Draft date: 11/9/2026

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

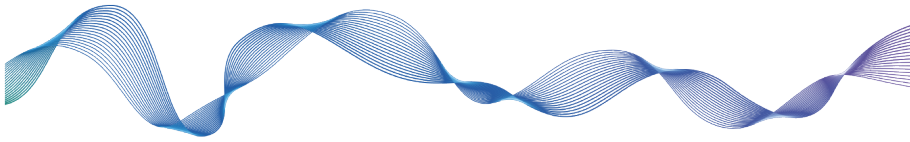
AGENDA

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)* — Attachment Two

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)* — Attachment Four



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: Ben Slutsker (MN), Chair of the Capital Adequacy (E) Task Force
From: Commissioner Jon Godfread (ND), Chair of the Risk-Based Capital Model Governance (EX) Task Force
Date: November 9, 2026
Re: Prioritized Gaps & Inconsistencies

This memorandum summarizes eight Risk-Based Capital (RBC) components identified as part of the comprehensive gap analysis and consistency assessment of the RBC framework conducted by the NAIC's Risk-Based Capital Model Governance (EX) Task Force. The identified gaps and inconsistencies are not an exhaustive list of all potential gaps and inconsistencies, but reflect the Task Force's conclusions on which items are most likely material to the RBC framework and their prioritization. The Risk-Based Capital Model Governance (EX) Task Force refers these eight prioritized gaps and inconsistencies to the Capital Adequacy (E) Task Force for further evaluation and coordination with its Working Groups on the scope, sequencing, and development of any appropriate RBC revisions, consistent with the recommended priority levels and existing initiatives. The referral should not be read as elevating these items over planned or current initiatives underway at the Financial Condition (E) Committee, Capital Adequacy (E) Task Force, the RBC Working Groups, or other relevant NAIC workstreams.

The process of arriving at the eight priorities involved engaging with the Task Force's Model Governance Drafting Group, NAIC staff, and industry stakeholders to narrow an initial inventory of approximately twenty candidates to eleven: ten RBC components and one governance-and-process item. The inventory drew on public comments, prior Task Force work, Bridgeway Analytics' analysis, and regulator input, as presented at the August 13, 2026, meeting. Candidates received a preliminary assessment against the adopted RBC Principles, considering materiality, the data, technical analysis, and the stakeholder resources needed for further evaluation.

Discussions at the October 8, 2026, Task Force meeting (Materials) further emphasized resource constraints, project dependencies, and coordination with existing initiatives in developing a focused 2027–2028 agenda. The eight components and priority levels recommended in this memorandum distinguish issues that warrant immediate attention from those requiring further investigation to clarify a gap or inconsistency, to determine the need for additional resources, or to coordinate with accounting and reserving developments. The Appendix provides an analysis of each item's materiality.

Priority 1.

1. **Life reinsurance transactions.** Life reinsurance remains a top priority due to the materiality and variability of the business practices, combined with the limited risk-sensitive differentiation in treatment under the current framework. Ceded reserves and modified coinsurance (ModCo) have grown by over 100% in the last 10 years, nearing $3 trillion, and the current RBC treatment of counterparty risk is a blunt 78 bps pretax charge on reserve credit and receivables with possible offsets. Considerations for more risk-sensitive treatment may include jurisdiction, affiliation and captive status, collateral sufficiency and composition, reinsurer financial strength ratings, and counterparty concentration. The effort is already underway through the Financial Condition (E) Committee's *Referral to the Life Risk-Based Capital (E) Working Group,* and is part of its Working Agenda. That referral directs the development of a recapture-risk charge for reinsurance outside Reciprocal jurisdictions, which have grown by over 100% in the last five years, reaching ~$135 billion in 2025, and more risk-sensitive treatment of counterparties and collateral, both targeted for year-end 2027. For non-Reciprocal jurisdictions, concerns have been raised through Actuarial Guideline (AG) LV reviews and regulator

experience that life insurers ceding business to non-Reciprocal jurisdictions have often been observed supporting generous guarantees with riskier assets and relying on optimistic reserving assumptions, such that their reserves and capital may fall short of prudent standards and leave them unable to pay future claims under adverse conditions. Notably, a robust reinsurer rating would not address this concern. While non-XXX/AXXX transactions with U.S. captives are recommended to be within the scope, XXX/AXXX transactions with U.S. captives are recommended to fall outside of the scope, for now, recognizing the dedicated reserve-financing safeguards established through AG XLVIII and the *Term and Universal Life Insurance Reserve Financing Model Regulation (Model #787)*.

2. **Property & casualty catastrophe-risk correlation.** Catastrophe-risk correlation merits Priority 1, given that aggregation assumptions determine whether the capital framework appropriately recognizes diversification and common drivers across perils such as hurricanes, wildfires, and severe convective storms. The American Academy of Actuaries' (Academy) September 29, 2026, letter (Attachment E) indicates that correlation analysis, which is on its Working Agenda, is in its early stages and depends on data availability. They distinguish work that can begin during the two-year period from work that is likely to require longer to complete. Immediate prioritization is therefore compatible with a longer implementation timetable. Currently, the timing for this project is unknown due to data confidentiality and the best way to share the information with the Academy. Because of this, the Academy anticipates using an agreeable interim correlation coefficient before the actual factor can be finalized. As highlighted in the *2026 Summer National Meeting Materials*, the component is material, with severe convective storm losses alone increased from $17.1 billion in 2019 to $46.8 billion in 2024.
3. **Health H-2 underwriting.** H-2 underwriting encompasses several related initiatives, including updating the underwriting risk factors for comprehensive (individual and group), Medicare Advantage, Medicare Supplement, Stand-alone Part D, Medicaid, dental, and vision; establishing a diversification credit; updating the reporting for the managed-care credit; and beginning work on updating the stop-loss and long-term care (LTC) risk charges that were not a part of the original H-2 Report; and should receive Priority 1. The effort is underway and part of the Health RBC (E) Working Group's Working Agenda. The Academy's proposed changes to how managed care data is reported are currently being refined, while the stop-loss and LTC work should begin soon, as data-sharing issues caused some delays. As highlighted in the *2026 Summer National Meeting Materials*, this component is material. Using group and individual policies as a benchmark, direct incurred claims plus the change in contract reserves total $1.278 trillion; stop-loss, $34.2 billion; LTC, $23.3 billion; and the managed-care credit proxy, $1.03 trillion. The potential needed refinements to the RBC formula include H-2 requirements specific to comprehensive medical, Medicare Supplement, dental/vision, Medicare Part D, stop-loss, long-term care, and other coverages, which are calculated using their applicable factors and then added together.

Priority 2.

4. **Property & casualty reinsurance transactions.** Priority 2 reflects the formative state of the analysis of business practices and potential RBC gaps. Areas identified for further review include transactions involving reinsurers in non-Reciprocal jurisdictions; retrocessions; captive arrangements; insurance-linked securities (ILS) and other alternative risk-transfer arrangements; surplus lines; loss-sensitive swing-rated excess-of-loss reinsurance; concentrated reinsurer counterparty exposures; lightly capitalized cedents; and fronting arrangements. The initiative is challenged by significant variation in business practices and limitations in the available data needed to differentiate risks. The *2026 Summer National Meeting Materials* documented growth in reported property & casualty reinsurance recoverables, which were used to proxy for reinsurance counterparty exposure. The reported total has increased by approximately 75% since 2016, and 39% since 2020, reaching $1,689 billion in 2025. Meanwhile, reinsurance recoverables ceded to non-Reciprocal jurisdictions increased by 66% since 2020, reaching $44 billion in 2025.

However, neither the scale nor the growth of a business practice is, by itself, evidence of a gap or inconsistency in the RBC formula or the broader framework.

Additional analysis conducted since the Summer National Meeting is summarized in the Appendix, including an empirical assessment of reinsurance transactions across jurisdictions; the use of collateral, which can help mitigate reinsurer counterparty risk; financial strength ratings, which provide additional transparency on the transaction; and cedent transactions concentrated with single reinsurance counterparties. The analysis in the Appendix highlights significant business practices whose perceived risk depends heavily on the lens through which they are viewed. For example, group intercompany reinsurance pools, through one lens, may appear to introduce significant counterparty concentration risk. Through another, the structure can provide meaningful diversification benefits that should not be discouraged. In addition, reinsurer insolvencies, financial distress, and collateral failures identified over the past decade were reviewed. They involved adverse reserve development, legacy run-off failures, catastrophe-related wrong-way risk, fraud and collateral deficiencies, liquidity pressures, and concentrated counterparty exposures, often with non-rated reinsurers. While these potential loss mechanisms can provide helpful context, they do not establish the likely frequency or magnitude of future losses, nor, on their own, do they show deficiencies in RBC, as some risks may be better addressed through other elements of the solvency framework.

Given the diversity of business practices, data limitations, and the need to distinguish RBC gaps from risks addressed through other regulatory safeguards, the recommendation is that further technical analysis be overseen by the Capital Adequacy (E) Task Force and the Property & Casualty Risk-Based Capital (E) Working Group. The recommended objective is to identify material risks that are not adequately captured by the existing RBC formula or the broader framework, while avoiding unnecessary complexity or unintended consequences.

5. **Life residential mortgage loans.** Residential mortgages warrant review because a single broad RBC charge of 68 bps (~A-rated corporate bond) was set when the asset class was inconsequential and was not empirically supported. Life holdings reached approximately $150 billion in 2025, with growth exceeding 30% that year. The category can include loans with substantially different risks, ranging from individual residential mortgage loans smaller than $100,000 to mortgage loans for large townhouse developments exceeding $100 million. Work on this item has already begun, with referrals from the Investment Analysis (E) Working Group sent to the Statutory Accounting Principles (E) Working Group to clarify residential mortgage classification and improve loan-level disclosures, and to the Life Risk-Based Capital (E) Working Group to consider more risk-sensitive capital treatment, including borrower creditworthiness and alternative treatment for commercial-like exposures. There are important sequencing dependencies, as the Statutory Accounting Principles (E) Working Group is considering formalizing the definition of residential mortgage loans and additional reporting of risk characteristics.
6. **Principle-based Life RBC C-3 for products that are not single-premium.** The targeted update would introduce a principle-based, risk-sensitive RBC for recurring-premium and other non-single-premium life products that currently use static factors. This is distinct from the substantial work already underway for annuities and single-premium life products under the Academy's C-3 Harmonization effort. Priority 2 reflects the need for sequencing and coordination with the Life Actuarial (A) Task Force and the Academy. At well over $1 trillion, non-single-premium life policies are significant, constituting most life policies; C-3 constitutes roughly 6.5% of Life RBC.

Priority 3.

7. **Residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).** Non-agency CMBS life holdings were ~$148 billion and RMBS life holdings were ~$133 billion in 2025, making them the 9th- and

10th-largest asset classes. For property & casualty, each was ~$50 billion in 2025. Priority 3 recognizes the opportunity to benefit from the residential-mortgage effort and the demands of existing structured-securities projects. There are two separate issues.

a. **Designations**. RBC for non-agency RMBS and CMBS relies on Intrinsic Price (IP) Designations, which have characteristics that deviate significantly from agency ratings, including having a maturity effect. IP Designations are estimated to result in an A2-rated 5-year tranche receiving over 40 times the capital of an A2-rated 1-year tranche.[1]

b. **Life RBC**. Whether Life C-1 corporate bond factors adequately reflect the structural features, such as subordination, waterfalls, and tranche thickness, and tail risks of RMBS and CMBS needs to be assessed, a process expected to be similar to the Academy's recently developed C-1 CLO factors. More broadly, efforts to update Life RBC for CMBS and RMBS should align with the Academy's RBC Structured Securities project, which is prioritized under the Capital Adequacy (E) Task Force and the RBC Investment Risk and Evaluation (E) Working Group Working Agendas and is actively progressing.

8. **Life RBC Covariance and the portfolio adjustment factor (PAF).** There was broad agreement that Life RBC Covariance warrants review and, where appropriate, revision. Life RBC Covariance has not received a significant update in decades; assumptions are coarse, with correlations generally set at 100% or 0%. The implications of refining those assumptions are significant. For example, investment classes, other than affiliated life companies, are assigned to C-1cs (common stock) or C-1o (everything else, including bonds and mortgages), with C-1cs (common stock) and C-1o assumed to be uncorrelated.

