Draft date: 11/4/2026

2026 Fall National Meeting
Dallas, Texas

RISK-BASED CAPITAL MODEL GOVERNANCE (EX) TASK FORCE
Monday, November 16, 2026
8:00 – 9:00 a.m.
Convention Center—Grapevine CD—Level 3

ROLL CALL

Jon Godfread, Chair	Jon Godfread	North Dakota
Doug Ommen, Co-Vice Chair	Doug Ommen	Iowa
Nathan Houdek, Co-Vice Chair	Nathan Houdek	Wisconsin
Peter M. Fuimaono	Peter M. Fuimaono	American Samoa
Michael Yaworsky	Michael Yaworsky	Florida
Scott Saiki	Scott Saiki	Hawaii
Micheal T. Caljouw	Micheal T. Caljouw	Massachusetts
Judith L. French	Judith L. French	Ohio
Elizabeth Kelleher Dwyer	Elizabeth Kelleher Dwyer	Rhode Island
Michael Wise	Michael Wise	South Carolina
Amanda Crawford	Amanda Crawford	Texas
Jon Pike	Jon Pike	Utah
Kaj Samsom	Kaj Samsom	Vermont
Scott A. White	Scott A. White	Virginia

NAIC Committee Support: Dan Daveline

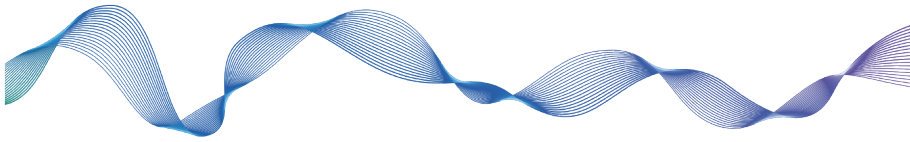
AGENDA

1. Consider Adoption of its Oct. 8 and Summer National Meeting Minutes—*Commissioner Jon Godfread (ND)* — Attachment One

2. Adopt the Prioritized Listing of Risk-Based Capital (RBC) Gaps Referral Letter to the Capital Adequacy (E) Task Force —*Commissioner Jon Godfread (ND)* — Pending

3. Consider Comments on the Model Inventory and Request for NAIC Resources for Pilot—*Commissioner Jon Godfread (ND)* — Attachment Three

4. Discuss and Finalize the Solvency Steering Group for Decision by the Executive (EX) Committee—*Commissioner Jon Godfread (ND)* — Pending



5. Discuss Any Other Matters Brought Before the Task Force
   —Commissioner Jon Godfread (ND)

6. Adjournment

Draft: 10/16/26

Risk-Based Capital Model Governance (EX) Task Force
Virtual Meeting
October 8, 2026

The Risk-Based Capital Model Governance (EX) Task Force met Oct. 8, 2026. The following Risk-Based Capital Model Governance (EX) Task Force members participated: Jon Godfread, Chair (ND); Doug Ommen, Co-Vice Chair, and Kevin Clark (IA); Nathan Houdek, Co-Vice Chair (WI); Michael Yaworsky represented by Carolyn Morgan (FL); Judith L. French (OH); Elizabeth Kelleher Dwyer (RI); Michael Wise (SC); Amanda Crawford and Dan Paschal (TX); Jon Pike (UT); and Scott A. White represented by Dan Bumpus (VA). Also participating was Marwan Zabaneh (NC).

1. Heard Opening Comments

Commissioner Godfread discussed the accomplishments of the Task Force, noting that much of its foundational work is complete or nearing completion. He noted that the Task Force had adopted the principles for risk-based capital (RBC) requirements, advanced updates, and identified potential gaps for further assessment and prioritization. The Task Force is also nearing the end of completing its educational materials, which should be available before the Fall National Meeting. He said these efforts represent substantive improvements in how the NAIC approaches RBC work. Finally, Commissioner Godfread noted that the meeting would include a discussion of proposed practices for developing, documenting, and reviewing RBC models over time. That work can help the NAIC make model updates more consistent and durable as it continues to assess potential gaps.

2. Discussed the Proposed New Steering Group

Commissioner Godfread provided background on the proposed possible approaches for a new steering group that is focused on commissioner-level policy direction. He noted that the Task Force's work so far has further highlighted a broader need for a dependable forum where commissioners can help shape significant financial policy choices, understand their implementation implications, and give direction before substantial technical work is already underway. Since the financial crisis, the NAIC has built additional oversight and technical capacity under the Financial Condition (E) Committee. The Financial Condition (E) Committee has a significant number of highly important policy responsibilities and has become the technical workhorse for the NAIC financial solvency system. The goals that have been outlined in the document exposed at the Summer National Meeting on the topic of a new steering group are intended to strengthen that work. Earlier commissioner direction and broader understanding could help technical colleagues by giving them clear objectives.

Stronger commissioner-level involvement could also provide greater support for technical work. Commissioner Godfread noted that the Task Force demonstrated the value of bringing commissioners together around common principles and priorities and suggested carrying that approach forward. He explained that financial solvency is affected by work across the Life Insurance and Annuities (A) Committee, the Property and Casualty Insurance (C) Committee, the Market Regulation and Consumer Affairs (D) Committee, and the Financial Condition (E) Committee. Commissioner Godfread pointed out that a decision in one part of the organization can have consequences elsewhere. A coordinating forum with direct commissioner involvement could help commissioners understand those connections and give the membership a clear view of the direction.

Across the internal and external comment letters (Attachment One-A), Commissioner Godfread said there is one strong common theme, and that was around commissioner-level engagement and coordination, as well as sound technical work. Placement within the committee structure has been a significant central difference. Although questions remain about the scope, authority, and operation of the proposed process, the work plan outlined two

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options. Option one would establish a commissioner-led financial policy steering committee outside the existing Financial Condition (E) Committee structure. The steering committee would report to the Executive (EX) Committee and provide updates on priorities, coordination, and progress. Option two would place the steering function within the Financial Condition (E) Committee through a subcommittee or other formal process.

Commissioner Godfread said the request for clear charges and a defined scope came through in some of the letters and that those are reasonable expectations. The NAIC will need to ferret out those details, including clarifying any responsibilities that extend beyond the Task Force's current charges. Placement also matters because it influences participation, visibility, and accountability. Commissioner Godfread noted that his intent is to determine how to further develop some of the ideas. He said that when the media asks questions or governors call commissioners about concerns, they are hearing, commissioners must be able to explain their decisions intelligently and simply.

Commissioner Godfread emphasized that commissioners should understand how policy decisions affect policyholders and insurance markets, as well as how those decisions support the state- based regulatory system. He noted that although some commissioners communicate these effects effectively, this understanding should be developed more broadly across the membership. He suggested that the NAIC needs a process that survives the departure of a particular engaged commissioner or a technical leader. Turnover is an unfortunate reality for the NAIC and insurance commissioners. Commissioner Godfread noted that was the mindset that he was bringing to the conversation. He noted that for this discussion, he would briefly summarize each of the governance portions of the letters and then invite the author or representative to speak to either correct anything misstated or identify the features that matter the most.

A. RAA

Commissioner Godfread summarized the comment letter from the Reinsurance Association of America (RAA), which prefers the second option. RAA believes the placement within the Financial Condition (E) committee provides clearer accountability and closer technical coordination. It also supports early policy framing checkpoints and escalation to the Executive (EX) Committee when appropriate. Jeff Alton (RAA) noted that Commissioner Godfread summarized the RAA's points accurately. Alton said the second option was the most seamless and appropriate way to move forward. He said option two is consistent with the NAIC's traditional approach of keeping financial matters, including RBC, under the Financial Condition (E) Committee.

B. AHIP

Commissioner Godfread noted that AHIP favors option one because it would engage more commissioners, including those less involved in committee work, and broaden their understanding of how financial policies affect consumers and insurance markets. Miranda Motter (AHIP) confirmed that the summary was accurate and said AHIP believes that option one offers the best structure for achieving the proposal's stated goals.

C. Commissioner Houdek, Commissioner White, and Director Dwyer

Commissioner Godfread summarized a joint letter from Commissioner Houdek, Commissioner White, and Director Dwyer. The letter favored establishing a formal process within the Financial Condition (E) Committee or the Capital Adequacy (E) Task Force, questioned the need for an additional committee, and recommended limiting the scope to RBC matters with significant architectural issues elevated as appropriate. Commissioner Houdek stated that Commissioner Godfread summarized their issues well and that he agreed that greater commissioner-level engagement on solvency issues would benefit the regulatory system and improve decision-making. He noted,

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however, that questions remain regarding how the proposed structure would relate to the existing RBC framework.

Commissioner Houdek stated that greater commissioner-level engagement in solvency matters would strengthen the regulatory framework and decision-making process. He noted that the Capital Adequacy (E) Task Force currently oversees the four technical RBC working groups, evaluates and recommends refinements to capital requirements, and refers matters to the appropriate working groups. Given the Task Force's existing responsibilities and membership, he recommended considering whether its membership or charges could be revised to address the governance issues identified in the options memorandum. If a new steering committee is established, he recommended placing it within the Financial Condition (E) Committee structure to avoid duplicative governance and oversight. He also emphasized that the scope should remain focused on RBC rather than broader solvency matters.

Commissioner Godfread acknowledged the joint letter and agreed that the question was appropriate. He stated that feedback received during the Task Force's work indicated a need for a broader coordinating body to connect related NAIC initiatives. He clarified that the Task Force could only make a recommendation and that the Executive (EX) Committee would determine whether to establish a new body and address related structural questions.

D. ACLI

Commissioner Godfread summarized the American Council of Life Insurers' (ACLI's) support for a financial policy steering committee reporting to the Executive (EX) Committee. He noted that ACLI viewed this structure as a means to coordinate RBC decisions with accounting, reserving, and other solvency tools, while promoting transparency and stakeholder participation. Mariana Gomez-Vock (ACLI) agreed with Commissioner Godfread's summary and stated that ACLI supported placing the proposed financial policy steering committee under the Executive (EX) Committee. She noted that RBC is an essential component of the state solvency framework but is only one part of a broader, multifaceted system. She added that placement under the Executive (EX) Committee would facilitate coordinated input from the leadership of multiple committees because solvency issues extend beyond the Financial Condition (E) Committee.

E. RBC Technical Working Group Chairs and Vice Chairs

Commissioner Godfread summarized a letter from the RBC technical working group chairs and vice chairs, who questioned the need for an additional governance body and favored option two if a new steering group is established. The letter cited concerns regarding duplicative reporting, conflicting direction, and potential delays. Clark stated that the technical chairs generally agreed with Commissioner Houdek's comments and recognized that the proposal was intended to address commissioner-identified needs. He explained that their principal concern was the potential effect on the technical working groups. If a separate steering committee is created to broaden commissioner engagement, the technical chairs recommended placing it within the Financial Condition (E) Committee hierarchy to avoid parallel reporting structures, confusion regarding direction, and duplicative reporting. He added that recommendations concerning scope and materiality could be addressed as a next step and invited any other signatories to comment. Other signatories had no further comments.

F. Academy

Commissioner Godfread summarized the American Academy of Actuaries' (Academy's) comment letter, noting that the Academy did not express a preference regarding the proposed governance structure but emphasized the importance of coordination across NAIC workstreams and the ability to address emerging risks between planning cycles. Katie Dzurec (Academy) confirmed that the summary was accurate and offered no additional comments.

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G. NAMIC

Commissioner Godfread summarized the National Association of Mutual Insurance Companies' (NAMIC's) comment letter, noting that NAMIC favored option one while preserving the strengths of the technical process and emphasizing limited checkpoints, public comment, materiality, and cost-benefit considerations. Colleen Scheele (NAMIC) agreed with the summary and emphasized that transparency was NAMIC's primary concern. She stated that the steering committee should conduct its work in open meetings rather than regulator-only sessions and should expose proposals for the public and industry to comment.

H. Lincoln Financial

Commissioner Godfread summarized Lincoln Financials' comment letter, noting that Lincoln favored option one to promote broader commissioner engagement and provide a policy perspective outside the ordinary technical process. Roman Gabriel (Lincoln Financial) confirmed that the summary accurately reflected the company's comments and offered no additional remarks.

I. Athene

Commissioner Godfread summarized Athene's comment letter, noting that Athene preferred option one to promote broader leadership and coordination, while acknowledging that either option could work with appropriate safeguards. Kim Welsh (Athene) confirmed the summary and supported establishing lasting commissioner-level oversight of RBC. She stated that option one would maintain a distinct commissioner-level body, signal the NAIC's continued prioritization of evolving life insurance capital issues, and provide clear direction and an efficient process for elevating policy questions while allowing the existing technical groups to continue their detailed work. She cited ongoing issues involving the capital treatment of asset-backed securities (ABS), onshore and offshore arbitrage, asset valuations, and market practices.

J. Peter Gould

Peter Gould, speaking as a retiree and annuity owner, requested that meetings under either governance option be open to the public so interested parties and other stakeholders could participate.
Commissioner Godfread summarized the discussion as reflecting broad agreement on the need for stronger commissioner engagement, continued technical rigor, clear accountability, and dependable participation, while noting differing views regarding the appropriate location and scope of the steering function. He invited members to identify their preferred option, needed revisions, and any remaining questions.

Commissioner Pike stated that he favored option one because it would elevate the issue and broaden commissioner involvement, while remaining open to addressing concerns raised by supporters of option two.

Commissioner Ommen described the matter as a key strategic decision and emphasized the need to connect commissioner policy oversight with technical expertise. He expressed concerns that option one could create a disconnect from technical leadership and that the existing Financial Condition (E) Committee structure may not, without changes, produce sufficiently broad commissioner engagement. He suggested aligning the steering committee's leadership with the Financial Condition (E) Committee's chair and vice chair.

Director French said she favored option one because it would provide a broad, transparent forum spanning multiple committees and improve early awareness among commissioners. She also suggested retaining the existing Task Force temporarily while its current work is completed.

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Director Wise said he strongly favored option one, stating that solvency responsibilities extend beyond the Financial Condition (E) Committee and require commissioner-level coordination across committees, earlier notice of significant initiatives, and reduced duplication. Commissioner Crawford said she had not selected an option but supported continued consideration of both approaches. She emphasized transparency and solvency's central role in consumer protection.

