5)	$0	X	0.2100	=	$0	
(138)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (12)	$0	X	0.2100	=	$0	
(138b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)	$0	X	0.2100	=	$0	
(139)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)	$0	X	0.2100	=	$0	
(140)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	$0	X	0.0000	=	$0	Guardrail F 0.0
(141)	Total C-2 Risk	L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor * L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (Correlation Factor) * (L(137) + L(138)) * L(138b)]]	$0				$0	Correlation -0.25
(142)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)	$0	X	0.2100	=	$0	
(143)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)	$0	X	0.0000	=	$0	
(144)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)	$0	X	0.2100	=	$0	
(145)	Business Risk	LR029 Business Risk Column (2) Line (40)	$0	X	0.2100	=	$0	
(146)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)	$0	X	0.0000	=	$0	
(147)	Total Tax Effect	Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)	#REF!				#REF!	

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

LR030 MOD

Company Name
CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

Cocode: 00000

Details Eliminated to Conserve Space

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

LR031 MOD

Draft: 7/29/26

Group Solvency Issues (E) Working Group and
Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup
Virtual Meeting
July 23, 2026

The Group Solvency Issues (E) Working Group of the Financial Condition (E) Committee and the Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup of the Group Solvency Issues (E) Working Group met in joint session July 23, 2026. The following Working Group members participated: Jamie Walker, Chair (TX); Susan Berry, Vice Chair (IL); Laura Clements and Michelle Lo (CA); William Arfanis and Jack Broccoli (CT); Charles Santana (DE); Jane Nelson and Carolyn Morgan (FL); Kim Cross (IA); John Turchi (MA); Kristin Hynes and Steve Mayhew (MI); Danielle Smith, Shannon Schmoeger, John F. Rehagen, and Julie Lederer (MO); Anthony Quandt (NE); David Wolf (NJ); Bob Kasinow (NY); Cameron Piatt and David Cook (OH); Liz Ammerman (RI); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Mark McNabb (WI). The following Subgroup members participated: William Arfanis, Co-Chair, and Jack Broccoli (CT); Mike Yanacheak, Co-Chair (IA); Laura Clements and Michelle Lo (CA); Carly Wagoner and Shalice Rivers (FL); Cindy Andersen and Susan Berry (IL); Sara McNeely, Danielle Smith, John F. Rehagen, and Julie Lederer (MO); Jennifer Rose (NE); David Wolf (NJ); Ned Cataldo (NH); Victor Agbu (NY); David Cook and Richard Morris (OH); Amy Garcia (TX); and Amy Malm (WI).

1. Adopted its June 11 Minutes

Yanacheak reported that the ORSA Implementation (E) Subgroup met June 11 and took the following action: 1) reported that the Subgroup met in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual); 2) exposed the proposed changes to the ORSA Guidance Manual for a 30-day comment period ending July 13; 3) discussed posting the ORSA/group capital comparison (GCC) presentation; and 4) discussed the ORSA peer review.

Malm made a motion, seconded by Cataldo, to adopt the Subgroup's June 11 minutes (Attachment Two-A). The motion passed unanimously.

2. Discussed Comments Received on the ORSA Guidance Manual and Adopted Revisions

Yanacheak stated that, under the ORSA Guidance Manual maintenance process, changes for the December 2026 edition must be adopted at the Summer National Meeting. Therefore, this joint meeting was held to advance the ORSA Guidance Manual changes forward with a vote by both the ORSA Implementation (E) Subgroup and Working Group.

Yanacheak provided background on the 2025 ORSA Guidance Manual survey, noting that it closed Nov. 21, 2025, and received 25 responses from insurers, trade associations, regulators, and NAIC committee support. Yanacheak explained that the co-chairs directed NAIC committee support to review the survey comments and categorize them into two groups: 1) straightforward revisions that could be incorporated into the ORSA Guidance Manual for near-term adoption; and 2) more substantive items requiring drafting group discussion.

Yanacheak noted that the original exposure included the ORSA Guidance Manual with edits incorporated based on survey comments that were considered straightforward. These edits were exposed during the Subgroup's June 11 meeting for a 30-day comment period that ended July 13. The edits in the original exposure addressed issues such as capital transparency, compliance with state-specific filing dates, questions the ORSA addresses, clarification of controls reporting, use of the GCC tool by U.S.-based internationally active insurance groups (IAIGs), overarching issues that pertain to the entire ORSA, and various other minor edits. One significant edit in the original exposure regards capital transparency and clarifies the expectation that insurers provide a high-level summary of how material risk categories contribute to overall capital needs. This was considered a critical improvement by regulators.

Following the exposure, comments were received by the July 13 deadline from the Missouri Department of Commerce and Insurance, UnitedHealth Group, the American Council of Life Insurers (ACLI), and the National Association of Mutual Insurance Companies (NAMIC). Yanacheak stated that the Subgroup appreciated the time and care each commenter provided in reviewing the proposed revisions. The comment letters were reviewed, and revisions were made accordingly. The revisions were made to refine or remove certain language, improve clarity, and address stakeholder concerns. Yanacheak turned the meeting over to Sherry Flippo (NAIC), who reviewed the amendments made to the exposure draft.

Yanacheak gave each party that submitted a comment letter an opportunity to speak to the group. Lederer presented Missouri’s comment letter, noting that the comments would be discussed further during the drafting groups starting in September. NAIC committee support noted that the grammatical recommendations in Missouri’s comment letter were made to the exposure draft.

Mollie Zito (UnitedHealth Group) presented the UnitedHealth Group’s comments. Madison Ward (ACLI) presented the ACLI comment letter. Ward noted that the ACLI appreciated the edits made to the exposure in response to its comments. However, Ward expressed concerns about the language regarding the contribution of material risks to risk capital for current and prospective risks and the use of the GCC as a tool for U.S.-based IAIGs.

Yanacheak noted that the ORSA Guidance Manual changes allow insurers to use their own capital metric. He noted that capital metrics have individual risk categories that are aggregated, considering diversification between risks and possible capital add-ons for operational risk, to arrive at the overall required risk capital. Yanacheak noted that capital exists to absorb losses arising from risk exposure. Consequently, an assessment of capital adequacy is significantly more meaningful when regulators can understand which material risks are consuming capital and how those risks affect future solvency considerations.

Malm asked Ward if the issue was that life insurers did not use a capital metric with a risk breakdown. Ward responded that life insurers use advanced modeling and economic capital models in producing the ORSA.

Colleen Scheele (NAMIC) presented NAMIC’s comment letter. NAIC committee support provided clarification on overarching issues and the presentation of the ORSA to the board of directors, which was already part of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).

Rehagen made a motion, seconded by Berry, for the Subgroup to adopt the changes in the ORSA Guidance Manual, (Attachment Two-B). The motion passed unanimously.

3. <u>Adopted ORSA Guidance Manual Changes by the Group Solvency Issues (E) Working Group</u>

Stolte made a motion, seconded by Arfanis, for the Working Group to adopt the ORSA Guidance Manual, December 2026 edition (Attachment Two-B). The motion passed unanimously.

4. Discussed Other Matters

Bruce Jenson (NAIC) noted that the Aggregation Method Implementation (G) Working Group has been discussing possible modifications to the aggregation method guidance for the GCC based on feedback from the International Association of Insurance Supervisors (IAIS). He noted that the Working Group is preparing recommendations for public exposure and adoption, and the Group Solvency Issues (E) Working Group may consider those adoptions later this year. Jenson encouraged regulators to follow the G Committee work to become familiar with the issue before it is introduced to the Group Solvency Issues (E) Working Group.

Having no further business, the Group Solvency Issues (E) Working Group and the ORSA Implementation (E) Subgroup adjourned.

Draft: 6/17/26

Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup
Virtual Meeting
June 11, 2026

The Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup of the Group Solvency Issues (E) Working Group of the Financial Condition (E) Committee met June 11, 2026. The following Subgroup members participated: William Arfanis, Co-Chair, and Jack Broccoli (CT); Mike Yanacheak, Co-Chair (IA); Laura Clements and Michelle Lo (CA); Carly Wagoner and Shalice Rivers (FL); Cindy Andersen and Susan Berry (IL); Sara McNeely and Danielle Smith (MO); Jennifer Rose (NE); Victor Agbu (NY); David Cook and Richard Morris (OH); Diana L. Sherman (PA); Glorimar Santiago and Maria S. Morcelo (PR); Amy Garcia (TX); and Amy Malm (WI).

1. <u>Reported that the Subgroup Met in Regulator-to-Regulator Session</u>

Broccoli stated that the Subgroup met May 21 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual).

As a result of that discussion, state insurance regulators decided to survey states to identify which have specific ORSA filing dates. The state-specific filing date survey was distributed on May 28, and the results will inform drafting group discussions later this year.

2. <u>Exposed the Proposed Changes to the ORSA Guidance Manual</u>

Yanacheak provided background on the 2025 ORSA Guidance Manual survey (Attachment Two-A1), noting that it closed on Nov. 21, 2025, and received 25 responses from insurers, trade associations, regulators, and NAIC committee support. Yanacheak explained that the co-chairs directed NAIC committee support to review the survey comments and categorize them into two groups: 1) straightforward revisions that could be incorporated into the ORSA Guidance Manual for near-term adoption; and 2) more substantive items requiring drafting group discussion.

Yanacheak noted that the survey comments highlighted correspond to the proposed revisions (Attachment Two-A2) or identify items that were previously addressed or are not recommended for action at this time. These items represent straightforward, noncontroversial revisions that could be adopted by the Summer National Meeting. Non-highlighted comments are identified as “Drafting Group Discussion” items and will be addressed through future drafting group work. He noted that in some cases, survey responses were bifurcated, with portions addressed through proposed edits and other portions deferred for further discussion. Sherry Flippo (NAIC) summarized the proposed revisions to the ORSA Guidance Manual.

Yanacheak asked for questions or comments from Subgroup members, interested state insurance regulators, and interested parties. Madison Ward (American Council of Life Insurers—ACLI) stated that the ACLI would like the ORSA Guidance Manual revisions to include additional examples of overarching issues, controls (including general and specific second-line controls), and capital breakdowns. Flippo stated that examples of overarching issues would be included in the exposure sent to Smith, who is the chair of the Financial Analysis Solvency Tools (E) Working Group. Bruce Jenson (NAIC) stated that, while regulators understood the ACLI’s request for additional guidance, regulators are careful when providing examples to avoid being overly prescriptive. Yanacheak noted that he discusses specific ORSA questions directly with the insurer. Andersen agreed that ORSA filers should contact their domiciliary states directly.

Malm made a motion, seconded by Andersen, to expose the proposed ORSA Guidance Manual revisions for a 30-day public comment period ending July 13. The motion passed.

Yanacheak said drafting groups will be formed to address the more substantive survey comments identified as “Drafting Group Discussion” items. He noted that the drafting groups will initially consist of regulators to organize the work, and interested parties will be invited to participate later in the process. He invited interested parties to contact NAIC committee support if they wish to participate.

3. Discussed Posting the ORSA/Group Capital Comparison Presentation

Broccoli discussed posting a presentation (Attachment Two-A3) to the ORSA Implementation (E) Subgroup document page. The presentation is intended to address confusion among regulators and the industry regarding differences between ORSA capital and the Group Capital Calculation (GCC) by highlighting key similarities and differences.

Broccoli noted that posting the presentation would enhance regulators' and insurers' understanding. Flippo briefly summarized the presentation. Broccoli asked for questions or comments from Subgroup members, interested regulators, and interested parties. Hearing none, Broccoli directed NAIC committee support to post the presentation to the ORSA Implementation (E) Subgroup document page.

4. Discussed Other Matters

Broccoli noted that the ORSA peer review is scheduled for Aug. 25–27, 2026, in Kansas City, MO. Six states and one observer state are expected to participate, and the chairs of the ORSA Implementation (E) Subgroup and the Risk-Focused Surveillance (E) Working Group have been invited to attend.

Broccoli explained that the peer review process is intended to allow states to have their ORSA review work, including the use of the ORSA review template and incorporation into financial analysis, evaluated by fellow state insurance regulators. He noted that participating states will also have an opportunity to observe the work of other states.

Broccoli also noted that regulator-only ORSA review sound practices identified through the peer review process will be shared with Subgroup members and other regulators to promote consistency in ORSA review practices.

Having no further business, the ORSA Implementation (E) Subgroup adjourned.

Responses to the NAIC 2025 ORSA Survey – Closed on November 21, 2025

1. Introduction			
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
1.1	No additional feedback on the Introduction section. The section appropriately describes the purpose and applicability of the Manual. However, we note the Manual does not currently include a section on filing deadlines; feedback on that potential enhancement is provided under Question 17 (Any Other Comments).	Have NAIC Legal research state ORSA filing dates. Then add document outlining results to ORSA sub-group site. Discussion about mandatory filing date See 7.2 below.	*Develop and post document on ORSA sub-group page detailing filing date by state.*
1.2	Guidance needs to consider the Governance Checklist recently published by the American Academy of Actuaries.	The referenced checklist is for model governance of PBR reserves, not for ORSA guidance to insurers.	*None*
A. Exemption			
1.A.1	A flowchart or other illustration with a decision tree could be helpful in determining the applicability of an exemption	Consider flowchart or rewriting the exemption portion of the GM.	Drafting Group Discussion
1.A.2	It may be helpful to add a summary chart for the premium exemption requirements and timeline for when no longer qualifying for the exemption.	Timeline was added in prior ORSA GM revisions See Page 3 2nd paragraph.	*Already addressed.*
B. Application for Waiver			
1.B.1	No Feedback Received		
C. General Guidance			
1.C.1	Pertaining to the following section, what would constitute as a sufficient explanation of the global ERM framework in the U.S. ORSA Summary Report? If the insurer files an ORSA Summary Report encompassing only the U.S. insurance operations, and in it, the insurer states that the U.S. ERM framework is based on the insurers' global ERM framework, then the global ERM framework should be explained either within the U.S. ORSA Summary Report or in an ORSA Summary Report	Consider re-writing general guidance section to clarify requirements if the US is not group-wide supervisor.	Drafting Group Discussion

	encompassing the non-U.S. insurance operations and be provided to the lead state at a time agreed upon by the insurer and the lead state.		
1.C.2	In the ORSA Procedures Manual, we noted there are references to a "summary" or "high-level summary". Given the number of newer ORSA filers in state, we have seen some filings come in that are a little bit light on the amount of detail and information we are looking for. We have also had some ORSA filers remove significant amounts of information from the report as they thought it should be a high-level summary of their ERM framework. However, we are often asking ORSA filers to include more detail and information in the report. We believe removing the discussion and title of "Summary" and "high-level summary" from the ORSA Procedures Manual may clear up some of this confusion.	Suggest that individual state to discuss detail needed with the insurer in insurer feedback. Suggest explaining that detail may be required. Same as 1.C.3 and 2.1. Discuss in conjunction with 3.5	*Proposed edits to GM to say it is a summary, however details to explain risks, controls, and capital may be required Page 2*
1.C.3	Current guidance indicates that the ORSA Summary Report should align with ERM information reported to senior management or the Board, though its format and detail may be tailored for regulators. Our concern is that recent ORSA requests seem inconsistent with this principle. We are being asked for granular data breakdowns that are not part of our standard risk management process and upcoming updates suggest even greater detail will be required. These breakdowns are labor-intensive and are not used as part of the company's overall risk management strategy. Over time, this trend appears to move away from the "Own" meaning of ORSA, reducing flexibility in how companies manage and report risk.	Capital allocated to key risk classifications should be presented in the ORSA in order to understand exposures and align with the key risks presented in section 1.	*Proposed edits to GM to clarify expectations around presentation of capital assessment. Pages 11 & 13*
1.C.4	What entities in the group need to be included in the report? Does this differ by section? It might be helpful if this information were laid out in a table. • We believe that this sentence in the Section III guidance says that all insurance entities need to be contemplated in Section III: "The group risk capital assessment should be performed as part of the ORSA, regardless of the basis (e.g., group, legal entity, or another subset basis) and in a manner that encompasses the entire insurance group." • We believe that this sentence on page 2 of the manual says that Sections I and II do not always need to contemplate all insurance entities: "If an insurer does not qualify for an exemption pursuant to paragraph 1 but the insurance group of which it is a member qualifies for an exemption under paragraph 2, then the only ORSA Summary Report that may be required is the report of that insurer. However, such an exemption does not eliminate the requirement for any insurer that is subject to the Risk Management and Own Risk and Solvency Assessment Model Act (#505) to complete Section III – Group Assessment of Risk Capital and Prospective Solvency Assessment."	To be discussed by the sub-group.	Drafting Group Discussion
1.C.5	As of date of the ORSA filing July 1 to incorporate into the holding company analysis.	Date of filing requires further discussion (also mentioned in 7.2).	Drafting Group Discussion

1.C.6	Some ORSA filers identified their updates and revisions to the prior year's ORSA in a separate "track change" copy, in addition to required short Summary of Material Changes. Analysts found the tracked changes helped to improve their review efficiency.	Consider adding track changes version to GM	*Proposed edits to GM to say some insurers provide a tracked changes version to the regulator to identify changes from prior years. Page 8*
1.C.7	1. Is the level of detail expected from companies appropriate (scalable expectations for small vs. large insurers)? 2. Guidance on how group-level ORSA reports interact with legal entity-level expectations.	1. See response to 1.C.2 above. 2. Consider guidance in GM	Drafting Group Discussion
1.C.8	More clarification around reporting period and considerations.	See 7.2	
1.C.9	It may be helpful to add more guidance on what could be added to the summary or executive summary of the ORSA Summary Report in addition to just the changes from the prior report. Examples could include: Key Findings (from performing their assessment), Capital Position, Assessment of each section, Overall Assessment. Most companies/groups provide a summary, but not all do good job of providing an overview of what is in the report and their overall assessment.	Consider adding guidance about the Overall report. Additionally, See Referral and example to FAH ORSA Template	*Proposed edits to GM to describe overarching issues and gave 2 examples Page 8* *Proposed referral to FAH*
D. Maintenance Process			
1.D.1	"The purpose of this manual is to provide guidance to an insurer with regard to reporting on its Own Risk and Solvency Assessment (ORSA)." I wonder if this wouldn't be a better item to include in an appendix or attachment that explains Group Solvency Issues (E) Working Group mandates and procedures as it's not fully within the purpose of this document	Discuss GM purpose with the Sub-group	Drafting Group Discussion
	2. Section 1 - Description of the Insurer's Enterprise Risk Management Framework		
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
2.1	The phrase "high-level summary" could be clarified to specify what regulators expect as a minimum when describing ERM framework principles.	See recommendations for 1.C.2, 1.C.3 & 3.5	*Proposed edits to be addressed at 1.C.2, 1.C.3 & 3.5*
2.2	It is appropriate to mention a general shareholder dividend philosophy in this section, which is frequently ignored, or it is assumed any assumed dividends are never at risk no matter what the stress results show later in the report. In reality, a company under stress will limit or omit a shareholder dividend, which may have other implications (see comment in item 13). An Issue Brief was published related to companies that can take shareholder dividends in such a way as to ratchet down their capital by, in years when there is a positive Net Gain take the maximum dividend allowed, and when there is a negative gain	Suggest further discussion of dividend philosophy and stresses to include updated guidance in GM. Discuss in conjunction with 3.6	Drafting Group Discussion

	there is no dividend and no memory of the loss the next time there is a gain (this is a flaw in the dividend formula that has been used for a long time). This can cause a company to move itself closer and closer to a poor capital position while, under current ORSA guidance, little or nothing about this is ever disclosed.		
2.3	Please clarify whether risk-specific, detailed mitigations or controls should be included in the ORSA Summary Report, with examples of the level of detail expected.	Suggest edits to clarify expectations around control information in ORSA.	*Proposed edits to GM : Section 1 part 5- generally describes control policies related to risks. Pages 8 & 9 Section 2: Provide information on specific controls in place for individual key risks. Page 10*
2.4	It would be beneficial to provide additional guidance with respect to the applicability of the ORSA Guidance Manual to (1) the U.S. Branch of an alien insurer or (2) an insurer subsidiary of an international group, neither of which has a designated Lead State or Group Code in the U.S. or exceeds the ORSA premium threshold at the legal entity level, in particular, when the content/substance of the ORSA filing submitted to the foreign jurisdiction is not comparable to the information described in the U.S. ORSA Guidance Manual. The foreign jurisdiction may or may not be a U.S. recognized Reciprocal Jurisdiction.	Suggest additional discussion of expectations in this area.	Drafting Group Discussion
2.5	Provide additional guidance on requirements for companies that operate in multiple jurisdictions - align ORSA with other regulatory solvency assessment report requirements.	Suggest additional discussion and development of examples of operating in multiple jurisdictions.	Drafting Group Discussion
2.6	This is not a clarification but I would like to see a self-assessment from the insurers regarding the maturity and effectiveness of their frameworks. I am often curious to hear about their views on this.	Suggest additional discussion about effectiveness/maturity assessments	Drafting Group Discussion
	3. Section 2 - Insurer's Assessment of Risk Exposures		
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
3.1	We would want to see companies model all key risks identified in Section 2 of the ORSA in Section 3. Also, for them to include a “worst case” scenario of several of these risks occurring simultaneously.	Suggest additional discussion about interaction between sections 2 and 3 of the ORSA.	Drafting Group Discussion
3.2	Overall, we support the current focus on qualitative and quantitative risk assessments.	Suggest additional discussion of expectations related to quantitative risk assessments.	Drafting Group Discussion