   Life bond RBC includes a PAF, which has overlapping conceptual features to covariance modeling. It increases or decreases bond RBC based on issuer diversification; it applies only to bonds on Schedule D, aggregated by issuer. RBC bond factors with few issuers receive a higher multiplicative factor, starting at 240% and asymptoting at 82%. The recently adopted C-1 CLO factors included CLO PAFs. While CLO tranche risks are estimated to be highly correlated, cross-credit-class diversification offers benefits relative to corporate credit that the framework is not structured to account for. *Components of Life RBC and Proposed Changes to CLOs*.

   However, dependencies on models and methodologies that are currently being updated, including the C-3 components, mean that support for sequencing Life RBC Covariance is available only after certain items are completed; thus, the Priority 3 assignment.

Items not selected for the initial priority list. Several candidate gaps and inconsistencies were identified as potentially material but were not included on the final list:

- **Life RBC factor-to-Designation mismatches.** The use of the legacy six-category Designation grid for certain Schedule BA fixed-income investments, rather than the granular 20-category C-1 factor grid used for Schedule D bonds, was identified as an inconsistency. The *2026 Summer National Meeting Materials* indicate that charges for many Schedule BA investments with NAIC Designations 1 and 2 can be less than half those applicable to comparably designated Schedule D, Part 1 bonds.
- **Life investment valuation-basis inconsistencies.** Applying bond or mortgage factors to Schedule BA investments warrants review where the carrying-value basis differs from that used to calibrate the factors. For example, directly held Schedule B mortgages are generally carried at amortized cost, while mortgage funds reported on Schedule BA may be measured using the U.S. generally accepted accounting principles (GAAP) equity method. The gap-analysis materials illustrate the potential materiality: Schedule BA commercial-mortgage investments have a

[1] See *The Implications of CLO Intrinsic Price Designations for Investment Strategies & Capital Markets*.

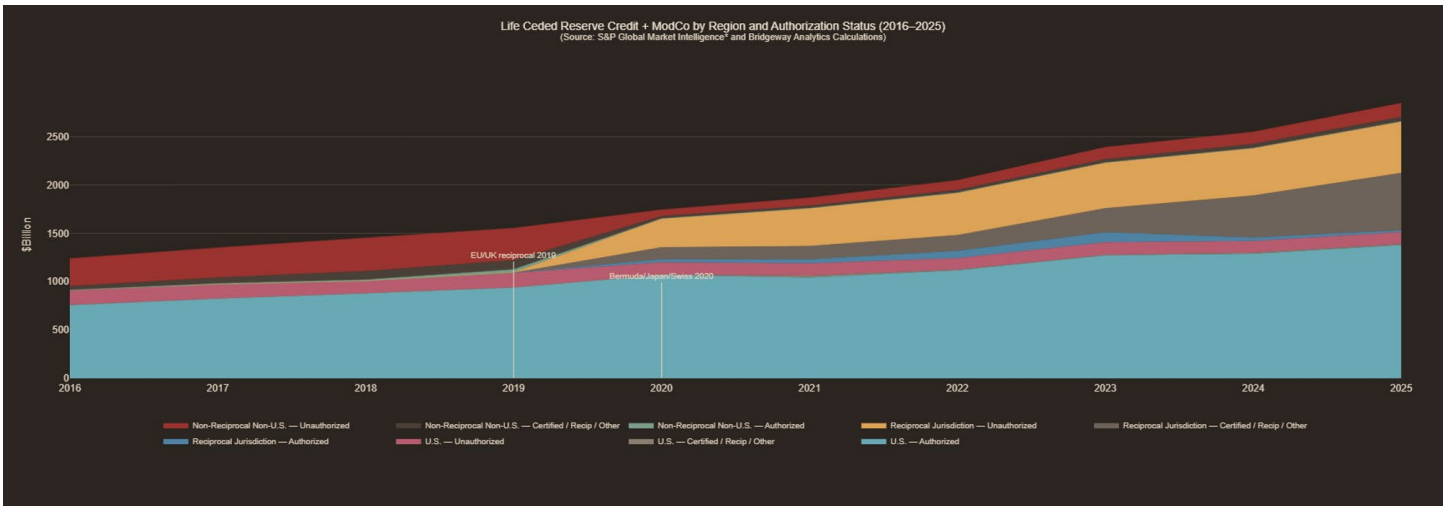
reported carrying value of approximately $32 billion, with 32% valued below cost and an average markdown of approximately 20%.

Appendix. This appendix assesses materiality for each of the eight prioritized gaps and inconsistencies, acknowledging that publicly available data may only allow for an indicative assessment. The appendix does not provide a review of the broader solvency framework and the degree to which it can be used to oversee the identified gap or inconsistency. The Capital Adequacy (E) Task Force and its Working Groups are responsible for overseeing the technical implementation of any changes to the RBC formulas, taking into account the broader framework.

Priority 1

1. **Life reinsurance transactions**. As reviewed above, life ceded reserve credit plus modified coinsurance (ModCo) has grown by over 100% in the last 10 years, nearing $3 trillion in 2025 (*Figure 1*). Reserve credit ceded to non-Reciprocal jurisdictions has grown by over 100% in the last five years, reaching ~$135 billion in 2025, with more than 99% of 2025 activity concentrated in the Cayman Islands and Barbados.

Figure 1. Life ceded reserve credit + ModCo by region and authorization status, 2016–2025 ($ billion)



Risks. Life and annuity reinsurance can shift policy, market, and credit risks to the reinsurer, replacing them with reinsurer counterparty risk. Thus, the concern for the cedent shifts from insurance and financial risks to the reinsurer's ability to fulfill its promises and the possibility of needing to recapture the business. The cedent is exposed to credit losses stemming from uncertain exposure and potential losses on policies (e.g., lower interest rates for fixed-income annuities) and uncertain collateral, with assets that may face distress during such times. The cedent is also exposed to recapitalization risk, whereby the cedent will need to recapitalize any reserves and capital that may also include counterparty credit losses. For example, the cedent may issue surplus notes, whose terms may be unfavorable depending on the circumstances. There may be other risks, for example, related to recapturing a retrocession.

To help assess the practical risks associated with reinsurance transactions and their mitigants, life-reinsurance failures over the past decade were identified. Four identified failures involved alleged or established fraud, which illustrate risks from misrepresented assets, concentrated affiliated or related-party investments, collateral misuse, questionable private ratings, and Level 3 valuations. One failure involved significant investment losses during the GFC, compounded by underpriced reinsurance and adverse insurance experience. Outcomes ranged from rapid recapture, as in funds withheld (FWH) and modified coinsurance (ModCo) transactions, to prolonged resolution. Some cedents incurred realized losses, faced liquidity constraints, and required additional capital, with varying recoveries. While some cases prompted regulatory action against cedents, no policyholder losses directly attributable to reinsurer

default were identified. In the four cases involving alleged or established fraud, large exposures to a single reinsurer or affiliated group amplified the consequences of recapture.

A broader review of insurer or reinsurer failures tied to Level 3 assets could not establish a case where those asset valuations were separately audited. While insurers' financial statements require an audit, not all Level 3 valuations do. Aside from insurance, the 2008 collapse of Lehman Brothers can serve as a useful reference point, during which Level 3 commercial real estate assets valued at tens of billions of dollars were audited by E&Y. The 2007 models/marks failed to reflect the rapidly deteriorating environment that followed. Whether Lehman would have been able to exit those positions at a reasonable price had they been Level 1, given the significant and rapid market deterioration, is an important question. An interesting counterexample is U.S. insurers, which did not exit their positions in commercial and residential mortgage-backed securities in 2008; the NAIC subsequently adjusted the Designation framework, limiting the impact on statutory valuation and capital.[2]

Collateral and ratings. Reinsurance transactions are often collateralized to mitigate reinsurer counterparty risks, which helps mitigate recapture risk, but their effectiveness depends on the value, eligibility, and availability when needed. Depending on the nature of the transaction, collateral can provide reserve and RBC credit, which recognizes its risk-mitigating role. Collateral is often retained by the cedent, as in FWH and ModCo transactions, and is often required to align with the transaction's recognized gains and losses, both of which further mitigate the risks faced by the cedent. At least one of the fraud-related failures involved an FWH/ModCo structure. Additionally, reinsurers are often rated, which provides additional transparency on the transaction.

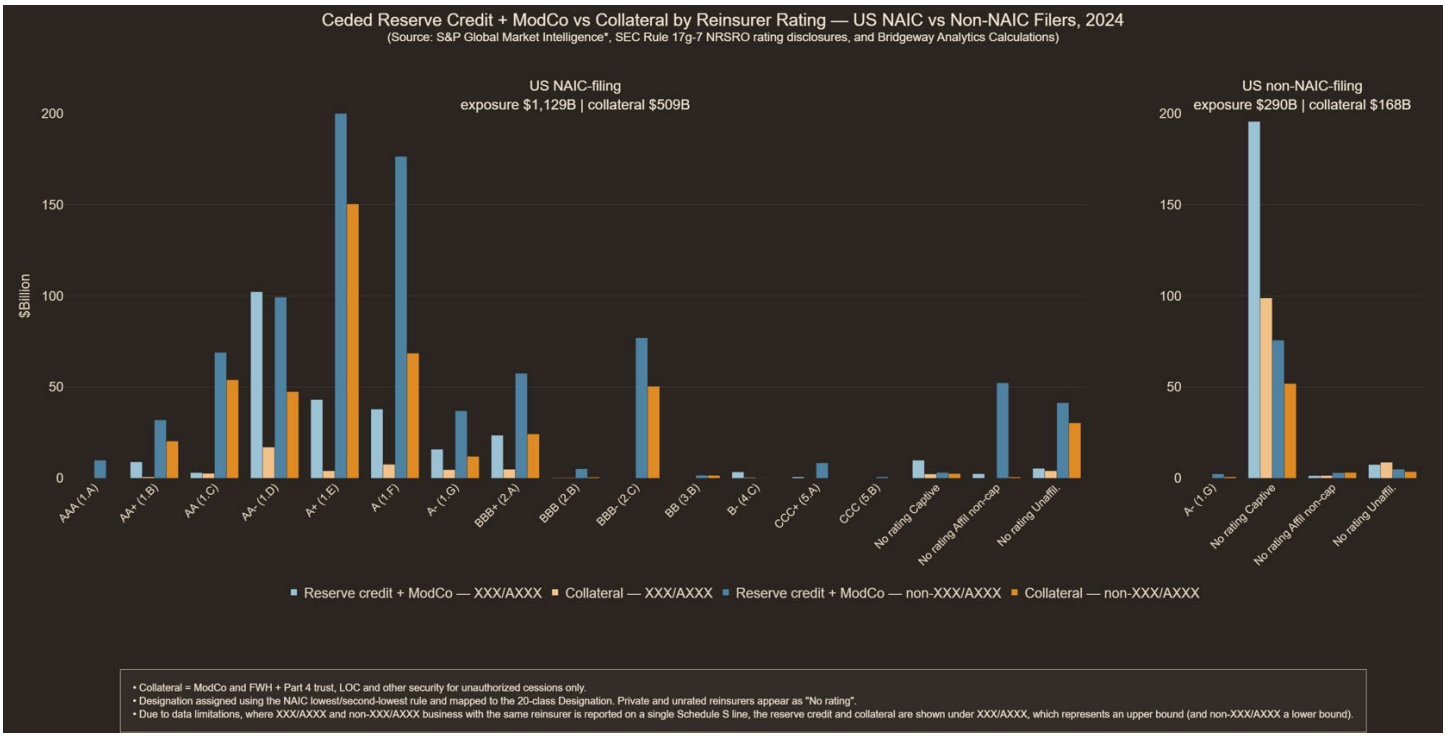
To better understand the use of collateral and ratings, Designations, as implied by public financial strength ratings, were constructed.[3] Among U.S. reinsurers, NAIC filers (LHS) reported $1,129 billion of exposure (dark and light blue) against $509 billion of collateral (dark and light orange) with mostly rated reinsurers, while non-NAIC filers (RHS), largely unrated captives, reported $290 billion of exposure mostly in the form of XXX/AXXX against $168 billion of collateral in 2024 (Figure 2) with mostly unrated reinsurers; 2025 data was not available at the time of this writing.[4] An important limitation of measuring collateral is that it is limited to FWH and ModCo; details on other forms of collateral, such as that held in trust, are only available for Unauthorized reinsurers.