Bumpus, speaking for Commissioner White, favored option two, stating that the principal issue was engagement rather than structure and that placement within the Financial Condition (E) Committee would simplify coordination with existing technical groups.

Commissioner Godfread stated that earlier commissioner policy input could reduce late-stage disagreement and clarified that the proposed forum would focus on broad policy and market effects, while technical groups would continue to focus on detailed work. Members generally agreed that commissioners should receive earlier, cross-committee information sufficient to explain policy choices and their effects on consumers and markets. Commissioner Godfread concluded that no consensus had been reached. He proposed refining the alternatives using the discussion and comment letters, and he suggested seeking broader commissioner input. With no objection, the Task Force agreed that Commissioner Godfread would continue developing the proposals.

3. Exposed the Aspirational Model Governance Document

Amnon Levy (Bridgeway Analytics) presented an overview of the draft *Aspirational Risk-Based Capital Model Risk Management Guidelines* (Attachment One-B) and stated that Bridgeway's role was to synthesize stakeholder perspectives to support regulatory policy decisions. He explained that the Task Force's work responds to inconsistencies in RBC methodologies; gaps in addressing material and emerging risks; and the need for more disciplined prioritization, documentation, validation, monitoring, and coordination of RBC changes. The proposed guidelines build on the Task Force's adopted principles and a review of governance frameworks used by the NAIC for principle-based reserving (PBR), the Academy, the Federal Reserve, and other rulemaking bodies.

Levy noted that stakeholders generally supported clearer, more durable governance but differed regarding scope, proportionality, cost, and the risk of creating an overly rigid process. He summarized the principal model risk management concepts: defined roles and responsibilities; maintenance of a model inventory; rigorous but practical model development and validation standards; ongoing monitoring of model performance and materiality; controlled model updates; and clear documentation of methodologies, assumptions, data sources, limitations, changes, and decision history. He emphasized that governance requirements should be tailored to the stakeholders involved and should provide value without making RBC updates prohibitively costly.

Stakeholder comments generally supported greater transparency, stronger documentation, disciplined prioritization, policy-level direction before assignment to technical groups, materiality-based gap analysis, and stronger mechanisms for identifying emerging issues. Levy reported that the drafting group viewed model update, development, and documentation standards as appropriate components of the aspirational guidelines and encouraged comments from the Academy and other affected stakeholders. He noted that the drafting group also supported an inventory that, at a minimum, covers new models and preserves information needed to assess when material RBC components should next be reviewed, while recognizing that a broader inventory would require additional staff and technology resources.

Levy suggested that the Task Force consider requesting public comments from affected organizations and evaluating the appropriate scope, functionality, cost, and resource requirements for a model inventory. He also suggested a limited pilot involving approximately three to five life RBC or Risk-Based Capital Investment Risk and

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Evaluation (E) Working Group models and a small group of NAIC staff, state insurance regulators, and industry representatives to assess documentation depth, necessary model information, retention of monitoring and decision history, and technology and workflow needs, as well as whether the resulting capabilities justify their costs. He acknowledged the contributions of the drafting group, industry stakeholders, and NAIC staff and invited the Task Force's questions and directions in advance of the Fall National Meeting. Dan Daveline (NAIC) noted that with respect to the proposal, current NAIC resources are insufficient to support even a limited pilot. Any additional staffing or technology resources would require Executive (EX) Committee approval. Daveline said that Commissioner Godfread could propose such to the Executive (EX) Committee based on the Task Force's direction. He noted that ultimately this would impact NAIC database fees.

The Task Force discussed exposing the aspirational model risk management guidelines for public comments to clarify documentation expectations; evaluate a limited pilot versus a broader review of existing models; and obtain feedback on feasibility, costs, and resource requirements. Commissioner Godfread reminded Task Force members that exposure would not authorize a pilot or commit resources. In response to a question from Director French, Daveline indicated that ongoing technical work on such a pilot would need to be overseen by the Capital Adequacy (E) Task Force as this would be highly technical, and he emphasized the previous point that additional staff and technology resources would have to be approved first.

Commissioner Pike made a motion, seconded by Director French, to expose the draft *Aspirational Risk-Based Capital Model Risk Management Guidelines* for a 24-day public comment period ending Nov. 1. The motion passed unanimously.

4. Received and Discussed Comments on Previously Exposed Most Material RBC Gaps

Commissioner Godfread introduced the review of potential RBC gaps and priorities, noting that inclusion on the list indicates an issue for assessment, not a conclusion. He said further analysis is needed to determine materiality, the effectiveness of existing safeguards, and whether an RBC response is appropriate. Levy presented a summary of the previously exposed gaps (Attachment One-C). Levy highlighted 11 potential gaps or inconsistencies that were identified for further consideration, including: life and property/casualty (P/C) reinsurance transactions; residential mortgages; residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) treatment; broader correlation analysis within life RBC covariance; P/C catastrophe correlation; health underwriting risk; principle-based C-3 capital for life products; Schedule BA factor and designation mismatches; and investment valuation differences. Levy indicated that the drafting group noted that its analysis included benchmarks and materiality assessments to determine when issues warrant regulatory review. Certain additional matters were identified for continued monitoring where materiality remains unclear or insufficiently demonstrated. Commissioner Godfread indicated that the high-level summary was sufficient before proceeding with stakeholder comment letters.

Commissioner Godfread stated that comments on the potential RBC gaps (Attachment One-D) would be received and considered for a vote at the Fall National Meeting. He then summarized the gap-related portions of submitted comment letters and invited additional remarks from the authors.

A. ACLI

Commissioner Godfread noted that the ACLI emphasized materiality and sequencing, recommending that life reinsurance, residential mortgages, and foundational structured-product work be addressed before covariance. Gomez-Vock noted that the ACLI also expressed support for RBC assessments of life reinsurance and residential mortgages.

B. NAMIC

Commissioner Godfread noted that NAMIC recommended recognizing existing P/C processes and catastrophe work already underway, including severe convective storm work, and clearly distinguishing ongoing work from any residual gap. Scheele confirmed the summary accurately reflected NAMIC's comments.

C. RAA

Commissioner Godfread summarized RAA's comment that a material P/C reinsurance gap has not been demonstrated after considering existing protection and cautioned against applying broad RBC charges. He invited RAA to provide additional comments. Alton requested specific evidence of a P/C reinsurance risk before the issue is prioritized, noting that life and P/C business models, regulatory structures, and safeguards differ. He also requested a clearer basis for focusing on nonreciprocal jurisdictions and nontraditional arrangements. RAA recommended first using existing NAIC supervisory tools and transaction-specific measures rather than broad RBC charges, which could create unintended consequences for transactions without the identified risk. Alton asked that additional information be provided before the Fall National Meeting and thanked the Task Force for its collaboration and transparency.

Commissioner Godfread noted that the review could reasonably conclude that no material P/C RBC gap exists. He said commissioners should consider the industry's position when determining whether to prioritize the issue for further review. He clarified that discussion of offshore and nonreciprocal jurisdictions reflects broader regulatory attention rather than a conclusion that a problem exists. He thanked RAA for its input and stated that its comments would inform the Fall National Meeting prioritization discussion.

D. Athene

Commissioner Godfread summarized Athene's recommended priorities, including reinsurance arrangements, residential mortgages, RMBS, and CMBS, and noted that covariance review should be deferred until the underlying components are better calibrated. He invited Athene to provide additional comments. Welsh clarified that Athene's life reinsurance recommendation includes onshore arrangements, permitted and prescribed accounting practices, captives, and affiliated transactions. She also recommended that the work to develop more risk-sensitive ABS charges remain on the broader tracking list, even though it is already underway through the Risk-Based Capital Investment Risk and Evaluation (E) Working Group. She stated that this and other significant ongoing work should continue to be tracked and monitored under any future task force structure and thanked the Commissioner Godfread for his leadership.

E. Lincoln Financial

Commissioner Godfread summarized Lincoln Financials' view that life RBC covariance should be treated as an important long-term priority and invited additional comments. Gabriel stated Lincoln Financial supported a holistic review of the life RBC covariance framework, noting that the current structure was developed decades ago under different market and business conditions. He stated that its broad assumptions may overstate or understate risk and recommended a more nuanced approach that better reflects relationships among risks.

F. Academy

Commissioner Godfread summarized the Academy's comments, emphasizing resource and data constraints and the distinction between initiating and completing a project within two years. He invited the Academy to identify any additional constraints or comments. Dzurec stated that the Academy had no additional comments and stood

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ready to support the Task Force's decisions. Commissioner Godfread stated his appreciation for the ongoing partnership with the Academy.

G. Gould

Commissioner Godfread summarized Gould's recommendation to add explanatory codes and a user guide alongside RBC ratios to help users understand factors such as reinsurance and concentration. Gould agreed with Commissioner Godfread's summary and stated that adding characteristic codes to RBC results would help consumers, stakeholders, and state insurance regulators quickly identify relevant insurer-specific factors and better understand the calculations.

H. CIRCA

Commissioner Godfread summarized the Cayman International Reinsurance Companies Association's (CIRCA's) recommendation that life and P/C reinsurance remain under study until a material residual risk is established and the appropriateness of an RBC response is demonstrated. He invited representatives of CIRCA to provide additional comments. Greg Mitchell (CIRCA) requested that life and P/C reinsurance remain in the study phase and not be placed on the priority list until a documented materiality assessment identifies an actual RBC deficiency and explains why RBC, rather than another supervisory tool, is the appropriate response. Mitchell stated that gross measures, including approximately $135 billion of nonreciprocal life reserve credit, describe activity rather than capital at risk and that materiality should be assessed after considering collateral, reserves, contractual protections, and counterparty strength. He further stated that jurisdictional status is an inadequate proxy for risk and recommended that any revised charge reflects credit quality, collateral structure, and concentration. CIRCA supported continued monitoring and enhanced disclosure but maintained that an RBC gap has not been demonstrated.

Commissioner Ommen recommended that the priority materials clearly identify those initiatives already underway so that all Task Force members, including those not participating in both bodies, have complete context. Commissioner Godfread agreed that the next version of the materials should distinguish between work already underway, additional matters proposed for prioritization, and issues for which the evidence remains insufficient to support a determination. Revised materials will be distributed to Task Force members in advance of the vote at the Fall National Meeting.

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

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Draft Pending Adoption

Draft: 8/20/26

Risk-Based Capital Model Governance (EX) Task Force
Columbus, Ohio
August 13, 2026

The Risk-Based Capital Model Governance (EX) Task Force met Aug. 13, 2026. The following Task Force members participated: Jon Godfread, Chair (ND); Nathan Houdek, Co-Vice Chair (WI); Doug Ommen, Co-Vice Chair, and Kevin Clark (IA); Michael Yaworsky represented by Carolyn Morgan (FL); Scott Saiki represented by Lance Hirano (HI); Michael T. Caljouw represented by James A. McCarthy (MA); Mike Causey represented by Jacqueline Obusek (NC); Judith L. French represented by Tom Botsko (OH); Elizabeth Kelleher Dwyer (RI); Michael Wise (SC); Amanda Crawford represented by Jessica Barta (TX); Jon Pike (UT); Scott A. White, Dan Bumpus, and Doug Stolte (VA); and Kaj Samsom (VT).

1. Heard Opening Comments

Commissioner Godfread highlighted that over the past few months, the Task Force completed an important piece of the governance foundation through the revised Risk-Based Capital (RBC) Preamble, and work has continued on the RBC educational and public messaging materials. He noted the Task Force's focus for the remainder of the year should be disciplined and practical: complete the Task Force's existing charges, establish a focused agenda for future RBC work, and determine how the governance principles developed by the Task Force should continue after it concludes its work. He suggested the agenda for the meeting reflects those priorities, noting that the purpose is not to make a final structural decision but to determine whether the Task Force is prepared to seek broader input and use that feedback to develop a recommendation for the Fall National Meeting.

Commissioner Godfread discussed a draft work plan prepared for the meeting, which outlines the decisions that still need to be made in 2026 and provides a focused stakeholder feedback for between the Summer and Fall National Meetings. He also summarized the work completed since the Spring National Meeting, including revisions to the RBC Preamble jointly with the Capital Adequacy (E) Task Force ahead of the Commissioners Conference in Georgia. Commissioner Godfread explained how the revised preamble clarifies that RBC is a regulatory solvency tool intended to identify potentially weakly capitalized insurers and support appropriate regulatory action. It is not intended to rank insurers or serve as a comprehensive measure of company strength, business strategy, liquidity, or risk management. The revised preamble also aligns with the RBC Model Governance Principles adopted in 2025, including purpose, use, materiality, objectivity, accuracy, transparency, process, and prioritization. Together, the principles and the preamble provide a stronger policy foundation for determining how future RBC work should be identified, prioritized, scoped, assigned, and returned to commissioners when a genuine policy decision is required.

Commissioner Godfread noted how the Task Force substantially completed the core work on RBC education and public messaging. Those materials are intended to explain the purpose, benefits, limitations, and role of RBC within the broader U.S. state-based solvency framework. NAIC Communications is completing the final review, design, and distribution work, with the goal of having those materials available no later than the Fall National meeting. Finally, Task Force leadership, NAIC committee support, and the drafting group have developed a more disciplined closeout plan for the remainder of the year. The consistent message from the feedback received to date is that the Task Force should complete the foundation already underway, avoid opening new technical workstreams within the Task Force, and make an orderly handoff to the bodies that will carry the work forward.

Commissioner Godfread noted that the proposed work plan is organized around four outcomes: 1) complete the RBC governance foundation, confirm the framework established through the revised RBC Preamble and the RBC

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Model Governance Principles, and provide a durable means of applying those principles after this Task Force concludes; 2) finalize the RBC educational and public messaging materials by completing the communications work and distribute the final materials no later than the Fall National Meeting; 3) develop a focused two-year RBC priority agenda by identifying approximately five to seven material RBC gaps or modernization projects for initiation, sequencing, or continued development during 2027 and 2028; and 4) recommend a durable commissioner-level solvency-policy steering function by establishing a clear mechanism for setting priorities, defining policy objectives, coordinating cross-cutting work, and identifying the limited points at which commissioner direction is needed, while leaving technical analysis and approvals within the existing NAIC committee structure.