3.3	We think the paragraph beginning with, "Because the risk profile..." could be improved. First, we believe it makes sense for the company to determine the initial assumptions. Second, we recommend making the language around assumptions consistent with Insurance Core Principle (ICP) 14.6. Below is a paragraph with our suggested edits: Because the risk profile of each insurer is unique, each insurer should utilize assessment techniques (e.g., stress tests, etc.) appropriate for its risk profile. U.S. state insurance regulators do not believe there is a standard set of stress conditions that each insurer should test. If a model-based quantitative assessment is employed, the ORSA Summary Report should provide a general description of the insurer's process for model validation, including factors considered and model calibration. Insurers should use unbiased current assumptions derived from a combination of relevant and credible experience as well as judgment about expected future development.	Suggest additional discussion around replacing sentences on page 8 with this narrative.	Drafting Group Discussion
3.4	Could more guidance be provided on the "assessments of risk exposure in both normal and stressed environments" required in Section II? Examples would be very helpful.	Suggest development of additional guidance to clarify expectations around normal and stressed environments in section 2 with examples. Suggest edits to define normal.	Drafting Group Discussion *Proposed edits to GM to say that normal is baseline or budgeted amount for risk Page 9*
3.5	As mentioned above, more clarity to specify the level of detail required when using the term "high-level summary". - Define general expectations for what information should be included. - Clarify the intended depth and scope of content. - Provide broad examples to ensure consistency in interpretation.	See recommendations for 1.C.2 and 1.C.3 above. Suggest additional discussions around clarifying the depth and scope of information to be provided.	Drafting Group Discussion
3.6	In section 2 a company should show explicitly whether shareholder dividends are or are not being paid under the various stresses, based on the general shareholder dividend mentioned in item 10.	Suggest additional discussion on adding dividend payment information into stresses. Discuss in conjunction with 1.C.9 (example of dividend as an overarching issue) & 2.2	Drafting Group Discussion
3.7	I see the most variation in Section 2 from our domestics. I think the industry struggles with this one or does not want to put the effort into preparing it. Clearer expectations/definitions or maybe an example may be helpful. For "detailed descriptions" I have seen responses ranging from very short risk statements like "interest rate risk" to risk dashboards to full narratives. I am not sure the industry has a good handle on what we be useful to their regulators. Alternately I am not really sure what a "best practice" level response would look like since see the ORSAs that are filed by our domestics not the entire industry.	Suggest additional discussion of expectations for section 2, including interactions with section 3.	Drafting Group Discussion
3.8	Overall, it would be helpful to include a chart or checklist for each section of what should be included in the ORSA Summary Report. Section 1 of the Guidance manual does a good job of highlighting the minimum areas that should be covered but Sections 2 and 3 could benefit from	Suggest additional discussion on adding minimum expectations or template guidance into GM.	Drafting Group Discussion

#	Response Submitted	Staff Recommendation	Proposed Action/Edits
	adding a checklist or summary of the "should" items. There are a lot of "should provide" sentences but I think these get lost in the narrative for some companies. For example, in Section 2 "The ORSA Summary Report should provide a general description of the insurer's process for model validation, including factors considered and model calibration." Many companies/groups fail to include possibly due to being lost in the narrative.	Propose moving sentence noted in comment regarding model validation to section 3.	
	4. Section 3 - Group Assessment of Risk Capital and Prospective Solvency Assessment		
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
4.1	The guidance allows flexibility in how stress testing is conducted, ensuring it meets our company's risk management needs and the expectations of senior management and the Board. However, over time, the expectations (though not explicitly stated in the guidance) have become increasingly prescriptive from State regulators, requesting detailed data breakdowns and formulas that are time-consuming to extract and due not serve a purpose to the organization beyond ORSA reporting itself. We recommend limiting these highly detailed data requests and modeled result expectations as they may not align with the diverse stress testing approaches used by ERM departments across the industry.	Capital allocated to key risk classifications should be presented in the ORSA in order to understand exposures and align with the key risks presented in section 1. See recommendation for 1.C.3 above.	*Proposed edits to GM to clarify expectations around presentation of capital assessment Page 11 & 13*
4.2	Overall guidance is sound. Please clarify that assessments of group capital that consider the ability to service existing debt may continue to rely on existing capital frameworks or liquidity analyses without requiring new quantitative ratios.	Suggest additional discussion on this topic.	Drafting Group Discussion
4.3	"A. Group Assessment of Risk Capital- This component of section 3 describes the group capital assessment to provide an overall determination of risk capital needs. Additionally, the liquidity risk, risk appetite and/or limits, contingency funding and current position should be discussed. •Clarification of the link between Section 1 material risks and Section 2 & 3 assessment of material risks. Regulatory expectations that all material risk categories are assessed or explain why they are missing from the assessment. •quantification of risk by material risk categories compared to estimated/actual available capital under different metrics as preferred by the insurer(i.e. RBC, BCAR, Economic Capital Model, etc.) •Add clarification for Liquidity: appetite and/or limits, management, policies and processes, current position, contingency funding and stresses. B. Prospective Solvency Assessment- This component of section 3 links the insurer's prospective capital assessment process to the business plan which is typically 3-5 years. •Clarification that quantitative assessment is expected, not just simply a general description of prospective solvency . •Prospective quantification of risk by material risk categories compared to estimated/actual available capital under different metrics (i.e. RBC, BCAR, Economic Capital Model, etc.) projected •Available capital/ regulatory capital should be projected.	Suggest additional discussion on this topic.	Drafting Group Discussion

	•Clarification that projections should reflect the changes in the risk profile over the life of the business plan. •Clarification that projections are by dollars amount by material risk categories linked to the material risks in section 1 in addition to RBC ratios, BCAR ratios, or coverage ratios. •Clarification for global insurer's ORSA that have an ECM capital model/ solvency reporting that only has a 12-month time horizon on capital projections (example: Bermuda, Canada and the UK), how does that align with the US position of 3-5 year projections over the life of the business plan. "		
4.4	Are there specific risk scenarios that the regulators would like to see?	Suggest additional discussion on expectations for specific stress tests.	Drafting Group Discussion
4.5	We see RBC and BCAR used a lot. A discussion of why these metrics were used and are appropriate for decision-making or strategic planning may be helpful as these metrics don't always do a great job quantifying or reconciling back to certain non-financial risk exposures and stresses.	Suggest additional discussion on this topic.	Drafting Group Discussion
4.6	"We recommend that NAIC consider whether there is some way to also incorporate into Section 3 of the ORSA Guidance Manual another alternative for the Group Assessment of Capital. The alternative would recognize that some filers may utilize their Group Capital Calculation (GCC) in making or at least aiding in the assessment. There could be synergies between the two since the GCC is an explicit quantitative calculation of group capital whereas ORSA leans more into the qualitative assessment and how risks could adversely impact the group. If a filer incorporates its GCC in its ORSA's group capital assessment in such a manner to strengthen an understanding (or at least a soundness) between qualitative risk assessments and quantitative solvency metrics, that should be recognized as a viable approach by regulators in reviewing the ORSA. Referencing GCC outputs, as it relates to group capital adequacy, could help inform ORSA themes and reinforce risk-informed capital planning by assessing how risks impact group solvency. Findings identified in the GCC might also relate to risk appetite thresholds in the ORSA. We emphasize, however, that the above suggested alternative is just that – an alternative. Insurance groups will certainly vary as to how they perform their ORSAs and group capital assessments. The GCC may provide a quantitative foundation for the assessment, but various internal model approaches, economic capital models may be preferred by groups as well. The above suggestion should not be taken to preclude insurance groups from utilizing such other means that they have chosen as appropriate for their own circumstances."	Suggest additional discussion on this topic. See 4.A.1	Drafting Group Discussion
A. Group Assessment of Risk Capital			
4.A.1	Respondent recommends that NAIC consider whether there is some way to incorporate how filers are approaching the Group Capital Calculation (GCC) within Section 3 of the ORSA (Group Assessment of Risk Capital). There are synergies between both assessments since the GCC is an explicit quantitative assessment of group capital and ORSA leans more into the qualitative and how risks could adversely impact the group. Incorporating filers' approach to the GCC could strengthen an understanding (or at least a soundness) between qualitative risk assessments and quantitative	Suggest discussion on GCC language in Section 3 See 4.6	Drafting Group Discussion

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	solvency metrics, especially when prepping future filings. Referencing GCC outputs, as it relates to group capital adequacy, would help inform ORSA themes and reinforce risk-informed capital planning by assessing how risks impact group solvency. Findings identified in the GCC might also relate to risk appetite thresholds in the ORSA. Overall, this could simplify the compliance process and ease of review by regulators.		
4.A.2	Frequently, we see companies use regulatory action triggers, such as individual entity RBC thresholds, to determine capital needs. And although the existing guidance does state that companies should instead consider the capital needed within the holding company system to achieve business objectives, I think additional guidance or examples should be provided in this area for clarity.	Suggest additional discussion on this topic. Capital level would be above CAL due to GM sentence on page 11 end of 2nd paragraph, "Group assessment of risk capital should NOT be perceived as minimum amount of capital before regulatory action….." Discuss if Group wants to edit this sentence. See 4.A.4 & 4.B.2	Drafting Group Discussion
4.A.3	The addition of 'ability to service debt' language is constructive. Please clarify the assessment can be addressed qualitatively using existing liquidity and capital-planning processes, not mandatory ratios. Including an illustrative example would promote consistent interpretation.	Suggest edit to define "debt service" Suggest additional discussion to consider an example.	*Proposed edits to GM to define "debt service" Page 17 See 6.1* Drafting Group Discussion concerning Illustrative example
4.A.4	What levels of capital adequacy should be shown- 200%, 375%, and 500% RBC or something different?	Suggest additional discussion on this topic. Capital level would be above CAL due to GM sentence on page 11 end of 2nd paragraph, "Group assessment of risk capital should NOT be perceived as minimum amount of capital before regulatory action….." See 4.A.2 & 4.B.2	Drafting Group Discussion
4.A.5	The current language related to debt held at the holding company level where likely shareholder dividends are required out of the operating entities only references "leverage". The total effect of the holding company debt is much more profound than mere leverage, as the required shareholder dividends are no longer zero if such dividends are required to service the debt. In addition, a wide variety of practice is used to describe holding company debt, frequently including that the debt can be constantly rolled over with no repayment of the principal. The company should assume some repayment of the debt during the time period of an ORSA run, even if some of the debt will be refinanced later. In other words, the ORSA should show a declining balance of debt over time instead of a constant or increasing balance. This is one aspect of holding company risk, where the	Suggest additional discussion on this topic.	Drafting Group Discussion

	operating entities are managed conservatively, yet the holding company, being overextended, can cause issues that should be addressed in an ORSA.		
4.A.6	Recognizing the annual Group Capital Calculation (GCC) is a valuable tool for group capital assessment, it would be helpful for the ORSA filers to disclose whether or not the GCC is being considered, incorporated or integrated into Section 3 of the ORSA. If so, a narrative explaining the process and the outcome would be productive.	Suggest additional discussion on this topic. See 4.A.1	Drafting Group Discussion
4.A.7	Clarification in the NAIC Guidance manual for global insurer's ORSA that have an ECM capital model/ solvency reporting that only has a 12-month time horizon on capital projections (example: Bermuda, Canada and the UK), how does that align with the US position of 3–5-year capital projections over the life of the business plan?	Suggest discussion of expectations around prospective solvency assessment in more detail to address comment.	Drafting Group Discussion
B. Prospective Solvency Assessment			
4.B.1	It has been suggested that, in the future, a breakdown of RBC components by risk category (H0–H4) may be required for each scenario tested. This process would be extremely labor-intensive and provide minimal additional value beyond meeting ORSA reporting requirements. Our current approach already defines the key risk drivers for each scenario and we believe that this, in addition to the overall RBC ratio, offers sufficient insight to manage organizational risk without requiring a detailed breakdown of its individual components.	Suggest discussion concerning Capital Risk components expected by regulators	*Proposed edits to GM to clarify expectations around presentation of capital assessment. Pages 11 & 13*
4.B.2	At what detail should we show the stress testing impacts? Currently we show it at the surplus, ACL, and RBC levels but there was discussion about wanting to see the ACL at the specific H factor level of detail.	Suggest the H factor components addressed in 1.C.3 & 4.1 RBC Levels address in 4.A.2 & 4.A.4	*None addressed above*
	5. Additional Expectations for International Active Insurance Groups		
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
5.1	"We recommend reorganizing this section as follows: Risk Management Framework (including Strategy and investment policies) ORSA Liquidity Risk Management Recovery Planning Below is a re-write of this section using the subcategories above: Additional ERM Expectations for IAIGs in the ORSA Summary Report This section outlines Enterprise Risk Management (ERM) expectations applicable to Internationally Active Insurance Groups (IAIGs) that should be addressed in the ORSA Summary Report. These expectations align with the IAIS Common Framework for the Supervision of IAIGs (ComFrame) and have been incorporated into this manual as deemed appropriate by state insurance regulators. Risk Management Framework The IAIG Board must approve the risk management strategy. Regular risk management reporting should be provided to the IAIG Board or one of its committees. The framework should be integrated with the	Suggest additional discussion on this topic.	Drafting Group Discussion

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	IAIG's organizational structure and legal entities to support decision-making, business operations, and risk culture. In addition, the framework should enable ongoing measurement of risk exposures against established limits to identify potential concerns early. At a minimum, the framework should address: •Diversity and geographical reach of IAIG activities. •Nature and degree of risks in individual entities and business lines. •Aggregation of risks across entities. •Interconnectedness of legal entities. •Sophistication and functionality of information and reporting systems. •Applicable laws and regulations in all jurisdictions where the IAIG operates. The framework should also foster a robust risk culture across all IAIG entities through policies and processes that: ------------------------------------Comment Trimmed to Conserve Space-----------------------------------		
5.2	NAIC (Aggregation Method Implementation Working Group -- AMIWG) "Would appreciate clarification on how the adoption of the Group Capital Calculation and implementation of the Aggregation Method impact this section. For example— • The manual states that ComFrame "has been incorporated into this manual to the extent deemed appropriate by state insurance regulators". The ICS is the quantitative part of ComFrame and the IAIS assessed the Aggregation Method as providing a "basis of implementation" of the ICS. •The paper references the ""economic and regulatory capital at the head of the IAIG level". Is this ""regulatory capital"" the same as the Group Capital Calculation?"	Suggest addition of GCC language to the Internationally Active Insurance Groups (IAIG) Section ."	*Proposed edits to GM to add GCC in IAIG section Pages 15 & 16.*
	6. Appendix - Glossary		
#	Response Submitted	Staff Recommendation	Proposed Action/Edits
6.1	The Glossary is clear and helpful. Please add definitions for 'debt-servicing capacity' and 'captives,' consistent with 2025 terminology.	Suggest defining debt servicing capacity and captive insurance company	*Proposed edits to GM pages to add definitions Page 17*
6.2	Either add to the existing Glossary List or add a small section of ASOPs particularly applicable to ORSA mention of the following: ASOP 55 Capital Adequacy Assessment, ASOP 58 Enterprise Risk Management. ASOP 58 is most useful for Section 1, while ASOP 55 is most useful for Sections 2 and 3.	Suggest discussion on this topic.	Drafting Group Discussion
6.3	Appendices - I imagine the industry would find the best practices or examples section helpful as well though I understand that this could be limiting in a way as they may be expand the scope of their disclosures beyond the "safe harbor" examples.	Suggest addition of Appendix II – Example.	*Proposed edits to GM to add Appendix II – Example Pages 19.*

#	Response Submitted	Staff Recommendation	Proposed Action/Edits
	7. Any Other Comments		
7.1	Discussions with other health insurers reveal a wide variation in ORSA report size and detail, ranging from just a handful of pages to over five hundred. These differences do not always correlate to the size or complexity of the companies' operations or risk management structures. Instead, they often reflect the scope of prior submissions, as once data is included, it is rarely allowed by regulators to be removed, regardless of its ongoing relevancy. This leads to reports growing in size and complexity over time, regardless of actual risk management activities. While we recognize the ORSA's value to both our organization and the industry, the ever-expanding expectations make the report increasingly costly to produce, while its incremental value remains relatively static. Anecdotally, we have been told that organizations that have tried to streamline their ORSA reports have faced resistance from regulators, even when their streamlined reports contain far more detail than the reports of other similar organizations. We would welcome more consistent and streamlined reporting requirements to maximize the value of the report to the organization and regulators.	Suggest discussion on this topic.	Drafting Group Discussion
7.2	While we support the concept of a unified national filing date, we recommend December 1 rather than the speculated July 1 timeline. The compilation of the ORSA filing, scenario modeling, control execution and an enterprise's governance calendar, including Board of Director review of the ORSA results, stress testing outcomes, and attestation, require significant time to execute and ensure appropriate outcomes. A July 1 deadline would precede these established governance checkpoints, limiting the ability of Management and Board of Directors to complete its oversight consistent with expectations. If a unified national filing date is to be promulgated, we encourage the NAIC to align the final language with this timing, or alternatively, continue to allow state lead regulator's discretion to set filing dates aligned with their domestic insurer's established governance cycles. We appreciate NAIC's efforts to modernize the ORSA Manual while maintaining a principles-based framework. We encourage continued transparency and reasonable lead time for future updates.	Suggest consideration of a national filing date before the Holding Company Analysis in Oct. See 1.1 & 1.C.8 Suggest language for domiciliary state that has a specific date. Additionally, convey benefit of receiving ORSA before Holding Company Analysis.	Drafting Group Discussion *Proposed edit to GM Page 5*
7.3	Add the attestation with the required language and sign off as an appendix. In recent years, companies have not sent in the attestation with the ORSA, and it causes unnecessary questions.	Suggest addition of attestation definition and example.	*Proposed edit to GM Appendix I – Glossary Pages 16 & 17: Appendix II – Examples Pages 19*

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual

**Maintained by the
Group Solvency Issues (E) Working Group
of the Financial Condition (E) Committee**

As of December 2025

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: August 12, 2025

To: Users of the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual*

From: Group Solvency Issues (E) Working Group

This edition of the ORSA Guidance Manual has been revised from the previous edition. The following summarizes the most significant changes since the December 2022 edition:

1. Added guidance to clarify that the lead state may request and review information on international premium volume to assess the applicability of the insurance group exemption outlined in the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).
2. Added guidance to clarify that captives should be included in the scope of the ORSA Summary Report.
3. Added guidance to clarify expectations for when insurers/groups should file their first ORSA Summary Report after exceeding the premium thresholds outlined in Model #505.
4. Added guidance to clarify that the ability of the group to service existing debt, not just the level of debt, should also be considered when assessing the group-wide capital adequacy.

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The requirements outlined in this manual are based on the requirements of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505). An insurer using this manual should refer to the laws adopted by its state of domicile when determining its requirements for risk management, determining its Own Risk and Solvency Assessment (ORSA), and preparing its ORSA Summary Report.

INTRODUCTION

The purpose of this manual is to provide guidance to an insurer and/or an insurance group of which the insurer is a member, hereinafter referred to as "insurer" or "insurers," with regard to reporting on its Own Risk and Solvency Assessment (ORSA), as required by the domestic state's version of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).

The ORSA, which is a component of an insurer's enterprise risk management (ERM) framework, is a confidential internal assessment appropriate to the nature, scale, and complexity of an insurer conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. As described below, an insurer that is subject to the ORSA requirements will be expected to:

1. Regularly (i.e., no less than annually) conduct an ORSA to assess the adequacy of its risk management framework, as well as its current and estimated projected future solvency position.
2. Internally document the process and results of the assessment.
3. Provide a confidential high-level ORSA Summary Report annually to the lead state commissioner if the insurer is a member of an insurance group and, upon request, to the domiciliary state insurance regulator.

The ORSA has two primary goals:

1. To foster an effective level of ERM at all insurers, through which each insurer identifies, assesses, monitors, prioritizes, and reports on its material and relevant risks identified by the insurer using techniques that are appropriate to the nature, scale, and complexity of the insurer's risks in a manner that is adequate to support risk and capital decisions.
2. To provide a group-level perspective on risk and capital as a supplement to the existing legal entity view.

In support of these objectives, the ORSA is structured around a set of core questions designed to organize and communicate key elements of the insurer's ERM and capital assessment:

- What are the insurer's key risks, and what ERM framework governs those risks? (Section 1)
- What is the magnitude of the insurer's key risks, under both normal (budgeted) and stress conditions? (Section 2)
- What controls are in place to manage those key risks? (Sections 1 and 2)
- How much risk capital is required to support the key risks currently and prospectively over the business planning time horizon, and how does that compare to available capital current and projected? (Section 3)

These questions are intentionally aligned with the objectives of the ORSA and provide a structured framework for addressing complex ERM and capital considerations. By framing the ORSA around these core questions, the insurer can present a coherent and accessible view of its risk profile, risk management practices, and capital adequacy, thereby facilitating understanding by senior management, the board of directors, and regulators.

An insurer that is subject to the ORSA requirement should consider the guidance provided in this manual when conducting its ORSA and compiling its ORSA Summary Report. While designated as an ORSA Summary Report and not expected to fully address all risk management activities, sufficient details to present the insurer's enterprise risk management framework, risk exposures, controls, and capital adequacy are expected. ~~-~~As the process and results are likely to include proprietary and forward-looking information, any ORSA Summary Report submitted to the commissioner shall be confidential under state law.

A. Exemption

An insurer shall be exempt from maintaining a risk management framework, conducting ORSA, and filing an ORSA Summary Report if:

1. The individual insurer's annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation (FCIC) and the National Flood Insurance Program (NFIP), is less than $500 million.
2. If the insurer is a member of an insurance group and the insurance group's (i.e., all insurance legal entities within the group) annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the FCIC and the NFIP, is less than $1 billion.

To determine the applicability of exemption No. 2 above, the U.S. lead state of an insurance group with international operations may request and verify group-wide premium volume on a regular basis, if not otherwise reported through holding company filings (i.e., Form B financial statements).

If the insurer does not qualify for an exemption, upon the commissioner's request, and no more than once each year, an insurer shall submit to the commissioner an ORSA Summary Report that contains the information described in this manual. If the group is an internationally active insurance group (IAIG) with a U.S. global group-wide supervisor, a group ORSA Summary Report should be filed; otherwise, a single or combination of reports may be used by the insurer to represent the group perspective.

For example, the property/casualty (P/C) insurers within a group could be included in one ORSA Summary Report or a combination of reports, and the life insurers within the same group could be included in another ORSA Summary Report or a combination of reports if those groups operate under different ERM frameworks. Notwithstanding any request from the commissioner, if the insurer is a member of an insurance group, the insurer shall submit the ORSA Summary Report(s) required by this manual to the lead state commissioner of the insurance group. The lead state is determined by the procedures within the *Financial Analysis Handbook.*

If an insurer qualifies for exemption No. 1 but the insurance group of which the insurer is a member does not qualify for exemption No. 2, then the insurer may supply an ORSA Summary Report in any combination, as long as every insurer within the group (including captives) is covered by the ORSA Summary Report(s).