[2] Most non-Agency CMBS and RMBS valuations are Level 2, as explained by the U.S. Securities and Exchange Commission.

[3] Implied Designations are distinct from NAIC-assigned Designations, though they were constructed using the same methodology, which assigns the second-lowest rating.

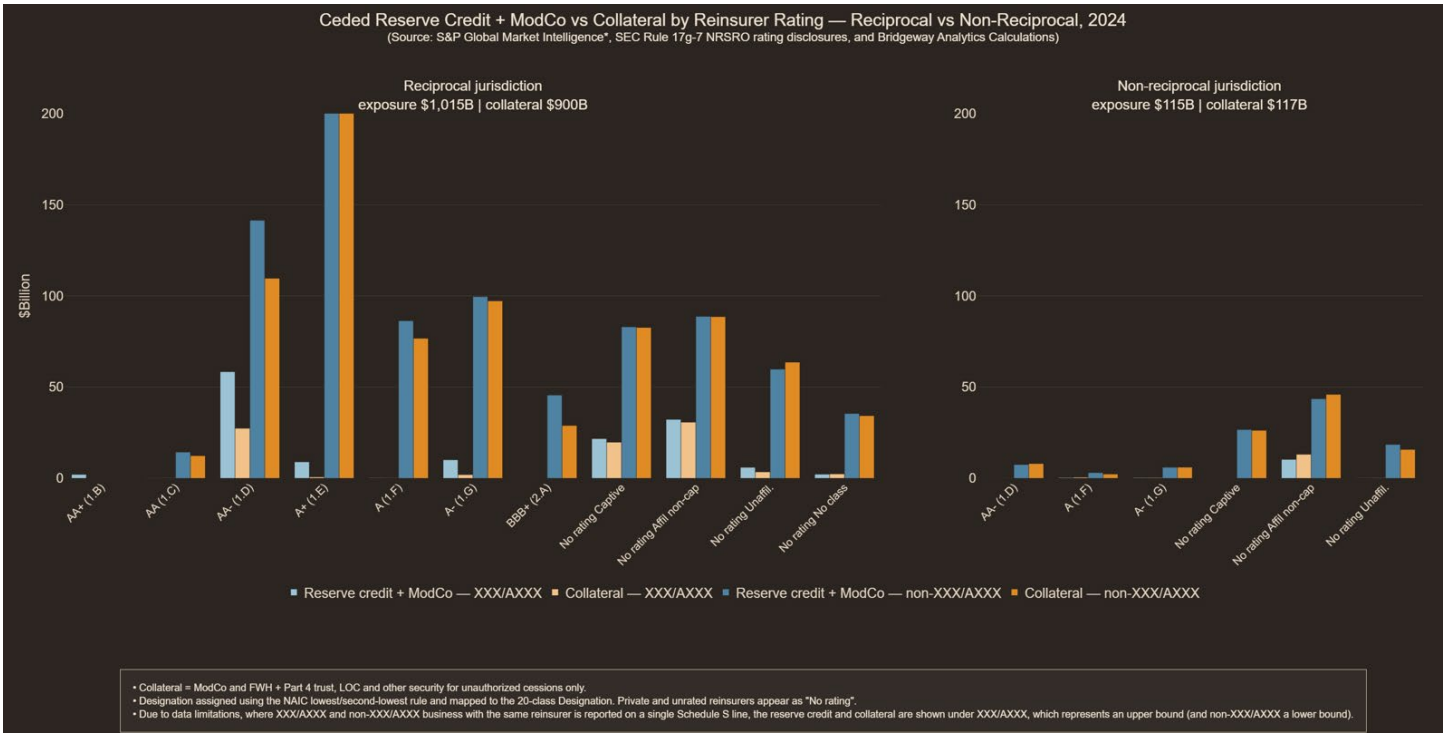
[4] SEC Rule 17g-7 rating disclosures were only available through 2024 at the time of this writing.

Figure 2. Ceded reserve credit + ModCo vs. collateral by reinsurer rating: U.S. NAIC vs. non-NAIC filers, 2024



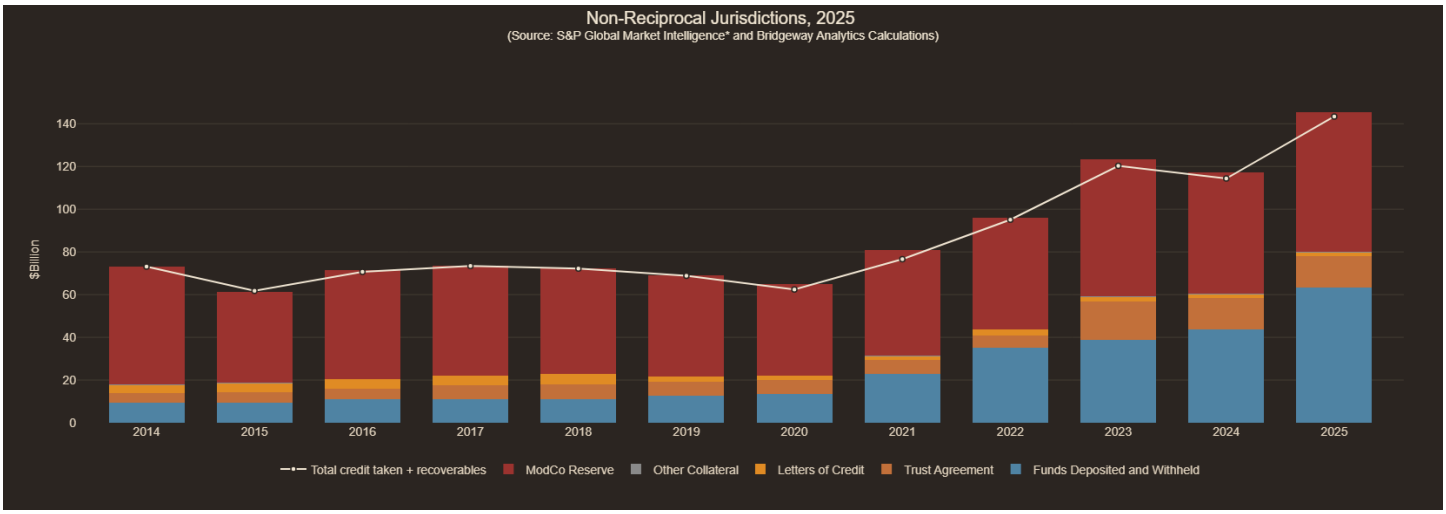
Transactions with reinsurers from Reciprocal jurisdictions totaled $1,015 billion of exposure (dark and light blue) against $900 billion of collateral (dark and light orange), with mostly rated reinsurers; transactions with unrated reinsurers were generally fully or overcollateralized. Meanwhile, transactions with reinsurers from non-Reciprocal jurisdictions (RHS) were largely unrated, totaling $115 billion of exposure against $117 billion of collateral in 2024 (Figure 3).

Figure 3. Ceded reserve credit + ModCo vs. collateral by reinsurer rating: Reciprocal vs. non-Reciprocal jurisdictions, 2024



Collateral composition for transactions in non-Reciprocal jurisdictions. Reserve credit generally requires collateral for transactions in non-Reciprocal jurisdictions, with more than 99% of transactions in 2025 involving the Cayman Islands and Barbados. As mentioned above, collateral composition is reported for transactions with Unauthorized reinsurers. It is mostly comprised of FWH and ModCo, with some trust agreements. While letters of credit have been flagged as potentially concerning by regulators, given that they do not represent a cash-producing asset, they are used in these transactions only in a limited capacity, as are other forms of collateral (Figure 4).

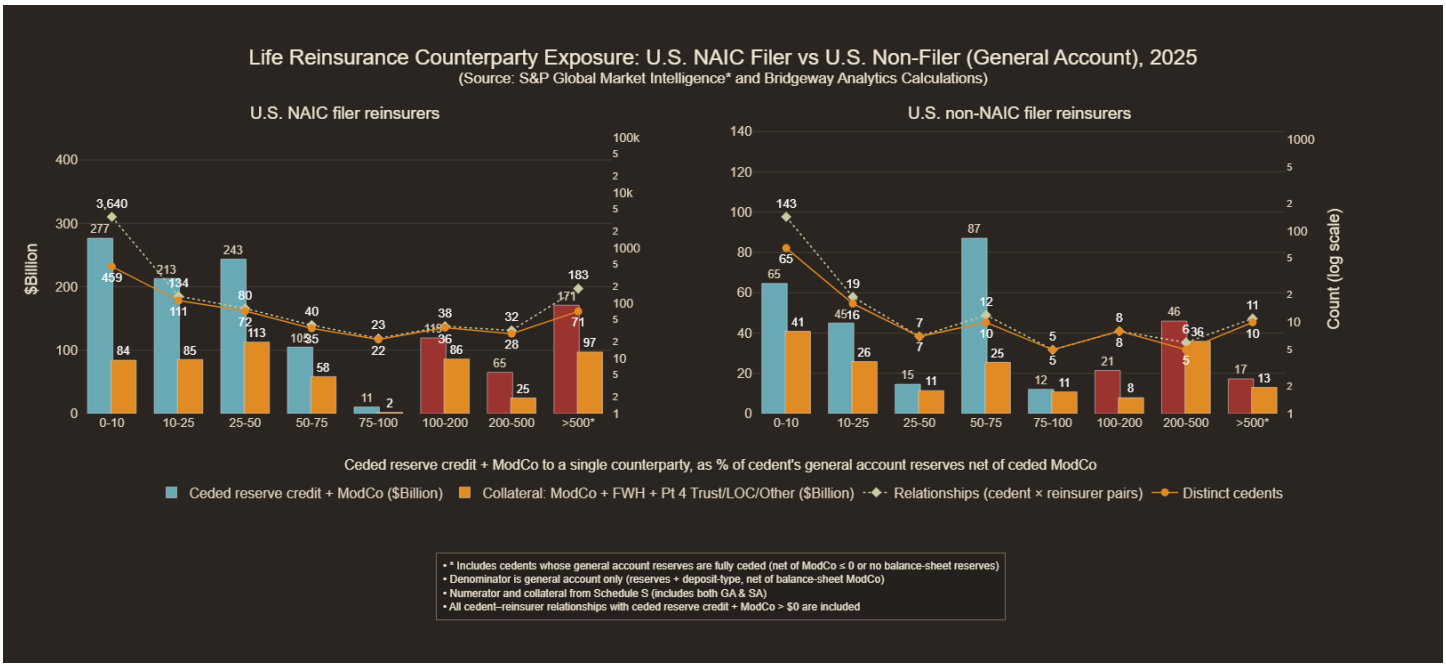
Figure 4. Collateral and total reserve credit + recoverables with Non-Reciprocal Jurisdictions



Counterparty concentration. Referenced above, in the four reinsurance failures involving alleged or established fraud, large exposures to a single reinsurer or affiliated group amplified the consequences for the cedent. Concentrated exposures to reinsurance counterparties are assessed, measured as the ceded reserve credit + ModCo to a single reinsuring counterparty as % of the cedent's general account reserves, net ModCo. The data does not lend itself to the separate identification of transactions from the general or separate accounts; accordingly, the results should be interpreted as upper bounds. Transactions with each reinsurance counterparty are grouped based on the percent of the ceded reserve credit + ModCo as % of the cedent's general account, which can range from 0-10% to over 500%, with values above 100% highlighted in red. The comparison helps illustrate the potential scale of business that could return to the cedent in the event of recapture.