Commissioner Godfread emphasized that the two-year period is a planning, sequencing, and accountability horizon. It is not a commitment that every significant RBC project will be completed by the end of 2028. If the group completes those four outcomes and makes an orderly handoff to the Financial Condition (E) Committee and the appropriate NAIC leadership bodies, the Task Force should be positioned to conclude its work at the end of 2026.

2. Adopted its June 18 and Spring National Meeting Minutes

The Task Force met June 18 and took the following action: 1) adopted the revised RBC Preamble.

Commissioner Ommen made a motion, seconded by Director Dwyer, to adopt the Task Force's June 18 (Attachment One) and March 24 minutes (*see NAIC Proceedings – Spring 2026, Risk-Based Capital Model Governance (EX) Task Force*). The motion passed unanimously.

3. Exposed a Proposed RBC Solvency Steering Group

Commissioner Godfread explained why a commissioner-level steering function was worth considering. He noted that the NAIC's committee structure is well designed to produce strong and highly specialized technical work. At the same time, some significant solvency issues do not fit neatly within a single task force, working group, or even a single letter committee. An issue may involve capital, invested assets, valuation, accounting, actuarial standards, reinsurance, financial analysis, and risk management at the same time. In those circumstances, the challenge is not a lack of technical expertise or commitment. The challenge is maintaining a unified view of the overall policy objective, relative priority, sequencing, dependencies, and the points at which commissioners should make a policy judgment that technical analysis alone cannot resolve. A commissioner-level steering function could complement the existing structure by identifying those broader policy questions, ensuring the appropriate groups are involved, coordinating cross-cutting assignments, and establishing defined decision points. The technical work would remain with the regulators, NAIC committee support, task forces, and working groups that possess the relevant expertise. Final authority would remain with the appropriate parent committees and the existing NAIC approval process. The objective is not to add a new layer of technical review. It is to give the organization a durable and disciplined way to manage a limited number of major solvency initiatives that cross organizational lines or require clear commissioner-level policy direction.

Commissioner Godfread explained that an alternative structure was a stand-alone Financial Condition (E) Committee-based steering subcommittee or formal process as a viable alternative. That approach could provide close coordination with the technical groups and reduce the risk of duplicative meetings or referrals. Commissioner Godfread explained that he believed the stand-alone Financial Policy Steering Committee concept deserves serious consideration, but that he did not want to prejudge the exposure process or the Task Force's final recommendation. The Task Force should fairly evaluate both approaches and ask stakeholders to help us test their respective strengths, risks, and practical implications. He discussed that the intent to prevent the steering

function from becoming a parallel technical process or a standing review of the Financial Condition (E) Committee work. The principal guardrails are objective elevation standards. Only significant matters would be eligible for elevation, such as a change to RBC architecture, a material policy choice that technical analysis cannot resolve, a cross-discipline dependency requiring coordinated direction, or a framework-wide principle. Controversy alone is not enough. Public attention, disagreement, or controversy by itself would not justify elevation. Technical work remains with the technical groups. The steering body would not conduct technical analysis, develop factors, approve technical specifications outside the existing process, or substitute its judgment for the assigned technical groups. Existing committee authority is preserved. The steering body would not replace, override, or diminish the authority of the Financial Condition (E) Committee or the Life and Annuity (A) Committee, or their subsidiary groups.

Commissioner Godfread explained that routine work remains outside the process. Routine factor updates, recalibrations, corrections, and model maintenance would not be elevated. Commissioner checkpoints are limited and defined. A matter would be returned to commissioners only at a checkpoint identified in the charge, which is typically scoping, pre-exposure when an unresolved material policy choice remains, or pre-adoption when necessary. Not every initiative would require every checkpoint. Active work remains in its existing process. Work already assigned and in active development, including private credit and offshore or nonreciprocal-jurisdiction reinsurance work, would remain within the appropriate Financial Condition (E) Committee processes.

Commissioner Godfread noted that these limitations were important. A steering function will be useful only if it improves coordination and policy clarity without slowing routine work or duplicating the authority of existing committees. Commissioner Godfread suggested exposure of the two different ideas and seeking focused feedback on the Financial Policy Steering Committee concept and the Financial Condition (E) Committee-based alternative, including: organizational placement and reporting; membership and officer participation; scope and materiality thresholds; commissioner checkpoints; transparency and regulator-only discussion; integration with existing charges and parent committees; and safeguards against duplication and delay. Commissioner Godfread emphasized that the intent is that any steering body would operate through the existing NAIC charge, referral, exposure, and approval process. It could recommend priorities and coordinated referrals, but the appropriate parent committee would adopt or modify the charge, assign the work, oversee the technical process, and retain final authority. Commissioner Godfread asked the Task Force if the proposed structure appropriately defines the limited need for commissioner-level steering without intruding on technical work, as well as whether the proposed elevation standards and limitations were sufficiently clear. He also asked if the proposed structure fairly presented the potential benefits and risks of a stand-alone Financial Policy Steering Committee and a Financial Condition (E) Committee-based alternative or whether there were any additional stakeholders or implementation issues that should specifically be addressed. No comments were provided on the questions.

Director Dwyer made a motion, seconded by Commissioner Ommen, to expose the proposed RBC Solvency Steering Group Structures (Attachment Two) for a 30-day public comment period ending Sept. 13. The motion passed unanimously.

4. Heard from Bridgeway Analytics on Most Material RBC Gaps for Further Consideration

Amnon Levy (Bridgeway Analytics) provided a summary of the work completed and an initial list of the most material RBC gaps (Attachment Three) for further consideration. He explained the role of Bridgeway Analytics as a party to synthesize viewpoints, including their own where relevant, and support a process in which the policy decisions are ultimately for regulators to make. He explained that his summary was not to recommend a change to an RBC component. Consistent with the proposed work plan, the objective is to provide a focused inventory for comment. The effort is formative, with further analysis and stakeholder feedback needed and planned as the Task Force looks to develop a focused two-year RBC priority agenda by the Fall National Meeting.

Levy explained the direction given to Bridgeway Analytics from the Chair of the Task Force and the proposed prioritization process. Levy said the Task Force received comments on RBC gaps and inconsistencies, which were summarized at the Spring National Meeting, and Bridgeway conducted a detailed review of the life investments' RBC components. Regarding model governance, Bridgeway reviewed the governance frameworks used by the NAIC, the American Academy of Actuaries (Academy), the Federal Reserve, and other rulemaking bodies. He noted that Bridgeway compiled a formative model risk management document, using the RBC principles as its foundation, and received informal feedback from industry stakeholders. While the drafting group and Task Force continue to explore process and governance, efforts to establish formal model governance standards are currently on hold, as regulators have expressed differing views on the form and depth of such standards.

Levy explained that regarding the process for compiling the list of potential changes, Bridgeway Analytics began with approximately 20 candidate RBC components drawn from prior Task Force work, comment letters, regulators, and Bridgeway's review of life investment RBC components. One limitation is that many comments focused on governance, process, and the need for a disciplined prioritization framework, rather than providing detailed assessments of individual RBC components. Given the open-ended nature and timing of the earlier request, that result is understandable. Each candidate RBC gap and inconsistency was assessed for model risk, which represents the limitations of an RBC component's ability to represent the risks it is intended to represent and its materiality in assessing solvency risk, and the degree to which the practice is already addressed elsewhere in the regulatory framework. Each was assessed for effort, including the data, technical analysis, and stakeholder resources required to assess and potentially update the component. As articulated in the work plan, priorities should focus on material solvency concerns, distinguishing major policy or modernization projects from routine factor updates, technical maintenance, and identifying material dependencies involving capital, investments, accounting, valuation, reinsurance, financial analysis, or multiple lines of business. Candidate RBC components are evaluated separately for life, property/casualty (P/C), and health RBC against RBC principles.

Levy said that the first question is materiality: does the component meaningfully limit an assessment of solvency risk for an identifiable set of companies? The second is alignment with statutory accounting and reserving. The third is whether an emerging business practice or macroprudential trend has become material enough. The fourth is the principle of equal capital for equal risk: whether the RBC charge reflects the underlying risk at an appropriate safety level and time horizon. The effort is significant, and level-setting on the materiality of RBC gaps and inconsistencies across the disparate frameworks is challenging and imprecise but necessary. The Task Force will need to apply regulatory judgment, considering materiality, timing, resource intensity, coordination with other groups, and whether another part of the solvency framework is better suited to address a concern.

Levy also highlighted current initiatives already in progress, which the proposed work plan does not override. The list of candidate RBC components may overlap, possibly representing a broader variant of a current initiative, creating ambiguity about what constitutes an existing initiative versus a new one. This is understandable and should not distract from the overall effort. For life RBC, current initiatives include RBC covariance and the portfolio adjustment function, the structured securities project, collateralized loan obligation (CLO) factor refinements, C-3 harmonization and generator of economic scenarios (GOES), and longevity risk. For P/C RBC, work includes climate-related catastrophe risk and the R-4 and R-5 concentration factors. For health RBC, major efforts include H-2 underwriting risk, managed care credit, stop-loss, and long-term care (LTC).

Levy spent a considerable amount of time reviewing the initial list as included on two of the slides. Each of those slides provides a detailed summary, with an appendix that further explains each gap. Levy also discussed a separate slide that discussed model governance. For that, the drafting group explored processes similar to those of the Steering Committee, but through the lens of the issues members experience, such as the benefits of formalizing coordination across various task forces and working groups. While a referral process currently exists,

members pointed to challenges in coordination. The drafting group also explored how initial RBC charges are established, how emerging asset classes and business practices enter the prioritization process, and when existing charges should be reevaluated, which are all key points made in comment letters. These questions are related to, but not identical to, the proposed commissioner-level steering function. The former concerns the life cycle and governance of RBC components; the latter concerns the elevation, coordination, and policy direction of significant cross-cutting initiatives. Considering their technical nature, the drafting group explored whether developing these processes was better suited for the Financial Condition (E) Committee and its Task Forces and Working Groups. Levy noted that regulators have expressed differing views on the form and depth of governance standards, and additional discussion is needed to assess how the processes should be structured.

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

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: Scott A. White (VA), Chair of the Executive (EX) Committee

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

Date: November 3, 2026

Re: RBC Model Inventory Pilot

As you are aware, the NAIC formed the Risk-Based Capital Model Governance (EX) Task Force in 2025, with one of its goals being to create a process for analyzing both retrospective and future adjustments to RBC, incorporating regular reviews of RBC outcomes and ensuring future adjustments are made in alignment with guiding principles.

In October, the NAIC's consultant on this project, Bridgeway Analytics, presented aspirational Risk-Based Capital Model Risk Management Guidelines to the Task Force, which included the idea of the NAIC engaging in a pilot project to determine how such model risk management guidelines could be implemented by the NAIC.

At a very high level, Bridgeway suggested the NAIC select approximately 3–5 models from Life RBC and/or the RBC IRE Working Group and form a small focus group of NAIC staff, regulators, and industry representatives.

The purpose of the pilot would be to help assess the value, scope, and resource requirements of an NAIC inventory of RBC documentation and related details. Under that approach, the NAIC would maintain the inventory, which would include the information needed to evaluate future RBC adjustments.
This includes the appropriate depth of documentation, the information needed to understand methodology, assumptions, data sources, and limitations, what should be retained regarding model changes, monitoring, and decision history.

As you can imagine, if the NAIC were to maintain the inventory, it would entail significant NAIC resources, including both RBC staff resources and technology resources. Given that the costs of such new resources would result in higher NAIC filing fees imposed on the industry, the Task Force sought input from the industry and noted that it would be important for the industry stakeholders to identify which capabilities stakeholders actually find useful enough to justify costs. The Task Force received helpful comments from the American Council of Life Insurers, which suggested, among other things, that the scope of the Pilot be kept as small as possible and that the consultant issue a report at its completion. It was inferred that the NAIC should also attempt to do the work without additional NAIC staff resources.

DRAFT

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Consistent with these comments, the Task Force is seeking support from Bridgeway Analytics only to complete a limited, well-defined pilot, with results evaluated before any further commitment, and suggests the project be overseen by the regulators of the Capital Adequacy (E) Task Force since the Risk-Based Capital Model Governance (EX) Task Force is expected to be disbanded.

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

DRAFT FOR DISCUSSION

Aspirational Risk-Based Capital

Model Risk Management Guidelines

Contents

1 Background 3
1.1 Model, Model Risk, and Intended Purpose Defined 3
1.2 Purpose of Aspirational RBC Governance Guidelines 5
1.3 Elements of the RBC Model Governance Guidelines 5
2 Roles and Responsibilities 6
2.1 Model Developer 6
2.2 Model Owner 6
2.3 Model Users 6
2.4 NAIC Staff 7
3 Aspirational Risk-Rated Model Inventory 7
4 Model Development Guidelines 7
4.1 Model Purpose and Scope 8
4.2 Selecting Data and Model Methodologies and Assumptions 8
4.2.1 Emerging risks 8
4.3 Model Validation 9
4.3.1 Empirical validation of conceptual soundness 9
4.3.2 Validation of model delivery 9
4.4 Impact Assessment 10
4.5 An Assessment of Incentives 10
5 Model Monitoring Guidelines 11
5.1 New Models & Assessing Risks to be Included in the Framework 11
5.2 Monitoring an Existing Model & Model Incidents 12
5.3 Model Monitoring Frequency 12
5.4 Model Update Cost Assessment 12
5.5 Model-Use Materiality Assessment 13
5.6 Communicating Model Monitoring Results and Inventory 13
6 Model Update Guidelines 13
6.1 Model Updates 13
6.2 Models with Ongoing Scheduled Updates 14
7 Model Documentation Guidelines 14
8 Maintenance of the Model Risk Management Guidelines 15
9 Reference Documents 15
10 Appendix 15
10.1 Aspirational Model Inventory and Monitoring Fields 15
10.2 Model Documentation 17
10.2.1 Model Description, Intended Purpose, and Intended Use 17
10.2.2 Methodology and Assumptions 17
10.2.3 Data Choice and Use 17
10.2.4 Limitations and Risks 17
10.2.5 Validation and Sensitivity Analysis 17
10.2.6 Resource Repository (Key Definitions, Model Related Files, Key Contacts) 18
10.2.7 Vendor and Third-Party Models (relevant for models that are regularly updated) 18

1 Background

As explained in the Risk-Based Capital (RBC) Preamble, the Capital Adequacy (E) Task Force of the Executive (E) Committee and its RBC Working Groups oversee the RBC formula and the process for implementing changes to it. These Aspirational Model Risk Management Governance Guidelines provide a framework to help ensure that RBC models meet their intended regulatory purposes by ensuring that their risks are appropriately monitored and managed. The guidelines are aspirational for CATF and its Working Groups to apply, with regulatory discretion and limited-resource considerations in mind.