If an insurer does not qualify for exemption No. 1 but the insurance group of which it is a member qualifies for exemption No. 2, then the only ORSA Summary Report that may be required is the report of that insurer. However, such an exemption does not eliminate the requirement for any insurer that is subject to the Model #505 to complete Section III—Group Assessment of Risk Capital and Prospective Solvency Assessment.

Notwithstanding the above exemptions, the commissioner may require the insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA Summary Report based on unique circumstances, including, but not limited to, the type of business written, ownership and organizational structure, federal agency requests, international supervisor requests, and regulatory concerns about the rapidly growing concentration of risk or risk exposure.

A commissioner may also require the insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA Summary Report if the insurer has triggered a risk-based capital (RBC) company-action-level event, meets one or more of the standards of an insurer deemed to be in hazardous financial condition, or otherwise exhibits qualities of a troubled insurer, as determined by the commissioner.

If an insurer that qualifies for an exemption subsequently no longer qualifies for that exemption due to changes in premium, as reflected in the insurer's most recent annual financial statement or in the most recent annual financial statements of the insurers within the insurance group of which the insurer is a member, the insurer shall have one year following the year the threshold is exceeded to comply with the ORSA requirements. For example, if Company A exceeded the premium threshold on 12/31/202X, they would prepare an ORSA Summary Report for the year ended 12/31/202X+1, which would be filed no later than 12/31/202X+2 (or at the state's specified filing date in 202X+2).

B. Application for Waiver

An insurer that does not qualify for an exemption may apply to the commissioner for a waiver from the requirements of the ORSA based upon unique circumstances. The commissioner may consider various factors, including, but not limited to, the type of business entity, volume of business written, and material reduction in risk or risk exposures. If the insurer is part of a nonexempted insurance group, the commissioner shall coordinate with the lead state commissioner and the other domiciliary commissioners in considering the request for a waiver.

C. General Guidance

The ORSA should be one element of an insurer's ERM framework. The ORSA and the ORSA Summary Report link the insurer's risk identification, assessment, monitoring, prioritization, and reporting processes with capital management and strategic planning. Each insurer's ORSA and ORSA Summary Report will be unique, reflecting the insurer's business, strategic planning, and approach to ERM. The commissioner will utilize the ORSA Summary Report to gain a high-level understanding of the insurer's ORSA. The ORSA Summary Report will be supported by the insurer's internal risk management materials.

To allow the commissioner to achieve a high-level understanding of the insurer's ORSA, the ORSA Summary Report should discuss three major areas, which will be referred to as the following sections:

- **Section 1**—Description of the Insurer's Risk Management Framework
- **Section 2**—Insurer's Assessment of Risk Exposures
- **Section 3**—Group Assessment of Risk Capital and Prospective Solvency Assessment

When developing an ORSA Summary Report, the content should be consistent with the ERM information that is reported to senior management, and/or the board of directors, or the appropriate committee. While some of the format, structure, and content of the ORSA Summary Report may be tailored for the state insurance regulator, the content should be based on the insurer's internal reporting of its ERM information. The ORSA Summary Report itself does not need to be the medium of reporting its ERM to the board of directors or the appropriate committee, and the report to the board of directors or the appropriate committee may not be at the same level of detail as the ORSA Summary Report.

In order to aid the commissioner's understanding of the information provided in the ORSA Summary Report, it should include certain key information. The ORSA Summary Report should identify the basis(es) of accounting for the report (e.g., generally accepted accounting principles [GAAP], statutory accounting principles [SAPs], or international financial reporting standards) and the date or time period that the numerical information represents. The ORSA Summary Report should also explain the scope of the ORSA conducted, such that the report identifies which insurer(s) are included in the report. This may be accomplished by including an organizational chart. In subsequent years, the ORSA Summary Report should also include a short summary of material changes to the ORSA from the prior year, including supporting rationale, as well as updates to the sections listed above, if applicable.

The commissioner may develop a deeper understanding of the insurer's ERM framework upon examination or an annual risk-focused update. Additionally, as part of the risk-focused analysis and/or examination process, the commissioner may also request and review confidential supporting materials to supplement their understanding of the information contained in the ORSA Summary Report. These materials may include risk management policies or programs, such as the insurer's underwriting, investment, claims, asset and liability management (ALM), reinsurance counterparty, and operational risk policies.

This manual is intended to provide guidance for completing each section of the ORSA Summary Report. The depth and detail of information are likely to be influenced by the nature and complexity of the insurer and should be updated at least annually for the insurer. The insurer is permitted discretion to determine how best to communicate its ERM processes. An insurer may avoid duplicative information and supporting documents by referencing other documents, provided that those documents are available to the state insurance regulator upon examination or request. In order to ensure that the commissioner is receiving the most current information from an insurer, the timing for filing the ORSA Summary Report during the calendar year may vary from insurer to insurer~~,~~ depending on when an insurer conducts its internal strategic planning process, unless the domiciliary state has adopted a specific filing date. In general, regulatory oversight is enhanced when the ORSA Summary Report is received early enough in the calendar year to allows the report to be reviewed in conjunction with Holding Company Analysis. In all cases, the ORSA Summary Report shall be filed annually, with the insurer informing the commissioner of the anticipated filing timeframe.~~In any event, the ORSA Summary Report shall be filed once each year, with the insurer apprising the commissioner as to the anticipated time of filing.~~

The ORSA Summary Report shall include a signature of the insurer's chief risk officer or other executive having responsibility for the oversight of the insurer's ERM process attesting to the best of their belief and knowledge that the insurer applies the ERM process described in the ORSA Summary Report and that a copy of the ORSA Summary Report has been provided to the insurer's board of directors or the appropriate committee.

An insurer may comply with the ORSA requirement by providing the most recent report(s)[1] filed by the insurer or another member of an insurance group of which the insurer is a member to the commissioner of another state or a supervisor or regulator of a foreign jurisdiction if that report

[1] Reports filed to foreign jurisdictions that are a report on an insurer's ORSA shall henceforth for the purposes of this manual be referred to as an ORSA Summary Report.

provides information that is comparable to the information described in this manual. If a U.S. state insurance commissioner is the global group-wide supervisor of an IAIG, the U.S. state insurance commissioner should receive the ORSA Summary Report covering all material group-wide insurance operations. In addition, the insurer should work with a U.S. global group-wide supervisor to identify the scope of the group, whether the group is an IAIG or not, identify the head of the IAIG using the guidance contained in the *Financial Analysis Handbook*, and determine which noninsurance operations, if any, within the group should be included within the scope of the group and, therefore, the ORSA Summary Report. However, for all ORSA filers, the noninsurance operations that present material and relevant risks to the insurer should be included in the scope of the ORSA Summary Report.

If the U.S. is not the global group-wide supervisor, the insurer may file ORSA Summary Reports encompassing, at a minimum, the U.S. insurance operations, as long as the lead state receives ORSA Summary Reports encompassing the non-U.S. insurance operations from the global group-wide supervisor. If an ORSA Summary Report encompassing the non-U.S. insurance operations is not provided by the global group-wide supervisor, it should be provided by the insurer. If the insurer files an ORSA Summary Report encompassing only the U.S. insurance operations, and in it, the insurer states that the U.S. ERM framework is based on the insurers' global ERM framework, then the global ERM framework should be explained either within the U.S. ORSA Summary Report or in an ORSA Summary Report encompassing the non-U.S. insurance operations and be provided to the lead state at a time agreed upon by the insurer and the lead state.

If the report is in a language other than English, it must be accompanied by a translation into the English language. The commissioner should discuss with the global group-wide supervisor from the relevant foreign jurisdiction(s) the report received to inquire about any concerns and either confirm that the report was compliant with the foreign jurisdiction's requirements or consistent with the applicable principles outlined in the International Association of Insurance Supervisors (IAIS) Insurance Core Principle (ICP) 16 (Enterprise Risk Management) to the extent included in this manual, as well as this manual to determine if additional information is needed. The commissioner will, where possible, avoid creating duplicative regulatory requirements for internationally active insurers.

In analyzing an ORSA Summary Report, the commissioner will expect that the report represents a work product of the ERM framework that includes all of the material risks identified by the insurer to which an insurer(s), if applicable, is exposed.

The ORSA Summary Report may assist the commissioner in determining the scope, depth, and minimum timing of risk-focused analysis and examination procedures. For example, insurers may have varying ERM frameworks, ranging from a business plan to a combination of investment plans and underwriting policies to more complex risk management processes and sophisticated modeling. Insurers with ERM frameworks appropriate to their risk profile may not require the same scope or depth of review upon examination and analysis as those with less comprehensive ERM frameworks. Therefore, the insurer should consider whether the ORSA Summary Report demonstrates the strengths of its framework, including how it meets the guidelines within this manual for the relative risk of the insurer.

In addition to the ORSA Summary Report, the insurer should internally document the ORSA results to facilitate a more in-depth review by the commissioner through analysis and examination processes. Such a review may depend on several factors, such as the nature, complexity, financial position, and/or prioritization of the insurer, as well as external considerations such as the economic environment. These factors may result in the commissioner requesting additional information about the insurer's ERM framework through the financial analysis or examination processes. The information requested may include, but is not limited to, risk management policies and programs, such as the insurer's underwriting, investment, claims, duration, or ALM, as well as reinsurance counterparty or operational risk policies.

D. Maintenance Process

The following establishes procedures of the Group Solvency Issues (E) Working Group or its designated subgroup for proposed changes, amendments, and/or modifications to the manual:

1. The Working Group may consider relevant proposals to change the manual at any conference call, interim, or national meeting throughout the year as scheduled by the Working Group.
2. If a proposal for suggested changes, amendments, and/or modifications is submitted to or filed with NAIC staff support, it may be considered at the next regularly scheduled meeting of the Working Group.
3. The Working Group publishes a formal submission form and instructions that can be used to submit proposals, which are available on the Working Group's web page. However, proposals may also be submitted in an alternate format provided that they are stated in a concise and complete format. In addition, if another NAIC committee, task force, or working group is known to have considered this proposal, that committee, task force, or working group should provide any relevant information.
4. Any proposal to change the manual will take effect on Jan. 1 following the NAIC Summer National Meeting in which it was adopted by the Working Group and the Fall National Meeting in which it was adopted by the NAIC. For example, a change proposed to be effective on Jan. 1, 2018, must be adopted by the Working Group no later than the 2017 Summer National Meeting.
5. Upon receipt of a proposal, the Working Group will review the proposal at the next scheduled meeting and determine whether to consider the proposal for adoption. If the proposal is to be considered by the Working Group, it will be exposed for public comment. The public comment period shall be no less than 30 days and may be extended by the Working Group. The Working Group will consider comments received on each proposal at its next meeting and take action to revise, adopt, reject, refer, or continue the consideration of the proposal and comments thereto. Proposals under consideration may be deferred by the Working Group until the following scheduled meeting. The Working Group may form an ad hoc group to study the proposal, if needed. The Working Group may also refer proposals to other NAIC committees for technical expertise or review. If a proposal has been referred to another NAIC committee, the proposal will temporarily be removed from the Working Group's agenda until a response has been received. At that time, it will be added back to the Working Group's agenda.
6. NAIC support staff will prepare an agenda that includes all proposed changes. The agenda and relevant materials shall be emailed to each member of the Working Group, interested state insurance regulators, and interested parties and posted to the Working Group's web page approximately five to 10 business days prior to the next regularly scheduled meeting during which the proposal would be considered.
7. In rare instances, or where emergency action may be required, suggested changes and amendments can be considered as an exception to the above-stated process and timeline based on a two-thirds majority consent of the Working Group members present.

Notwithstanding the foregoing, a proposal may not be adopted without an exposure for public comment.

8. NAIC staff support will publish the manual on or about Dec. 15 of each year. NAIC staff will post the current versions to the Working Group and NAIC Publications web pages and any subsequent corrections to these publications.

SECTION 1—DESCRIPTION OF THE INSURER'S ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

It may be useful to cover general background information before providing a description of the insurer ERM framework. Some potential background items include: the attestation, a discussion of the entities in scope, a discussion of the accounting basis used in the report, an overview of the insurer's key goals and strategic initiatives, and a discussion of changes from prior filings (some insurers issue a track changes version for the regulator to identify changes from prior years particularly to the ERM in Section 1)

Additionally, if there are overarching issues that affect the entire ORSA filing, the insurer is encouraged to discuss those up front, before proceeding with a description of the ERM framework. One example of an overarching issue might include the fact that the insurer is a Solvency II framework filer and that much of the information presented in the ORSA (i.e., risk presentation, stress testing performed, model used for quantification) is based on Solvency II standards and capital stucture. Another example could be an insurance group's structure and expectations to pay dividends. In this case, dividend-paying capacity could represent a key risk, with stress testing used to evaluate scenarios that could constrain or prohibit dividend payments and corresponding capital projections prepared under varying dividend assumptions. The final example would be an insurer that is in a RBC recovery plan with the department of insurance and the monthly reporting which is the only quantitative part of the ORSA and the mention of the RBC level is a company action level at year end is in the final appendix.

Presenting this background information upfront—particularly any overarching issues that influence risk categorization, stress testing, or capital assessment across the ORSA—helps frame the filing, enhances transparency, and enables regulators to more efficiently understand and evaluate the insurer's ERM framework and capital analysis.

An effective ERM framework should, at a minimum, incorporate the following key principles:

- **Risk Culture and Governance**—A governance structure that clearly defines and articulates roles, responsibilities, and accountabilities; a risk culture that supports accountability in risk-based decision making.
- **Risk Identification and Prioritization**—A risk identification and prioritization process that is key to the organization; responsibility for this activity is clear; the risk management function is responsible for ensuring that the process is appropriate and functioning properly at all organizational levels; key risks of the insurer are identified, prioritized, and clearly presented.
- **Risk Appetite, Tolerances, and Limits**—A formal risk appetite statement and associated risk tolerances and limits are foundational elements of risk management for an insurer; an

understanding of the risk appetite statement ensures alignment with risk strategy by the board of directors.

- **Risk Management and Controls**—Managing risk is an ongoing ERM activity, operating at many levels within the organization. The insurer's overall control framework/policies should be discussed in this section (e.g., lines of accountability, general control processes), with information on any individual controls associated with specific key risks discussed in Section 2.
- **Risk Reporting and Communication**—Provides key constituents with transparency into the risk management processes and facilitates active, informal decisions on risk-taking and management.

Section 1 of the ORSA Summary Report should describe ~~provide a high-level summary of the aforementioned~~the aforementioned ERM framework principles, if present. The ORSA Summary Report should describe the main goals and objectives of the insurer's business strategy (i.e., for all insurance and noninsurance operations in scope) and how the insurer identifies and categorizes relevant and material risks and manages those risks as it executes its business strategy. The ORSA Summary Report should also describe risk monitoring processes and methods, provide risk appetite statements, and explain the relationship between risk tolerances and the amount and quality of risk capital. The ORSA Summary Report should identify assessment tools (e.g., feedback loops) used to monitor and respond to any changes in the insurer's risk profile due to economic changes, operational changes, or changes in business strategy. Finally, the ORSA Summary Report should describe how the insurer incorporates new risk information in order to monitor and respond to changes in its risk profile due to economic and/or operational changes and changes in strategy.

The manner and depth in which the insurer addresses these principles depend on its own risk management processes. Any strengths or weaknesses noted by the commissioner in evaluating this section of the ORSA Summary Report will have relevance to the commissioner's ongoing supervision of the insurer, and the commissioner will consider the entirety of the risk management program and its appropriateness for the risks of the insurer.

SECTION 2—INSURER'S ASSESSMENT OF RISK EXPOSURES

Section 2 of the ORSA Summary Report should provide a ~~high-level summary of the~~ quantitative and/or qualitative assessments of the key/material risk exposures in both normal (is considered to be a baseline or budgeted amount for a risk) and stressed environments for each material risk category in Section 1. This assessment process should consider a range of outcomes using risk assessment techniques that are appropriate to the nature, scale, and complexity of the risks. Examples of relevant material risk categories may include, but are not limited to, credit, market, liquidity, underwriting, and operational risks.

Section 2 may include detailed descriptions and explanations of the material and relevant risks identified by the insurer, the assessment methods used, key assumptions made, risk-mitigation activities, and outcomes of any plausible adverse scenarios assessed. The assessment of each risk will depend on its specific characteristics. For some risks, quantitative methods may not be well established, and in these cases, a qualitative assessment may be appropriate. Examples of these risks may include certain operational and reputational risks. In addition, each insurer's quantitative methods for assessing risk may vary; however, insurers generally consider the likelihood and impact that each material and relevant risk identified by the insurer will have on the firm's balance sheet, income statement, and future cash flows. Methods for determining the impact on a future financial position may include simple stress tests or more complex stochastic analyses. When evaluating a risk, the insurer should analyze the results under both normal and stressed environments. Lastly, the insurer's risk assessment should consider the impact of stresses on capital, which may include the consideration of risk capital requirements; available capital; and regulatory, economic, rating agency, and/or other views of capital requirements.

The analysis should be conducted in a manner that is consistent with the way in which the business is managed, whether on a group, legal entity, or another basis. Stress tests for certain risks may be performed at the group level. Where relevant to the management of the business, some group-level stresses may be mapped into legal entities. The commissioner may request additional information to map the results to an individual insurance legal entity.

Any risk tolerance statements should include material quantitative and qualitative risk tolerance limits and how the tolerance statements and limits are determined, taking into account relevant and material categories of risk and the risk relationships that are identified. In addition to risk limits, the insurer should discuss other relevant controls in place to limit exposure to, or the impact from material risks discussed in this section. For example, the maintenance of cyber insurance coverage to reduce the impact of a cyber event, or reinsurance coverage in place to limit the impact of a catastrophic event.

Because the risk profile of each insurer is unique, each insurer should utilize assessment techniques (e.g., stress tests, etc.) applicable to its risk profile. U.S. state insurance regulators do not believe there is a standard set of stress conditions that each insurer should test. The commissioner may provide input regarding the level of stress that the insurer's management should consider for each risk category. The ORSA Summary Report should provide a general description of the insurer's process for model validation, including factors considered and model calibration. Unless a particular assumption is stochastically modeled, the group's management should set assumptions regarding the expected values based on its current anticipated experience, what it expects to occur during the next year or multiple future years, and consideration of expert judgment. The commissioner may provide input to an insurer's management on the assumptions and scenarios to be used in its assessment techniques. For assumptions that are stochastically modeled, the commissioner may provide input on the level of the measurement metric to use in the stressed condition or specify particular parameters used in the economic scenario generator (ESG). Commissioner input will likely occur during the financial analysis process and/or the financial examination process.

By identifying each material risk category independently and reporting results in both normal and stressed conditions, insurer management and the commissioner are better placed to evaluate certain risk combinations that could cause an insurer to fail. One of the most difficult exercises in modeling insurer results is determining the relationships, if any, between risk categories. History may provide some empirical evidence of relationships, but the future is not always best estimated by historical data.

SECTION 3—GROUP ASSESSMENT OF RISK CAPITAL AND PROSPECTIVE SOLVENCY ASSESSMENT

Section 3 of the ORSA Summary Report should describe how the insurer combines the qualitative elements of its risk management policy with the quantitative measures of risk exposure in determining the level of financial resources needed to manage its current business and over a longer-term business cycle (e.g., the next one to three years). The group risk capital assessment should be performed as part of the ORSA, regardless of the basis (e.g., group, legal entity, or another subset basis) and in a manner that encompasses the entire insurance group. The information provided in Section 3 is intended to assist the commissioner in assessing the quality of the insurer's risk and capital management.

A. Group Assessment of Risk Capital

Within the group assessment of risk capital, aggregate available capital is compared against the various risks that may adversely affect the enterprise. The insurer should consider how the group capital assessment is integrated into the insurer's management and decision-making culture, how the insurer evaluates its available capital, and how risk capital is integrated into its capital-management activities.

The insurer should have sound processes for assessing capital adequacy in relation to its risk profile, and those processes should be integrated into the insurer's management and decision-making culture. These processes may assess risk capital through myriad metrics and future forecasting periods, reflecting varying time horizons, valuation approaches, and capital-management strategies (e.g., the mix of capital). While a single internal risk capital measure may play a primary role in internal capital adequacy assessment, insurers may evaluate how risk and capital interrelate over various time horizons or through the lens of alternative risk capital or accounting frameworks, i.e., economic, rating agency, and/or regulatory frameworks~~.~~ Regardless of the approach taken to quantify risk capital, the insurer should present a summary of the capital allocated to each material risk classification or category. This section is intended to assist the commissioner in understanding the insurer's capital adequacy in relation to its aggregate risk profiles.

The group capital assessment should include a comparative view of risk capital from the prior year, including an explanation of the changes, if not already explained in another section of the ORSA Summary Report. This information may also be requested by the commissioner throughout the year, if needed (e.g., if material changes in the macroeconomic environment and/or microeconomic facts and circumstances suggest that the information is needed for the ongoing supervisory plan).