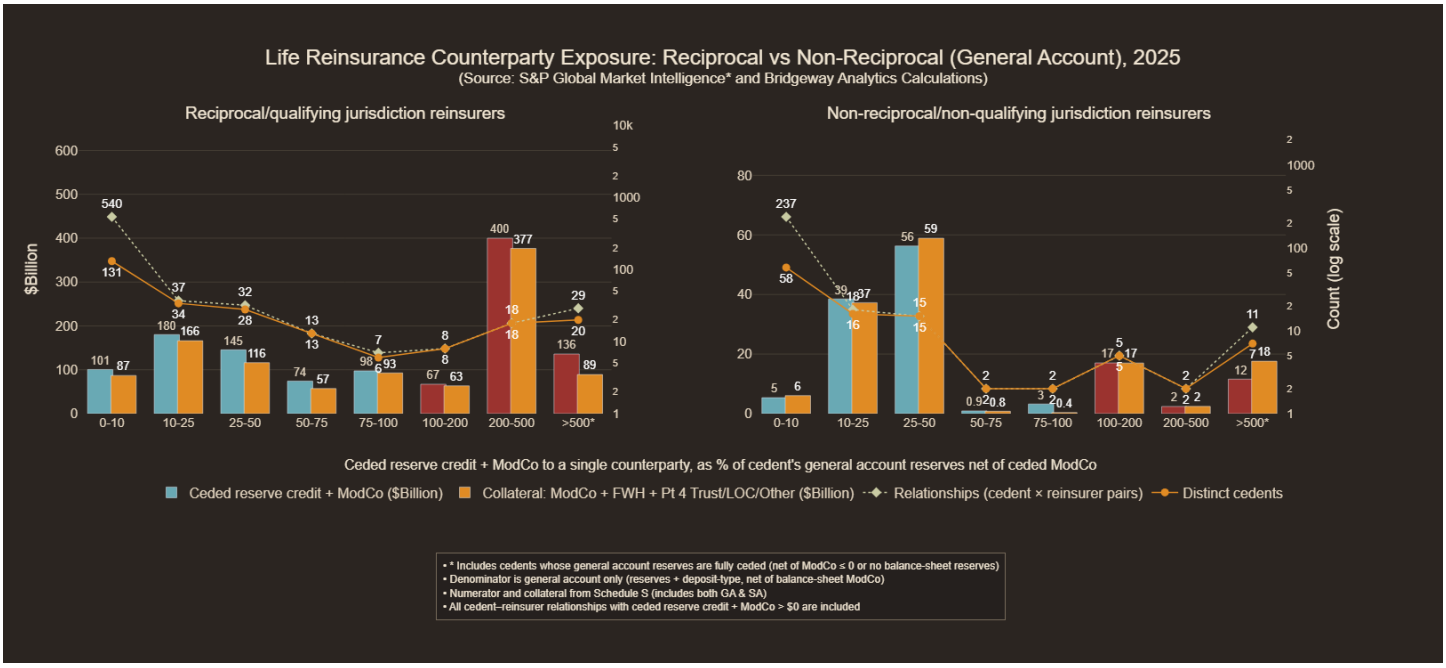
In 2025, approximately $355 billion of exposure to U.S. NAIC-filing reinsurers (LHS) exceeded 100% of the cedent's general account reserves net of ModCo (red), including $65 billion at 200–500% across 32 relationships (white) and $171 billion above 500% across 183 relationships (Figure 5). These exposures were only partially collateralized, with collateral (orange) of about $208 billion, or roughly 59%. For U.S. non-NAIC filers (RHS), about $84 billion exceeded 100% across 25 relationships, with collateral of about $57 billion, or roughly 68%; these transactions were also only partially collateralized.

Figure 5. Life reinsurance counterparty exposure: U.S. NAIC filers vs. non-filers, 2025



In 2025, approximately $600 billion of exposure to Reciprocal-jurisdiction reinsurers involved a single counterparty whose ceded reserve credit and ModCo exceeded 100% of the cedent's general account reserves, including $400 billion at 200–500% across 18 relationships. For non-Reciprocal reinsurers, about $31 billion exceeded that level, including $12 billion above 500% across 11 relationships (Figure 6).

Figure 6. Life reinsurance counterparty exposure: Reciprocal vs. non-Reciprocal jurisdictions, 2025



As highlighted above, the growth in reinsurance transactions has been significant over the last ten years. The growth in concentrated reinsurance counterparty exposures, counterparties where exposure exceeds 75%, has grown even more (*Figure 7*). This trend is observed across all four jurisdiction categories, including non-Reciprocal jurisdictions (*Figure 8*).

Figure 7. Life reinsurance counterparty exposure: 2015 vs 2025

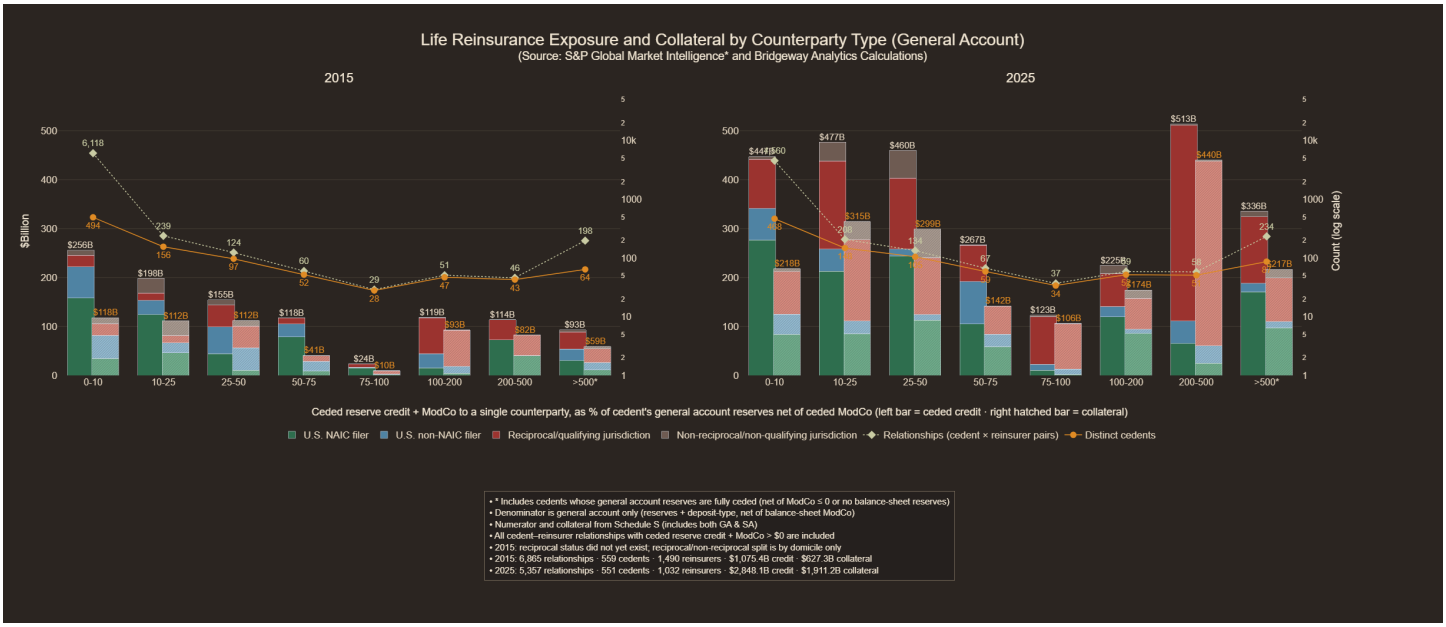
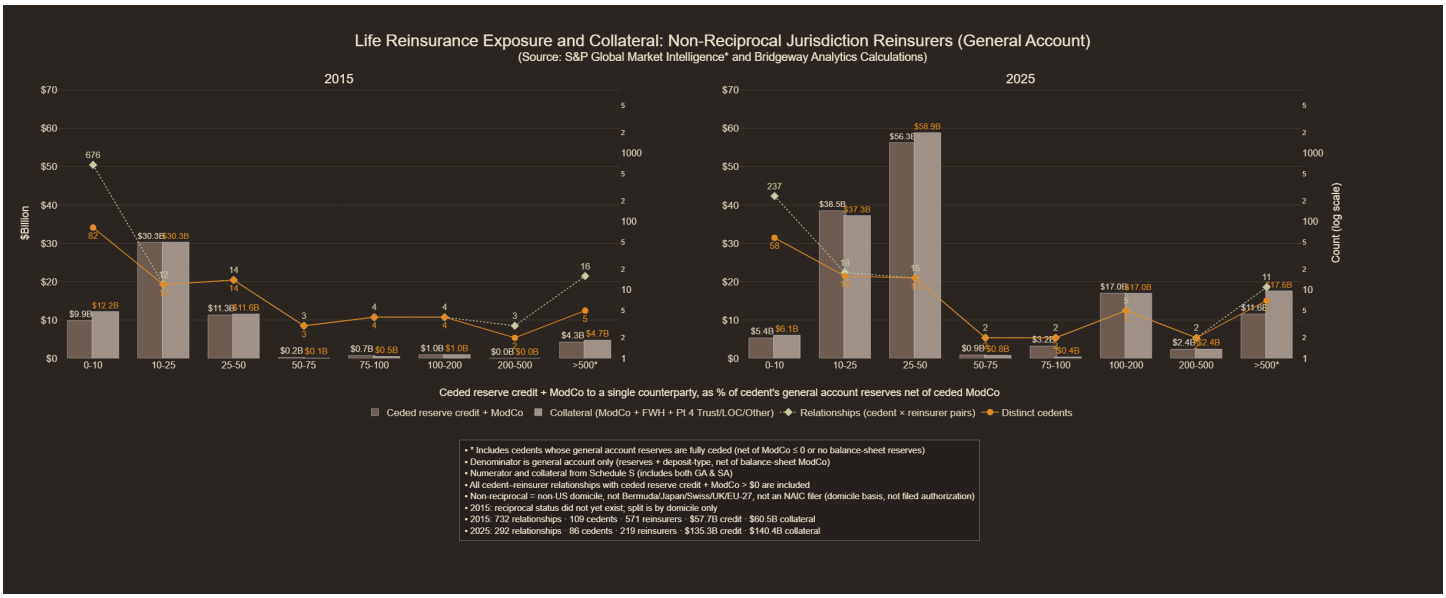


Figure 8. Life reinsurance counterparty exposure: non-Reciprocal jurisdictions 2015 vs 2025



Potential RBC gap. The current RBC treatment of reinsurance counterparty risk is blunt, with limited differentiation by jurisdiction, affiliation, and captive status; collateral sufficiency and composition; reinsurer financial strength; and counterparty concentration. Collateral covering ceded reserves does not by itself establish that sufficient resources would be available following recapture to meet total asset requirements, including the capital needed to support

reassumed business. Even if reserve assets return in full and no losses occur, a cedent that redeployed the capital released by reinsurance may need to raise capital to restore its prior RBC ratio.

2. **Property & casualty catastrophe-risk correlation.** As highlighted in the *2026 Summer National Meeting Materials*, this component is material, with severe convective storm (SCS) losses alone increasing from $17.1 billion in 2019 to $46.8 billion in 2024, as reported by *NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters* (reproduced as *Figure 9*). The *NAIC Natural Catastrophe Risk Dashboard* reports NOAA billion-dollar disaster data, demonstrating the broader trend (reproduced as *Figure 10*). The Rcat calculation formula should be revised to reflect correlations among hurricane, wildfire, and SCS risks. The effort is expected to be significant.