The Preamble outlines eleven Principles for the purpose and use, and maintaining and updating RBC requirements, along with historical context. It explains that the purpose of RBC requirements is to identify potentially weakly capitalized companies. RBC requirements are primarily used to facilitate regulatory action with respect to weakly capitalized companies. RBC requirements may be used for other purposes, but such uses must not distort or redefine their purpose. As explained in the Transparency and Process Principles, maintaining and updating RBC requirements must adhere to standards that ensure clear, complete, and transparent communication and documentation of proposed and adopted updates, methodologies, and supporting rationale. 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.

RBC requirements should be updated when a change could meaningfully impact the regulator's assessment of the solvency risk for all or an identifiable segment of companies. 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. They should consider only the factors that affect solvency risk.

They should be sufficiently precise to assess solvency risk, while avoiding unnecessary complexity. They should be grounded in Statutory Accounting and reserving. They should be updated to incorporate emerging risks (including macroprudential risk) by the time they become material to the industry or an identifiable segment of companies.

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.[1]

1.1 Model, Model Risk, and Intended Purpose Defined

This document does not provide a single definition of a model or model risk but rather points to the definitions used in well-accepted standards in *Actuarial Standard of Practice No. 56, Modeling (ASOP No. 56)*, and *SR 11-7* of the Federal Reserve System and the Office of the Comptroller of the Currency. While those standards are often framed as model risk management guidelines for financial institutions, including insurance companies, this document applies those concepts to RBC models.

[1] See also the *RBC for Insurers Model Act (Model Law 312)*, NAIC 2012, and *RBC for Health Organizations Model Act (Model Law 315)*, NAIC 2021.

ASOP No. 56 defines a model as: *A simplified representation of relationships among real world variables, entities, or events using statistical, financial, economic, mathematical, non-quantitative, or scientific concepts and equations. A **model** consists of three component an information **input** component, which delivers **data** and **assumptions** to the **model,** a processing component, which transforms **input** into **output**, and a results component, which translates the **output** into useful business information.*

SR 11-7 defines models as: *A quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. A model consists of three components:*

1. *an information input component, which delivers assumptions and data to the model;*
2. *a processing component, which transforms inputs into estimates; and*
3. *a reporting component, which translates the estimates into useful business information.*

…

The definition of model also covers quantitative approaches whose inputs are partially or wholly qualitative or based on expert judgment, provided that the output is quantitative in nature.

ASOP No. 56 defines **Model Risk** as: *The risk of adverse consequences resulting from reliance on a model that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation.*

SR 11-7 explains: *The use of models invariably presents model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports… Model risk occurs primarily for two reasons:*

1. *The model may have fundamental errors and may produce inaccurate outputs when viewed against the design objective and **intended business uses**. The mathematical calculation and quantification exercise underlying any model generally involves application of theory, choice of sample design and numerical routines, selection of inputs and estimation, and implementation in information systems. Errors can occur at any point from design through implementation. In addition, shortcuts, simplifications, or approximations used to manage complicated problems could compromise the integrity and reliability of outputs from those calculations. Finally, the quality of model outputs depends on the quality of input data and assumptions, and errors in inputs or incorrect assumptions will lead to inaccurate outputs.*
2. *The model may be used incorrectly or inappropriately. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused. Models, by their nature, are simplifications of reality, and real-world events may prove those simplifications inappropriate. This is even more of a concern if a model is used outside the environment for which it was designed… Decision makers need to understand the limitations of a model to avoid using it in ways that are not consistent with the **original intent**. Limitations come in part from weaknesses in the model due to its various shortcomings, approximations, and uncertainties. Limitations are also a consequence of assumptions underlying a model that may restrict the scope to a limited set of specific circumstances and situations.*

ASOP No. 56 defines **Intended Purpose** as: *The goal or question, whether generalized or specific, addressed by the model within the context of the assignment.* Section 3.1.2 of the ASOP states that: *When selecting, reviewing, or evaluating the model, the actuary should confirm that, in the actuary's professional judgment, the model reasonably meets the intended purpose.*

SR 11-7 explains that: *An effective development process begins with **a clear statement of purpose to ensure that model development is aligned with the intended use**. The design, theory, and logic underlying the model should be well documented and generally supported by published research and sound industry practice. The model methodologies and processing components that implement the theory, including the mathematical specification and the numerical techniques and approximations, should be explained in detail with particular attention to merits*

and limitations. Developers should ensure that the components work as intended, are appropriate for the intended business purpose, and are conceptually sound and mathematically and statistically correct. Comparison with alternative theories and approaches is a fundamental component of a sound modeling process.

1.2 Purpose of Aspirational RBC Governance Guidelines

The Governance Guidelines help ensure that RBC models adhere to their Principles and maintain their strategic foundation, with revisions to the RBC framework aimed at enhancing it and furthering the principle of 'equal capital for equal risk.' In addition, the Governance Guidelines should improve efficiency by avoiding the need to reverse-engineer the rationale behind poorly documented models. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly. The transparency of the framework should also aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.

1.3 Elements of the RBC Model Governance Guidelines

These Aspirational RBC Model Risk Management Guidelines are composed of six elements:

1. **Roles and responsibilities**. Maintaining and updating RBC components can involve a wide range of stakeholders. It is important that the roles and responsibilities involved in developing, implementing, monitoring, and maintaining are understood and documented (see *Section 2*). Parties are designated as the model developer, model owner, and model user.
2. **Risk-ranked model inventory.** Stakeholders should aspire to inventory models, ideally ranked by model risk rating. This could be based on the model's potential impact on insurer solvency assessment (i.e., the significance of the business practice to which the RBC model is applied), which could involve an assessment of the materiality of the model's use, an assessment of the model's appropriateness of use, with consideration given to model complexity, potential changes to business practices, and when the model was last monitored (see Section 3.3). When combined with an assessment of model revision costs, the process enables the appropriate prioritization of limited resources. Acknowledging the resources needed to inventory models, CATF and its Working Groups should consider prioritizing inventorying newly developed models.
3. **Model development guidelines**. *Section 4* includes aspirational model development guidelines that include a statement of a model's purpose and scope; criteria for selecting data and model methodologies and assumptions; model validation; and an assessment of impact and incentives. Generally, the most robust requirements will apply to the models with the potential for the highest Model Risk Ratings, while less rigorous requirements may apply to those with lower Model Risk Ratings.
4. **Model monitoring guidelines**. *Section 5* outlines guidelines for ongoing model monitoring to ensure the timely identification of models that are not suitable for use, an assessment of the materiality of their use, and an evaluation of their potential impact on solvency assessment (i.e., the significance of the business practice). The process is crucial for maintaining accurate Model Risk Ratings.
5. **Model update guidelines**. Model update guidelines provide the process to ensure that model updates are controlled, accurate, and that their impact is well understood, minimizing unintended consequences (see *Section 6*).
6. **Model documentation guidelines**. Aspirational model documentation guidelines are described in *Section 7* and ensure that model updates are appropriately documented, traceable, and understandable to qualified reviewers. Model documentation should be updated to reflect any revisions to existing models, including their assumptions, methodologies, and data inputs. Documentation guidelines include an articulation of the model's intended purpose, its appropriate use, methodologies, limitations, and associated risks.

2 Roles and Responsibilities

When relevant, parties are designated as model developers, model owners, and model users. Delegation should be documented to avoid accountability gaps.

2.1 Model Developer

RBC models are traditionally developed externally, often by the American Academy of Actuaries (Academy) or industry, and, in some cases, rely on vendor solutions.[2] Model developers can have varied backgrounds, including actuarial science and financial engineering. Their experience, judgment, and technical knowledge significantly influence the selection of appropriate inputs and processing components. The training and experience of developers exercising such judgment affect the extent of model risk. Responsibilities of Model Developers include:

- Adhering to ASOP No. 56 when applicable.
- Adhering to Model Development Guidelines (see *Section 4*).
- Adhering to Model Documentation Guidelines (*Section* 7).
- Model validation, unless there is a separate and independent model validation function (*Section 4.3*).

2.2 Model Owner

NAIC Committees, Task Forces, Working Groups, and staff can be model owners. They are responsible, possibly through delegation, for setting the threshold for aspirational guidelines, and the degree to which:[3]

- Models are identified and inventoried.
- Models are monitored and remain appropriate for use, and adhere to development guidelines.
- Models adhere to Acceptance Criteria (see *Section 4.2*), aligning with RBC Principles.
- Model Users and other stakeholders can review and potentially challenge proposed updates through the public comment process. Model owners are responsible for considering comments, ensuring that responses are documented, and resolving material concerns before adoption.
- Coordination across NAIC groups. Models underpinning RBC requirements often rely on methodologies, inputs, and assumptions that depend on or are also used in other components of the regulatory interconnected framework (e.g., Principle-Based Reserves for life companies).

2.3 Model Users

NAIC Committees, Task Forces, Working Groups, and staff, U.S. insurers, state insurance regulators, and possibly delegated organizations can be model users. Model users who are subject matter experts can provide valuable business insights during model development and play a critical role in identifying issues, proposing solutions, scoping testing, and contributing to broader model governance efforts that may not be readily apparent to regulators and NAIC staff. Model users would report issues and submit a request to update a model. Stakeholders affected by model outcomes may question the methods or assumptions underlying the models, particularly if a user is significantly affected by the outcome and does not view it as providing the necessary insights. Such questioning can be healthy if it is constructive and prompts model developers to explain and justify the models' assumptions and design. Model users' responsibilities, possibly through delegation, include:

[2] It is worth pointing out that the Academy has additional guidelines, such as *Model Risk Management*, May 2019, and the *Model Governance Checklist, Some Considerations for Practicing Life Actuaries*, April 2017.

[3] The title of a model owner was motivated by the American Academy of Actuaries' *Model Risk Management* May 2019, with concepts borrowed from SR 11-7. The title is different from GOES Model Governance, which has Conning as the model owner, the legal owner of GOES.

- Implementing models.
- Flagging model risks and governance issues, and providing independent feedback, for consideration.
- Actively engaging in the public comment process, providing a critical review of proposed revisions.
- Reviewing model update results and model documentation.

2.4 NAIC Staff

NAIC staff have a range of overlapping responsibilities, including Model Owners and Model Users. Their responsibilities can include, possibly through delegation, monitoring and maintaining the model governance framework:

- Maintain the process to review and evaluate whether RBC requirements are appropriate for use, which includes maintaining an aspirational RBC Model Inventory, described in *Section 3.3*.
- Ensuring adherence to the NAIC Open Meeting Policy and the NAIC Policy Statement: *Maintaining and Updating RBC Requirements*, as outlined in *Section 6.1*.
- Independent model monitoring (e.g., Model Office Tests).
- Bring any governance issues for consideration.

3 Aspirational Risk-Rated Model Inventory

A Model Inventory provides a structured, transparent view of the system of models and their associated model risks. It serves as the central repository for information on model ownership, purpose, appropriate use, and performance, ensuring transparency and accountability across models used in the RBC framework, and supports prioritization of limited regulatory time and resources when maintaining and updating RBC components, consistent with the materiality of models and their potential impact on solvency assessment. Acknowledging the resources needed to inventory models, CATF and its Working Groups should consider prioritizing inventorying newly developed models.

A model risk rating framework categorizes models according to their relative model risk. Models are assigned a risk rating (high, medium, or low) based on the materiality of their use and their potential impact on solvency assessment (i.e., the significance of the business practice to which the RBC model is applied), an assessment of the model's appropriateness of use, with consideration given to model complexity, potential changes to business practices, and when the model was last monitored. Models that are assigned a high-risk rating may be subject to heightened requirements, including the possibility of developing their own model risk management guidelines (e.g., as is the case with GOES). Models that are assigned a low-risk rating may be subject to lower governance requirements.

Appendix 10.1 - Aspirational Model Inventory Fields provides potential fields that CATF and its Working Groups should consider tracking. Editing rights are limited to NAIC staff and any delegates.

4 Model Development Guidelines

Model development guidelines help ensure model design and estimation align with their intended purpose, using sound methods that conform to industry standards, appropriate data and assumptions, and sufficient testing to ensure technical correctness and reliability. Model development guidelines encompass a statement of the model's purpose and scope, guidelines for selecting data and methodologies, model validation, and an assessment of the model's impact and incentives.

RBC models are traditionally developed externally, underscoring the need to uphold a minimum standard for model development. In some cases, the RBC model relies on vendor solutions, requiring ongoing updates (e.g., annual), as is the case with CAT-risk or applications of GOES within C-3. Models that are material, assessed as having the

potential for a high risk rating, and require ongoing updates should have model development guidelines articulated within their model risk management guidelines, including processes for routine and more extensive model updates.

4.1 Model Purpose and Scope

As articulated in SR-11-7, *[a]n effective development process begins with* ***a clear statement of purpose to ensure that model development is aligned with the intended use***. The statement ensures that the model can be developed to align with its purpose.

4.2 Selecting Data and Model Methodologies and Assumptions

The appropriateness of the model depends heavily on the selection of data and the methodologies used. Data should be relevant, sufficiently reliable, and consistent with the model's intended purpose. Actuarial judgment is required to determine whether internal or external data, proxies, or expert judgment are suitable for the situation, and whether any limitations materially affect the results. Assumptions should be clearly aligned with observed experience or credible sources, with justification provided for their use, particularly where uncertainty or estimation risk is high. The methodology should reflect an understanding of the system being modeled and account for known sensitivities and limitations. As explained in SR-11-7, *[t]he design, theory, and logic underlying the model should be generally supported by published research and sound industry practice*.