The analysis of an insurer's group assessment of risk capital requirements and associated capital adequacy description should be accompanied by a description of the approach used in conducting the analysis. This should include key methodologies, assumptions, and considerations used in quantifying available capital and risk capital. Examples might include:

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
Definition of Solvency	Describe how the insurer defines solvency for the purpose of determining risk capital and liquidity requirements.	Cash flow basis; balance sheet basis
Accounting or Valuation Regime	Describe the accounting or valuation basis for the measurement of risk	GAAP; statutory; economic or market

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
	capital requirements and/or available capital.	consistent; International Financial Reporting Standards (IFRS); rating agency model
Business Included	Describe the subset of business included in the analysis of capital.	Positions as of a given valuation date; new business assumptions
Time Horizon	Describe the time horizon over which risks were modeled and measured.	One-year, multi-year; lifetime; run-off. Note: The time horizon used in ORSA projections is generally expected to align with insurer's business planning horizon and strategic objectives.
Risks Modeled	Describe the risks included in the measurement of risk capital, including whether all relevant and material risks identified by the insurer have been considered.	Credit; market; liquidity; insurance; operational
Quantification Method	Describe the method used to quantify the risk exposure.	Deterministic stress tests; stochastic modeling; factor-based analysis
Risk Capital Metric	Describe the measurement metric utilized in the determination of aggregate risk capital.	Value at risk (VaR), which quantifies the capital needed to withstand a loss at a certain probability; tail value at risk (TVaR), which quantifies the capital needed to withstand average losses above a certain probability; probability of ruin, which quantifies the probability of ruin given the capital held
Defined Security Standard	Describe the defined security standard utilized in the determination of risk capital requirements, including linkage to business strategy and objectives.	AA solvency; 99.X% one-year VaR; Y% TVaR or conditional tail expectation (CTE); X% of RBC
Aggregation and Diversification	Describe the method of aggregation of risks and any diversification benefits	Correlation matrix; dependency structure;

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
	considered or calculated in the group risk capital determination.	sum; full/partial/no diversification

The approach and assessment of group-wide capital adequacy should also consider the following:

- Elimination of intra-group transactions and double gearing, where the same capital is used simultaneously as a buffer against risk in two or more entities.
- The level of leverage, if any, resulting from holding company debt and the ability of the group to service the existing debt.
- Diversification credits and restrictions on the fungibility of capital within the holding company system, including the availability and transferability of surplus resources created by holding company system-level diversification benefits.
- The effects of contagion risk, concentration risk, and complexity risk in the group assessment of risk capital.

The goal of the group capital assessment is to provide an overall determination of risk capital needs for the insurer based on the nature, scale, and complexity of risk within the group and its risk appetite; and compare that risk capital to available capital to assess capital adequacy. Group assessment of risk capital should not be perceived as the minimum amount of capital before regulatory action will result (e.g., the triggers in the *Risk-Based Capital (RBC) Model Act* [#312]); rather, it should be recognized that this is the capital needed within a holding company system to achieve its business objectives. As the goal of the group capital assessment is to determine risk capital needs, the insurer should present its group capital assessment by summarizing the capital allocated to each material risk classification or category~~.~~. This should serve to align the group capital assessment in Section 3 with the Key Risks identified in Sections 1 & 2 of the ORSA.

The insurer should also monitor the effect of liquidity risk, including calls on the insurer's cash position due to microeconomic factors (i.e., internal operational) and/or macroeconomic factors, i.e., economic shifts. The insurer should assess its resilience against severe but plausible liquidity stresses and whether the current liquidity position is within any liquidity risk appetite and/or limits. In the ORSA, the insurer should describe the policies and processes in place to manage liquidity risk, as well as contingency funding or other plans to mitigate potential liquidity stresses.

B. Prospective Solvency Assessment

The insurer's capital assessment process should be closely tied to business planning. To this end, the insurer should have a robust capital forecasting capability that supports its management of risk over the planning time horizon in line with its stated risk appetite. The forecasting process should consider material and relevant changes identified by the insurer to the insurer's internal operations and the external business environment. It should also consider the prospect of operating in both normal and stressed environments.

The insurer's prospective solvency assessment should demonstrate that it has the financial resources necessary to execute its multi-year business plan in accordance with its stated risk appetite. If the insurer does not have the necessary available capital in terms of quantity and/or quality to meet its current and projected risk capital requirements, then it should describe the management actions it has taken or will take to remedy any capital adequacy concerns. These management actions may include or describe any modifications to the business plan or identification of additional capital resources.

The prospective solvency assessment is, in effect, a feedback loop. The insurer should project its future financial position, including its projected economic and regulatory capital, to assess its ability to meet the regulatory capital requirements. Factors to be considered are the insurer's current risk profile, its risk management policy, and its quality and level of capital, including any changes to its current risk profile caused by executing the multi-year business plan. The prospective solvency assessment should also consider both normal and stressed environments.

While the prospective solvency assessment includes capital projections, the prospective solvency assessment should also include a discussion of prospective risks impacting the capital projections. This discussion should address whether risk exposures are expected to increase or decrease in the future and what steps the insurer plans to take that may change its risk exposures. The term "prospective" should pertain to both existing risks likely to intensify and emerging risks with the potential to impact the insurer in the future. The prospective solvency assessment should also present a summary of the capital allocated to each material risk classification or category (i.e. RBC components, Economic Capital risks, BCAR risks, Solvency II components, etc.) projected out across the current business plan of the insurer. This breakdown by risk classification allows the insurer to demonstrate how those risks are expected to change over the life of the business plan. Additionally, the presentation of prospective solvency assessment by key risk classification facilitates alignment with the Key Risks identified in Sections 1 & 2 of the ORSA.

If the prospective solvency assessment is performed for each individual insurer, the assessment should take into account any risks associated with group membership. Such an assessment may involve a review of any group solvency assessment and the methodology used to allocate group capital across insurance legal entities, as well as consideration of capital fungibility, i.e., any constraints on risk capital or the movement of risk capital to legal entities.

Additional Expectations For Internationally Active Insurance Groups

This section identifies additional ERM expectations that are applicable to IAIGs and should be discussed in the ORSA Summary Report. These expectations are generally consistent with elements outlined in the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), and they have been incorporated into this manual to the extent deemed appropriate by state insurance regulators.

As stated earlier in this document, an aggregated ORSA Summary Report should be filed at the head of the IAIG level. The head of the IAIG should ensure that the risk management strategy and framework described in the ORSA, whether located at the head of the IAIG or within another legal entity of the IAIG, encompass both the head of the IAIG and the legal entities within the IAIG to promote a sound risk culture across the group.

The risk management strategy should be approved by the IAIG Board, with regular risk management reporting provided to the IAIG Board or one of its committees.

The risk management framework should be integrated with the organizational structure of the IAIG and within its legal entities, as appropriate, to ensure that the decision-making processes, business operations, and risk culture of the IAIG are implemented. In addition, the framework should allow for the measurement of risk exposures of the IAIG against established risk limits on an ongoing basis in order to identify potential concerns as early as possible. This framework should cover, at a minimum:

- The diversity and the geographical reach of IAIG activities.
- The nature and degree of risks in individual legal entities and business lines.
- The aggregation of risks across entities within the IAIG.
- The interconnectedness of legal entities within the IAIG.
- The level of sophistication and functionality of information and reporting systems in addressing key risks.
- The applicable laws and regulations of the jurisdictions where the IAIG operates.

The risk management framework should promote a sound risk culture across all legal entities of the IAIG by having policies and processes that include risk management training, address independence, create appropriate incentives for staff involved in risk management, and encourage timely evaluation and open communication of emerging risks that may be significant to the IAIG and its legal entities.

The risk management framework of the IAIG should be reviewed at least annually to ensure that existing and emerging risks, as well as changes in structure and business strategy, are taken into account. Necessary modifications and improvements to the risk management framework should be made in a timely manner.

The IAIG's ORSA should explain how the risk management function, actuarial function, and internal audit function are involved in the risk management of the IAIG. The ORSA should explain the main activities of each of these functions. Furthermore, the ORSA should describe how the risk management function remains independent from risk-taking activities. The ORSA should describe how the actuarial function is involved in the risk assessment and management of the risks emanating from the legal entities in determining the IAIG's solvency position, in any actuarial-related modeling in the ORSA, and in the annual reporting to the IAIG Board of Directors on the risks posed to the IAIG. Finally, the ORSA should describe how the audit function provides an independent assessment and assurance to the IAIG Board of Directors of the operational effectiveness of the internal controls incorporated into the risk management framework.

The risk management strategy and framework of an IAIG should generally be consistent, and any material differences should be described in the ORSA strategic risk. The investment policies should ensure that assets are properly diversified and asset concentration risk is mitigated across the IAIG:

- Mechanisms to keep track of intra-group transactions that have a significant impact on the IAIG, the risks arising from these transactions, and the qualitative and quantitative restrictions on these risks. These intra-group transactions may include loans, guarantees, dividend payments, reinsurance, transactions across different financial services entities within the IAIG, and any activity undertaken by individual legal entities that may change the risk profile of the IAIG.
- An economic capital model to measure all relevant and material risks that the IAIG faces in different sectors, jurisdictions, and economic environments. The model should estimate

the amount of capital needed in reasonably foreseeable adverse situations. The results of the model, how the risks were aggregated in the model, how the diversification benefit was estimated, and the underlying assumptions used in the model should be presented in the ORSA. The ORSA should show both the economic capital with capital breakdown by risk and the regulatory capital at the head of the IAIG level. Use of the Group Capital Calculation (GCC) is an appropriate choice for reporting the regulatory capital at the head of the IAIG level for US groups that use the GCC. A discussion of the fungibility of capital and the transferability of assets within the group should also be included.

- Risk measurements that include stress and reverse stress testing and scenario analysis deemed relevant to the risk profile of the IAIG.
- Risk measurements of the resilience of its total balance sheet against plausible macroeconomic stresses.
- Risk measurements that assess the aggregate investment counterparty exposures and the effect of severe but plausible stress events on those exposures. In addition, the IAIG should have an investment counterparty risk appetite statement to determine if the current exposures are within the risk appetite, and this should be presented in the ORSA.

The risk management framework should include a series of mechanisms to manage the IAIG's liquidity risk and demonstrate the IAIG's resilience against severe but plausible liquidity stresses. These mechanisms include:

- A liquidity risk appetite statement and liquidity risk limits to determine if the current liquidity position of the IAIG is within the risk appetite and the limits.
- Strategies, policies, and processes to manage liquidity risk.
- Liquidity stress testing.
- An adequate level of unencumbered highly liquid assets.
- Contingency funding to mitigate potential liquidity stresses.

The IAIG may be asked by the group-wide supervisor to develop a recovery plan, if warranted. A recovery plan identifies in advance options to restore the financial position and viability of the group if it comes under severe stress. The full recovery plan is not expected to be included in the ORSA Summary Report; however, the ORSA Summary Report should discuss at a high level the severe stresses that could trigger a recovery plan, and it should summarize the recovery options available.

The risk management framework should be reviewed by the insurer at least once every three years in order to ascertain that it remains fit for purpose based on the risk profile, structure, and business strategy of the IAIG. The review may be carried out by an internal or external body as long as it is neither responsible nor involved in the risk management framework that it reviews.

APPENDIX I—GLOSSARY

Term	Definition
Attestation	A signed statement included in the ORSA Summary Report by the insurer's chief risk officer or other responsible executive, attesting, **to the best of their knowledge and belief**, that the enterprise risk management (ERM) process described in the report has been applied and that the report has been provided to the insurer's board of directors or the appropriate committee.

Term	Definition
	See Appendix II - Examples.
Available Capital	The amount of resources that an enterprise has at a given point in time under a defined valuation or accounting basis (e.g., economic, statutory, generally accepted accounting principles [GAAP], or a combination) to support its business and under the defined valuation represents the insurer's assessment of the types of capital required to support its business.
Captive Insurance Company	An insurance company that is owned and controlled by its insureds, typically formed to insure the risks of its parent company or affiliated entities, and licensed and regulated under specific captive insurance legislation.
Conditional Tail Expectation (CTE) (also known as Tail Value at Risk [TVaR])	A measure of the amount of risk that exists in the tail of a distribution of outcomes, expressed as the probability-weighted average of the outcomes beyond a chosen point in the distribution. Typically expressed as CTE (1-x), which would be calculated as the probability-weighted average of the worst x% of outcomes. For example, CTE 95 is calculated as the probability-weighted average of the worst 5% of outcomes, CTE 97 is the probability-weighted average of the worst 3% of outcomes, etc. CTE can be used as a way of defining a particular *security standard*.
Correlation Matrix	A symmetric matrix specifying pairwise interactions between a set of variables or data. A correlation matrix is commonly applied to risks or capital amounts and is an important determinant of calculated *risk capital,* including levels of *diversification*.
Deficit Capital	If the amount of *available capital* is less than the determined *risk capital* of an enterprise, then the enterprise is said to have *deficit capital*.
Defined Security Standard	The minimum threshold of *available capital* that a company wishes to achieve or maintain, consistent with the company's business strategy, *risk appetite*, and *risk tolerance*.
Dependency Structure	Specification of the relationship between different variables. Commonly specified in a *correlation matrix.*
Debt Servicing Capacity	A metric or indicator of an organization's ability to meet its debt obligations by comparing current and projected cash flows against scheduled debt payments.
Diversification	The extent to which the combined impact of risks inherent to assets and liabilities is less than the sum of the impacts of each risk considered in isolation.
Double Gearing	Used to describe situations where multiple companies, typically parent and subsidiary, are using shared capital to buffer against risk occurring in separate entities.
Economic Capital	The amount of capital that an insurer is required to absorb in unexpected losses based on its risk profile and risk appetite.
Excess Capital	If the amount of *available capital* is greater than the determined *risk capital* of an enterprise, the enterprise is said to have *excess capital*.

Term	Definition
Fungibility	Within a group context, the ability to redeploy *available capital* from one entity to another. Fungibility is reduced where the movement of *available capital* within the group is constrained or regulation prohibits it.
Group Capital	Group capital represents the aggregate ~~*available*~~ *capital* or *risk capital* for the entire group. Insurers should utilize an appropriate metric to assess group capital, which could include: economic capital models, foreign jurisdiction risk capital requirements, or other capital metrics. The group risk capital metric selected should summarize the capital allocated to each material risk classification or category the group is exposed to. It will be impacted by the interaction of the risks and capital of the individual entities within the group, with properties such as *diversification, fungibility,* and the quality and form of capital being important drivers.
Internationally Active Insurance Group (IAIG)	An insurance holding company system meeting the following criteria: 1. Premiums written in at least three countries. 2. The percentage of gross premiums written outside the home country is at least 10% of the insurance holding company system's total gross written premiums. 3. Based on a three-year rolling average, the total assets of the insurance holding company system are at least $50 billion, or the total gross written premiums of the insurance holding company system are at least $10 billion.
Probability of Ruin	The likelihood of liabilities exceeding assets for a given time horizon.
Reverse Stress Test	An analysis of those scenarios that would render the insurer insolvent.
Risk Appetite	Documents the overall principles that a company follows with respect to risk-taking, given its business strategy, financial soundness objectives, and capital resources. Often stated in qualitative terms, a risk appetite defines how an organization weighs strategic decisions and communicates its strategy to key stakeholders with respect to risk-taking. It is designed to enhance management's ability to make informed and effective business decisions while keeping risk exposures within acceptable boundaries.
Risk Capital	An amount of capital calculated to be sufficient to withstand adverse outcomes associated with various risks of an enterprise, up to a pre-defined *security standard*.
Risk Capital Metric	A quantitative variable used to gauge risk.
Risk Exposure	For each risk listed in the company's *risk profile*, the amount the company stands to lose due to that particular risk at a particular time, as indicated by a chosen metric.
Risk Limit	Typically, quantitative boundaries that control the amount of risk that a company takes. Risk limits are typically more granular than *risk tolerances* and may be expressed at various levels of aggregation, i.e., by type of risk, category within a type of risk,

Term	Definition
	product or line of business, or some other level of aggregation. Risk limits should be consistent with the company's overall *risk tolerance*.
Risk Profile	A delineation and description of the material risks to which an organization is exposed.
Risk Tolerance	The company's qualitative and quantitative boundaries around risk-taking, consistent with its *risk appetite*. Qualitative risk tolerances are useful to describe the company's preference for, or aversion to, particular types of risk, particularly for those risks that are difficult to measure. Quantitative risk tolerances are useful to set numerical limits for the amount of risk that a company is willing to take.
Security Standard	The level of a *measurement metric* used to determine *risk capital*. It signifies the strength of capital and, in practice, should be chosen to be consistent with the *risk appetite* and *risk tolerance.*
Solvency	For a given accounting basis, the state where, and extent to which, assets exceed liabilities.
Stochastic Analysis	A methodology designed to attribute a probability distribution to a range of possible outcomes. May use closed form solutions, or large numbers of scenarios in order to reflect the shape of the distribution.
Scenario Analysis	An analysis of the impact of possible future outcomes based on alternative projected assumptions. This can include changes to a single assumption or a combination of assumptions.
Stress Test	A type of scenario analysis in which the change in parameters is considered significantly adverse or even extreme.
Time Horizon	In the context of risk capital calculations, the period over which the impact of changes to risks is tested.
Value at Risk (VaR)	An estimate of the maximum loss over a certain period of time at a given confidence level.

Appendix II — Example Attestation

The ORSA Summary Report must include an attestation signed by the chief risk officer or other executive with responsibility for oversight of the ERM framework, as described in Section D—General Guidance.

Illustrative Attestation Language

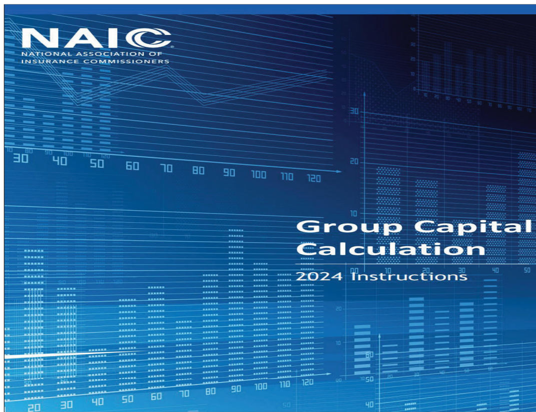
ABC Insurance Company

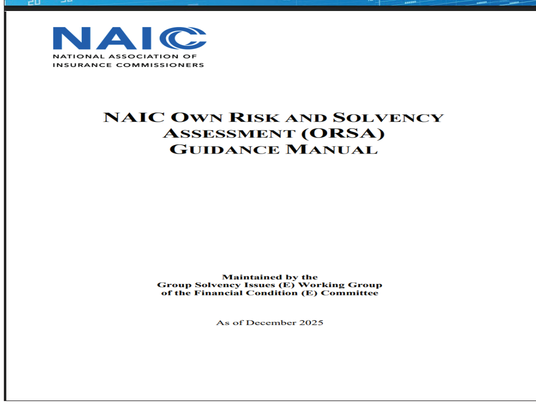
To the best of my knowledge and belief, ABC Insurance Company applies the enterprise risk management framework described in this ORSA Summary Report. A copy of this ORSA Summary Report has been provided to the Company's Board of Directors or an appropriate committee thereof.

John M. Smith

John M. Smith
Vice President and Chief Risk Officer
Date: May 1, 20XX______

This example includes all elements required by this manual. Insurers may adapt the wording, provided the required elements are retained.




NAIC
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

NAIC OWN RISK AND SOLVENCY ASSESSMENT (ORSA) GUIDANCE MANUAL

Maintained by the
Group Solvency Issues (E) Working Group
of the Financial Condition (E) Committee

As of December 2025

Group Capital Calculation (GCC) Compared to ORSA Capital

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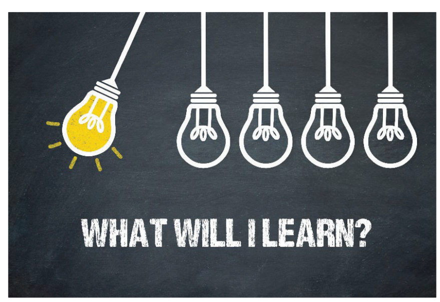
Learning Objectives

- **Why present Capital at a Group Level?**
- **Understand the NAIC Group Capital Calculation (GCC)**
- **Understand ORSA Capital Requirements and methods that insurer use to present Capital in the ORSA Report**
- **Compare GCC and ORSA capital**
- **Example of using GCC and ORSA to produce a holistic view of group capital and populate the GPS**



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Why present capital at a group level?

Why present capital at a group level?

- The US regulatory financial reporting presents surplus on a legal entity level.
- After the 2008 financial crisis, the need for the regulator to look at group capital and non-insurance entities that affected the insurer became vital.

Two regulatory tools were developed to provide regulators with a **view of capital at the group level**:

Group Capital Calculation (GCC) NAIC Model Law (#440) and Model Regulation (#450) - 2020:

- Builds on existing Statutory/RBC entity-level capital
- Provides uniformity across groups
- Gives regulators a clear, standardized view of group capital
- Emphasizes transparency and identification of non-insurance capital

Risk Management Own Risk Solvency Assessment (ORSA) NAIC Model Law (#505) - 2012:

- Principle-based, risk-focused capital view
- Varies by insurer, based on risk profile
- Evaluates capital through the lens of enterprise risk management
- Provides insight into material risks, risk appetite, and forward-looking capital needs

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How does a different views of group capital benefit the regulator?

- The regulator can ……
    - Look at capital on a group basis rather than just a legal entity level presented by RBC
    - Gain a perspective on other affiliates within the group
    - Better understand the risks to insurance groups and their policyholders

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What is the difference between the GCC and the capital in an ORSA?

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Group Capital Calculation (GCC)

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Background - Purpose & Benefits

Purpose

- Better understand the group
- NOT to be used to take regulatory action, nor meant to be used to compare one group to the next

Benefits

- Transparency into the group
- Help identify potential pressure from non-insurance entities or non-U.S. insurers
  - Provide early warning signals
    - Trending of financial information
    - Analytics tab of the GCC

Bottom-up approach

The GCC aggregation approach is intended to build on existing legal entity capital requirements where they exist rather than developing replacement/additional standards. In selecting this approach, it was recognized as satisfying regulatory needs while at the same time having the advantages of being less burdensome and costly to regulators and industry and respecting other jurisdictions' existing capital regimes.