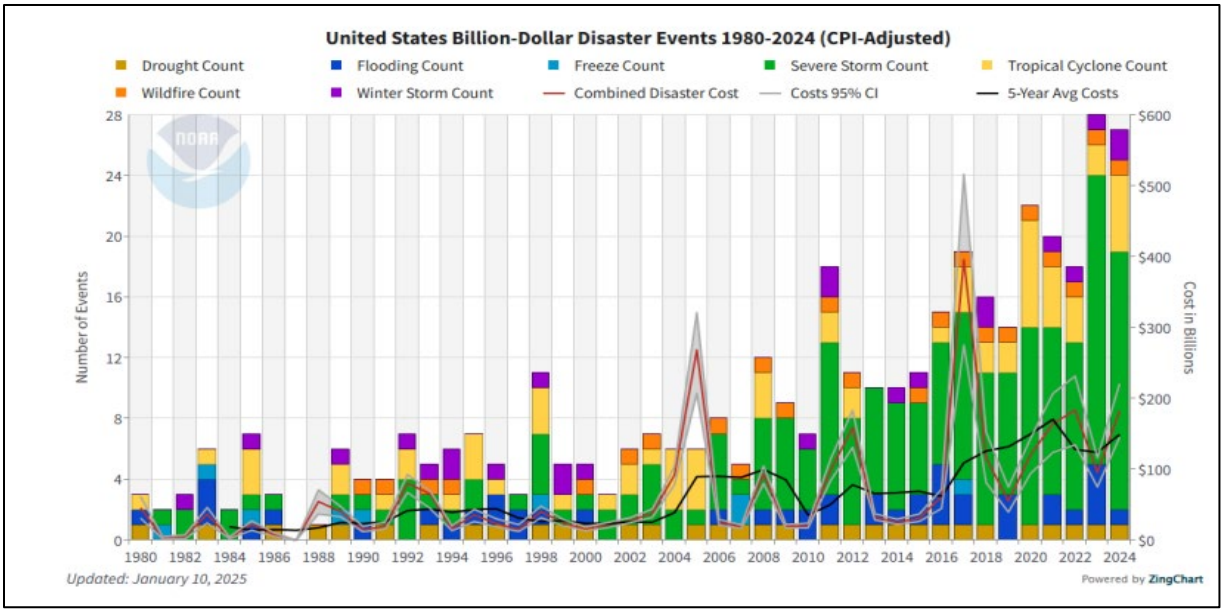
Figure 9. Severe convective storm events, losses, and deaths, 2019–2024 (CPI-adjusted)

United States Billion Dollar Disaster Events (CPI-Adjusted)

Combined | Drought | Flooding | Freeze | Severe Storm | Tropical Cyclone | Wildfire | Winter Storm

Year	Severe Storm Count	Severe Storm Count Rank	Severe Storm Cost (Billions)	Severe Storm Costs Rank	Severe Storm Deaths	Severe Storm Deaths Rank
2024	17	2	$46.8	2	51	15
2023	19	1	$55.7	1	100	5
2022	11	4	$22.8	7	10	29
2021	11	4	$23.4	6	114	3
2020	13	3	$40.7	4	85	7
2019	8	9	$17.1	10	14	27

Figure 10. U.S. billion-dollar disaster events by type, 1980–2024 (CPI-adjusted)



3. **Health H-2 underwriting.** As highlighted in the *August 13, 2026, Meeting Materials*, this component is material. Using group and individual policies as a benchmark, direct incurred claims plus the change in contract reserves total $1.278 trillion; stop-loss, $34.2 billion; LTC, $23.3 billion; and the managed-care credit proxied based on managed-care-heavy lines of comprehensive major medical, Medicare Advantage, and Medicaid, $1.03 trillion (*NAIC, 2024 Accident and Health Policy Experience Report (2025)* reproduced in *Figures 11* and *12*):

Figure 11. Accident and health policy experience, 2024: individual business and group comprehensive major medical (aggregated totals, all statement types)

ACCIDENT AND HEALTH POLICY EXPERIENCE REPORT FOR 2024
Aggregated Totals for All Statement Types

Countrywide

	Premiums Earned	Direct Incurred Claims Amount	Change in Contact Reserves	Loss Ratio [1]	Number of Policies or Certificates as of Dec 31	Number of Covered Lives as of Dec 31	Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical	146,897,370,516	123,739,537,842	9,955,931	84.24%	16,506,053	21,604,013	253,621,462
2.1 Short-Term Medical - 6 Months or Less	68,105,981	80,442,469	210,885	118.42%	14,816	21,598	248,232
2.2 Short-Term Medical - Over 6 Months	205,580,289	127,263,034	(30,546)	61.89%	38,586	60,112	826,199
2.3 Subtotal Short-Term Medical (2.1 + 2.2)	273,686,268	207,705,503	180,339	75.96%	53,402	81,710	1,074,431
3. Other Medical (Non-Comprehensive)	2,108,841,023	878,172,362	11,961,538	42.21%	3,182,503	4,661,528	52,527,743
4. Specified/Named Disease	4,090,783,996	2,135,164,655	235,291,978	57.95%	7,972,405	13,474,767	157,485,147
5. Limited Benefit	2,682,160,842	2,247,764,720	35,934,233	85.14%	469,952	636,055	7,262,895
6. Student	193,288,075	154,504,039	59	79.93%	69,289	331,682	3,945,263
7. Accident Only or AD&D	2,469,771,630	983,068,184	97,708,295	43.76%	11,472,460	14,932,712	155,748,663
8. Disability Income - Short-Term	2,300,692,946	973,997,978	(6,195,432)	42.07%	3,005,064	3,042,970	35,282,523
9. Disability Income - Long-Term	5,245,755,428	3,639,724,863	45,298,755	70.25%	2,734,444	2,662,834	32,386,563
10. Long-Term Care	10,759,200,057	15,369,320,816	4,667,231,189	186.23%	11,301,135	11,591,686	139,736,481
11. Medicare Supplement (Medigap)	23,765,920,887	20,314,198,067	167,790,666	86.18%	8,941,484	8,942,112	106,654,352
12. Dental	4,470,582,316	3,915,453,887	6,367,502	87.73%	6,588,697	11,991,143	145,397,591
13. State Children's Health Insurance Program	4,124,533,179	3,533,611,838	(578,473)	85.66%	1,598,053	1,607,756	23,928,801
14. Medicare	396,437,737,397	351,750,397,021	(165,008,946)	88.69%	25,459,371	25,749,254	305,978,031
15. Medicaid	326,655,213,563	294,611,350,327	(27,131,887)	90.18%	48,144,129	48,425,503	592,362,813
16. Medicare Part D - Stand-Alone	18,196,956,740	15,770,616,206	(4,808,006)	86.64%	18,127,820	18,316,334	217,882,722
17. Vision	412,862,995	209,228,490	53,643	50.69%	2,600,859	3,202,218	37,354,132
18. Other Individual Business	2,834,441,224	1,905,832,515	16,880,711	67.83%	3,767,390	5,239,372	37,460,385
19. Grand total individual	953,919,799,011	842,339,649,367	5,090,932,084	88.84%	171,994,504	196,493,615	2,306,089,997
B. GROUP BUSINESS							
Comprehensive Major Medical							
1.1 Single Employer - Small Employer	60,218,053,796	51,428,197,132	3,080,506	85.41%	4,722,567	8,155,190	99,764,172
1.2 Single Employer - Other Employer	169,299,486,121	151,052,349,394	(340,542,620)	89.02%	17,094,078	29,171,905	353,871,144
1.3 Single employer subtotal	229,517,539,917	202,480,546,526	(337,462,109)	88.07%	21,816,645	37,327,095	453,635,317
2. Multiple employer Assns and Trusts	6,068,259,546	5,448,644,391	0	89.79%	537,348	997,223	11,580,509
3. Other Associations and Discretionary Trusts	1,023,675,966	1,012,336,997	(3,578)	98.89%	66,076	123,131	1,537,685
4. Other Comprehensive Major Medical	8,480,408,132	7,342,278,897	(4,246)	86.58%	685,427	46,755,276	19,574,664

[1] Loss Ratio = (Incurred Claims Amount + Change in Contract Reserves) / Premiums Earned

Figure 12. Accident and health policy experience, 2024: other group, other business, and total business (aggregated totals, all statement types)

ACCIDENT AND HEALTH POLICY EXPERIENCE REPORT FOR 2024
Aggregated Totals for All Statement Types

Countrywide

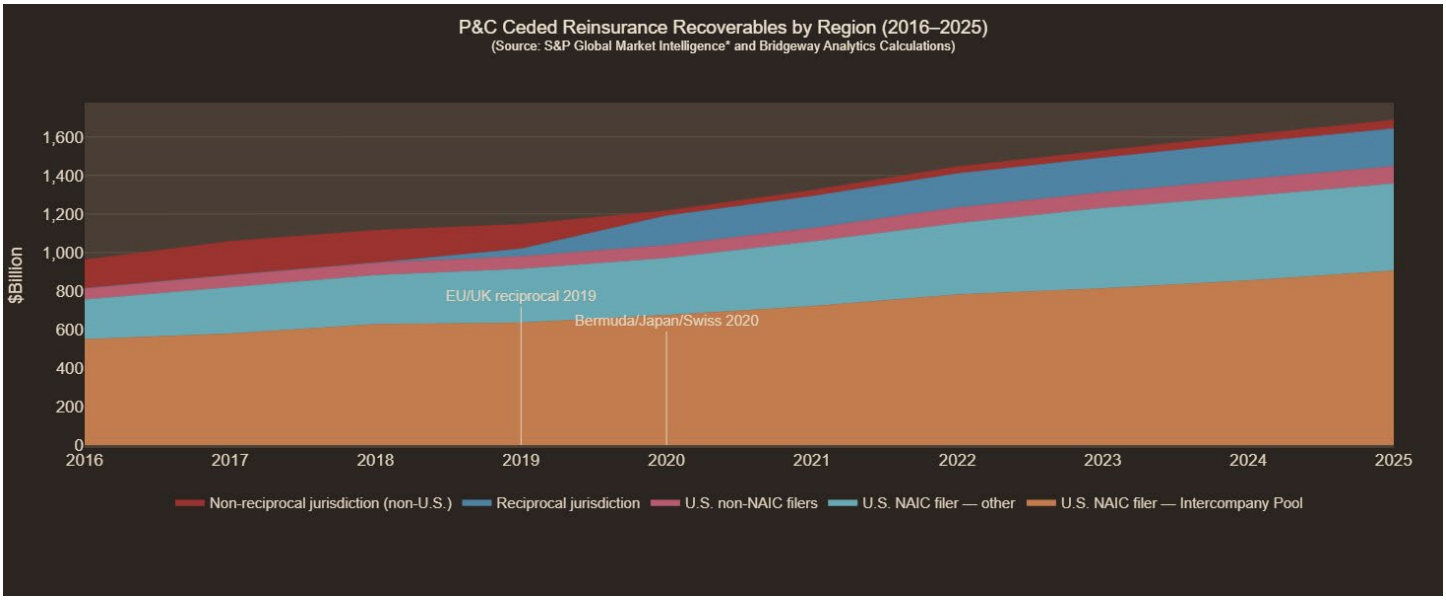
	Premiums Earned	Direct Incurred Claims Amount	Change in Contact Reserves	Loss Ratio [1]	Number of Policies or Certificates as of Dec 31	Number of Covered Lives as of Dec 31	Member Months
5. Comprehensive/Major Medical Subtotal	245,089,883,565	216,283,806,820	(337,469,933)	88.11%	23,105,496	85,202,725	486,328,175
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease	3,715,268,018	1,468,790,820	98,092,137	42.17%	5,888,074	17,368,666	201,038,646
7. Limited benefit	2,989,838,302	2,902,041,984	(31,985)	97.06%	3,338,681	10,978,226	105,412,686
8. Student	2,034,412,190	1,628,766,575	143	80.06%	649,662	1,632,886	17,257,564
9. Accident only or AD&D	6,120,929,822	2,325,491,289	(2,956,897)	37.94%	81,629,376	331,479,049	2,193,468,283
10. Disability income - short-term	10,847,389,226	7,659,085,441	(776,138)	70.60%	12,222,253	39,388,437	460,131,509
11. Disability income - long-term	16,790,202,415	10,920,919,595	129,581,969	65.82%	13,577,936	56,343,229	665,504,906
12. Long-term care	2,599,023,674	2,194,674,147	1,080,539,332	126.02%	927,049	2,059,030	24,948,518
13. Medicare Supplement (Medigap)	14,252,145,071	11,156,433,021	31,281,260	78.50%	4,597,871	4,599,991	55,216,196
14. Federal Employees Health Benefit Plans	55,770,353,571	52,065,039,648	96,461	93.36%	4,849,951	10,921,558	117,025,082
15. Tricare	65,180	(81,482)	(1,621)	(127.50)%	2,492	2,505	35,970
16. Dental	29,192,302,530	23,850,156,073	5,189,198	81.72%	31,484,466	74,997,177	915,874,552
17. Medicare	55,895,713,088	51,580,080,277	(1,707)	92.28%	3,795,724	3,875,211	46,468,103
18. Medicare Part D - Stand-Alone	1,053,839,790	886,682,849	(841,497)	84.06%	553,193	553,538	6,635,970
19. Vision	6,199,340,092	4,225,552,415	(466,999)	68.15%	26,694,881	83,376,969	995,199,232
20. Other group care	6,812,942,820	5,358,797,497	(36,437,832)	78.12%	5,210,206	14,095,506	165,259,116
21. Grand Total Group Business	459,363,649,377	394,506,237,024	965,795,881	86.09%	218,527,315	736,874,699	6,455,804,483
C. OTHER BUSINESS							
1. Credit (Individual and Group)	635,718,539	227,769,480	4,133,261	36.48%	1,664,640	3,340,362	19,983,123
2. Stop Loss/Excess Loss	39,912,976,146	34,233,471,219	1,311,273	85.77%	21,347,058	90,139,562	786,380,617
3. Administrative Services Only	0	0	0	N/A	42,353,927	62,541,966	740,371,718
4. Administrative Services Contracts	0	0	0	N/A	37,077,062	110,676,824	1,311,653,951
5. Grand Total Other Business	40,548,694,686	34,461,240,699	5,444,534	85.00%	102,442,687	266,698,714	2,858,389,409
D. TOTAL BUSINESS							
1. Total Non-U.S. Policy Forms	1,274,519,040	589,469,711	31,098,468	48.69%	9,722,746	13,380,240	170,111,569
2. Grand Total Individual, Group & Other Business	1,455,106,662,067	1,271,896,596,748	6,093,271,004	87.83%	502,687,256	1,213,447,259	11,790,395,435