The model selection process is intended to ensure alignment with the intended purpose. It can include **Acceptance Criteria** comprised of **Quantitative Guidelines** that serve as aspirational benchmarks for what an RBC component is intended to measure (e.g., statistical safety level) and other quantitative metrics, such as statistical precision thresholds, as well as qualitative features agreed upon as a minimum benchmark for a model's suitability for its intended purpose. If one or more criteria fail, it may indicate that a revision to the model is necessary. However, judgment is required in making this decision. It may also include an evaluation of alternative models or methodologies, consideration of model complexity in relation to the problem being addressed, assessment of the availability and quality of input data, and alignment with relevant standards. This process may involve a review process to ensure that the selected model is appropriate for its intended use.

The selection process should assess individual components and the overall functioning within the RBC framework, taking into account potential dependencies and interactions. The process should confirm that the model is accurate, robust, and stable as intended, and that it meets the standard of reasonableness in both its individual assumptions and their aggregate effects on output. This process overlaps with model validation.

4.2.1 Emerging risks

New and emerging risks, by their nature, often lack long historical data series, stable relationships, and well-established methodologies. As a result, greater reliance may be placed on external data sources, scenario analysis, expert judgment, proxies, and simplified or interim modeling approaches, with an existing RBC charge possibly applied at regulators' discretion. Examples include catastrophe and climate-related risks, cyber risk, and new asset classes and evolving investment trends, such as the increased use of alternative assets.

When modeling emerging risks for RBC purposes, data limitations, structural uncertainty, and heightened estimation risk should be acknowledged. Assumptions and methodologies should be transparent, conservatively framed where appropriate, and clearly linked to the intended purpose of the solvency assessment rather than precision or pricing accuracy. The absence of credible data should not preclude inclusion of a risk in RBC; however, it should inform the choice of methodology, the degree of model complexity, and the interpretation of results.

For emerging risks, Acceptance Criteria may rely more heavily on qualitative benchmarks, directional reasonableness, sensitivity testing, stress scenarios, and comparisons to alternative approaches rather than strict statistical calibration targets. The development process should assess whether the model reasonably captures the transmission of the risk to solvency under adverse conditions, including tail behavior and potential interactions with other risks, even if parameter estimates are imprecise.

Given the evolving nature of emerging risks, models addressing them should be subject to more frequent review and updating, with explicit plans for incorporating new data, research, and industry experience as they become available. Interim solutions may be appropriate, provided their limitations are documented, their use is clearly bounded, and their continued appropriateness is reassessed as the risk matures and becomes better understood.

4.3 Model Validation

Model validation provides assurance that the model is conceptually sound, empirically reliable, and operationally correct. In some cases, independent model validation may be warranted. Validation includes two complementary categories: Empirical validation of conceptual soundness and validation of model delivery.

4.3.1 Empirical validation of conceptual soundness

Empirical validation assesses whether the model's underlying structure, assumptions, and parameterization accurately represent the economic reality the model is intended to describe. Recognizing that the RBC requirements are often heavily based on judgment, key elements can include:

- **Back-testing**. Compare model-generated variables to realized historical values over multiple horizons.
- **Quantify predictive accuracy using defined statistical measures** (e.g., mean error, root-mean-square error, coverage probability, calibration slope).
- **Evaluate whether deviations fall within pre-established tolerance ranges**, such as persistent bias or excessive volatility triggers.
- **Empirical fit and distributional testing** assess whether simulated distributions of key variables align with historical distributions through appropriate statistical techniques. It can involve assessing moments (mean, variance, correlations) and tail characteristics that are consistent with economic history and with the model's theoretical design.
- **Benchmark comparisons** assess the model's performance against generally accepted points of reference.
- **Sensitivity and stability testing** verify that output responses are directionally and quantitatively consistent with expectations or benchmarks.
- **Component and comprehensive soundness** ensure individual modeling choices are sound and their interactions produce an overall framework with intended dynamics.

4.3.2 Validation of model delivery

Validation of model delivery ensures that the implemented model, data processes, and control framework accurately execute the intended methodology and deliver reliable results for end users. Key components include:

- **Input validation**. Input validation may include reviewing source data to ensure its robustness and appropriateness for model development.
- **Calculation validation**. Calculation validation may include validation of model components, ranging from independent full model replication and independent sample calculations to process approximation, formula inspection, testing of interim calculations, and verification of results. In addition to the Model Developer's calculation validation, Model Owners can perform independent user acceptance testing for any software modifications required to implement the NAIC model.
- **Output validation.** For models that require ongoing updates, output validation may be based on the analysis of scheduled outputs.

4.4 Impact Assessment

Impact assessments evaluate the potential effect of model changes, updates, or newly developed models on results, decisions, and regulatory outcomes. Its purpose is to ensure that model modifications are well understood prior to implementation and that stakeholders can assess whether the resulting output remains reasonable, stable, and aligned with the model's intended purpose, thereby limiting unintended consequences.

Impact assessment activities should be commensurate with the model's materiality and risk rating and should include both quantitative and qualitative evaluations. Where applicable and practical, the analyses should include an assessment of changes to an RBC component and the overall impact on RBC requirements, incorporating interactive effects within the framework to ensure accuracy and reliability. Given the need to sequence activities and the potentially significant effort required for some impact analyses (e.g., Field Testing), the scope of impact assessment should be planned for as soon as practicable. Key elements include:

1. **Regression testing**. Regression testing should be performed to confirm that model changes produce expected and explainable differences relative to the prior approved version of the model. The analysis should isolate the impact of the specific change(s), verify that unchanged components continue to behave consistently, and identify any unintended effects or anomalies. Results should be compared against baseline outputs to ensure that differences are attributable to the intended model modifications and that overall results remain reasonable, stable, and aligned with the model's design.
2. **Sensitivity and benchmark analysis**. Sensitivity and benchmark analysis should be used to evaluate the stability of model results to changes in key assumptions or inputs and to compare outputs against historical experience, prior model versions, or peer benchmarks. The assessment should quantify and explain material differences, ensure that observed changes are justifiable, and confirm that the model continues to meet its intended purpose.
3. **Documentation and Governance Review**. All impact-assessment results, assumptions, and conclusions should be documented and reviewed by the Model Owner and Model Users prior to implementation.
4. **Model Office Testing**. Model Office Testing can be conducted on stylized or representative business activities prior to implementing a material model update to help assess model performance, directional accuracy, and potential implications to capital requirements or reported results.
5. **Industry Field Testing**. Industry Field Testing can be conducted on stylized business activities prior to implementing material model updates to assess model performance, consistency, and comparability across insurers. Such testing can provide insight into systemic effects, calibration consistency, and whether further refinements or parameter adjustments are warranted before adoption.

4.5 An Assessment of Incentives

RBC requirements, by design, differentiate capital charges according to the risk profile of business activities, whether those activities involve policy offerings, investment strategies, or other risk exposures. Material regulatory requirements can influence insurers' behavior, affecting product design, investment strategies, reinsurance strategies, and competitive dynamics.[4] These effects may be desirable and deliberately considered in model development as an acceptance criterion (for example, remove disincentives to prudent hedging in Life RBC C-3). Therefore, material RBC model updates should include a qualitative assessment, and, where practical, a quantitative assessment, of reasonably foreseeable and material resulting incentives, along with their implications. The assessment should be proportionate to the incentive's materiality. Reasonably foreseeable and material resulting incentives can include:

- **Risk management**, including prudent hedging.

[4] See, for example, *Efforts to Reform NAIC Investment Guidelines: Lessons Learned from History*, Bridgeway Analytics, 2023.

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

5 Model Monitoring Guidelines

This section outlines aspirational guidelines for ongoing model monitoring to ensure the timely identification of models that are not suitable for use, an assessment of the materiality of their use, and an assessment of their potential impact on solvency assessment (i.e., the significance of the business practice). The process is crucial for maintaining accurate Model Risk Ratings. When combined with an assessment of model revision costs, the process enables the appropriate prioritization of limited resources.

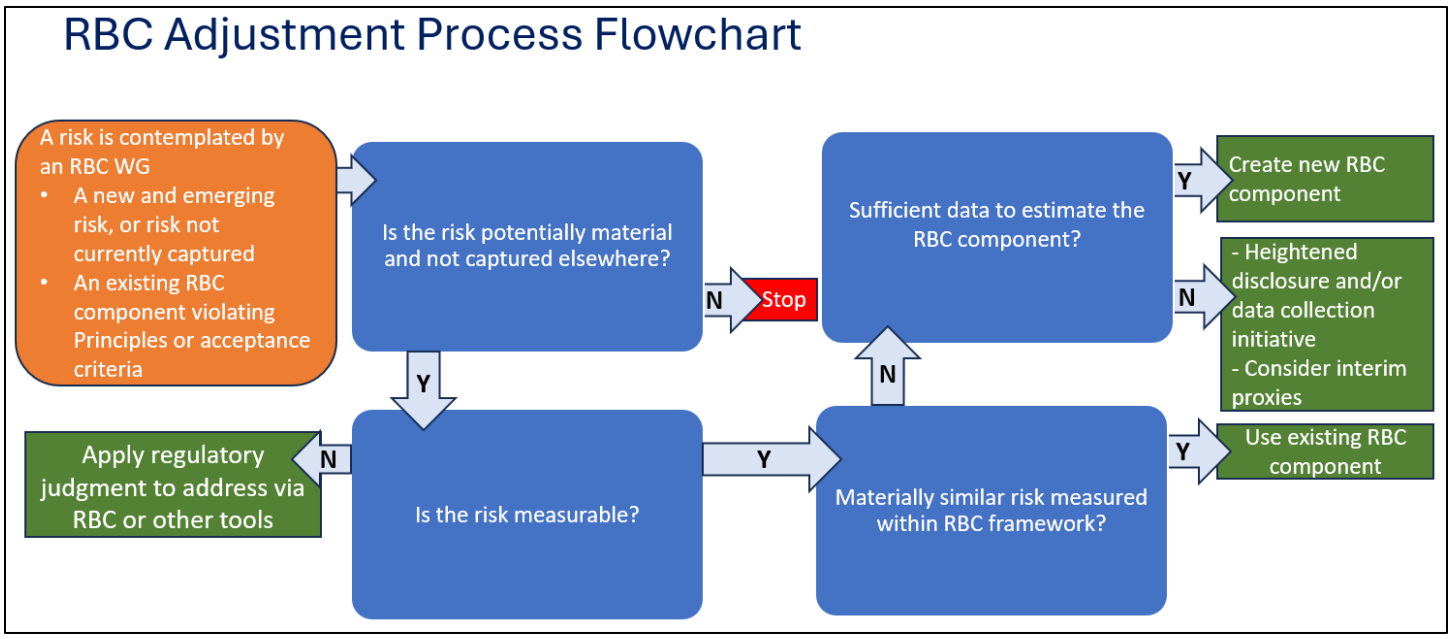
5.1 New Models & Assessing Risks to be Included in the Framework

RBC requirements are one tool in the broader solvency oversight framework. It enables regulators to take corrective measures to ensure policy obligations are met, while acknowledging that not all risks can be accurately measured by a formulaic capital charge. When a risk is identified as not captured in a model or the broader RBC framework, an assessment is needed to determine whether RBC is the most appropriate tool for identifying and overseeing it. The assessment should consider whether the risk is best governed by another tool within the framework, such as ORSA processes, or is primarily idiosyncratic and best managed through company-specific governance or supervisory review.

Figure 1 provides a schematic of key considerations when adjusting the RBC formula. The first considerations are materiality and whether the risk is not captured elsewhere in the framework. The next consideration is whether the risk is measurable and materially similar to risks already measured within the framework. Finally, whether sufficient data exists to estimate an RBC component is available, and whether heightened disclosure is needed.
The flowchart highlights the need for regulatory judgment and the possible need for interim proxies. The flowchart builds on concepts from the Academy's *Principles for Structured Securities RBC*, as well as the *Asset Concentration Flow Chart*, which provides a non-authoritative framework for evaluating whether specific asset-related exposures should be reflected in the RBC formula or addressed through other supervisory tools, such as targeted examinations, stress testing, or qualitative risk assessments. It assists regulators and industry participants in determining:

- Whether a given exposure represents a quantifiable risk suitable for inclusion in the RBC calculation;
- Whether the exposure is already captured elsewhere in the framework (e.g., credit, market, or operational risk components); and
- Whether it should instead be managed through governance, disclosure, or supervisory review mechanisms.

Figure 1: Key considerations when adjusting RBC formula



5.2 Monitoring an Existing Model & Model Incidents

Monitoring an existing model for its appropriate use involves assessing its attributes against **Acceptance Criteria**, which include quantitative metrics such as **Quantitative Guidelines** and **Qualitative Features** agreed upon as a minimum benchmark for a model's suitability for its intended purpose. Examples of Quantitative Guidelines include the statistical safety level or risk horizon used in estimating the model.

When a model fails to meet its acceptance criteria, possibly because a model or operational error is identified or the model is no longer applicable to the current environment, an assessment should be documented as described in *Section 5.6*. As discussed in *Section 4*. If one or more criteria fail, it may indicate that a revision to the model is necessary. However, judgment is required in making this decision.

Notably, if a model or operational error is identified (i.e., a model incident), the documentation should include a proportional assessment of the root causes and the necessary controls to prevent the error from recurring (i.e., "Postmortem").

5.3 Model Monitoring Frequency

Model monitoring frequency should be specific to each model and closely tied to its risk rating, intended use, and the materiality of its output. Detailed should be inventoried. Higher-risk or higher-materiality models should be monitored more frequently, while lower-risk models may require less frequent review. CATF and its Working Groups should determine a minimum cadence for monitoring models (e.g., every 10 years), and when there is a significant increase in the materiality of its use (see *Section 5.4*), either for the industry as a whole or for an identifiable segment of companies.