To capture the risks associated with the entire group, including the insurance holding company, GCC calculations would need to be developed in those instances where no RBC calculations currently

The Group Capital Calculation Ratio

For each entity within the group, two amounts must be provided: available capital and calculated* capital

Available Capital
÷ <u>Calculated Capital</u>
= Group Capital Ratio

**Represents the local required capital for insurers and other regulated entities (e.g. banks) and a calculation for non-regulated entities*

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GCC Methodology (Aggregation)

Step 1: Accumulate entity-level data, including available capital and calculated capital, using RBC amounts where available, and apply a factor to other non-insurance entities

Step 2: Eliminate amounts for double-counting (available capital and calculated capital) for all entities (where applicable)

Step 3: Aggregate the results for all entities, thereby calculating total available capital and total required capital after eliminations (scaling for entities in non-US jurisdictions)

Step 4: Analyze the results–the group capital ratio

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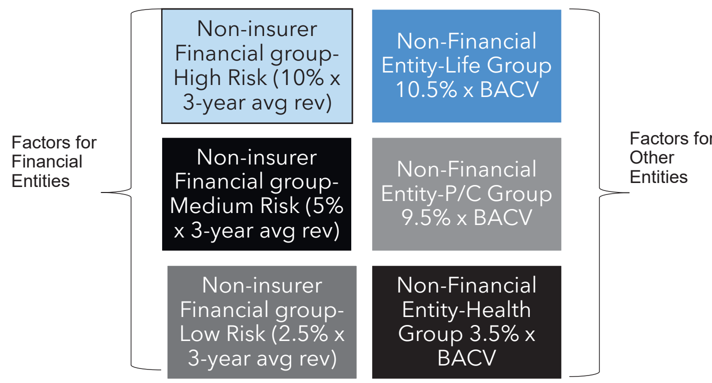
GCC Factors For Non-Insurance Entities



Note: BACV stands for book/adjusted carrying value

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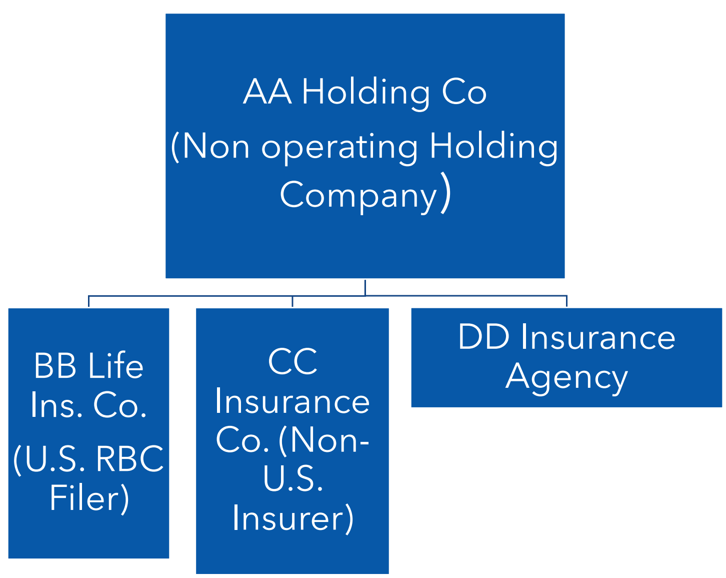
EE Insurance Group (EEIG)



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EEIG Financial Info

Entity	Total Available Capital (TAC)	Calculated Capital
AA Holding Company	$50.0M[1]	$1.26M[3]
BB Life Ins. Company	$30.0M	$6.0M[2]
CC Insurance Company	$6.0M[1]	$1.6M[2]
DD Insurance Agency	$2.0M[1]	$0.21M[3]

[1] For non-RBC reporting entities, this is the available regulatory capital or stockholder's equity
[2] Minimum required capital (first level of intervention (200% RBC) or equivalent amount in foreign jurisdiction)
[3] Calculated using a factor (see following pages)

(Calculations herein have been simplified for demonstration purposes.)

Eliminations of the Available Capital

Entity	TAC	Less Subs' TAC	Adjusted TAC
AA Holding Company	$50.0M	($38.0M)[1]	$12.0M
BB Life Ins. Company	$30.0M	0	$30.0M
CC Insurance Company	$6.0M	0	$6.0M
DD Insurance Agency	$2.0M	0	$2.0M
Available Capital (EEIG Total)			**$50.0M**

[1] $30.0M+6.0M+2.0M = $38.0M

Calculations of Non-Insurance Calculated Capital

Entity	Value	Factor	Calculated Capital
AA Holding Company	$12.0M	10.5%	$1.26M
DD Insurance Agency	$2.0M	10.5%	$0.21M

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Calculation of the Group Capital Ratio

- Available capital = $50.0M
- Calculated capital = $9.07M
- Ratio = $50.0M ÷ $9.07M = 5.51

(A ratio of 1.0 is the equivalent of an RBC of 200%; 5.51 is well above 1.0)

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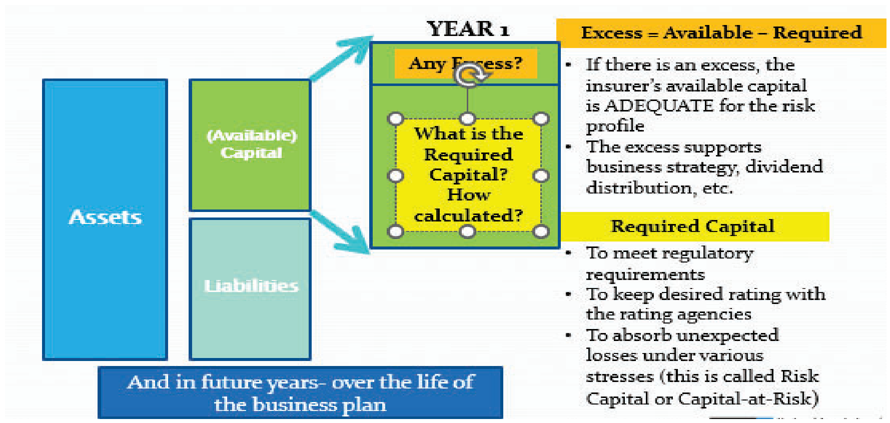
Capital in ORSA

Capital Language from ORSA Guidance Manual

The goal of the group capital assessment is to provide an overall determination of risk capital needs for the insurer based on the nature, scale, and complexity of risk within the group and its risk appetite; and compare that risk capital to available capital to assess capital adequacy. Group assessment of risk capital should not be perceived as the minimum amount of capital before regulatory action will result (e.g., the triggers in the Risk-Based Capital (RBC) for Insurers Model Act [#312]); rather, it should be recognized that this is the capital needed within a holding company system to achieve its business objectives.

Building Block of Capital in ORSA



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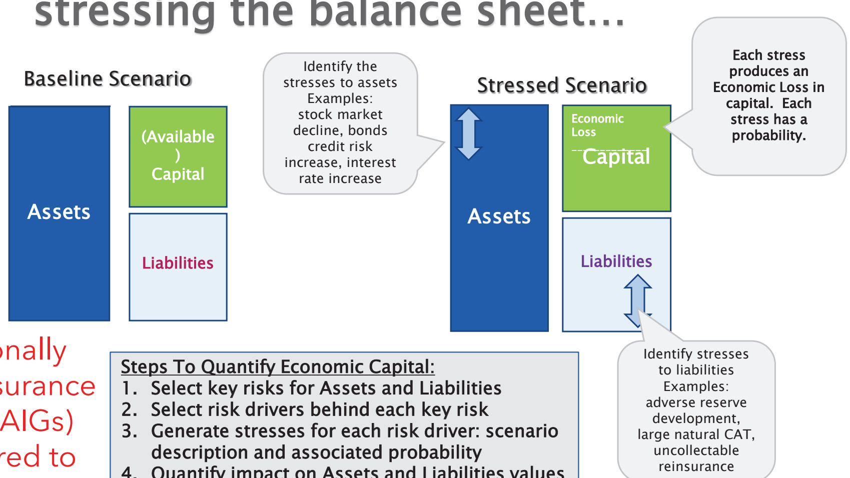
Economic Capital is measured by stressing the balance sheet…



Internationally Active Insurance Groups (IAIGs) are required to Use Economic Capital Models

Steps To Quantify Economic Capital:
1. Select key risks for Assets and Liabilities
2. Select risk drivers behind each key risk
3. Generate stresses for each risk driver: scenario description and associated probability
4. Quantify impact on Assets and Liabilities values
5. Quantify changes in capital (i.e. economic loss)

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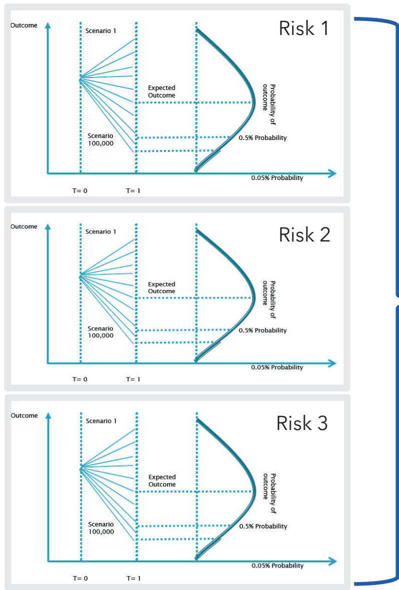
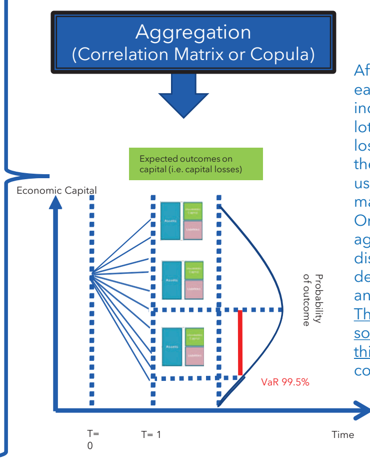


Scenario-based model
(Stochastic – Thousands simulations)



After simulating each risk individually, I have lots of capital losses. I combine these simulations using a correlation matrix or a copula. Once I have the aggregate distribution, I can determine its mean and percentiles. The modeling software does all this, and this is why companies buy it.

Example of Capital Views

S&P HAS A CAPITAL MODEL

	S&P Model Required Capital for "A" rating	
	Risk Type:	millions:
1	Premium Risk	1,000
2	Reserve Risk	2,000
3	Cat Risk	600
4	Asset Risk	1,500
5	Life Risk	500
6 = Sum(1thru5)	Undiversified Capital	5,600
7	Diversification Benefit	800
8=6-7	Diversified Required Capital	4,800
9	Available Capital	7,200
10=9-8	Cushion	2,400
11=9/8	Available/Required Capital	150%

A.M. BEST HAS A CAPITAL MODEL

	AM Best BCAR for "A" rating	
	Risk Type:	millions:
1	Asset Risk	1,400
2	Reserve Risk	2,100
3	Premium Risk	800
4	Business Risk	600
5	Cat Risk	500
6 = Sum(1thru5)	Undiversified Capital	5,400
7	Diversification Benefit	1,000
8=6-7	Diversified Required Capital	4,400
9	Available Capital	7,500
10=9-8	Cushion	3,100
11=9/8	Available/Required Capital	170%
{(9)-(8)}/(9)	BCAR Ratio	41%

More Examples of Capital Views

NAIC HAS THE RBC CAPITAL MODEL

	RBC	
	Risk Type:	millions:
1	R0 - Asset Risk-Affiliated	100
2	R1 - Asset Risk-Fixed Income	400
3	R2 - Asset Risk-Equity	200
4	R3 - Asset Risk-Credit	300
5	R4 - UW Risk-Reserve	400
6	R5 - UW Risk-NPW	700
7	Rcat - Catastrophe Risk	300
8 = Sum(1thru7)	Undiversified Capital	2,400
9	Covariance Adjustment	1,000
10=8-9	Authorized Control Level	1,400
11	Total Adjusted Capital	6,200
12=11-10	Cushion	4,800
13=11/10	RBC ratio	443%

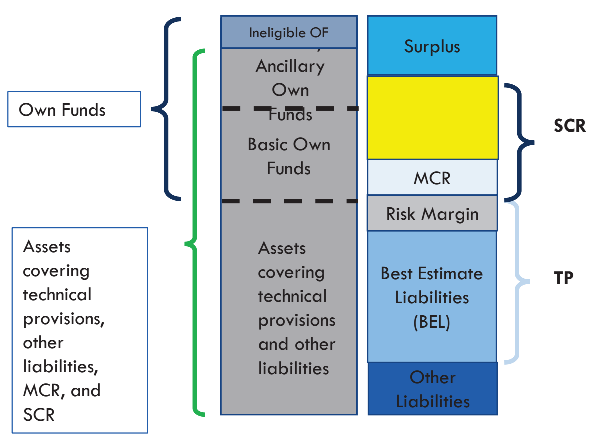
SOME INSURERS HAVE THEIR OWN INTERNAL ECONOMIC CAPITAL MODEL

	Economic Capital Model @99VaR	
		Year 1
	Risk Type:	millions:
1	Cat Risk	1,000
2	Reserve Risk	1,100
3	Market Risk	900
4	Credit Risk	1,500
5	Premium Risk	800
6	Life Risk	300
7 = Sum(1thru6)	Undiversified Capital	5,600
8	Diversification Benefit	2,500
9=7-8	Diversified Required Capital before load	3,100
10	Load for operational & non-modeled risk	10%
11= (1.0 + (10))*9	Diversified Required Capital	3,410
12	Available Capital	7,600
13=12-11	Cushion	4,190
14=12/11	Available/Required Capital	222%

ORSAs prepared under Solvency II – THE BALANCE SHEET

Assets:
Valued at Market Value

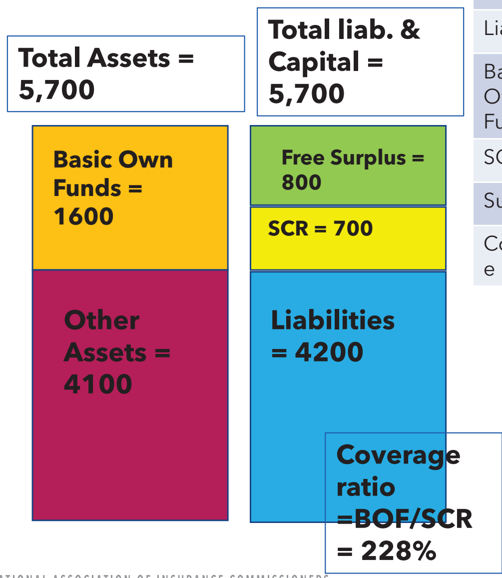
"Own Funds" are divided into "**Basic Own Funds**" which are assets on the insurer's balance sheet and "**Ancillary Own Funds**" which are off balance sheet and require supervisory approval.



Capital Requirements:
SCR = Solvency Capital Requirement
Standard Formula or Internal Model
First regulatory intervention point
MCR = Minimum Capital Requirement
Final regulatory intervention point

Technical Provisions (TP):
3 building blocks:
1. **Best estimate** of all future cash flows
2. **Discounted** at risk-free interest rate
3. **Risk margin** for non-hedgeable risks and unavoidable market risks.

Example of Solvency II Capital in ORSA-



Item	YE	YE +1	YE + 2
Assets	5700	5900	6100
Liabilities	4200	4445	4600
Basic Own Fund	1600	1800	1780
SCR	700	775	800
Surplus	800	680	700
Coverage Ratio	228%	232%	254%

Capital Per Risk	YE
Insurance Risk	3,400
Financial Risk	2,400
Operation Risk	800
Diversification	-1,850
Internal Required Capital	4,750

Use of the Economic Capital Model to inform GPS

Modeled Risks (using ECM)

Quantified but Non-Modeled Risks

Risk	Risk Capital @ VAR 99 YEAR 1	YEAR 2
CAT	678	850
Market	468	455
Reserve	728	835
U/W	625	721
Credit	58	50
Total	**2557**	**2911**
Diversification	**-895**	**-1164**
Post-Div. Total	**1662**	**1747**
Operational	199	210
Required Capital	**1861**	**1956**
Available Capital	**2777**	**2485**
Excess Capital	**916**	**529**

Liquidity 2X liabilities at YE

Non-Modeled Risks

- Strategic
- Reputational
- Legal

CAT and U/W risks should be evaluated during exam

Key Points Related to Capital in ORSA

- Insurer may use several capital metrics for different stakeholders
  - For Internationally Active Insurance Groups (IAIG's), the ORSA should show economic capital at the group -level
- Insurer can choose metrics, calibration, diversification, assumptions

BUT

- No US regulatory pre-approval but verification/control testing/walkthrough
- Insurer should support choices made
- Insurer should explain which key risks are included or add capital stresses for risks not included.

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Summary

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Compare the GCC and Economic Capital

GCC is a regulator defined methodology that looks at the RBC reporting entities as well as the non-insurance entities and those in other jurisdictions to arrive at the available capital and calculated capital.

ORSA is a principles-based company view of the ERM framework and the group capital and stresses currently and prospectively over the life of the business plan which is typically 3-5 year. ORSA should answer the question,

"What are the insurer's key risks?"

" How much economic capital is needed to support those risks now and prospectively?"

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How Issues are Addressed

Issue	GCC	ORSA
Affiliates, non-insurance entities and foreign jurisdictions	Systematic methodology for including in the calculation	Material affiliates, non-insurance and foreign jurisdictions to be presented
Prospective group capital projected	No	Yes- per instructions
Group Capital Allocated to Risk	No	Yes for IAIG (Economic Capital Model Required); Maybe on other insurers
Ratio of Calculated Capital (Risk Capital- ORSA) to Available Capital	Yes	Depends on Insurer; more prevalent in international insurers or Health Insurers using RBC multiples
Risks	Not presented by Risks	ORSA guidance manual instruction for all material risks, however insurer choose risks included in ORSA

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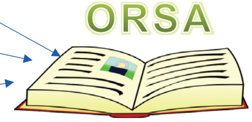
Regulators can use both ORSA and GCC to obtain Company Group Capital and/or Group Risk View

This analyst is preparing the Group Profile Summary (GPS). Can the ORSA, GCC or RBC filing help answer her questions?

1. How much capital is at the holding company?
2. How big are the non-insurance entities?
3. Is the CAT risk for wildfires projected to increase over the next 2 years?
4. Reinsurance is the main control to reduce CAT risk. Where can I see the reinsurance program?
5. How much capital is in the UK entity? What material risks are in the UK entity?

GCC

ORSA



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NAIC OWN RISK AND SOLVENCY ASSESSMENT (ORSA) GUIDANCE MANUAL

Maintained by the
Group Solvency Issues (E) Working Group
of the Financial Condition (E) Committee

As of December 2026

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: July 23, 2026

To: Users of the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual*

From: Group Solvency Issues (E) Working Group

This edition of the ORSA Guidance Manual has been revised from the previous edition. The following summarizes the most significant changes since the December 2025 edition:

1. Added guidance to reference the core questions addressed in an ORSA filing.
2. Added guidance to clarify that if states have a specific filing date the company should file by that date. Regulatory oversight is enhanced when the ORSA Summary Report is received early enough in the calendar year to allows the report to be reviewed in conjunction with Holding Company Analysis.
3. Added guidance to clarify expectations for discussions of controls in Section 1 vs. the use of controls in assessing the risks.
4. Added guidance to clarify that current and prospective solvency assessment should also present a summary of how each material risk classification or category contribute to the overall risk capital calculation. .
5. Added guidance to identify that use of the Group Capital Calculation (GCC) is an appropriate choice for reporting the regulatory capital at the head of the IAIG level.

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The requirements outlined in this manual are based on the requirements of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505). An insurer using this manual should refer to the laws adopted by its state of domicile when determining its requirements for risk management, determining its Own Risk and Solvency Assessment (ORSA), and preparing its ORSA Summary Report.

INTRODUCTION

The purpose of this manual is to provide guidance to an insurer and/or an insurance group of which the insurer is a member, hereinafter referred to as "insurer" or "insurers," with regard to reporting on its Own Risk and Solvency Assessment (ORSA), as required by the domestic state's version of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).

The ORSA, which is a component of an insurer's enterprise risk management (ERM) framework, is a confidential internal assessment appropriate to the nature, scale, and complexity of an insurer conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. As described below, an insurer that is subject to the ORSA requirements will be expected to:

1. Regularly (i.e., no less than annually) conduct an ORSA to assess the adequacy of its risk management framework, as well as its current and estimated projected future solvency position.
2. Internally document the process and results of the assessment.
3. Provide a confidential high-level ORSA Summary Report annually to the lead state commissioner if the insurer is a member of an insurance group and, upon request, to the domiciliary state insurance regulator.

The ORSA has two primary goals:

1. To foster an effective level of ERM at all insurers, through which each insurer identifies, assesses, monitors, prioritizes, and reports on its material and relevant risks identified by the insurer using techniques that are appropriate to the nature, scale, and complexity of the insurer's risks in a manner that is adequate to support risk and capital decisions.
2. To provide a group-level perspective on risk and capital as a supplement to the existing legal entity view.

In support of these objectives, the ORSA Summary Report is structured around a set of core questions designed to organize and communicate key elements of the insurer's ERM and capital assessment:

- What are the insurer's key risks, and what ERM framework governs those risks? (Section 1)
- What is the magnitude of the insurer's key risks, under both normal (budgeted) and stress conditions? (Section 2)
- What controls are in place to manage those key risks? (Sections 1 and 2)

- How much risk capital is required to support the key risks currently and prospectively over the business planning time horizon, and how does that compare to available capital, current and projected? (Section 3)

These questions are intentionally aligned with the objectives of the ORSA and provide a structured framework for addressing complex ERM and capital considerations. By framing the ORSA Summary Report around these core questions, the insurer can present a coherent and accessible view of its risk profile, risk management practices, and capital adequacy, thereby facilitating understanding by senior management, the board of directors, and regulators.
An insurer that is subject to the ORSA requirement should consider the guidance provided in this manual when conducting its ORSA and compiling its ORSA Summary Report. The ORSA Summary Report is not expected to fully address all risk management activities, but sufficient details to present the insurer's enterprise risk management framework, risk exposures, controls, and capital adequacy are expected. As the process and results are likely to include proprietary and forward-looking information, any ORSA Summary Report submitted to the commissioner shall be confidential under state law.

A. Exemption

An insurer shall be exempt from maintaining a risk management framework, conducting ORSA, and filing an ORSA Summary Report if:

1. The individual insurer's annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation (FCIC) and the National Flood Insurance Program (NFIP), is less than $500 million.
2. If the insurer is a member of an insurance group and the insurance group's (i.e., all insurance legal entities within the group) annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the FCIC and the NFIP, is less than $1 billion.

To determine the applicability of exemption No. 2 above, the U.S. lead state of an insurance group with international operations may request and verify group-wide premium volume on a regular basis, if not otherwise reported through holding company filings (i.e., Form B financial statements).