Priority 2.

4. **Property & casualty reinsurance transactions.** Property & casualty reinsurance supports underwriting capacity, provides catastrophe protection, and helps insurers manage large-loss and adverse reserve-development exposures.

As reviewed above, there has been substantial growth in property & casualty ceded reinsurance recoverables, increasing by approximately 75% since 2016 to $1,689 billion, and 39% since 2020 (*Figure 13*). U.S. intercompany pooling accounts for more than half of the reported total and dominates U.S. transactions. Reinsurance recoverables ceded to jurisdictions that were Reciprocal in 2025 continued to grow, increasing by 28% since 2020 to $196 billion. Reciprocal jurisdictions include Bermuda, Japan, and Switzerland, effective January 1, 2020, alongside jurisdictions recognized under the U.S.–E.U. and U.S.–U.K. Covered Agreements. In 2019, the NAIC revised its Credit for Reinsurance Model Law (#785) and Regulation (#786) to implement the agreements and establish collateral relief for reinsurers that meet the applicable Reciprocal Jurisdiction requirements. Reinsurance recoverables ceded to non-Reciprocal jurisdictions, which generally do not qualify for the collateral waiver and generally must post collateral, increased by 66% since 2020, reaching $44 billion in 2025.

Figure 13. P&C ceded reinsurance recoverables by reinsurer region and authorization status, 2016–2025 ($ billion)



Risks. Property & casualty reinsurance transfers underwriting risk to the reinsurer, including catastrophe, large-loss, and reserve-development risk, while introducing reinsurer counterparty risk. The principal concern is whether the reinsurer can meet obligations arising from claims that may not be known, reported, or settled for several years. Catastrophes or adverse reserve development can simultaneously increase reinsurance recoverables and strain the reinsurer, creating wrong-way risk. In long-tail lines such as workers' compensation, commercial auto liability, and general liability, ultimate recoverables can substantially exceed initial estimates. Fronting arrangements can concentrate counterparty exposure. In these arrangements, the cedent transfers most of the underwriting risk to a reinsurer, often a captive or segregated cell, while retaining ultimate responsibility to policyholders. A reinsurer's failure can require the cedent to provision or write off recoverables, recognize additional net liabilities, purchase replacement protection, or obtain additional capital and liquidity. Disputes, arbitration, and delayed payments can prolong recovery for years. Liquidity strain can arise from the timing mismatch between payments to policyholders and reinsurance recoveries even when the reinsurer ultimately pays. Retrocession can diversify a reinsurer's exposure while also creating dependencies on other counterparties that warrant analysis when material.

To help assess the practical risks of reinsurance transactions and their mitigants, 12 illustrative reinsurer insolvencies, financial distresses, collateral impairments, or contractual disputes were identified over the past decade. They include conventional reinsurer failures involving legacy liabilities, fraud or alleged fraud, fronting and captive arrangements,

segregated cells, and transactions involving non-Reciprocal jurisdictions. Some involved multiple cedents affected by the same underlying event. Vulnerabilities included adverse reserve development, concentrated counterparty exposure, insufficient or impaired collateral, related-party exposures, and contractual disputes. In several, claims development left collateral, often sized off the reinsurer's own reserve estimates, insufficient relative to the cedent's exposure. Outcomes varied considerably. Some produced no identified material credit loss to U.S. cedents, while others resulted in significant provisions, realized losses, additional capital requirements, or regulatory intervention. Since these experiences are backward-looking and not a representative sample of reinsurance transactions, they should not be interpreted as evidence of the frequency or magnitude of future losses or, on their own, as evidence of deficiencies in the RBC formula or the broader framework. Rather, they provide practical illustrations of how reinsurance risks can emerge and how mitigants have performed under stress, helping to identify potential vulnerabilities and prioritize areas for further analysis.

Business practices needing further analysis and available data. Data limitations constrain the extent to which arrangements of interest can be identified and monitored through statutory filings. Schedule F reports recoverables, collateral, and provisions by cedent and reinsurer. While Blanks include a flag for contracts ceding 75% or more of direct premiums, it was not populated in the available data. It also distinguishes some captive and protected-cell arrangements, although classification of segregated-cell reinsurers was inconsistent across cedents. However, it does not comprehensively identify fronting, ILS, swing-rated, or other nontraditional structures. It generally does not identify underlying retrocession exposures, contractual loss-sharing arrangements, or the basis for sizing collateral. Under SSAP No. 62R's general retroactive reinsurance rules, arrangements covering losses that have already occurred generally leave the insurer's loss reserves unchanged, with the reinsured amount shown separately. Any gain is restricted and generally released as cash recoveries exceed the price paid for coverage. Schedule F alone may therefore miss these exposures; the financial statement notes should also be reviewed. Reported collateral amounts do not independently establish collateral validity, enforceability, or sufficiency under adverse claims development. In the cases examined, legacy run-off failures were preceded by clear warning signs in Schedule F, such as elevated overdue balances, disputed recoverables, and rising provisions. Fraud and wrong-way cases showed no comparable signal: they appeared adequately or fully collateralized, or showed no deterioration in payment or provisioning, before the loss emerged.

Collateral and ratings. Collateral can mitigate reinsurer counterparty risk, but its effectiveness depends on its substance, value, eligibility, and availability when needed. Depending on the transaction and applicable requirements, qualifying collateral can support reserve credit for reinsurance, while the collateral, qualifying reinsurance payables, and funds held (i.e., often referenced as security) can reduce RBC charges. Notably, cessions to U.S. parents, subsidiaries, and affiliates are exempt from the Property & Casualty RBC reinsurance counterparty charge under the applicable instructions; cessions to non-U.S. affiliates are not exempt. Additionally, reinsurers are often rated, which provides further transparency into the transaction and results in more favorable RBC charges for higher-quality reinsurers. Several of the failed counterparties that were identified had no public rating in the years leading to failure, mostly captive and segregated cells, offshore special-purpose vehicles, and newly acquired run-off reinsurers. In the year prior to failure, most did not have a public rating.

Security and financial strength ratings-based Designation equivalents, as reported by property & casualty cedents, are shown in *Figure 14* and *Figure 15*. The use of security varies sharply by type of counterparty. Excluding pools, cedents report $453 billion of recoverables from U.S. NAIC-filing reinsurers, backed by $71 billion (16%) of security, most of it reinsurance payables. $306 billion of these recoverables are affiliated/captive transactions with no credit-risk charge

filed. Reported recoverables from U.S. non-NAIC filers total $28 billion, with security covering 82% ($23 billion); Vulnerable 6/unrated is their largest category, at about $12 billion (*Figure 14*). Among non-U.S. reinsurers, Reciprocal jurisdiction reinsurers hold $196 billion of recoverables, secured at 55% ($107 billion). About $115 billion of it is in the Secure 2 category, roughly half of that affiliated/captive. Reported recoverables from non-Reciprocal jurisdiction reinsurers total $44 billion, against $42 billion of reserve credit, with $42.7 billion of security, or about 97% of recoverables. That security comprises $32.7 billion in collateral, $5.8 billion in funds held, and $4.1 billion in payables. Just over half of these exposures, $23 billion, sit in the combined Vulnerable 6/unrated category (*Figure 15*), which is explored in greater detail below.

Figure 14. P&C Recoverables and Security by Reinsurer Designation equivalent, U.S. Reinsurers Excluding Pools: NAIC vs. Non-NAIC filers, 2025