5.4 Model Update Cost Assessment

Ideally, a model identified as unsuitable would be accompanied by a description and an assessment of the effort/cost required to revise it to at least the point where it aligns with its intended purpose and adheres to these

Model Risk Management Guidelines. The assessment and cost estimates should align with the requirements outlined in the Model Development Guidelines in *Section 4*.

However, as discussed in *Section 4*, RBC models are traditionally externally developed and, in some cases, rely on vendor solutions. Unless a model has its own model risk management guidelines, an estimate of the revision cost is likely not easily attainable, and significant judgment will be needed to incorporate any cost estimate into prioritization decisions.

5.5 Model-Use Materiality Assessment

An assessment of model-use materiality involves quantifying its application and its potential impact on solvency assessment (i.e., the significance of the business practice to which the RBC model is applied). Model use can be deemed material when it has the potential to meaningfully impact a regulator's assessment of solvency risk for all companies or an identifiable segment of companies. Quantitative thresholds, such as the proportion of liabilities, premiums, or RBC requirements that are influenced by the model's output, may be used to support the materiality assessment.

5.6 Communicating Model Monitoring Results and Inventory

To the extent prioritized, results from model monitoring and model incidents, including the model's risk rating, are documented and recorded in the model inventory as outlined in *Section 3.3* and *Section 10.1 – Appendix: Aspirational Model Inventory and Monitoring Fields*, which is intended to streamline the prioritization of limited resources. Significant shortcomings should be communicated to Model Owners, Model Users, and Model Risk Governance stakeholders in a manner that CATF and its Working Groups see fit.

6 Model Update Guidelines

CATF and its Working Groups will determine the process for updating each model, beyond any applicable Model Risk-Inventory, Development, and Documentation Guidelines (*Sections 3, 4, and 7*), and the nature of the update.

6.1 Model Updates

Models are updated for a range of reasons, including r**outine scheduled updates, model enhancements, model corrections, or cosmetic updates**. CATF and its Working Groups will determine the necessary governance, taking into account complexity (e.g., coordination with a vendor) and materiality. For example, the governance needed for changes in reporting lines that do not impact RBC requirements may be limited to updating the model inventory, if applicable. The following process generally applies to model updates:

1. Requests to update models may be scheduled or initiated by members of CATF or its Working Groups or Subgroups, Interested Regulators, or Interested Parties.
2. If applicable, assigned and inventoried a Model Risk Rating and Model Revision Cost Assessment as outlined in *Section 5*.
3. If and when the NAIC Committee Structure determines that a model update is warranted, roles and responsibilities are assigned. Scheduled updates would already have this in place.
4. Considerations for Model Risk will help CATF and its Working Groups determine the applicability of Model Development Guidelines, including acceptance criteria, and Model Documentation Guidelines.
5. A completed *RBC Proposal Form* that should follow the *RBC Proposal Instructions*.
6. Accessible vendor model, when applicable (e.g., CAT-risk or GOES within C-3).
7. Reviewed, considered, and adopted through the NAIC committee structure.

6.2 Models with Ongoing Scheduled Updates

In some cases, models require ongoing updates (e.g., annually), as with CAT-risk or GOES applications within C-3. In such instances, roles and responsibilities, as well as processes such as routine and more extensive model updates, documentation, training, and user support, should be agreed upon by stakeholders. Consideration should be given to the following roles and responsibilities:

- **Vendor (Model Developer).** The nature of models that require ongoing updates often means they rely on production environments. Those environments should generally have management controls, with separation of duties (e.g., signoff from the development team to advance the model from the development environment to the testing environment; signoff from the testing team that testing was completed and reviewed; and signoff that the tested model was moved successfully to the production environment). Vendors should provide those details, which should generally reside in the model's own Model Risk Management Guidelines. The model developer is responsible for ensuring that scheduled model updates comply with the Model Development and Documentation Guidelines, including cases in which only model parameters are updated. Careful consideration should be given to:
    - Model validation and model performance.
    - Impact assessment, including Field Testing and Model Office Testing with sensitivities to needed resources.
    - Model user support, including summary reports on the frequency and types of questions submitted, and steps taken to address any concerns.
    - Model documentation, with sensitivities to any proprietary aspects of the model.
    - Processes for non-scheduled model updates when unexpected errors arise.
    - Training Materials for the Model Users.

  Vendors should generally be required to provide an attestation to NAIC staff that the above controls are in place and being performed. Vendors should expect to attend NAIC meetings as needed to respond to questions and comments received during the exposure period.
- **Model Owner and Model User, including NAIC staff**. Models that require ongoing updates can be complex and include many interdependent components. Careful consideration should be given to roles and responsibilities with:
    - Model identification and inventory.
    - Model adherence to Development, Monitoring, Update, and Documentation Guidelines.
    - Independent model monitoring (e.g., Model Office Tests)
    - Coordination across Model Users, including across NAIC groups.
    - Bringing any model risks and governance issues, and providing independent feedback, for consideration.
    - Possibly performing independent analysis and benchmarking.
- **NAIC Committee Structure (Model Owner)**. Reviews and adopts all scheduled model updates, including model recalibrations and changes to acceptance criteria.

7 Model Documentation Guidelines

The Model Documentation Guidelines help ensure that model updates are appropriately documented, traceable, and understandable to qualified reviewers. Model documentation must be updated to reflect any revisions to existing models, including their assumptions, methodologies, and data inputs. When applicable, the model developer is responsible for completing the documentation, and the model owner is responsible for reviewing and approving it.

Acknowledging that models vary significantly in their potential Model Risk Rating and complexity, documentation requirements will depend on the model's purpose, risk classification, and degree of reliance within the RBC

framework. Higher-risk or more complex models will require a greater depth of documentation, particularly in areas such as methodology, assumptions, and validation.

Models should aspire to be documented in sufficient detail to enable an independent reviewer to understand, replicate (where practical), and evaluate the model's design, inputs, assumptions, and outputs.
The key components of model documentation are detailed in *Section 10.2* and include:

1. Model Description, Intended Purpose, and Intended Use
2. Methodology and Assumptions
3. Data Choice and Use
4. Limitations and Risks
5. Validation and Sensitivity Analysis
6. Resource Repository (Key Definitions, Model Related Files, Key Contacts)
7. Vendor and Third-Party Models (relevant for models that are regularly updated)

8 Maintenance of the Model Risk Management Guidelines

The need to regularly maintain the RBC Model Risk Management Guidelines is particularly relevant for models that are updated frequently, especially those that are dynamic and face operational complexities, including coordination among regulators, a vendor, and the industry (e.g., GOES). Thus, the RBC Model Risk Management Guidelines should be reviewed by CATF and its Working Group and updated as they see necessary. The process for maintaining and updating the Guidelines should aspire to follow the practices laid out within this document.

9 Reference Documents

The following documents were used as references in the creation of this model governance document:

1. *Model Governance Checklist*, August 2016 American Academy of Actuaries, Principle-Based Reserves Checklist Subgroup.
2. *Actuarial Standard of Practice No. 56 Modeling*, Actuarial Standards Board, December 2019.
3. *Supervisory Guidance on Model Risk Management* (*SR 11-7*), Board of Governors of the Federal Reserve System Office of the Comptroller of the Currency, April 4, 2011.
4. *Model Governance Some Considerations for Practicing Life Actuaries*, Model Governance Practice Note Work Group of the American Academy of Actuaries, April 2017.
5. *Model Risk Management*, Model Risk Management Work Group of the ERM/ORSA Committee of the American Academy of Actuaries, May 2019.
6. *NAIC Policy Statement on Open Meetings*, April 1, 2024, NAIC.
7. *Accounting Policies and Procedures Manual*, March 2025, NAIC.
8. *Draft GOES Model Governance*, NAIC GOES (A/E) Subgroup.
9. *RBC for Insurers Model Act (Model Law 312)*, NAIC 2012.
10. *RBC for Health Organizations Model Act (Model Law 315)*, NAIC 2021.

10 Appendix

10.1 Aspirational Model Inventory and Monitoring Fields

Model Inventory Fields

- **Model name**
- **Model use identifiers**
    - Include RBC Instructions reporting lines
    - Include ASI and ASB reporting lines

  - Include relevant SAPs, any relevant dependencies on the VM and/or P&PM
- **Model documentation and summary of key fields**
  - Model description
  - Model intended purpose and use
  - Dates last updated
  - Summary of key updates since the previous update
  - Links to documentation
  - Any associated model risk management guidelines specific to the model (e.g., GOES)
- **Model status.** Under development, proposed, adopted & future effective date, adopted & active, actively monitored, model update requested, or inactive.
- **Roles and responsibilities, and key points of contact, including any relevant vendors**
  - Model developer and validator if relevant
  - Model owner
  - Model user
- **Model Monitoring**
  - Model monitoring schedule and frequency
  - Model Risk Rating and rationale for the rating
  - Model monitoring status. A summary of the model assessment against Acceptance Criteria, including Quantitative Benchmarks and metrics, and qualitative features agreed upon as a minimum benchmark for a model's suitability for its intended purpose and appropriate for use.
  - The date and results of the most recent monitoring and any corrective actions.
  - The data and results of the most recent model-use materiality summary.
  - Link to Model Monitoring Results Document
- **Model Update Requests and scheduled model updates**
  - Model Update Category
  - Model Update Request sponsor
  - Link to Model Update Request Document and any results associated with the update analysis
  - Model Update Cost Assessment
  - Vendor Model (Y/N)
  - Scheduled Update (Y/N)
  - Off-Schedule Update Rationale
  - Target date adopted.
  - Effective or target effective date.
  - RBC Proposal Form status and date adopted, exposed, rejected, deferred, referred to another group, or other)
  - Link to RBC Proposal Form

Model Monitoring Fields

- Monitoring schedule and frequency
- Model Risk Rating and rationale for the rating
- Model monitoring status and model incidents. An assessment of the model against Acceptance Criteria, including Quantitative Benchmarks and Qualitative Features, agreed upon as a minimum benchmark for a model's suitability for its intended purpose and appropriate for use. It includes any model incidents, with a proportional assessment of the root causes and the necessary controls to prevent the error from recurring (i.e., "Postmortem").
- The date and results of the most recent monitoring and any corrective actions.
- Model-use materiality summary.
- The latest date and extent to which materiality was assessed

- Link to Model Monitoring Results Document

10.2 Model Documentation

The key components of model documentation include:

1. Model Description, Intended Purpose, and Intended Use
2. Methodology and Assumptions
3. Data Choice and Use
4. Limitations and Risks
5. Validation and Sensitivity Analysis
6. Resource Repository (Key Definitions, Model Related Files, Key Contacts)
7. Vendor and Third-Party Models (relevant for models that are regularly updated)

10.2.1 Model Description, Intended Purpose, and Intended Use

- A description and overview of the model.
- Intended purpose and appropriate use. The model's objective, RBC component(s) it supports, and intended use boundaries.
- Model architecture. High-level structure (modules, sub-models), workflows, and computational methods.

10.2.2 Methodology and Assumptions

- Documenting key methodologies selected, through mathematical articulation, equations, and/or documenting pseudo-code to illustrate the methodology behind critical calculations.
- Documentation of key assumptions and justifications. Articulation and justification of key assumptions. If data and information are not representative of industry standards or if assumptions are made to adjust them, these factors should be properly tracked and documented so that users are aware of potential limitations. Documenting methodologies adopted for calibration and parameterization. Detail parameter choices, sources, calibration processes, and tuning decisions.
- Approximations and proxies: Document any key identification and methodologies for quantification (where possible) of any material simplifications or expert-judgment substitutions.
- Model-selection rationale. Document explanation of methodological or parameter-setting choices when alternatives exist.

10.2.3 Data Choice and Use

- Data choice. Document the rationale for the selected data and highlight any exclusions.
- Input specifications. Define the data elements, formats, frequency, and sources.
- Data lineage. Document change management and methodologies adopted, such as tracing data transformations from the original source to the final input, and the reconciliation checks conducted to ensure accuracy and the success of the data transformation.
- Quality Controls. Procedures for accuracy, completeness, reconciliation, and error handling.

10.2.4 Limitations and Risks

- Model limitations. Description of known constraints and conditions under which the model may be unreliable.
- Model risks. Documentation of known or potential misuses and the expected magnitude of impact, where quantifiable.

10.2.5 Validation and Sensitivity Analysis

- Performance assessment. Summary of validation activities, including documenting types of benchmarking, back-testing, and assessments of performance conducted. This may include documenting the selection and relevance of particular historical scenarios in such assessments.
- Stress and scenario test summaries. Documentation of test design, key results, and sensitivity of outcomes to major assumptions.

10.2.6 Resource Repository (Key Definitions, Model Related Files, Key Contacts)

- Glossary and acronyms. Define all specialized terms.
- File storage and naming conventions. Identification of storage locations for documentation, source code, and data files, with version control procedures.
- Contact information. Identify subject-matter experts for clarifications.

10.2.7 Vendor and Third-Party Models (relevant for models that are regularly updated)

1. **External documentation**.
    a. Attach or reference vendor manuals, model library documentation, or other technical papers describing methodologies, calibration processes, or validation procedures.
    b. Include or reference relevant training materials for users and maintainers.
2. **Modeling platform and environment**
    a. For models that require ongoing updates, specify hardware/software requirements, version numbers, and dependencies.
    b. Provide step-by-step guidance for executing the model.
    c. Where results are not expected to be fully reproducible (e.g., reliance on vended data that may be restated), explain why and describe how consistency is monitored.
3. **Model and data updates**
    a. Describe how and when input data are refreshed.
    b. Maintain change logs for methodology, code, or parameter updates.
    c. List expected outputs, units, and acceptable ranges.
    d. Document validation checks on outputs, including reconciliations to benchmarks, prior runs, or independent sources.

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.

Mariana Gomez-Vock
SVP, Prudential Issues & International

Carrie Haughawout
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Nov. 1, 2026

Commissioner Jon Godfread
Chair, Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners
1101 K Street, N.W., Suite 650
Washington, DC 20005
Via email: ddaveline@naic.org

Re: Aspirational Risk-Based Capital Model Risk Management Guidelines – Model Inventory

Dear Commissioner Godfread:

The American Council of Life Insurers[1] (ACLI) welcomes the opportunity to comment on the Risk-Based Capital Model Governance (EX) Task Force's exposure regarding the appropriate path for developing an RBC model inventory. ACLI commends the Task Force's continued efforts to strengthen the governance, transparency, and effectiveness of the RBC framework. We also appreciate the Task Force seeking stakeholder input before committing resources to the development of a full model inventory.