If the insurer does not qualify for an exemption, upon the commissioner's request, and no more than once each year, an insurer shall submit to the commissioner an ORSA Summary Report that contains the information described in this manual. If the group is an internationally active insurance group (IAIG) with a U.S. global group-wide supervisor, a group ORSA Summary Report should be filed; otherwise, a single or combination of reports may be used by the insurer to represent the group perspective.

For example, the property/casualty (P/C) insurers within a group could be included in one ORSA Summary Report or a combination of reports, and the life insurers within the same group could be included in another ORSA Summary Report or a combination of reports if those groups operate under different ERM frameworks. Notwithstanding any request from the commissioner, if the insurer is a member of an insurance group, the insurer shall submit the ORSA Summary Report(s) required by this manual to the lead state commissioner of the insurance group. The lead state is determined by the procedures within the *Financial Analysis Handbook.*

If an insurer qualifies for exemption No. 1 but the insurance group of which the insurer is a member does not qualify for exemption No. 2, then the insurer may supply an ORSA Summary Report in any combination, as long as every insurer within the group (including Captive Insurance Companies) is covered by the ORSA Summary Report(s).

If an insurer does not qualify for exemption No. 1 but the insurance group of which it is a member qualifies for exemption No. 2, then the only ORSA Summary Report that may be required is the report of that insurer. However, such an exemption does not eliminate the requirement for any insurer that is subject to the Model #505 to complete Section III—Group Assessment of Risk Capital and Prospective Solvency Assessment.

Notwithstanding the above exemptions, the commissioner may require the insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA Summary Report based on unique circumstances, including, but not limited to, the type of business written, ownership and organizational structure, federal agency requests, international supervisor requests, and regulatory concerns about the rapidly growing concentration of risk or risk exposure.

A commissioner may also require the insurer to maintain a risk management framework, conduct an ORSA, and file an ORSA Summary Report if the insurer has triggered a risk-based capital (RBC) company-action-level event, meets one or more of the standards of an insurer deemed to be in hazardous financial condition, or otherwise exhibits qualities of a troubled insurer, as determined by the commissioner.

If an insurer that qualifies for an exemption subsequently no longer qualifies for that exemption due to changes in premium, as reflected in the insurer's most recent annual financial statement or in the most recent annual financial statements of the insurers within the insurance group of which the insurer is a member, the insurer shall have one year following the year the threshold is exceeded to comply with the ORSA requirements. For example, if Company A exceeded the premium threshold on 12/31/202X, they would prepare an ORSA Summary Report for the year ended 12/31/202X+1, which would be filed no later than 12/31/202X+2 (or at the state's specified filing date in 202X+2).

B. Application for Waiver

An insurer that does not qualify for an exemption may apply to the commissioner for a waiver from the requirements of the ORSA based upon unique circumstances. The commissioner may consider various factors, including, but not limited to, the type of business entity, volume of business written, and material reduction in risk or risk exposures. If the insurer is part of a nonexempted insurance group, the commissioner shall coordinate with the lead state commissioner and the other domiciliary commissioners in considering the request for a waiver.

C. General Guidance

The ORSA should be one element of an insurer's ERM framework. The ORSA and the ORSA Summary Report link the insurer's risk identification, assessment, monitoring, prioritization, and reporting processes with capital management and strategic planning. Each insurer's ORSA and ORSA Summary Report will be unique, reflecting the insurer's business, strategic planning, and approach to ERM. The commissioner will utilize the ORSA Summary Report to gain a high-level understanding of the insurer's ORSA. The ORSA Summary Report will be supported by the insurer's internal risk management materials.

To allow the commissioner to achieve a high-level understanding of the insurer's ORSA, the ORSA Summary Report should discuss three major areas, which will be referred to as the following sections:

- **Section 1**—Description of the Insurer's Risk Management Framework
- **Section 2**—Insurer's Assessment of Risk Exposures
- **Section 3**—Group Assessment of Risk Capital and Prospective Solvency Assessment

When developing an ORSA Summary Report, the content should be consistent with the ERM information that is reported to senior management, and/or the board of directors, or the appropriate committee. While some of the format, structure, and content of the ORSA Summary Report may be tailored for the state insurance regulator, the content should be based on the insurer's internal reporting of its ERM information. The ORSA Summary Report itself does not need to be the medium of reporting its ERM to the board of directors or the appropriate committee, and the report to the board of directors or the appropriate committee may not be at the same level of detail as the ORSA Summary Report.

In order to aid the commissioner's understanding of the information provided in the ORSA Summary Report, it should include certain key information. The ORSA Summary Report should identify the basis(es) of accounting for the report (e.g., generally accepted accounting principles [GAAP], statutory accounting principles [SAPs], or international financial reporting standards) and the date or time period that the numerical information represents. The ORSA Summary Report should also explain the scope of the ORSA conducted, such that the report identifies which insurer(s) are included in the report. This may be accomplished by including an organizational chart. In subsequent years, the ORSA Summary Report should also include a short summary of material changes to the ORSA from the prior year, including supporting rationale, as well as updates to the sections listed above, if applicable.

The commissioner may develop a deeper understanding of the insurer's ERM framework upon examination or an annual risk-focused update. Additionally, as part of the risk-focused analysis and/or examination process, the commissioner may also request and review confidential supporting materials to supplement their understanding of the information contained in the ORSA Summary Report. These materials may include risk management policies or programs, such as the insurer's underwriting, investment, claims, asset and liability management (ALM), reinsurance counterparty, and operational risk policies.

This manual is intended to provide guidance for completing each section of the ORSA Summary Report. The depth and detail of information are likely to be influenced by the nature and complexity of the insurer and should be updated at least annually for the insurer. The insurer is permitted discretion to determine how best to communicate its ERM processes. An insurer may avoid duplicative information and supporting documents by referencing other documents, provided that those documents are available to the state insurance regulator upon examination or request. In order to ensure that the commissioner is receiving the most current information from an insurer, the timing for filing the ORSA Summary Report during the calendar year may vary from insurer to insurer depending on when an insurer conducts its internal strategic planning process, unless the domiciliary state has adopted a specific filing date. In general, regulatory oversight is enhanced when the ORSA Summary Report is received early enough in the calendar year to allows the report to be reviewed in conjunction with Holding Company Analysis. In all cases, the ORSA Summary Report shall be filed annually, with the insurer informing the commissioner of the anticipated filing timeframe.

The ORSA Summary Report shall include a signature of the insurer's chief risk officer or other executive having responsibility for the oversight of the insurer's ERM process attesting to the best of their belief and knowledge that the insurer applies the ERM process described in the ORSA Summary Report and that a copy of the ORSA Summary Report has been provided to the insurer's board of directors or the appropriate committee.

An insurer may comply with the ORSA requirement by providing the most recent report(s)[1] filed by the insurer or another member of an insurance group of which the insurer is a member to the commissioner of another state or a supervisor or regulator of a foreign jurisdiction if that report provides information that is comparable to the information described in this manual. If a U.S. state insurance commissioner is the global group-wide supervisor of an IAIG, the U.S. state insurance

[1] Reports filed to foreign jurisdictions that are a report on an insurer's ORSA shall henceforth for the purposes of this manual be referred to as an ORSA Summary Report.

commissioner should receive the ORSA Summary Report covering all material group-wide insurance operations. In addition, the insurer should work with a U.S. global group-wide supervisor to identify the scope of the group, whether the group is an IAIG or not, identify the head of the IAIG using the guidance contained in the *Financial Analysis Handbook*, and determine which noninsurance operations, if any, within the group should be included within the scope of the group and, therefore, the ORSA Summary Report. However, for all ORSA filers, the noninsurance operations that present material and relevant risks to the insurer should be included in the scope of the ORSA Summary Report.

If the U.S. is not the global group-wide supervisor, the insurer may file ORSA Summary Reports encompassing, at a minimum, the U.S. insurance operations, as long as the lead state receives ORSA Summary Reports encompassing the non-U.S. insurance operations from the global group-wide supervisor. If an ORSA Summary Report encompassing the non-U.S. insurance operations is not provided by the global group-wide supervisor, it should be provided by the insurer. If the insurer files an ORSA Summary Report encompassing only the U.S. insurance operations, and in it, the insurer states that the U.S. ERM framework is based on the insurers' global ERM framework, then the global ERM framework should be explained either within the U.S. ORSA Summary Report or in an ORSA Summary Report encompassing the non-U.S. insurance operations and be provided to the lead state at a time agreed upon by the insurer and the lead state.

If the report is in a language other than English, it must be accompanied by a translation into the English language. The commissioner should discuss with the global group-wide supervisor from the relevant foreign jurisdiction(s) the report received to inquire about any concerns and either confirm that the report was compliant with the foreign jurisdiction's requirements or consistent with the applicable principles outlined in the International Association of Insurance Supervisors (IAIS) Insurance Core Principle (ICP) 16 (Enterprise Risk Management) to the extent included in this manual, as well as this manual to determine if additional information is needed. The commissioner will, where possible, avoid creating duplicative regulatory requirements for internationally active insurers.

In analyzing an ORSA Summary Report, the commissioner will expect that the report represents a work product of the ERM framework that includes all of the material risks identified by the insurer to which an insurer(s), if applicable, is exposed.

The ORSA Summary Report may assist the commissioner in determining the scope, depth, and minimum timing of risk-focused analysis and examination procedures. For example, insurers may have varying ERM frameworks, ranging from a business plan to a combination of investment plans and underwriting policies to more complex risk management processes and sophisticated modeling. Insurers with ERM frameworks appropriate to their risk profile may not require the same scope or depth of review upon examination and analysis as those with less comprehensive ERM frameworks. Therefore, the insurer should consider whether the ORSA Summary Report demonstrates the strengths of its framework, including how it meets the guidelines within this manual for the relative risk of the insurer.

In addition to the ORSA Summary Report, the insurer should internally document the ORSA results to facilitate a more in-depth review by the commissioner through analysis and examination processes. Such a review may depend on several factors, such as the nature, complexity, financial position, and/or prioritization of the insurer, as well as external considerations such as the economic environment. These factors may result in the commissioner requesting additional information about the insurer's ERM framework through the financial analysis or examination processes. The information requested may include, but is not limited to, risk management policies and programs, such as the insurer's underwriting, investment, claims, duration, or ALM, as well as reinsurance counterparty or operational risk policies.

D. Maintenance Process

The following establishes procedures of the Group Solvency Issues (E) Working Group or its designated subgroup for proposed changes, amendments, and/or modifications to the manual:

1. The Working Group may consider relevant proposals to change the manual at any conference call, interim, or national meeting throughout the year as scheduled by the Working Group.
2. If a proposal for suggested changes, amendments, and/or modifications is submitted to or filed with NAIC staff support, it may be considered at the next regularly scheduled meeting of the Working Group.
3. The Working Group publishes a formal submission form and instructions that can be used to submit proposals, which are available on the Working Group's web page. However, proposals may also be submitted in an alternate format provided that they are stated in a concise and complete format. In addition, if another NAIC committee, task force, or working group is known to have considered this proposal, that committee, task force, or working group should provide any relevant information.
4. Any proposal to change the manual will take effect on Jan. 1 following the NAIC Summer National Meeting in which it was adopted by the Working Group and the Fall National Meeting in which it was adopted by the NAIC. For example, a change proposed to be effective on Jan. 1, 2018, must be adopted by the Working Group no later than the 2017 Summer National Meeting.
5. Upon receipt of a proposal, the Working Group will review the proposal at the next scheduled meeting and determine whether to consider the proposal for adoption. If the proposal is to be considered by the Working Group, it will be exposed for public comment. The public comment period shall be no less than 30 days and may be extended by the Working Group. The Working Group will consider comments received on each proposal at its next meeting and take action to revise, adopt, reject, refer, or continue the consideration of the proposal and comments thereto. Proposals under consideration may be deferred by the Working Group until the following scheduled meeting. The Working Group may form an ad hoc group to study the proposal, if needed. The Working Group may also refer proposals to other NAIC committees for technical expertise or review. If a proposal has been referred to another NAIC committee, the proposal will temporarily be removed from the Working Group's agenda until a response has been received. At that time, it will be added back to the Working Group's agenda.
6. NAIC support staff will prepare an agenda that includes all proposed changes. The agenda and relevant materials shall be emailed to each member of the Working Group, interested state insurance regulators, and interested parties and posted to the Working Group's web page approximately five to 10 business days prior to the next regularly scheduled meeting during which the proposal would be considered.
7. In rare instances, or where emergency action may be required, suggested changes and amendments can be considered as an exception to the above-stated process and timeline based on a two-thirds majority consent of the Working Group members present. Notwithstanding the foregoing, a proposal may not be adopted without an exposure for public comment.

8. NAIC staff support will publish the manual on or about Dec. 15 of each year. NAIC staff will post the current versions to the Working Group and NAIC Publications web pages and any subsequent corrections to these publications.

SECTION 1—DESCRIPTION OF THE INSURER'S ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

It may be useful to cover general background information before providing a description of the insurer ERM framework. Some potential background items include: the attestation, a discussion of the entities in scope, a discussion of the accounting basis used in the report, an overview of the insurer's key goals and strategic initiatives, and a discussion of changes from prior filings.

Additionally, if there are overarching issues that affect the entire ORSA filing, the insurer is encouraged to discuss those up front, before proceeding with a description of the ERM framework. One example of an overarching issue might include the fact that the insurer is a Solvency II framework filer and that much of the information presented in the ORSA (i.e., risk presentation, stress testing performed, model used for quantification) is based on Solvency II standards and capital stucture. Another example could be an insurance group's structure and expectations to pay dividends. In this case, dividend-paying capacity could represent a key risk, with stress testing used to evaluate scenarios that could constrain or prohibit dividend payments and corresponding capital projections prepared under varying dividend assumptions. The final example would be an insurer that is in a RBC recovery plan with the department of insurance and the monthly reporting which is the only quantitative part of the ORSA.

Presenting this background information upfront—particularly any overarching issues that influence risk categorization, stress testing, or capital assessment across the ORSA—helps frame the filing, enhances transparency, and enables regulators to more efficiently understand and evaluate the insurer's ERM framework and capital analysis.

An effective ERM framework should, at a minimum, incorporate the following key principles:

- **Risk Culture and Governance**—A governance structure that clearly defines and articulates roles, responsibilities, and accountabilities; a risk culture that supports accountability in risk-based decision making.
- **Risk Identification and Prioritization**—A risk identification and prioritization process that is key to the organization; responsibility for this activity is clear; the risk management function is responsible for ensuring that the process is appropriate and functioning properly at all organizational levels; key risks of the insurer are identified, prioritized, and clearly presented.
- **Risk Appetite, Tolerances, and Limits**—A formal risk appetite statement and associated risk tolerances and limits are foundational elements of risk management for an insurer; an understanding of the risk appetite statement ensures alignment with risk strategy by the board of directors.
- **Risk Management and Controls**—Managing risk is an ongoing ERM activity, operating at many levels within the organization. The insurer's overall control framework/policies should be discussed in this section (e.g., lines of accountability, general control processes), with information on any individual controls associated with specific key risks discussed in Section 2.

- **Risk Reporting and Communication**—Provides key constituents with transparency into the risk management processes and facilitates active, informal decisions on risk-taking and management.

Section 1 of the ORSA Summary Report should describe the aforementioned ERM framework principles, if present. The ORSA Summary Report should describe the main goals and objectives of the insurer's business strategy (i.e., for all insurance and noninsurance operations in scope) and how the insurer identifies and categorizes relevant and material risks and manages those risks as it executes its business strategy. The ORSA Summary Report should also describe risk monitoring processes and methods, provide risk appetite statements, and explain the relationship between risk tolerances and the amount and quality of risk capital. The ORSA Summary Report should identify assessment tools (e.g., feedback loops) used to monitor and respond to any changes in the insurer's risk profile due to economic changes, operational changes, or changes in business strategy. Finally, the ORSA Summary Report should describe how the insurer incorporates new risk information in order to monitor and respond to changes in its risk profile due to economic and/or operational changes and changes in strategy.

The manner and depth in which the insurer addresses these principles depend on its own risk management processes. Any strengths or weaknesses noted by the commissioner in evaluating this section of the ORSA Summary Report will have relevance to the commissioner's ongoing supervision of the insurer, and the commissioner will consider the entirety of the risk management program and its appropriateness for the risks of the insurer.

SECTION 2—INSURER'S ASSESSMENT OF RISK EXPOSURES

Section 2 of the ORSA Summary Report should provide a quantitative and/or qualitative assessments of the key/material risk exposures in both normal (considered to be a baseline or budgeted amount for a risk) and stressed environments for each material risk category in Section 1. This assessment process should consider a range of outcomes using risk assessment techniques that are appropriate to the nature, scale, and complexity of the risks. Examples of relevant material risk categories may include, but are not limited to, credit, market, liquidity, underwriting, and operational risks.

Section 2 may include detailed descriptions and explanations of the material and relevant risks identified by the insurer, the assessment methods used, key assumptions made, risk-mitigation activities, and outcomes of any plausible adverse scenarios assessed. The assessment of each risk will depend on its specific characteristics. For some risks, quantitative methods may not be well established, and in these cases, a qualitative assessment may be appropriate. Examples of these risks may include certain operational and reputational risks. In addition, each insurer's quantitative methods for assessing risk may vary; however, insurers generally consider the likelihood and impact that each material and relevant risk identified by the insurer will have on the firm's balance sheet, income statement, and future cash flows. Methods for determining the impact on a future financial position may include simple stress tests or more complex stochastic analyses. When evaluating a risk, the insurer should analyze the results under both normal and stressed environments. Lastly, the insurer's risk assessment should consider the impact of stresses on capital, which may include the consideration of risk capital requirements; available capital; and regulatory, economic, rating agency, and/or other views of capital requirements.

The analysis should be conducted in a manner that is consistent with the way in which the business is managed, whether on a group, legal entity, or another basis. Stress tests for certain risks may be performed at the group level. Where relevant to the management of the business, some group-level stresses may be mapped into legal entities. The commissioner may request additional information to map the results to an individual insurance legal entity.

Any risk tolerance statements should include material quantitative and qualitative risk tolerance limits and how the tolerance statements and limits are determined, taking into account relevant and material categories of risk and the risk relationships that are identified. In addition to risk limits, the insurer should discuss other relevant controls in place to limit exposure to, or the impact from, material risks discussed in this section (for example, the maintenance of cyber insurance coverage to reduce the impact of a cyber event, or reinsurance coverage in place to limit the impact of a catastrophic event.)

Because the risk profile of each insurer is unique, each insurer should utilize assessment techniques (e.g., stress tests, etc.) applicable to its risk profile. U.S. state insurance regulators do not believe there is a standard set of stress conditions that each insurer should test. The commissioner may provide input regarding the level of stress that the insurer's management should consider for each risk category. The ORSA Summary Report should provide a general description of the insurer's process for model validation, including factors considered and model calibration. Unless a particular assumption is stochastically modeled, the group's management should set assumptions regarding the expected values based on its current anticipated experience, what it expects to occur during the next year or multiple future years, and consideration of expert judgment. The commissioner may provide input to an insurer's management on the assumptions and scenarios to be used in its assessment techniques. For assumptions that are stochastically modeled, the commissioner may provide input on the level of the measurement metric to use in the stressed condition or specify particular parameters used in the economic scenario generator (ESG). Commissioner input will likely occur during the financial analysis process and/or the financial examination process.

By identifying each material risk category independently and reporting results in both normal and stressed conditions, insurer management and the commissioner are better placed to evaluate certain risk combinations that could cause an insurer to fail. One of the most difficult exercises in modeling insurer results is determining the relationships, if any, between risk categories. History may provide some empirical evidence of relationships, but the future is not always best estimated by historical data.

Section 3—Group Assessment of Risk Capital and Prospective Solvency Assessment

Section 3 of the ORSA Summary Report should describe how the insurer combines the qualitative elements of its risk management policy with the quantitative measures of risk exposure in determining the level of financial resources needed to manage its current business and over a longer-term business cycle (e.g., the next one to three years). The group risk capital assessment should be performed as part of the ORSA, regardless of the basis (e.g., group, legal entity, or another subset basis) and in a manner that encompasses the entire insurance group. The information provided in Section 3 is intended to assist the commissioner in assessing the quality of the insurer's risk and capital management.

A. Group Assessment of Risk Capital

Within the group assessment of risk capital, aggregate available capital is compared against the various risks that may adversely affect the enterprise. The insurer should consider how the group capital assessment is integrated into the insurer's management and decision-making culture, how the insurer evaluates its available capital, and how risk capital is integrated into its capital-management activities.

The insurer should have sound processes for assessing capital adequacy in relation to its risk profile, and those processes should be integrated into the insurer's management and decision-making culture. These processes may assess risk capital through myriad metrics and future forecasting periods, reflecting varying time horizons, valuation approaches, and capital-management strategies (e.g., the mix of capital). While a single internal risk capital measure may play a primary role in internal capital adequacy assessment, insurers may evaluate how risk and capital interrelate over various time horizons or through the lens of alternative risk capital or accounting frameworks, i.e., economic, rating agency, and/or regulatory frameworks The insurer should present a summary of how each material risk classification or category contributes to the overall risk capital calculation. This section is intended to assist the commissioner in understanding the insurer's capital adequacy in relation to its aggregate risk profiles.

The group capital assessment should include a comparative view of risk capital from the prior year, including an explanation of the changes, if not already explained in another section of the ORSA Summary Report. This information may also be requested by the commissioner throughout the year, if needed (e.g., if material changes in the macroeconomic environment and/or microeconomic facts and circumstances suggest that the information is needed for the ongoing supervisory plan).