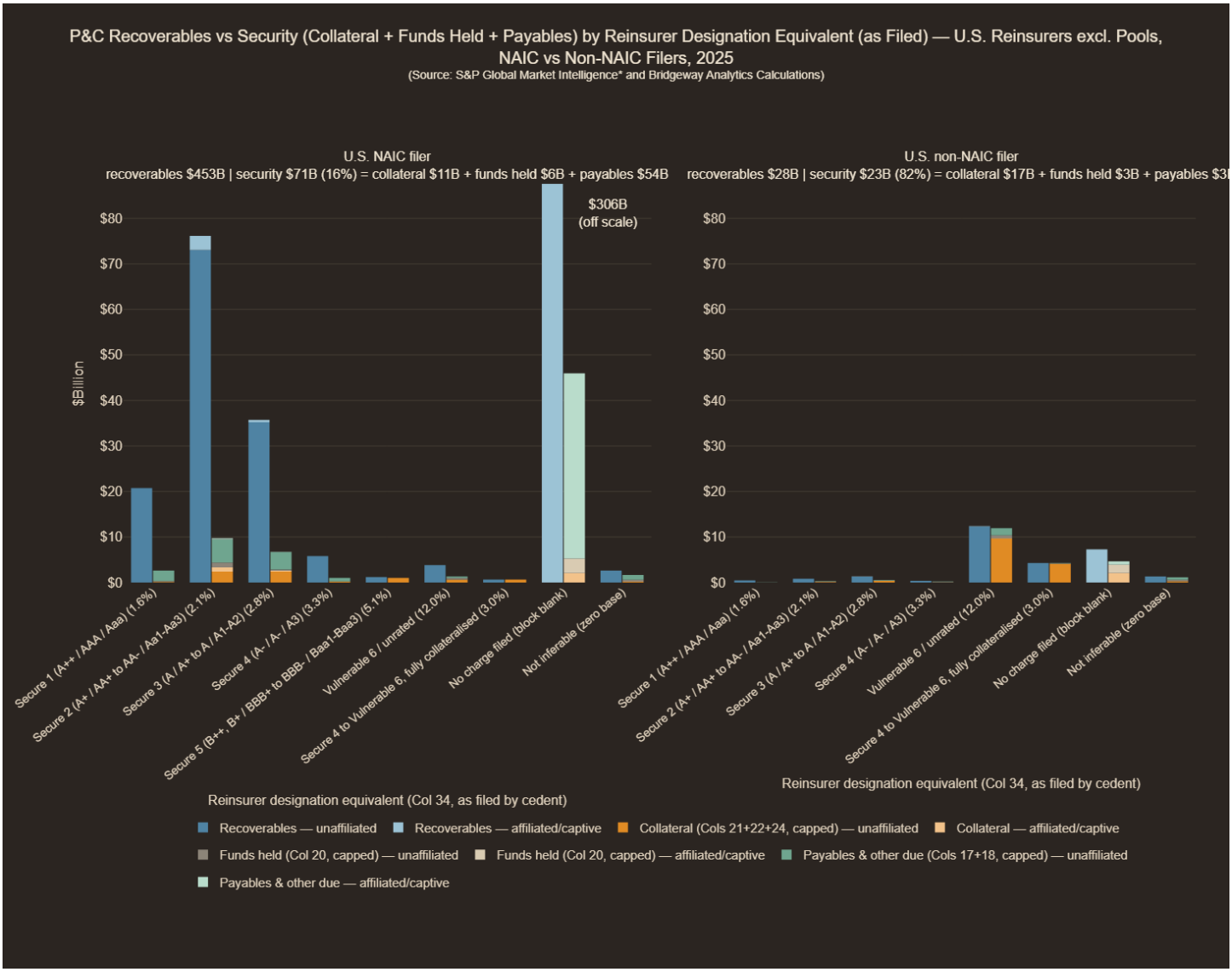
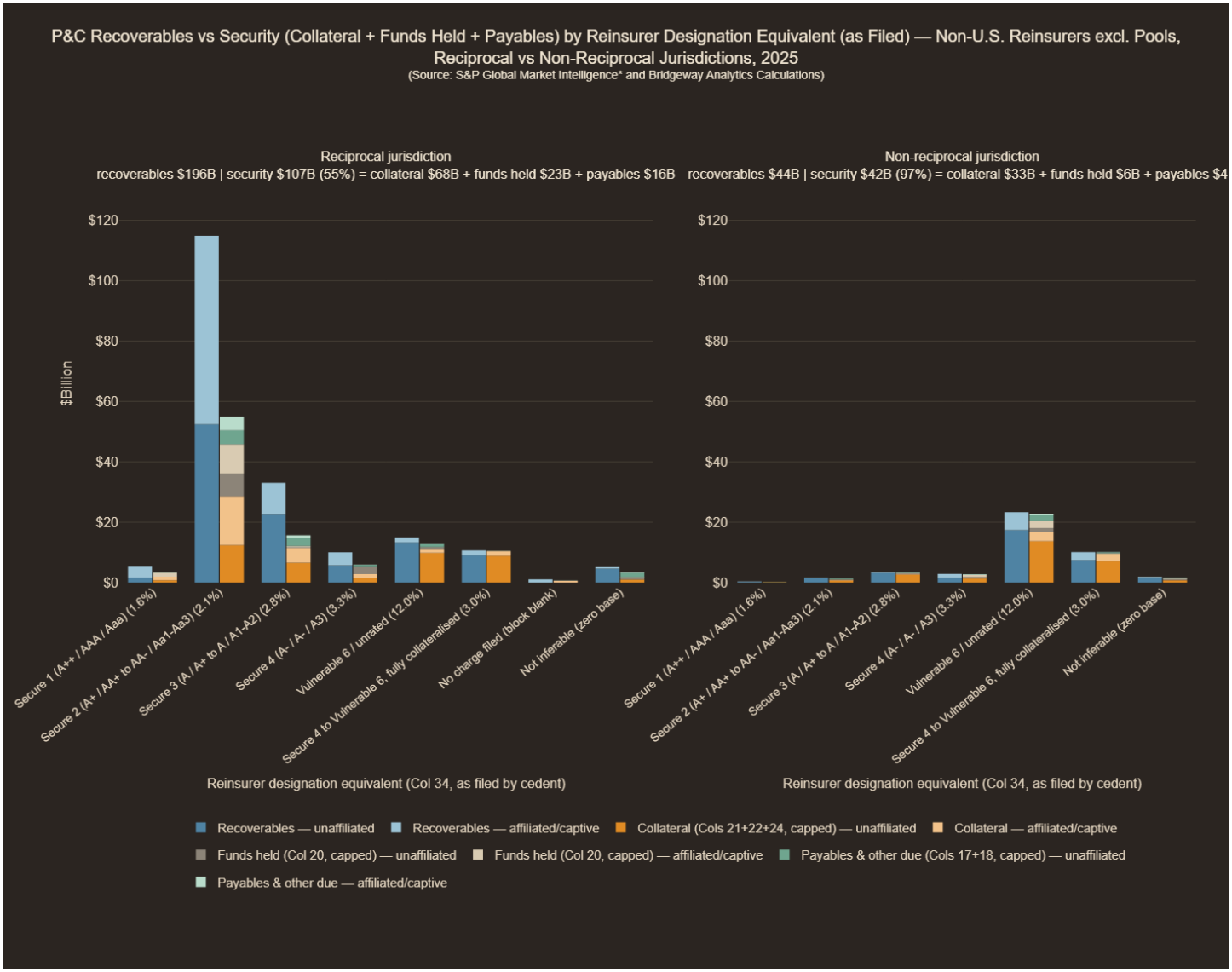
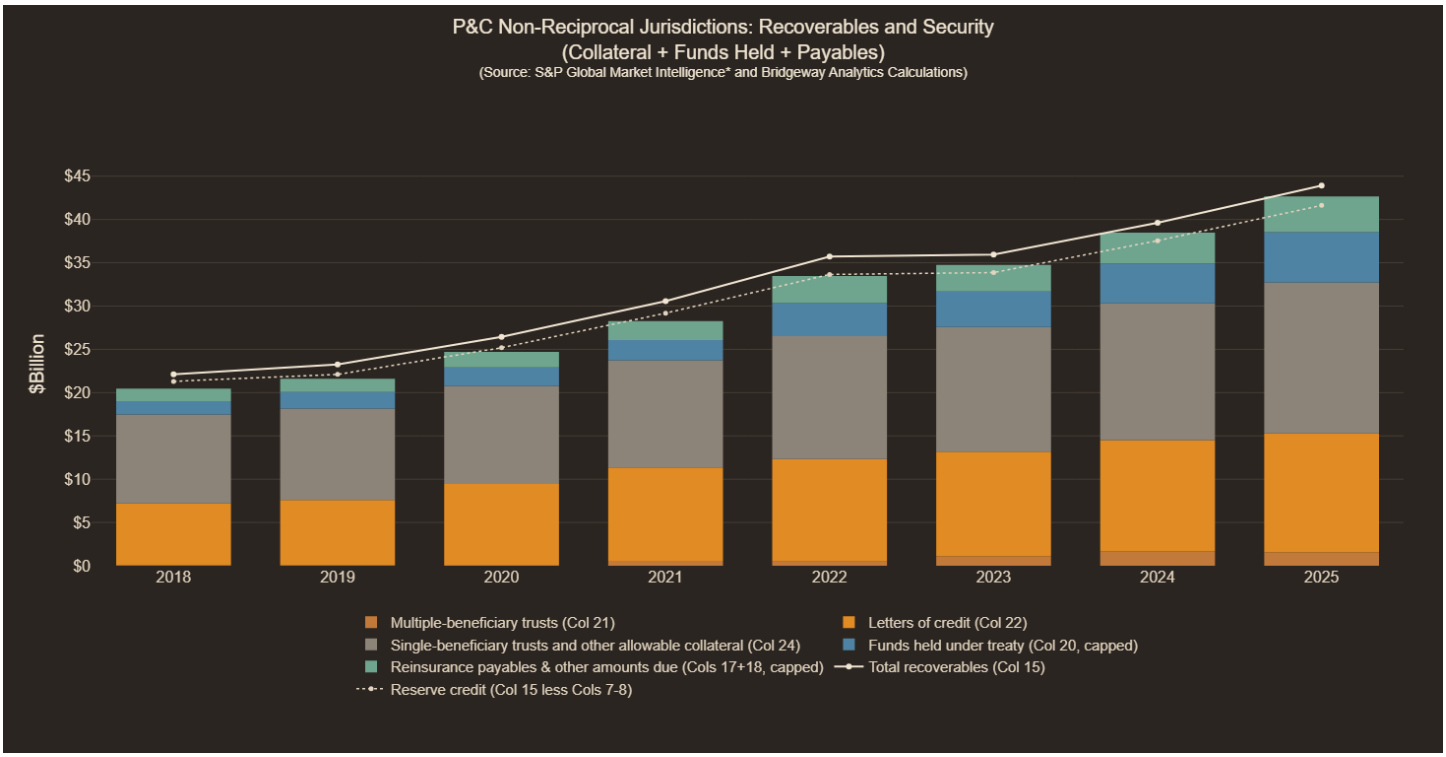


Figure 15. P&C recoverables and security by reinsurer Designation equivalent, non-U.S. reinsurers excluding pools: Reciprocal vs. non-Reciprocal jurisdictions, 2025



For non-Reciprocal jurisdictions, total recoverables roughly doubled from about $22 billion in 2018 to about $44 billion in 2025, with reserve credit reaching about $42 billion. Reported security grew from roughly $20.5 billion to approximately $42.7 billion, or 93% to 97% of recoverables. In 2025, it comprised about $32.7 billion of collateral, $5.8 billion of funds held under treaty, and $4.1 billion of payables and other amounts due (*Figure 16*). That leaves about $1.2 billion of recoverables uncovered. Security at these levels mitigates, but does not eliminate, counterparty risk.

Figure 16. P&C recoverables and Security: non-Reciprocal jurisdictions, 2018–2025



Counterparty concentration offers a further lens into the nature of reinsurance transactions (*Figure 17* and *Figure 18*). The figures group each cedent–reinsurer relationship by reserve credit (Schedule F, Part 3, column 15 less columns 7 and 8) relative to the cedent's net loss, loss adjustment expense (LAE) and unearned premium reserves, while the bars show recoverables and security within those groups. Most relationships fall below 10%, but many do not. This ratio is sensitive to the use of net reserves in the denominator, particularly for highly reinsured cedents and pools, and is not a direct measure of potential loss relative to surplus.

Excluding pools, *Figure 17* groups cedent–reinsurer relationships by reserve credit relative to the cedent's net reserves. For U.S. NAIC-filing reinsurers, the 100–200% and 200–500% categories include approximately $35 billion and $15 billion of recoverables, respectively, with approximately $7 billion and $2 billion of reported security. The category labeled ">500%" includes an additional $220 billion in recoverables and $33 billion in reported security. That category also includes cedents with zero or negative net reserves and relationships for which no matching cedent record was found.

Affiliated intercompany pooling, mandatory and voluntary pools and protected cells are shown separately from the concentration bands. In the U.S. NAIC-filer panel, those categories account for approximately $906 billion of recoverables and $41 billion of reported security. The U.S. non-filer panel shows approximately $61 billion of recoverables and $2 billion of reported security in those separate categories.

For reinsurers classified in Reciprocal jurisdictions, the 100–200% and 200–500% categories contain approximately $18 billion and $12 billion of recoverables, with $10 billion and $7 billion of reported security, respectively. The mixed ">500%" category contains approximately $12 billion of recoverables and $6 billion of reported security. For reinsurers classified in non-Reciprocal Jurisdictions, the corresponding three categories contain approximately $2 billion, $1 billion and $6 billion of recoverables, with approximately the same amounts of reported security in each category

(Figure 18). These classifications are based on domicile and do not establish an individual reinsurer's eligibility for credit-for-reinsurance treatment.

When interpreting these results, considerations should, of course, include both legal-entity obligations and group diversification. A high ratio or low collateral percentage alone does not establish an inadequately capitalized counterparty or an RBC gap; the analysis should account for credit eligibility, existing RBC treatment, eligible security and other applicable safeguards.