Given the significant number of important initiatives currently requiring regulator and NAIC staff time and resources, ACLI recommends taking up the model inventory initiative, including the pilot, after further progress has been made on existing priorities. This sequencing would allow regulators and NAIC staff to focus resources on ongoing work before undertaking a new initiative. When the Task Force revisits the model inventory, we recommend beginning with a limited pilot before committing to a broader structure. The recommendations below address how such a pilot could be structured at that time.

Begin with a limited, well-defined pilot

ACLI recommends beginning with a limited pilot that reinforces existing priorities rather than proceeding directly to a full inventory. A pilot would help the Task Force assess the inventory's potential value, scope, resource requirements, and practical implications before deciding whether further development is warranted. This is particularly important because the exposure contemplates industry funding through database fees, while the potential costs and ultimate scope of the project remain unclear.

Before launching the pilot, ACLI recommends that the Task Force establish:

- **Clear objectives and deliverables**, so regulators, stakeholders, and the consultant share a common understanding of the pilot's purpose and expected outcomes;
- **The intended role of the inventory** within the broader RBC governance process; and
- **Expected resource needs and costs**, including greater clarity regarding what industry may ultimately be asked to fund.

ACLI also recommends establishing criteria for evaluating the pilot's results and determining whether it provides sufficient regulatory value to warrant further development and resources. One criterion for evaluating the pilot should be whether the inventory improves clarity and consistency regarding the intended application of RBC methodologies and instructions. This includes the identification of known limitations and areas in which application requires material judgment. Establishing clear criteria to measure "success" of the pilot would also be helpful.

Keep the pilot small and simple

The exposure contemplates three to five models. ACLI recommends limiting the initial pilot to two or three, which should be sufficient to test key questions, including the appropriate level of documentation, information needed to understand each model, records of model changes and monitoring, and the utility of potential inventory capabilities

The selected models should provide enough variation to test the concept without unnecessarily expanding the exercise. At this stage, the goal should be to determine what information is useful, what documentation is appropriate, and what resources further development would require before considering a broader inventory.

Evaluate the pilot before committing to a broader inventory

After the pilot, ACLI recommends that the Task Force publish its findings for comment and evaluate the pilot's performance against the established "success" criteria, before deciding whether to build a broader inventory or take on significant ongoing costs

This would help the NAIC and stakeholders decide whether the pilot warrants further investment, what a tailored inventory should include, and which elements add enough value to justify the resources required to maintain them.

Keep the Task Force's broader objectives in view

ACLI encourages the Task Force to continue advancing the broader RBC Model Governance initiative, including its original objective of highlighting the strengths of the RBC framework. This work is especially timely given the current focus on state insurance regulation and ACLI encourages the Task Force to keep this important objective in view as it considers next steps on the model inventory.

ACLI appreciates the Task Force's thoughtful and transparent approach to its work and the opportunity to provide feedback. We look forward to continuing to work with the Task Force and other NAIC groups as this effort develops.

Best Regards,



Mariana Gomez-Vock
SVP, Prudential Policy & International



Carrie Haughawout
SVP, Life Insurance & Regulation

[1] The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

October 30, 2026
Via Electronic Submission

Commissioner Jon Godfread, Chair
Commissioner Doug Ommen, Co-Vice Chair
Commissioner Nathan Houdek, Co-Vice Chair
Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, Missouri 64106

Re: Proposed Financial Policy Steering Function, Revised List of RBC Gaps, and Aspirational RBC Model Risk Management Guidelines – Request for Binding Evidentiary, Transparency, and Independence Safeguards Before the Fall National Meeting

Dear Chair Godfread, Co-Vice Chairs Ommen and Houdek, and Members of the Task Force:

Pinpoint Policy Institute is a nonpartisan, pro-growth 501(c)(4) nonprofit organization dedicated to promoting free markets, limited government, and the rule of law.[1] We submit these comments on three related items before the Risk-Based Capital Model Governance (EX) Task Force ("Task Force"): the proposed commissioner-level steering function ("Possible Structures");[2] the list of RBC gaps and inconsistencies the Task Force will revise and vote on ("Gap List");[3] and the Aspirational RBC Model Risk Management Guidelines exposed on October 8 ("Guidelines").[4] The Task Force expects to make its final recommendation at the Fall National Meeting in Dallas on November 16.[5]

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[1]Pinpoint Policy Institute is a 501(c)(4) organization (EIN 99-2037033). *See* Pinpoint Policy Institute, *About*, https://pinpointpolicyinstitute.org/about.

[2]NAIC, Risk-Based Capital Model Governance (EX) Task Force, *Commissioner-Level Governance Options* (exposed Aug. 13, 2026) [hereinafter "Possible Structures"], https://content.naic.org/sites/default/files/inline-files/august-13-exposure-of-possible-structures.pdf.

[3]NAIC, Risk-Based Capital Model Governance (EX) Task Force, *RBC Initiatives, Gaps & Inconsistencies* (presented Oct. 8, 2026) [hereinafter "Gap List"]; *see also* NAIC, *August 13 Exposure of List of Potential Gaps* (Aug. 13, 2026), https://content.naic.org/sites/default/files/inline-files/august-13-exposure-of-list-of-potential-gaps.pdf.

[4]Memorandum from NAIC to Interested Regulators and Interested Parties of the Risk-Based Capital Model Governance (EX) Task Force, *Aspirational Model Governance Exposure* (Oct. 8, 2026), *attaching* Bridgeway Analytics, *Aspirational Risk-Based Capital Model Risk Management Guidelines* (Draft for Discussion) [hereinafter "Exposure Memo" and "Guidelines"], https://content.naic.org/sites/default/files/inline-files/draft-rbc-mrm-guidelines_0.pdf.

[5]NAIC, Risk-Based Capital Model Governance (EX) Task Force, *2026 Fall National Meeting* (Nov. 16, 2026), https://content.naic.org/committees/ex/rbc-model-governance-tf; Possible Structures, *supra* note 2, at 6–7 (Dallas as "the final recommendation and handoff meeting").

The Task Force has asked a fair question: who should decide which changes to the risk-based capital ("RBC") formula matter most, and in what order. RBC determines how much capital every U.S. insurer must hold, thereby directly shaping what insurers invest in and by extension how much American families pay for annuities, life insurance, and retirement products. Changes the NAIC adopts take effect in most states without further action, because state RBC statutes incorporate NAIC-adopted solvency rules as the NAIC may amend them "from time to time."[6] Failure to adopt such rules would result in punitive treatment of insurers domiciled in that state by the other states. In other words, whoever controls the RBC agenda sets national insurance capital rules without any meaningful input or approval from governors, legislators, or other interested stakeholders. RBC rules adopted by the NAIC are effective in states even where that state has objected to the change. While this system raises questions about extraterritorial application of laws, at a minimum it requires that robust governance protocols apply to all NAIC activity to change RBC.

The proposal outlined in Possible Structures would place substantial control in a new standing body of commissioners charged with maintaining a rolling two-year agenda, recommending sequencing and timing, and "[d]efin[ing] the policy objective, scope, and key parameters before substantial technical work begins."[7] All of these charges are undeniably outcome-determining decisions, yet the proposal does not require the body to publish a problem statement, show evidence of a solvency deficiency, estimate costs to policyholders, meet in public, or explain its choices in writing. It does not even require the body to apply the Task Force's own RBC Principles, and more discouragingly, the exposure reminds commenters that "the ultimate decision is an internal NAIC governance matter."[8]

The October 08 meeting highlighted the importance of these questions. Task Force members split on where the steering function should sit. Former chairs of the Financial Condition (E) Committee and the current technical chairs favored keeping it within E Committee, and some members questioned whether a new body is needed at all.[9] The Task Force exposed the Guidelines but asked commenters to address "only" the path for building a model inventory, and NAIC staff noted that even a limited pilot would require new industry funding through database fees.[10] None of this changed the core design. The steering body still has no evidentiary gate, the Gap List still applies an uneven standard of proof, and the process still lacks the safeguards needed to guard against capture and conflicts.

This is the wrong posture for a decision of this weight. We respectfully urge the Task Force to (i) defer recommending a structure until binding evidentiary, transparency, and conflict-of-interest

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[6] *See* NAIC, *Risk-Based Capital (RBC) for Insurers Model Act* (#312) § 1 (definition of "RBC Instructions"); *see, e.g.*, Cal. Ins. Code § 739; 215 Ill. Comp. Stat. 5/35A-5; Va. Code Ann. § 38.2-5501.

[7] Possible Structures, *supra* note 2, at 1 (Common Charge Under Either Structure).

[8] *Id.* at 5 (Issues for Exposure).

[9] NAIC, Risk-Based Capital Model Governance (EX) Task Force, Interim Meeting (Oct. 8, 2026) (remarks of Task Force members and interested parties). Official minutes of the October 8 meeting had not been posted as of this letter's date.

[10] Exposure Memo, *supra* note 4, at 1.

requirements are written into the charge; (ii) make the core analytical elements of the Guidelines mandatory preconditions for any material RBC change; (iii) apply one evidentiary standard to every Gap List item and re-expose the revised list before any vote; (iv) adopt independence safeguards for the outside consultant supporting this work; (v) create an independent appeal process open to every state; and (vi) re-expose the complete charge for public comment before any recommendation advances.

Our concerns can be organized into three distinct categories, outlined below.

The proposal concentrates agenda setting power without an evidentiary gate. The Task Force has now written the right standard for evidentiary discipline twice, in its Principles and in the Guidelines, and made it binding neither time.

The Gap List applies an uneven standard of proof, as items advances qualify largely on the dollar volume of holdings, which measures size rather than riskiness, while stakeholder submissions are set aside for lack of a materiality assessment, including a calibration inconsistency that goes to the heart of the Task Force's "equal capital for equal risk" principle. Meanwhile, technical work on listed items is already moving far ahead of the governance meant to steer it.

The process lacks the accountability and independence needed to safeguard against regulatory capture and conflicts of interest. The NAIC's officers have endorsed a small body on which they would sit with control over the timing and magnitude of changes to the national capital agenda while the final decision would be allowed to be made in a closed session. Meanwhile, the Task Force's analytical work is led by a private third-party consultant that also serves industry clients, reserves the right to reuse commercial analysis, and is now charged with reviewing the framework it helped build.

We address each below and close with specific requested actions.

Policy Analysis and Considerations

The proposal concentrates agenda-setting power without an evidentiary gate.

Structure is not a substitute for evidence. Under either option, the steering body would apply four elevation standards (changes to RBC architecture, material policy choices, cross-discipline dependencies, and framework-wide principles), recommend priorities and sequencing, and define each initiative's policy objective, scope, and key parameters.[11] The only documentation required to elevate a matter is "a brief written statement identifying the applicable standard, the policy question, the assigned technical group, and any requested checkpoint."[12] Nothing requires the body to show that a regulatory gap exists; that RBC, rather than examination, disclosure, or enforcement, is the right tool; or that the expected benefit justifies the cost. The Task Force wants policy

[11] Possible Structures, *supra* note 2, at 1–2 (Common Charge; Elevation Standard).

[12] *Id.* at 2.

questions settled before technical groups invest years of work, but this approach of settling them without evidence simply moves the guesswork earlier.

The procedures beneath the proposal compound the problem. Under the Capital Adequacy (E) Task Force's governing procedures, an impact analysis is merely "preferred for any factor change." Initial exposures run "at least 30-days" unless a shorter period is approved, and a comment period may close as little as three business days before the meeting at which comments are considered.[13] A process that can increase capital requirements across the Life, P&C, and Health formulas should not treat impact analysis as optional or give regulators three business days to absorb public input. Changes in national RBC requirements require more.

The Task Force has already written the standard the proposal omits. Its RBC Principles, now part of the RBC Preamble, call for updates only when a change is material to the regulator's assessment of solvency risk; for "equal capital for equal risk," consistent in statistical safety levels and time horizons; for objectivity that avoids "the promotion or inhibition of objectives that are unrelated to assessing solvency risk"; for transparent documentation of methods and "supporting rationale"; and for model risk management, including validation.[14] The Guidelines now spell out how to meet those Principles, calling for empirical validation and back testing, impact assessment with regression and sensitivity testing, and a threshold test of whether a risk is material, not already captured, and measurable before RBC is used to address it.[15] They also call for an assessment of incentives, including effects on "pricing, product availability, or distribution" and "disproportionate impacts across identifiable insurer segments."[16]

That is the gate the steering body needs. Unfortunately, the Guidelines are expressly "aspirational," to be applied "with regulatory discretion and limited resource considerations in mind,"[17] and the exposure confines comment to the inventory question.[18] The steering body's charge never mentions either document. A body whose job is to set the RBC agenda should be bound to apply the core analytical elements of the Guidelines, in writing, to every matter it advances.

A framework that tells insurers what sound model governance requires, then exempts its own capital rules from those requirements, is not a governance framework.

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[13] NAIC, *Procedures of the Financial Condition (E) Committee's Capital Adequacy Task Force in Connection with Proposed Amendments to Risk-Based Capital Blanks and Instructions*, https://content.naic.org/sites/default/files/inline-files/rbc_procedures07172024_without%20Track%20changes.pdf.

[14] NAIC, *Risk-Based Capital Preamble*, § G, *Principles for RBC Requirements*, Principles 3, 4, 5, 9, and 10 (revised Preamble adopted June 18, 2026) [hereinafter "Preamble"].

[15] Guidelines, *supra* note 4, §§ 4.3 (Model Validation), 4.4 (Impact Assessment), 4.5 (An Assessment of Incentives), 5.1 & fig. 1 (RBC Adjustment Process Flowchart).

[16] *Id.* § 4.5.

[17] *Id.* § 1 (guidelines are "aspirational for CATF and its Working Groups to apply, with regulatory discretion and limited-resource considerations in mind").