The analysis of an insurer's group assessment of risk capital requirements and associated capital adequacy description should be accompanied by a description of the approach used in conducting the analysis. This should include key methodologies, assumptions, and considerations used in quantifying available capital and risk capital. Examples might include:

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
Definition of Solvency	Describe how the insurer defines solvency for the purpose of determining risk capital and liquidity requirements.	Cash flow basis; balance sheet basis
Accounting or Valuation Regime	Describe the accounting or valuation basis for the measurement of risk capital requirements and/or available capital.	GAAP; statutory; economic or market consistent; International Financial Reporting Standards (IFRS); rating agency model
Business Included	Describe the subset of business included in the analysis of capital.	Positions as of a given valuation date; new business assumptions

Considerations	Description of Methodologies and Assumptions	Examples (not exhaustive)
Time Horizon	Describe the time horizon over which risks were modeled and measured.	One-year, multi-year; lifetime; run-off.
Risks Modeled	Describe the risks included in the measurement of risk capital, including whether all relevant and material risks identified by the insurer have been considered.	Credit; market; liquidity; insurance; operational
Quantification Method	Describe the method used to quantify the risk exposure.	Deterministic stress tests; stochastic modeling; factor-based analysis
Risk Capital Metric	Describe the measurement metric utilized in the determination of aggregate risk capital.	Value at risk (VaR), which quantifies the capital needed to withstand a loss at a certain probability; tail value at risk (TVaR), which quantifies the capital needed to withstand average losses above a certain probability; probability of ruin, which quantifies the probability of ruin given the capital held
Defined Security Standard	Describe the defined security standard utilized in the determination of risk capital requirements, including linkage to business strategy and objectives.	AA solvency; 99.X% one-year VaR; Y% TVaR or conditional tail expectation (CTE); X% of RBC
Aggregation and Diversification	Describe the method of aggregation of risks and any diversification benefits considered or calculated in the group risk capital determination.	Correlation matrix; dependency structure; sum; full/partial/no diversification

The approach and assessment of group-wide capital adequacy should also consider the following:

- Elimination of intra-group transactions and double gearing, where the same capital is used simultaneously as a buffer against risk in two or more entities.
- The level of leverage, if any, resulting from holding company debt and the debt servicing capacity of the insurer.
- Diversification credits and restrictions on the fungibility of capital within the holding company system, including the availability and transferability of surplus resources created by holding company system-level diversification benefits.
- The effects of contagion risk, concentration risk, and complexity risk in the group assessment of risk capital.

The goal of the group capital assessment is to provide an overall determination of risk capital needs for the insurer based on the nature, scale, and complexity of risk within the group and its risk appetite; and compare that risk capital to available capital to assess capital adequacy. Group assessment of risk capital should not be perceived as the minimum amount of capital before regulatory action will result (e.g., the triggers in the *Risk-Based Capital (RBC) Model Act* [#312]); rather, it should be recognized that this is the capital needed within a holding company system to achieve its business objectives. The goal of the group capital assessment is to determine risk capital needs, and the ORSA Summary Report should describe how the company makes that determination. Accordingly, the insurer should present its group capital assessment by summarizing how each material risk classification or category contributes to the overall risk capital calculation. Presenting capital assessment in terms of each material risk's contribution to overall risk capital provides a clearer link between the insurer's risk profile and its capital adequacy assessment, helping demonstrate how available capital supports both current and evolving risk exposures.

The insurer should also monitor the effect of liquidity risk, including calls on the insurer's cash position due to microeconomic factors (i.e., internal operational) and/or macroeconomic factors, i.e., economic shifts. The insurer should assess its resilience against severe but plausible liquidity stresses and whether the current liquidity position is within any liquidity risk appetite and/or limits. In the ORSA, the insurer should describe the policies and processes in place to manage liquidity risk, as well as contingency funding or other plans to mitigate potential liquidity stresses.

B. Prospective Solvency Assessment

The insurer's capital assessment process should be closely tied to business planning. To this end, the insurer should have a robust capital forecasting capability that supports its management of risk over the planning time horizon in line with its stated risk appetite. The forecasting process should consider material and relevant changes identified by the insurer to the insurer's internal operations and the external business environment. It should also consider the prospect of operating in both normal and stressed environments.

The insurer's prospective solvency assessment should demonstrate that it has the financial resources necessary to execute its multi-year business plan in accordance with its stated risk appetite. If the insurer does not have the necessary available capital in terms of quantity and/or quality to meet its current and projected risk capital requirements, then it should describe the management actions it has taken or will take to remedy any capital adequacy concerns. These management actions may include or describe any modifications to the business plan or identification of additional capital resources.

The prospective solvency assessment is, in effect, a feedback loop. The insurer should project its future financial position, including its projected economic and regulatory capital, to assess its ability to meet the regulatory capital requirements. Factors to be considered are the insurer's current risk profile, its risk management policy, and its quality and level of capital, including any changes to its current risk profile caused by executing the multi-year business plan. The prospective solvency assessment should also consider both normal and stressed environments.

While the prospective solvency assessment includes capital projections, the prospective solvency assessment should also include a discussion of prospective risks impacting the capital projections. This discussion should address whether risk exposures are expected to increase or decrease in the future and what steps the insurer plans to take that may change its risk exposures. The term "prospective" should pertain to both existing risks likely to intensify and emerging risks with the potential to impact the insurer in the future. The prospective solvency assessment should also present a summary of how each material risk classification or category contributes to the overall risk capital calculation projected out across the current business plan of the insurer. This ~~breakdown~~ explanation by risk classification allows the insurer to elaborate upon how those risks are expected to change over the life of the business plan. Presenting capital assessment in terms of each material risk's contribution to overall risk capital provides a clearer link between the insurer's risk profile and its capital adequacy assessment, helping demonstrate how available capital supports both current and evolving risk exposures.

If the prospective solvency assessment is performed for each individual insurer, the assessment should take into account any risks associated with group membership. Such an assessment may involve a review of any group solvency assessment and the methodology used to allocate group capital across insurance legal entities, as well as consideration of capital fungibility, i.e., any constraints on risk capital or the movement of risk capital to legal entities.

Additional Expectations For Internationally Active Insurance Groups

This section identifies additional ERM expectations that are applicable to IAIGs and should be discussed in the ORSA Summary Report. These expectations are generally consistent with elements outlined in the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), and they have been incorporated into this manual to the extent deemed appropriate by state insurance regulators.

As stated earlier in this document, an aggregated ORSA Summary Report should be filed at the head of the IAIG level. The head of the IAIG should ensure that the risk management strategy and framework described in the ORSA, whether located at the head of the IAIG or within another legal entity of the IAIG, encompass both the head of the IAIG and the legal entities within the IAIG to promote a sound risk culture across the group.

The risk management strategy should be approved by the IAIG Board, with regular risk management reporting provided to the IAIG Board or one of its committees.

The risk management framework should be integrated with the organizational structure of the IAIG and within its legal entities, as appropriate, to ensure that the decision-making processes, business operations, and risk culture of the IAIG are implemented. In addition, the framework should allow for the measurement of risk exposures of the IAIG against established risk limits on an ongoing basis in order to identify potential concerns as early as possible. This framework should cover, at a minimum:

- The diversity and the geographical reach of IAIG activities.
- The nature and degree of risks in individual legal entities and business lines.
- The aggregation of risks across entities within the IAIG.
- The interconnectedness of legal entities within the IAIG.
- The level of sophistication and functionality of information and reporting systems in addressing key risks.
- The applicable laws and regulations of the jurisdictions where the IAIG operates.

The risk management framework should promote a sound risk culture across all legal entities of the IAIG by having policies and processes that include risk management training, address independence, create appropriate incentives for staff involved in risk management, and encourage timely evaluation and open communication of emerging risks that may be significant to the IAIG and its legal entities.

The risk management framework of the IAIG should be reviewed at least annually to ensure that existing and emerging risks, as well as changes in structure and business strategy, are taken into account. Necessary modifications and improvements to the risk management framework should be made in a timely manner.

The IAIG's ORSA should explain how the risk management function, actuarial function, and internal audit function are involved in the risk management of the IAIG. The ORSA should explain the main activities of each of these functions. Furthermore, the ORSA should describe how the risk management function remains independent from risk-taking activities. The ORSA should describe how the actuarial function is involved in the risk assessment and management of the risks emanating from the legal entities in determining the IAIG's solvency position, in any actuarial-related modeling in the ORSA, and in the annual reporting to the IAIG Board of Directors on the risks posed to the IAIG. Finally, the ORSA should describe how the audit function provides an independent assessment and assurance to the IAIG Board of Directors of the operational effectiveness of the internal controls incorporated into the risk management framework.

The risk management strategy and framework of an IAIG should generally be consistent, and any material differences should be described in the ORSA strategic risk. The investment policies should ensure that assets are properly diversified and asset concentration risk is mitigated across the IAIG:

- Mechanisms to keep track of intra-group transactions that have a significant impact on the IAIG, the risks arising from these transactions, and the qualitative and quantitative restrictions on these risks. These intra-group transactions may include loans, guarantees, dividend payments, reinsurance, transactions across different financial services entities within the IAIG, and any activity undertaken by individual legal entities that may change the risk profile of the IAIG.
- An economic capital model to measure all relevant and material risks that the IAIG faces in different sectors, jurisdictions, and economic environments. The model should estimate the amount of capital needed in reasonably foreseeable adverse situations. The results of the model, how the risks were aggregated in the model, how the diversification benefit was estimated, and the underlying assumptions used in the model should be presented in the ORSA. The ORSA should show both the economic capital including a summary of how each material risk classification or category contributes to the overall risk capital calculation and the regulatory capital at the head of the IAIG level. Use of the Group Capital Calculation (GCC) is an appropriate tool for reporting the regulatory capital at the head of the IAIG level for US groups that use the GCC. A discussion of the fungibility of capital and the transferability of assets within the group should also be included.
- Risk measurements that include stress and reverse stress testing and scenario analysis deemed relevant to the risk profile of the IAIG.
- Risk measurements of the resilience of its total balance sheet against plausible macroeconomic stresses.

- Risk measurements that assess the aggregate investment counterparty exposures and the effect of severe but plausible stress events on those exposures. In addition, the IAIG should have an investment counterparty risk appetite statement to determine if the current exposures are within the risk appetite, and this should be presented in the ORSA.

The risk management framework should include a series of mechanisms to manage the IAIG's liquidity risk and demonstrate the IAIG's resilience against severe but plausible liquidity stresses. These mechanisms include:

- A liquidity risk appetite statement and liquidity risk limits to determine if the current liquidity position of the IAIG is within the risk appetite and the limits.
- Strategies, policies, and processes to manage liquidity risk.
- Liquidity stress testing.
- An adequate level of unencumbered highly liquid assets.
- Contingency funding to mitigate potential liquidity stresses.

The IAIG may be asked by the group-wide supervisor to develop a recovery plan, if warranted. A recovery plan identifies in advance options to restore the financial position and viability of the group if it comes under severe stress. The full recovery plan is not expected to be included in the ORSA Summary Report; however, the ORSA Summary Report should discuss at a high level the severe stresses that could trigger a recovery plan, and it should summarize the recovery options available.

The risk management framework should be reviewed by the insurer at least once every three years in order to ascertain that it remains fit for purpose based on the risk profile, structure, and business strategy of the IAIG. The review may be carried out by an internal or external body as long as it is neither responsible nor involved in the risk management framework that it reviews.

APPENDIX I —GLOSSARY

Term	**Definition**
Attestation	A signed statement included in the ORSA Summary Report by the insurer's chief risk officer or other responsible executive attesting, **to the best of their knowledge and belief**, that the enterprise risk management (ERM) process described in the report has been applied and that the report has been provided to the insurer's board of directors or the appropriate committee. See Appendix II - Examples.
Available Capital	The amount of resources that an enterprise has at a given point in time under a defined valuation or accounting basis (e.g., economic, statutory, generally accepted accounting principles [GAAP], or a combination) to support its business and under the defined valuation represents the insurer's assessment of the types of capital required to support its business.
Captive Insurance Company	An insurance company that is owned and controlled by its insureds, typically formed to insure the risks of its parent company

Term	Definition
	or affiliated entities, and licensed and regulated under specific captive insurance legislation.
Conditional Tail Expectation (CTE) (also known as Tail Value at Risk [TVaR])	A measure of the amount of risk that exists in the tail of a distribution of outcomes, expressed as the probability-weighted average of the outcomes beyond a chosen point in the distribution. Typically expressed as CTE (1-x), which would be calculated as the probability-weighted average of the worst x% of outcomes. For example, CTE 95 is calculated as the probability-weighted average of the worst 5% of outcomes, CTE 97 is the probability-weighted average of the worst 3% of outcomes, etc. CTE can be used as a way of defining a particular *security standard*.
Correlation Matrix	A symmetric matrix specifying pairwise interactions between a set of variables or data. A correlation matrix is commonly applied to risks or capital amounts and is an important determinant of calculated *risk capital,* including levels of *diversification*.
Deficit Capital	If the amount of *available capital* is less than the determined *risk capital* of an enterprise, then the enterprise is said to have *deficit capital*.
Defined Security Standard	The minimum threshold of *available capital* that a company wishes to achieve or maintain, consistent with the company's business strategy, *risk appetite*, and *risk tolerance*.
Dependency Structure	Specification of the relationship between different variables. Commonly specified in a *correlation matrix.*
Debt Servicing Capacity	A metric or indicator of an organization's ability to meet its debt obligations by comparing current and projected cash flows against scheduled debt payments.
Diversification	The extent to which the combined impact of risks inherent to assets and liabilities is less than the sum of the impacts of each risk considered in isolation.
Double Gearing	Used to describe situations where multiple companies, typically parent and subsidiary, are using shared capital to buffer against risk occurring in separate entities.
Economic Capital	The amount of capital that an insurer is required to absorb in unexpected losses based on its risk profile and risk appetite.
Excess Capital	If the amount of *available capital* is greater than the determined *risk capital* of an enterprise, the enterprise is said to have *excess capital*.
Fungibility	Within a group context, the ability to redeploy *available capital* from one entity to another. Fungibility is reduced where the movement of *available capital* within the group is constrained or regulation prohibits it.
Group Capital	Group capital represents the aggregate *capital* or *risk capital* for the entire group. Insurers should utilize an appropriate metric to assess group capital, which could include: economic capital models, foreign jurisdiction risk capital requirements, or other capital metrics. The group risk capital metric selected should include a summary of how each material risk classification or

Term	Definition
	category contributes to the overall risk capital calculation. It will be impacted by the interaction of the risks and capital of the individual entities within the group, with properties such as *diversification, fungibility,* and the quality and form of capital being important drivers.
Internationally Active Insurance Group (IAIG)	An insurance holding company system meeting the following criteria: 1. Premiums written in at least three countries. 2. The percentage of gross premiums written outside the home country is at least 10% of the insurance holding company system's total gross written premiums. 3. Based on a three-year rolling average, the total assets of the insurance holding company system are at least $50 billion, or the total gross written premiums of the insurance holding company system are at least $10 billion.
Probability of Ruin	The likelihood of liabilities exceeding assets for a given time horizon.
Reverse Stress Test	An analysis of those scenarios that would render the insurer insolvent.
Risk Appetite	Documents the overall principles that a company follows with respect to risk-taking, given its business strategy, financial soundness objectives, and capital resources. Often stated in qualitative terms, a risk appetite defines how an organization weighs strategic decisions and communicates its strategy to key stakeholders with respect to risk-taking. It is designed to enhance management's ability to make informed and effective business decisions while keeping risk exposures within acceptable boundaries.
Risk Capital	An amount of capital calculated to be sufficient to withstand adverse outcomes associated with various risks of an enterprise, up to a pre-defined *security standard*.
Risk Capital Metric	A quantitative variable used to gauge risk.
Risk Exposure	For each risk listed in the company's *risk profile*, the amount the company stands to lose due to that particular risk at a particular time, as indicated by a chosen metric.
Risk Limit	Typically, quantitative boundaries that control the amount of risk that a company takes. Risk limits are typically more granular than *risk tolerances* and may be expressed at various levels of aggregation, i.e., by type of risk, category within a type of risk, product or line of business, or some other level of aggregation. Risk limits should be consistent with the company's overall *risk tolerance*.
Risk Profile	A delineation and description of the material risks to which an organization is exposed.
Risk Tolerance	The company's qualitative and quantitative boundaries around risk-taking, consistent with its *risk appetite*. Qualitative risk tolerances are useful to describe the company's preference for, or aversion to, particular types of risk, particularly for those risks that

Term	Definition
	are difficult to measure. Quantitative risk tolerances are useful to set numerical limits for the amount of risk that a company is willing to take.
Security Standard	The level of a *measurement metric* used to determine *risk capital*. It signifies the strength of capital and, in practice, should be chosen to be consistent with the *risk appetite* and *risk tolerance.*
Solvency	For a given accounting basis, the state where, and extent to which, assets exceed liabilities.
Stochastic Analysis	A methodology designed to attribute a probability distribution to a range of possible outcomes. May use closed form solutions, or large numbers of scenarios in order to reflect the shape of the distribution.
Scenario Analysis	An analysis of the impact of possible future outcomes based on alternative projected assumptions. This can include changes to a single assumption or a combination of assumptions.
Stress Test	A type of scenario analysis in which the change in parameters is considered significantly adverse or even extreme.
Time Horizon	In the context of risk capital calculations, the period over which the impact of changes to risks is tested.
Value at Risk (VaR)	An estimate of the maximum loss over a certain period of time at a given confidence level.

APPENDIX II—EXAMPLE ATTESTATION

The ORSA Summary Report must include an attestation signed by the chief risk officer or other executive with responsibility for oversight of the ERM framework, as described in Section C—General Guidance.

Illustrative Attestation Language

ABC Insurance Company

To the best of my knowledge and belief, ABC Insurance Company applies the enterprise risk management framework described in this ORSA Summary Report. A copy of this ORSA Summary Report has been provided to the Company's Board of Directors or an appropriate committee thereof.

John M. Smith

John M. Smith
Vice President and Chief Risk Officer
Date: May 1, 20XX______

This example includes all elements required by this manual. Insurers may adapt the wording, provided the required elements are retained.

Draft: 7/29/26

NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group
Virtual Meeting
July 16, 2026

The NAIC/AICPA (E) Working Group of the Financial Condition (E) Committee met July 16, 2026. The following Working Group members participated: Doug Stolte, Chair (VA); Diana Sherman, Vice Chair (PA); Laura Clements (CA); Rylynn Brown (DE); Kevin Clark (IA); Kristin Hynes (MI); Shannon Schmoeger (MO); Andrea Johnson (NE); Ned Cataldo (NH); David Cook (OH); Johanna Nickelson (SD); and Jake Garn (UT).

1. Discussed the Premium Threshold

Stolte said the Working Group is responsible for reviewing the premium threshold amounts contained within the *Annual Financial Reporting Model Regulation* (#205) on an annual basis. Bruce Jenson (NAIC) gave an update on the results of the annual review, noting that as of Dec. 31, 2025, more than 94% of all direct written premiums and more than 96% of all gross written premiums are subject to internal control reporting requirements. Stolte noted that these results are within the Working Group's expectations, and no action to adjust the threshold is deemed necessary at this time.

2. Heard a Presentation on the AICPA Definition of Public Interest Entities

Dave Osborn (Ernst & Young) provided a presentation on how the AICPA's updated definition of public interest entities (PIEs) applies to the U.S. insurance industry. Osborn stated that the AICPA Professional Ethics Executive Committee (PEEC) adopted a revised definition of PIEs to be included in the AICPA Code of Professional Conduct and applicable to certain audit firms. This resulted from the work of the PEEC to monitor and consider projects of the International Ethics Standards Board for Accountants (IESBA) and evaluate whether related changes will enhance the AICPA Code and serve to better protect the public interest in the U.S.

The revised definition of PIEs includes the IESBA's mandatory categories, including an entity one of whose main functions is to provide insurance to the public, but defers to the relevant U.S. regulators for purposes of the specific independence requirements. PEEC refined the insurance entity category to include insurers that:

- Are subject to the NAIC Annual Financial Reporting Model Regulation (MAR) as adopted by the respective state insurance department.
- Meet or exceed $500 million in direct and assumed premiums, which is the same threshold for management to file a report on internal control over financial reporting under the MAR.

The revised definition was effective for periods beginning on or after Dec. 15, 2024. Therefore, the 2025 audit cycle was the first audit in which these additional requirements were effective for the audit firm. These auditor requirements do not conflict with any of the requirements that are applicable to the independent certified public accounting firm under the MAR. Rather, they would supplement the procedures that address the audit firm's independence under the MAR. A member who does not belong to a firm or network that voluntarily agrees to comply with the IESBA will not be required to comply with any additional requirements and will only comply with the rules of the relevant regulator, where applicable. For an auditor of an insurance company, this would be the MAR. However, firms that voluntarily join the International Federation of Accountants (IFAC) Forum of Firms (FoF) may be required to comply with the Forum of Firms Constitution, including the new independence requirements.

One additional requirement, in addition to the MAR, is the communication of fee-related information for insurance companies that meet the definition of PIEs. This communication may take the form of a letter from the insurance company to relevant state insurance regulators to detail the amount of audit fees and other than audit fees for the current audit cycle, with a statement that the professional services covered by these fees are permissible services in accordance with the requirements of Section 7 of the NAIC MAR, as adopted by the rules and regulations of the domiciliary state regarding qualifications of independent certified public accountants (CPAs).

While this letter to state insurance regulators would satisfy the requirement to publicly disclose fees, as regulators are widely recognized as being responsible for the oversight of insurance company operations on behalf of the public, such a letter is not required, as the communication of fee-related information can take other forms (e.g., posting similar information on a website that can be accessed by the public). However, the insurance company may have elected to file the letter with its domiciliary state regulator as part of the annual information reported to comply with insurance rules and regulations.

If such a communication is not made by the insurance company in writing to state insurance regulators or otherwise, the audit firm would have to publicly disclose its fees. Osborn noted that the AICPA is not aware of this situation occurring for the 2025 audit cycle.

Jenson asked what form the letter to regulators generally takes (i.e., standalone letter or included within other required filings) and whether it is received from the insurer or the auditor. Osborn stated that the letter is generally filed as a stand-alone communication from the insurer, although it may be filed at the same time as other reports associated with the annual audited financial statements.

Stolte thanked Osborn for the presentation and asked NAIC committee support to prepare a communication for all states on this topic to educate them on the nature and purpose of audit fee letters that domestic regulators are now receiving from their PIEs.

Having no further business, the NAIC/AICPA (E) Working Group adjourned.