[18] Exposure Memo, *supra* note 4, at 1.

However, caution should be exercised with regard to one particular element of the Guidelines: for emerging risks, they state that "[t]he absence of credible data should not preclude inclusion of a risk in RBC" and that acceptance criteria may rely on "qualitative benchmarks" and "directional reasonableness" rather than statistical calibration.[19] Interim judgments are sometimes unavoidable. The Gap List illustrates how long they can last: several current charges still rest on no empirical study. Any charge adopted without credible data should be labeled as interim, carry a published data collection plan, and expire unless validated by a fixed date.

Chair Godfread said last month that capital rules "should not be assigned to pick winners and losers" and that good regulation should "create guardrails for strategy, not become the strategy."[20] We agree. A standing body that defines the objectives and parameters of capital charges, with no duty to show its evidence, is precisely the mechanism through which capital rules come to pick winners and losers.

The Gap List applies an uneven standard of proof.

Each Gap List item carries a "materiality benchmark." Most of those benchmarks measure the size of a holding, not whether the current charge misstates its risk: residential mortgages at roughly $150 billion; reserve credit and modified coinsurance at roughly $2.85 trillion; CMBS and RMBS at $148 billion and $133 billion.[21] Size is not risk. Under the Task Force's own Principle 3, materiality means a level at which updating RBC "could meaningfully impact the regulator's assessment of the solvency risk."[22] A large, well-performing asset class with an adequate charge is not a solvency gap. Ranking candidates by volume will steer the agenda toward whatever has grown fastest, not toward what is mispriced.

Stakeholder submissions faced a different test. The Task Force set several aside because they came with no "assessment of materiality," and said that stakeholders seeking an update "should provide" one.[23] One documented that Life RBC investment components are calibrated to different statistical safety levels: commercial mortgage factors at a 92% value-at-risk and C-1 bond factors at 96%, a gap the Task Force's own cited source shows can make bond factors roughly 40% to 80% higher.[24] This supposedly "peripheral concern" represents a direct test of RBC Principle 4, which requires consistent safety levels and time horizons absent "substantial differences in the nature of the risk in the context of the business model (e.g., life vs property & casualty)."[25] Regulators acknowledged the variation, pointed to deliberate past choices, and declined to prioritize it. A

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[19] Guidelines, *supra* note 4, § 4.2.1.

[20] Rob Leeming, *Insurers Need Investment Rules That Look Beyond Asset Labels Says Former Head of the NAIC*, Insurance Asset Risk (Sept. 29, 2026) (reporting remarks of Commissioner Jon Godfread at Insurance Risk & Capital Americas 2026).

[21] Gap List, *supra* note 3, at 2–3.

[22] Preamble, *supra* note 14, Principle 3.

[23] Gap List, *supra* note 3, at 6–7.

[24] *Id.* at 6 (citing Moody's Analytics, *2021 Revisions to the RBC C-1 Bond Factors*).

[25] Preamble, *supra* note 14, Principle 4.

process that makes outside parties prove materiality, while its own candidates qualify simply based on asset size, is clearly not applying one consistent standard.

The Gap List does reflect one sound instinct: it declined to use RBC for concentrated business practices of "an identifiable segment of companies," concluding those could be handled "by a state insurance department rather than by utilizing limited RBC resources."[26] We agree. Targeted issues call for targeted supervision, not formula-wide charges on every insurer and the steering body's charge should make that presumption explicit.

The process lacks the accountability and independence needed to guard against capture and conflicts.

In terms of structure, it is critical that an independent group of engaged commissioners review solvency-related priorities and act as an appellate body to review the work of "technical" groups. All too often, stakeholders are caught in a "heads they win, tails we lose" trap – either technical working groups assert that a parent group has already dictated instructions, so stakeholders may not challenge the wisdom of material changes, or parent groups argue that they are not in a position to challenge the work of technical groups as being closer to details. This is akin to an appellate court arguing it cannot overturn the work of a trial court that received a verdict in advance from the same appellate court. While the E Committee and its lower working groups technically hold public meetings, it is patently obvious that multiple major workstreams were effectively decided in advance, and public meetings merely serve as kabuki theater. This is not true transparency.

Pinpoint's transparency concern is not merely theoretical; at the NAIC's Spring 2026 meeting, industry representatives warned of "a growing perception that increasing amounts of deliberation are occurring in sessions that are not open to interested parties."[27] When Senator Elizabeth Warren asked the NAIC in September whether it would make its rulemaking more transparent, including who provides feedback and how it is used, the NAIC replied that meetings are "generally" public and that it "continually evaluates" its process. It committed to nothing.[28]

Concentration magnifies capture risk. A small body that controls the sequence and timing of capital initiatives controls the lever most valuable to any affected company. A body built to set timing for the entire RBC agenda must have transparency and good governance mechanisms from the start.

The NAIC's structure compounds these risks. A private corporation that has been excepted from filing IRS Form 990 since 1955, the Government Accountability Office reported in June that NAIC's public disclosures, while comparable to Form 990 in certain respects, do not report key employee compensation, and that its conflict-of-interest policy sets disclosure requirements for

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[26]Gap List, *supra* note 3, at 7.

[27]John Hilton, *NAIC Regulators Field Complaints About Transparency, Closed Meetings*, InsuranceNewsNet (Mar. 26, 2026) (quoting David Snyder, American Property Casualty Insurance Association).

[28]Letter from Sen. Elizabeth Warren, Ranking Member, S. Comm. on Banking, Housing, and Urban Affairs, to Jeffrey C. Johnston, Chief Executive Officer, NAIC (Sept. 10, 2026), at 4 (Question 10); Letter from Scott White, NAIC President, et al., to Sen. Elizabeth Warren (Sept. 24, 2026), at 19, https://content.naic.org/sites/default/files/government-affairs-letter-20260924-warren-exposure-private-credit-equity-funds.pdf.

members but not for key employees such as its chief executive.[29] By Pinpoint's analysis, the NAIC draws about 94 percent of its revenue from the industry it oversees.[30] The Guidelines exposure would add to that dependence: NAIC staff state that even a limited pilot "will require new funding from the industry via database fees."[31] NAIC rules are not subject to the procedural notice-and-comment requirements or to judicial review of the record behind them, and a state that votes against an RBC change is bound by it anyway through incorporation by reference. Any institution, much less a regulatory body, with such a deficient transparency profile should hold its own agenda setting to a higher standard of accountability, not a lower one.

Consultant independence must also be addressed directly. The NAIC engaged Bridgeway Analytics as the Task Force's outside consultant in May 2025, two months after Bridgeway filed its own comment letter on the Task Force's proposed charges.[32] Bridgeway has since developed the principles, summarized stakeholder comments, presented the Gap List, and authored the Guidelines now exposed. The Gap List measured the Task Force's process against those Guidelines months before the public could read them.[33] The Guidelines carry a statement that their content is "informed by extensive discussions with our client base" and "may contain analysis that Bridgeway Analytics had conducted as part of a commercial engagement and retains the right to reuse."[34] Further, Bridgeway sells a regulatory tracking platform to insurers and regulators, and its chief executive has published commentary favorable to the proposed steering function while it was out for comment.[35]

We do not question the quality of Bridgeway's work or the good faith of anyone involved. The point is structural – a consultant that serves industry clients, reserves the right to reuse commercial analysis, and drafts the standards against which its own prior work will be judged should operate under published engagement terms, conflict screening, and independent regulator review. The NAIC expects insurers to document vendor conflicts and validate models independently, it should meet the same standard.

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[29]U.S. Gov't Accountability Off., *National Association of Insurance Commissioners: Role with State Insurance Regulators and IRS Reporting Requirements*, GAO-26-107956 (June 2026), at Highlights.

[30]Pinpoint Policy Institute, *New GAO Report Confirms the NAIC Has an Accountability Problem* (July 25, 2026), https://pinpointpolicyinstitute.org/the-point/gao-report-naic-accountability-problem/.

[31]Exposure Memo, *supra* note 4, at 1; Interim Meeting, *supra* note 9 (remarks of NAIC staff).

[32]NAIC, Risk-Based Capital Model Governance (EX) Task Force, *Minutes* (Aug. 12, 2025), at 1, https://content.naic.org/sites/default/files/national_meeting/06_Minutes-RBCMGTF.pdf; Letter from Amnon Levy, Bridgeway Analytics, to the Risk-Based Capital Model Governance (EX) Task Force (Mar. 12, 2025).

[33]NAIC, Risk-Based Capital Model Governance (EX) Task Force, *Minutes* (Aug. 12, 2025), *supra* note 47; Possible Structures, *supra* note 2, at 5; *August 13 Exposure of List of Potential Gaps*, *supra* note 3, at 4 (process follows "the spirit of the formative RBC Model Risk Management Guidelines that Bridgeway compiled and reviewed with industry stakeholders"); Exposure Memo, *supra* note 4.

[34]Guidelines, *supra* note 4, at 19.

[35]Bridgeway Analytics, *Products & Services*, https://www.bridgewayanalytics.com/; Amnon Levy, *Comment: NAIC Lays the Foundation for Coordinating Solvency Policy and Investment Oversight*, Insurance Asset Risk (Sept. 3, 2026).

The model inventory should be public, and the pilot should test the factors most in doubt.

On the question the exposure poses, Pinpoint supports a limited pilot over a full operating inventory, with three conditions. First, the inventory should be public. As drafted, editing rights rest with NAIC staff and delegates, and the pilot focus group includes NAIC staff, regulators, and Academy and industry representatives but no consumer or independent participants.[36] An inventory that only insiders can see does not improve accountability. Second, the pilot should start with the components the Task Force has already identified as lacking an empirical basis or as inconsistent with Principle 4, not with models chosen for convenience. Third, any new database fee should be disclosed with a public budget, and the pilot's cost should be weighed against redirecting existing staff from new charges to documenting the ones already in force.

Requested Actions

Pinpoint Policy Institute respectfully urges the Task Force to take the following steps before making any recommendation at the Fall National Meeting:

1. Defer recommending a governance structure until the charge includes the binding requirements below and re-expose the complete charge for public comment for no less than 45 days.
2. Require, for every matter the steering body elevates and every material factor change, a published problem statement; a materiality finding under the Preamble (solvency impact, not asset volume); an analysis of whether examination, disclosure, or enforcement would address the concern; and a public cost-benefit, consumer impact, and incentive assessment. Make the validation, impact assessment, and threshold elements of the Guidelines mandatory, and amend the Capital Adequacy (E) Task Force procedures so that impact analysis is required, not "preferred."
3. Require that any charge adopted without credible data be labeled as interim, carry a published data collection plan, and expire unless validated by a fixed date.
4. Apply one evidentiary standard to every Gap List item, regardless of who raised it or which direction it would move capital. Address the statistical safety-level inconsistency the Task Force has acknowledged. Re-expose the revised list, showing for each item the work already underway and its evidentiary basis, before any vote.
5. Subject the steering body to the NAIC open meetings policy with no regulator-only exception for agenda-setting, prioritization, or timing decisions; publish agendas and materials at least seven business days before each meeting; and issue a written public rationale whenever an adopted priority, sequence, or timeline changes. Make the Executive Committee's final decision on the structure in open session.

[36] Exposure Memo, *supra* note 4, at 1; Guidelines, *supra* note 4, § 3 (inventory "[e]diting rights are limited to NAIC staff and any delegates").

6. Create an independent appeal process that allows any state to seek review of a material elevation, prioritization, or timing decision by a panel of commissioners not involved in that decision, with a written public disposition.
7. Adopt a conflict-of-interest and recusal policy for steering body members and supporting staff that covers financial interests and political contributions from affected entities, with public disclosure.
8. Publish the scope, deliverables, compensation, and selection process for any consultant supporting RBC governance work; screen and disclose conflicts; require recusal from evaluating the consultant's own prior work; and direct all public comments solely to the NAIC.
9. Make the model inventory public; begin the pilot with the components the Task Force has identified as lacking an empirical basis or as inconsistent with Principle 4; include consumer and independent participants; and publish the budget for any new database fee.
10. Create a reconsideration mechanism for material errors, post-implementation review of adopted changes against their stated objectives, and sunset review of the steering body itself.
11. Require that commissioners vote on any change to RBC, whether at a lower working group level, the E Committee, or any other relevant group below the plenary.

To be clear, the concerns outlined in this letter do not question the Task Force's objective. Pinpoint agrees that RBC changes should be coordinated, prioritized, and anchored in sound policy before technical work begins. "Equal capital for equal risk" is a sound principle, and it deserves an equally sound process. The Task Force has now written much of that process twice, in its Principles and in the Guidelines; the steering body's charge should make it binding.

Pinpoint therefore respectfully urges the Task Force to build these safeguards before it builds the new structure. We appreciate the opportunity to submit these comments and stand ready to continue engaging constructively as the process moves forward.

Sincerely,

Eric Ventimiglia

Eric Ventimiglia
Executive Director
Pinpoint Policy Institute

November 2, 2026

Commissioner Jon Godfread (ND), Chair
Commissioner Nathan Houdek (WI), Co-Vice Chair
Commissioner Doug Ommen (IA), Co-Vice Chair
Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners

Re: Aspirational Model Governance Exposure

Dear Commissioners Godfread, Houdek, and Ommen:

On behalf of the American Academy of Actuaries'[1] Cross-Practice Risk-Based Capital (RBC) Task Force (Academy), we appreciate the opportunity to provide comments on the Aspirational Model Governance Exposure (Exposure).

In addition to Actuarial Standard of Practice (ASOP) No. 56—*Modeling* (cited in the Exposure), the Academy offers for your consideration the *Model Risk Management* Practice Note (May 2019). The Academy believes that this document will be highly informative in developing an inventory, as it outlines robust, practical approaches to model governance that align closely with the Task Force's aspirational goals. Moreover, the practice note is widely recognized across the profession, having served as a core resource and study guide on model risk concepts for the Society of Actuaries and others for several years.

If you have any questions or would like to discuss the referenced practice note further, please contact Katie Dzurec, Public Policy Outreach Director (dzurec@actuary.org).

Sincerely,

Dana Hunt, MAAA, FSA
Chairperson, Cross-Practice RBC Task Force

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