Draft: 7/12/26

National Treatment and Coordination (E) Working Group
Virtual Meeting
June 24, 2026

The National Treatment and Coordination (E) Working Group of the Financial Condition (E) Committee met June 24, 2026. The following Working Group members participated: Cameron Piatt, Co-Chair (OH); Kelly Hopper, Co-Chair (MO); Cindy Hathaway (CO); Jack Broccoli (CT); Carolyn Morgan (FL); Tangela Byrd (LA); Paul Throckmorton (OR); Ursala Almada (NM); Jason Carr (WA); and Mark McNabb (WI). Also participating was: Dana Sanders (IA).

1. Discussed its 2026 Charges

Piatt provided a summary of the National Treatment and Coordination (E) Working Group charges for 2026: 1) increase utilization and implementation of the *Company Licensing Best Practices Handbook*; 2) encourage synergies between corporate changes/amendments and rate and form filing review and approval to improve efficiency; 3) continue to monitor the usage and make necessary enhancements to the Form A Database; 4) maintain educational courses in the existing NAIC Insurance Regulator Professional Designation Program for company licensing regulators; and 5) make necessary enhancements to promote electronic submission of all company licensing applications.

2. Discussed a Referral from the Financial Regulation and Accreditation (F) Committee

Hopper reviewed the referral (Attachment Four-A) from the Financial Regulation and Accreditation (F) Committee regarding companies with unique or restricted licenses. Hopper stated that the Committee asked the Working Group to consider potential enhancements to the NAIC *Company Licensing Best Practices Handbook* and the Uniform Certificate of Authority Application (UCAA) filing system to clearly identify these company types that have unique or restricted licenses and develop additional review guidance or considerations that may be relevant when receiving an application from one of these entities. Hopper said that the last update to the handbook was in 2021, and since then, there have been a few changes to the UCAA filing process. Hopper said he will take the lead on drafting possible edits, but would also like volunteers from the group to help.

3. Discussed a Referral from the Financial Condition (E) Committee

Hopper reviewed the referral (Attachment Four-B) from the Financial Condition (E) Committee regarding enhanced cybersecurity considerations for Form A best practices as they relate to both the *Company Licensing Best Practices Handbook* and the *Financial Analysis Handbook*. He stated that the Financial Analysis Solvency Tools (E) Working Group has begun updating the *Financial Analysis Handbook*, and the National Treatment and Coordination (E) Working Group will coordinate with them once the updates are complete. Hopper stated there is no action on this referral until the Financial Analysis Solvency Tools (E) Working Group finishes its updates.

4. Heard an Update on Appian and Other Updates

Bon Rector (NAIC) discussed recent updates to the UCAA portal. Updates were made to the UCAA dashboard, including separating the Corporate Amendments tabs into two tabs: one for domestic corporate amendments and one for foreign corporate amendments. Filters were added to search for active or closed applications.

Another update was the addition of a new column to the dashboard to include the change type. Rector said that, with Form 14 moved to the new portal, this is the last application type to be moved. She advised that since applications are no longer being submitted in the legacy portal, the portal will be decommissioned on Aug. 1, 2026. Rector advised that all applications still requiring approval in the legacy portal will need to be done so prior to the deadline. She also advised that if any documents from the legacy portal are needed, they will need to be downloaded by Aug. 1.

Rector advised that the current enhancement to the new portal is to separate Form 12 from corporate amendments and make it a separate tab on the dashboard. Once this is done, future enhancements will focus on reducing the steps required for jurisdictions to approve and complete an application and enhancing the email notifications sent by the system.

Rector also said it has been a while since new third-party vendors were approved, and that she would like a new subgroup to develop a process for vetting and approving them. She would like the Working Group to consider it for the next meeting.

Hopper mentioned allowing companies to change an administrative office address in the new portal as a standalone, such as the mailing address. Sanders agreed. Rector said the idea will be explored.

5. Discussed the Need for Volunteers

Piatt discussed the need for volunteers to help update the *Company Licensing Best Practices Handbook*. He said Hopper has offered to assist, but he still needs a few volunteers. If there are not enough volunteers, he will reach out to a few Members to see if they can volunteer.

6. Discussed the Upcoming Webinar and Other Form 12 Questions

Hopper reminded everyone of the upcoming webinar, "NAIC Rapid Growth Annuity Writer Webinar for Licensing and Financial Analysts," on Sept. 1 from 1:00 to 2:30 p.m. CT.

Sanders asked if the Form 12 enhancement would incur an NAIC usage fee. Rector said that no usage fee will be incurred. Almada asked if officer and director updates are still required for Form 12. Rector said no, since they are not required, it is not necessary. Rector also said there will still be a request-for-information option in the application.

Having no further business, the National Treatment and Coordination (E) Working Group adjourned.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Kelly Hopper (MO), Co-chair, National Treatment and Coordination (E) Working Group
Cameron Piatt (OH), Co-chair, National Treatment and Coordination (E) Working Group

FROM: Commissioner Sharon P. Clark (KY), Chair, Financial Regulation Standards and Accreditation (F) Committee

DATE: Mar. 23, 2026

RE: Consideration of Companies with Unique or Restricted Licenses in Licensing Process

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The Financial Regulation Standards and Accreditation (F) Committee (Committee) believes that additional transparency and guidance would be appropriate as part of the licensing process to ensure consistent regulatory understanding among states for company types that may have unique or restricted licenses (e.g., international insurers, captive insurers, or other types of insurers that have received an insurance authorization from a U.S. jurisdiction, but do not qualify as fully admitted carriers, etc.).

Specifically, the Committee requests that the National Treatment and Coordination (E) Working Group consider potential enhancements to the *NAIC Company Licensing Best Practices Handbook* and the Uniform Certificate of Authority Application (UCAA) to: 1) clearly identify these entities as part of the licensing process, and 2) develop additional review guidance or considerations that may be relevant when a Department of Insurance receives an application from one of these entities. Additional guidance would assist regulators in understanding the regulatory framework applicable to these entities and in identifying considerations that may arise when reviewing applications from these entities.

If there are any questions regarding this referral, please contact me or NAIC Committee Support Staff (Bailey Henning at bhenning@naic.org) for clarification.

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Kelly Hopper (MO), Co-Chair, National Treatment and Coordination (E) Working Group
Cameron Piatt (OH), Co-Chair, National Treatment and Coordination (E) Working Group

FROM: Nathan Houdek (WI), Chair, Financial Condition (E) Committee
Michael Wise (SC), Co-Vice Chair, Financial Condition (E) Committee
Justin Zimmerman (NJ), Co-Vice Chair, Financial Condition (E) Committee

DATE: November 20, 2025

RE: Enhanced Cybersecurity Considerations

Due to lessons learned from regulatory investigations of recent cybersecurity events impacting insurance groups, the Financial Condition (E) Committee asks the National Treatment and Coordination (E) Working Group to consider potential enhancements to the NAIC's *Company Licensing Best Practices Handbook* guidance in the following areas:

- Guidance for considering the potential impact of cybersecurity exposures and system integration plans on the regulatory review of Form A (Change of Control or Merger/Acquisition) applications.
    - Given that Form A review procedures are also included in the NAIC's *Financial Analysis Handbook*, coordination with the Financial Analysis Solvency Tools (E) Working Group is encouraged in developing additional guidance in this area.

If there are any questions regarding the proposed enhancements, please contact me or NAIC staff (Dan Daveline at ddaveline@naic.org) for clarification. Thank you for your consideration of this referral.

Draft: 7/29/26

Reciprocal Exchanges (E) Working Group
Virtual Meeting
July 22, 2026

The Reciprocal Exchanges (E) Working Group met July 22, 2026. The following Task Force members participated: Bradley Trim, Chair (FL); David Wolf, Vice Chair (NJ); Dave Lathrop (AZ); Laura Clements (CA); Casey Shaw (IL); Tom Travis (LA); Kristin Hynes (MI); Kelly Hopper (MO); Tracy Snow (OH); Diana Sherman (PA); and Jamie Walker (TX).

1. Discussed its Charges

Trim noted that the Working Group met March 30 in regulator-to-regulator session, pursuant to the NAIC Open Meetings Policy paragraphs 4 and 6 (internal or administrative matters and consultations with NAIC staff).

Trim directed the Working Group to its 2026 charges. The charges are: "Modify the NAIC *Insurance Holding Company System Regulatory Act* (Model #440) and/or the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) to clarify that regardless of definitions of control and affiliation, fees charged by insurers from the attorney-in-fact are subject to fair and reasonable standards and subject to approval by the Commissioner and under no circumstances should they exceed the cost of such services plus a reasonable profit."

Trim stated that in November 2025, when the Working Group was approved for 2026 and its charges were adopted, Commissioner Houdek, chair of the Financial Condition (E) Committee, stressed that the Working Group was not being used to create a new mandate to ensure attorney-in-fact fees must be fair and reasonable, as Model #440 already has that requirement in place. The formation of the Working Group was intended to clarify this intent in Model #440 and Model #450. Additionally, *Statement of Statutory Accounting Principles (SSAP) No. 25—Affiliates and Other Related Parties* has long held that attorney-in-fact fees paid by reciprocal exchanges must be fair and reasonable.

Trim stated that the discussions prior to the formation of the Working Group and during the kick-off meeting noted the significant increase in newly formed reciprocal exchanges. The Risk-Focused Surveillance (E) Working Group has also identified some overarching issues related to the applicability of regulatory requirements to reciprocal exchange transactions. At issue was whether the attorney-in-fact of a reciprocal exchange qualifies as an affiliate, which would require regulatory review and approval of service agreements and transactions to assess compliance with fairness and reasonableness standards.

Trim stated that ensuring such service agreements comply with fair and reasonable standards is of the utmost importance, and Florida continues to advocate for transparency for all subscribers, regulators, and the public.

No questions were raised in response to Trim's inquiry regarding the Working Group's charges.

2. Exposed Amendments to Model #440 and Model #450

Trim stated that based on the regulator discussions, the chairs worked with NAIC committee support, including NAIC legal staff, to draft revisions to Model #440 and Model #450 for exposure that focus on the charges and clarifying the requirements.

A. Model #440

Robin Marcotte (NAIC) provided an overview of the proposed revisions to *Insurance Holding Company System Regulatory Act* (Model #440). She stated that the first proposed revisions were to Section 1—Definitions. She stated that the definition of control has a proposed revision to add a parenthetical of "(including attorney-in-fact contracts)" after the phrase "whether through ownership of voting securities, by contract."

She stated that two drafting notes are proposed in Section 1, and the first drafting note is below the definition of control. The drafting note provides that an attorney-in-fact is included in the definition of control if the party has the ability to direct or cause the direction of management and policies. The drafting note also provides that attorney-in-fact agreements include powers of attorney and related agreements established to provide services to a reciprocal exchange at a specific cost. She stated that the drafting note included inter insurance exchanges and other similar organizations because the names of reciprocal exchanges could vary by jurisdiction.

Marcotte stated that the second drafting note is under the definition of insurer. She stated that because Model #440 relies on references to state codes for the definition of an insurer, this drafting note indicates that reciprocal insurers, including their various names, are intended to be included in the definition of an insurer.

No questions were raised in response to Trim's inquiry regarding proposed revisions to Model #440, Section 1.

Marcotte stated that the next proposed revisions to Model #440 were in Section 5—Standards. A drafting note is proposed in Section 5A, subparagraph G regarding charges for services performed. The drafting note indicates that charges or fees for services include amounts charged by an attorney-in-fact and that measurement of attorney-in-fact fees is subject to the fair and reasonable standard. The drafting note adds wording from the Working Group's charge that under no circumstances should the amounts charged for attorney-in-fact fees exceed the cost of such services plus a reasonable profit.

Marcotte stated that the final proposed revision to Model #440, Section 5A(2)(d) is to add a parenthetical reference to "attorney-in-fact agreements" in the section on prior notices of transactions, which lists management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements.

No questions were raised in response to Trim's inquiry regarding proposed revisions to Model #440, Section 5.

B. <u>Model #450</u>

Trim directed the Working Group to the proposed revisions to *Insurance Holding Company System Model Regulation* (Model #450). He stated that Model #450 is the regulation with forms, etc., for Model #440, and revisions are proposed to two sections.

Marcotte stated that the first proposed revision is to add a parenthetical to reference attorney-in-fact agreements to Section 19—Transactions Subject to Prior Notice, subparagraph B. This revision also adds reference to "service agreements" to make the wording in regulation Model #450 consistent with the wording in Model #440, Section 5—Standards A(2)(d), which lists management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements (described earlier). She stated that this is a consistency revision as the regulation did not list service agreements. She stated that a drafting note to describe attorney-in-fact agreements is also proposed, including powers of attorney and related agreements established to provide services to a reciprocal exchange.

Marcotte stated the next proposed revisions are in Item 6—Management Agreements, Service Agreements and Cost-Sharing Arrangements. She stated that item 6 is part of the format for the Form D—Prior Notice of a Transaction filing. She stated that the proposed revisions add two parentheticals on including attorney-in-fact agreements. Another revision adds service agreement language that is consistent with Model #440 and also consistent with the proposed revision in item 6 in Model #450.

Marcotte stated that a drafting note is also proposed describing attorney-in-fact agreements as including powers of attorney and related agreements established to provide services to a reciprocal exchange at a specific cost.

In response to Trim's inquiry regarding questions on revisions to Model #450, Hopper inquired about item 6 in the Form D filing when service agreements were being added to both sections. He noted that previously, the form only required items (a) through (g) for cost-sharing agreements. Marcotte stated that the name of item 6 was management agreements, service agreements, and cost-sharing arrangements, and indicated that they viewed this as a consistency revision because Model #440 lists management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements. Service contracts, which are subject to these requirements in Model #440, did not seem to be as explicitly named in Model #450, item 6. Therefore, this was proposed as a consistency revision.

Trim agreed that this was viewed as a consistency revision. Hopper agreed that they had also noted this in the body of Model #450 previously and supported the revision. He stated that his question was because management and service agreements have an (a) and (b) listed, and then cost-sharing arrangements had an (a) through (g) listed. He noted that with this proposed revision, service agreements may have two separate lists of items to provide.

Marcotte stated that the drafters thought that providing (a) through (g) for service contracts was most consistent with the overall model, but will still be exposed for public comments.

Snow asked if tax-sharing agreements were considered for addition to the item 6 list. Marcotte stated that it was unclear if the regulation puts tax allocation agreements in the broad category of cost-sharing arrangements or not. Since tax allocation was not part of the focus of the charges, no revisions were recommended. In response to the question, Marcotte also noted that tax-allocation agreements were required to be described in Model #450, item 5. Therefore, no revisions were proposed on those agreements. Dan Schelp (NAIC) stated that the chairs and NAIC staff thought the proposed revisions were the most consistent with the overall model, but comments received will be considered. He also stated that this is a limited charge, and issues that are peripheral to the charge were not addressed.

Marcotte noted that the models did not appear to provide guidance specifically delineating the difference between a management agreement and a service agreement. She stated that Schelp noted that Model #450 (a regulation) seemed to have been updated less frequently than Model #440. However, in the case of difference, Model #440 would typically be higher in the hierarchy. Snow indicated that his question was sufficiently answered.

Snow made a motion, seconded by Sherman, to expose the proposed amendments to Model #440 and Model #450 for a 30-day public comment period ending on Aug. 21. The motion passed unanimously.

Having no further business, the Reciprocal Exchanges (E) Working Group adjourned.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/Reciprocal/2026/7-22-26/minutes/7-22-26 minutes Reciprocal.docx

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: Ben Slutsker (MN), Chair of the Life Risk-Based Capital (E) Working Group

From: Commissioner Nathan Houdek (WI), Chair of the Financial Condition (E) Committee

Date: July 27, 2026

Re: Reinsurance Recapture and Counterparty Risk

As you are aware, an increasing number of U.S. life and annuity insurers have ceded large portions of their business to reinsurers in non-U.S. jurisdictions in recent years. Most of this business has been ceded to reinsurers in Bermuda, which has been recognized as a reciprocal jurisdiction and has continued to make meaningful enhancements to its regulatory system in recent years. Overall, many of the regulatory changes adopted by the Bermuda Monetary Authority (BMA) have been viewed positively by U.S. regulators, and states with experience collaborating with the BMA generally report a favorable view of Bermuda as a reciprocal jurisdiction.

While reinsurance is a risk-mitigation tool that diversifies the risks borne by insurers, it also changes the nature of those risks. In life and annuity reinsurance, pricing/underwriting, reserving and market risks are transferred to the reinsurer and replaced by credit risk. As a result, the cedent's primary concern becomes the reinsurer's ability to meet its obligations and the possibility that the ceded business may need to be recaptured.

Reinsurance has long been used to stabilize life and annuity operations, support growth, and mitigate risk. Historically, however, its use in the U.S. has been relatively limited, accounting for only 6% of policy obligations in 1999.[1] After the global financial crisis (GFC), declining interest rates placed significant pressure on annuity writers, leading many U.S. insurers to sell or reinsure substantial portions of their business. Increasingly, those transactions have been executed with reinsurers domiciled outside the U.S. to take advantage of lower taxes and other regulatory benefits.[2]

[1] See the Federal Reserve, *Accounting for Reinsurance Transactions in the Financial Accounts of the United States, Accessible Data*.
[2] The Society of Actuaries Research Institute February 2026 report, *International Reinsurance Landscape Overview for U.S. Life & Annuities*, synthesizes why and how U.S. carriers are using cross-border solutions, the structures they choose (third-party, affiliates, and sidecars), and where they domicile them.

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As more business is ceded to jurisdictions outside the U.S., recapture risk also increases. Beyond the operational complexities of recapturing previously ceded business, returning those policies to the cedent's balance sheet would increase capital requirements.

In 2025, the NAIC adopted *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves for Certain Life Reinsurance Treaties* (AG 55). Preliminary reviews that the NAIC's Valuation Analysis (E) Working Group conducted indicate that business ceded to unauthorized reinsurers generally comes from newer, relatively small annuity writers offering aggressive crediting rates. These transactions also tend to produce larger reductions in total asset requirements than comparable business ceded to Bermuda.

As a result, the ceding company may face greater capital strain if the business must be recaptured or if the reinsurer experiences solvency issues. Many state insurance regulators believe this risk warrants immediate attention given the increase in the continued growth in offshore reinsurance transactions.

Therefore, the Committee directs that the Life Risk-Based Capital (E) Working Group develop the following two changes to the life RBC formula:

- A reinsurance recapture RBC factor to be applied to ceded reserves and modified coinsurance balances for all reinsurance located outside of reciprocal jurisdictions while of course considering an overcollateralizing of the reserves in establishing the required RBC. The factor would account for the additional capital that would be required if a ceding company had to recapture those reserves.
- To account for increased credit risk for reinsurers that have lower financial strength ratings, modify the reinsurance methodology used in the life RBC formula for recoverability risk by aligning with the approach used in the property/casualty (P/C) RBC formula.

Because the NAIC already has a contract with Bridgeway Analytics, the firm is available to assist with this work. The Committee directs that these efforts be prioritized so that the changes are in place for year-end 2027.

If there are any questions regarding this referral, please contact NAIC committee support (Dan Daveline, ddaveline@naic.org) for further clarification.

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: Members, Interested Regulators and Interested Parties of the Financial Condition (E) Committee

From: Commissioner Nathan Houdek, (WI), Chair of the Financial Condition (E) Committee

Date: July 27, 2026

Re: NAIC Model 285-*Disclosure of Material Transactions Model Act* (#285)

As you are aware, there has been an emerging trend in recent years where an increasing number of U.S. life and annuity insurers have been ceding large portions of their business to other insurers, both affiliated and unaffiliated. While material affiliated reinsurance agreements are reviewed by the cedent's domestic regulator, non-affiliated agreements are not typically subject to regulatory review by the cedent's domestic regulator. This limits the ability of the domestic regulator to gain comfort of such cessions to unaffiliated reinsurers ahead of the transaction. A number of regulators have suggested the Committee should review the thresholds and requirements for reinsurance transactions in Model #285 to determine if those provisions remain appropriate.

This memorandum requests input from members, interested regulators and interested parties of the Financial Condition (E) Committee on that topic and more specifically what the more appropriate thresholds may be. Once the Committee receives such input, it will then consider whether the Committee should request approval from the NAIC Executive (EX) Committee to open up Model 285 to make such changes.

Please submit comments to NAIC staff (Dan Daveline, ddaveline@naic.org).

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To: NAIC Financial Condition (E) Committee
From: NAIC Natural Catastrophe Risk and Resilience Task Force
Re: Recommendation to continue the existing forward-looking Scenario Analysis RCAT forms and more closely coordinate information with the concurrent Reinsurance interrogatory

Date: 07/24/2026

Recommendation: The NAIC Natural Catastrophe Risk and Resilience Task Force is currently working on issues related to catastrophe risk models, risk mitigation programs, and catastrophe Property and Casualty Reinsurance, generation of real-time data and forward-looking scenarios for estimating the scope of probable maximum losses, and in doing so is finding ongoing value from collaborations with E Committee on solvency related data. The Natural Catastrophe Risk and Resilience Task Force recommends that the Financial Condition (E) Committee coordinate the interrogatories for catastrophe Reinsurance and forward-looking Scenario Analysis within the Risk Based Capital (RBC) RCAT forms, and extend the existing sunset until YE2030 for the Scenario Analysis in the RCAT to enable better integration into catastrophe Reinsurance information, and because the Scenario Analysis data are being utilized for current technical trainings, data analysis, and state-specific applications.

Summary of reasons to continue collection of forward-looking scenario analysis:

- State Insurance Regulators are actively using the data collected for Reinsurance training and discussions within Financial Examinations. The NAIC Center of Excellence (COE) is analyzing and integrating the Probable Maximum Loss information for use in P&C Reinsurance training, as well as financial analysis training.

- These scenarios are providing regulators with additional scope of maximum loss scenarios and for beginning to understand future catastrophe reinsurance capacity and for gauging how that capacity may react to wildfire and hurricane scenarios. In some cases, state regulators are using combinations of catastrophe reinsurance information and catastrophe risk scenarios in exams.

- These scenarios are also helping regulators to understand the models and approaches that companies are taking towards understanding medium and long-term catastrophe risks, including the ability to compare frequency and probabilistic approaches and metrics.

- Continuing to collect this information over time will help regulators understand how the results are impacted by concentration risk, underwriting portfolios and model projections change, and leverage the COE for training and analysis that can be tailored to each individual state.