Figure 17. P&C reinsurance counterparty exposure: U.S. NAIC filers vs. non-filers, 2025

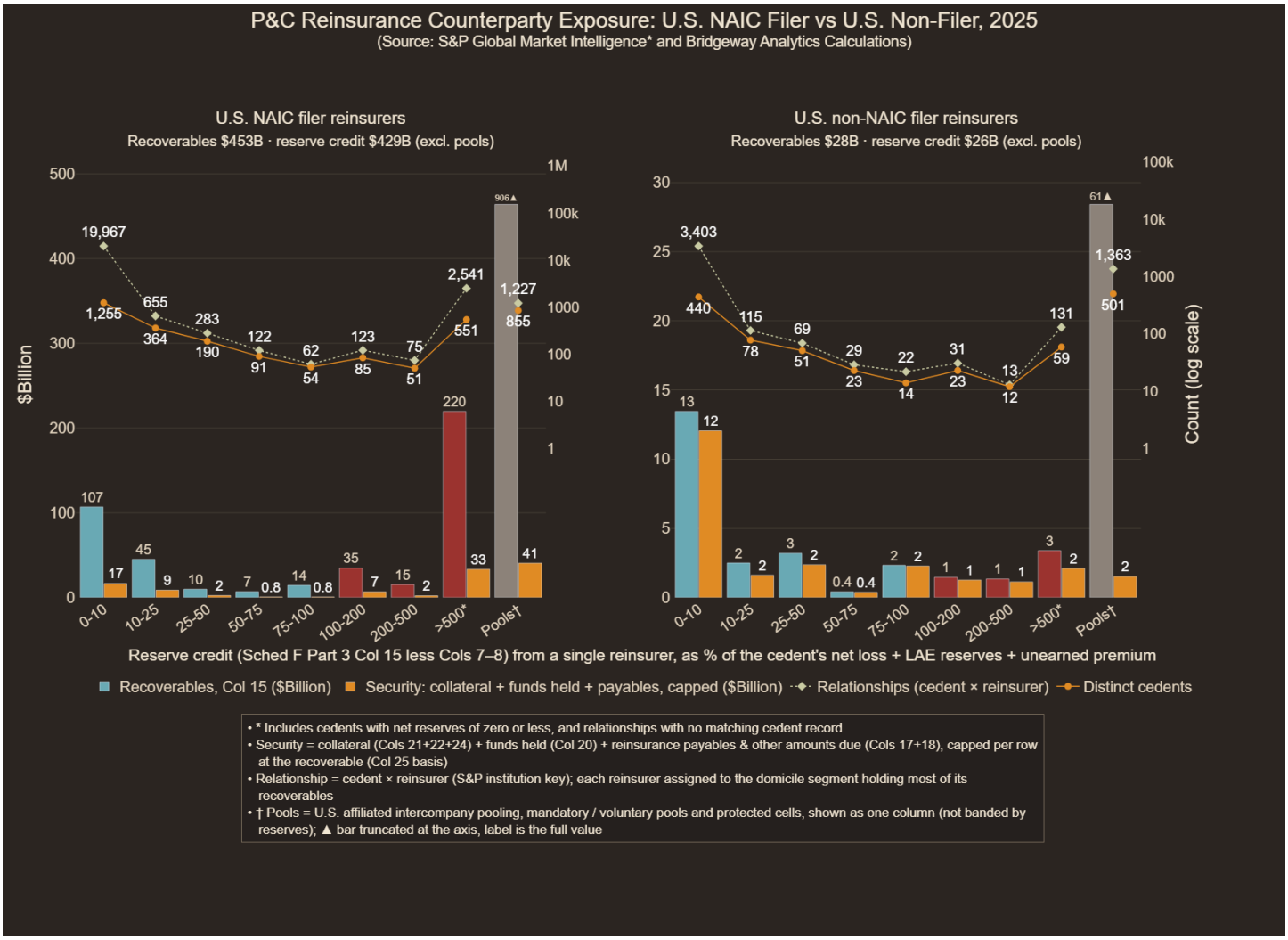
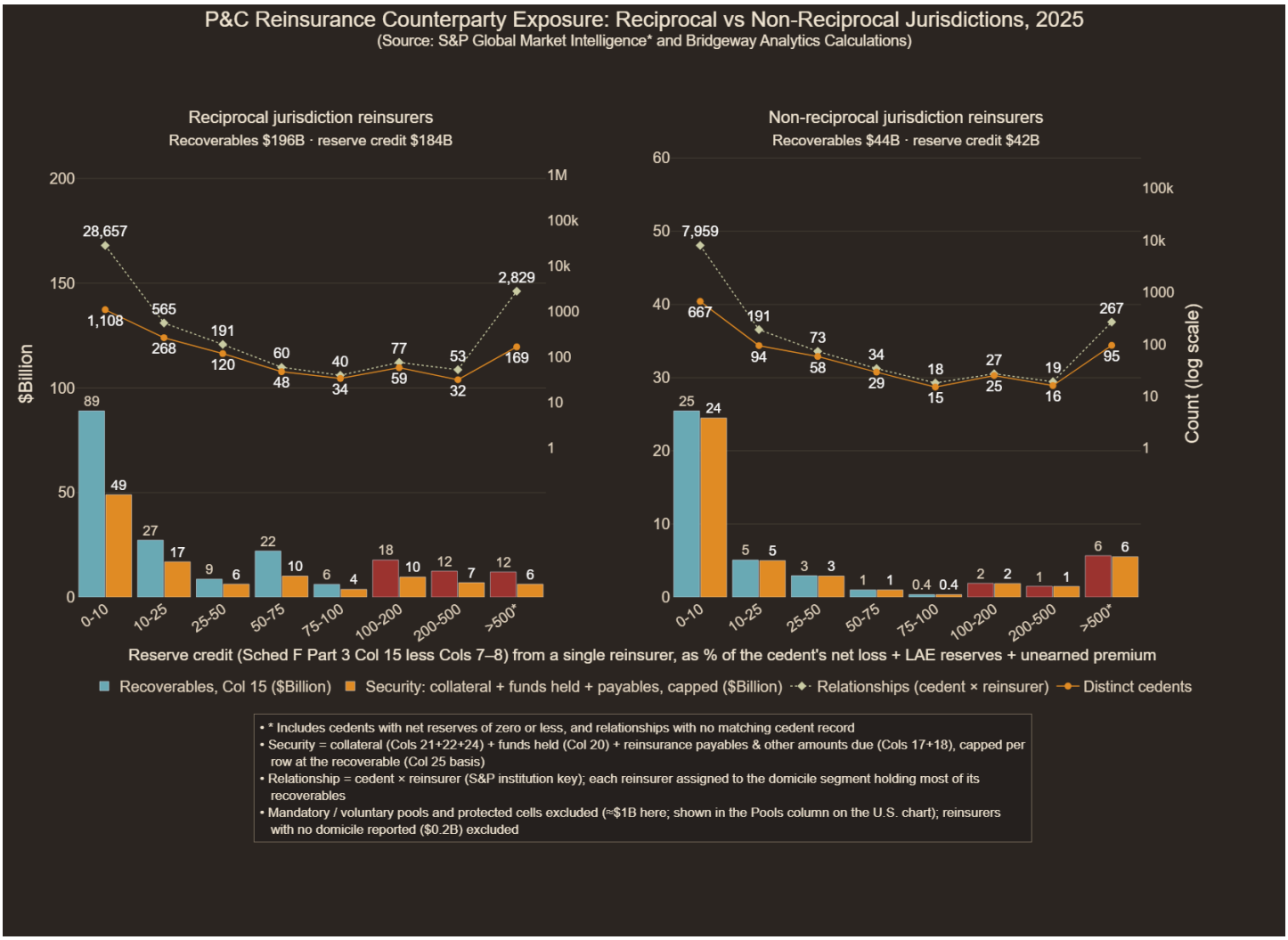


Figure 18. P&C reinsurance counterparty exposure: Reciprocal vs. non-Reciprocal jurisdictions, 2025



Comparing 2018 with 2025 shows how this exposure has evolved (*Figure 19* and *Figure 20*). Excluding intercompany pooling and other pools, recoverables grew from $434 billion to $721 billion, while security rose from $169 billion to $247 billion, so the share of recoverables covered fell from 39% to 34% (*Figure 19*). Growth was concentrated at the extremes. Recoverables in relationships below 10% of the cedent's reserves rose from $127 billion to $235 billion. Those above 500% doubled from $119 billion to $241 billion, overwhelmingly with U.S. NAIC filers. Security in that band rose from $21 billion to $47 billion (*Figure 19*). Non-Reciprocal jurisdiction reinsurers show a different pattern. Their recoverables roughly doubled, from $22 billion to $44 billion, and their security rose from $21 billion to $43 billion, or 97% of recoverables (). Recoverables above 100% of cedent reserves doubled from $4.6 billion to $9.1 billion, with security of $8.9 billion. The number of cedents in the above-500% band grew from 66 to 95 (*Figure 20*).

Figure 19. P&C reinsurance exposure and security by counterparty type, 2018 vs. 2025

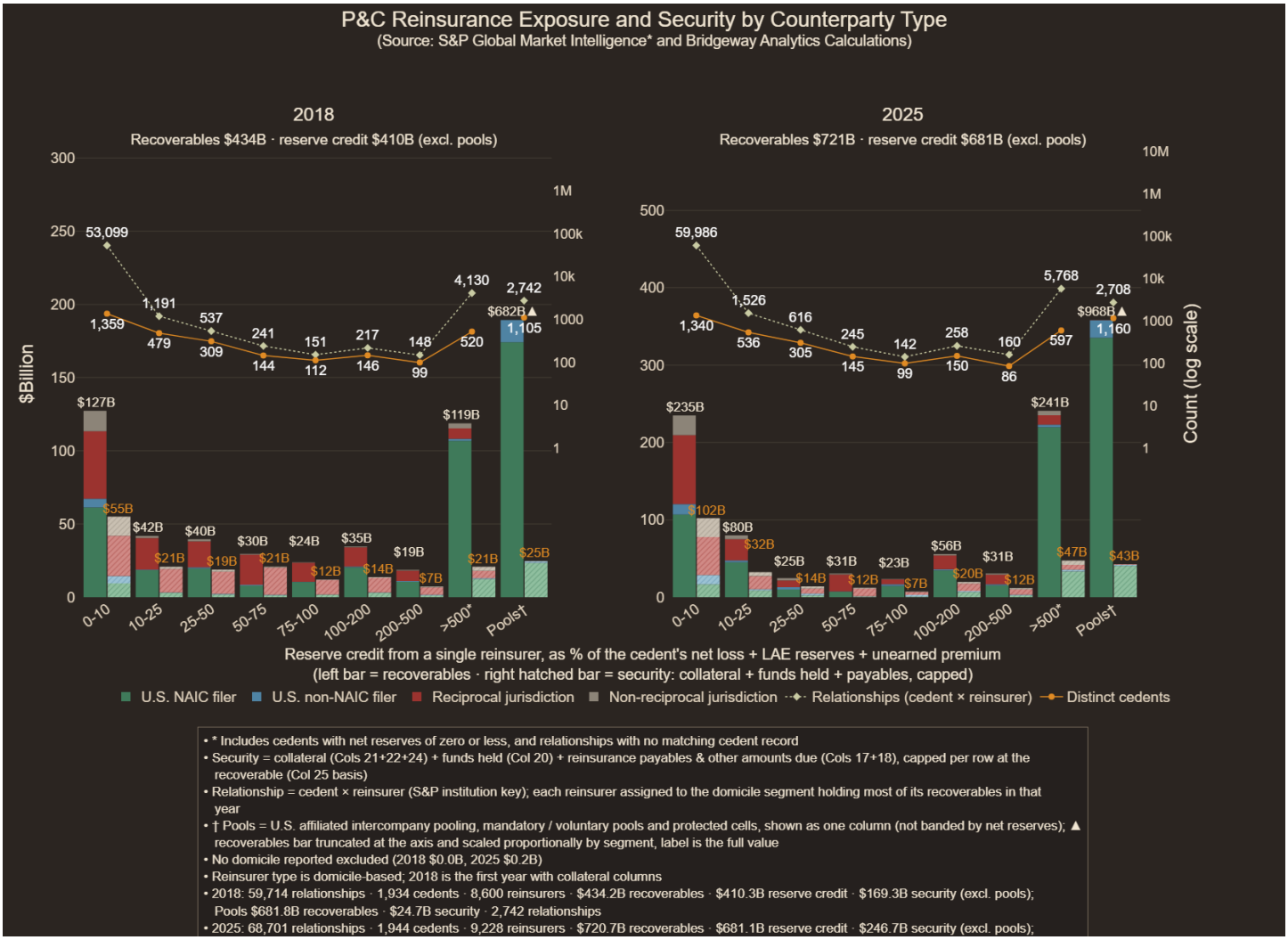
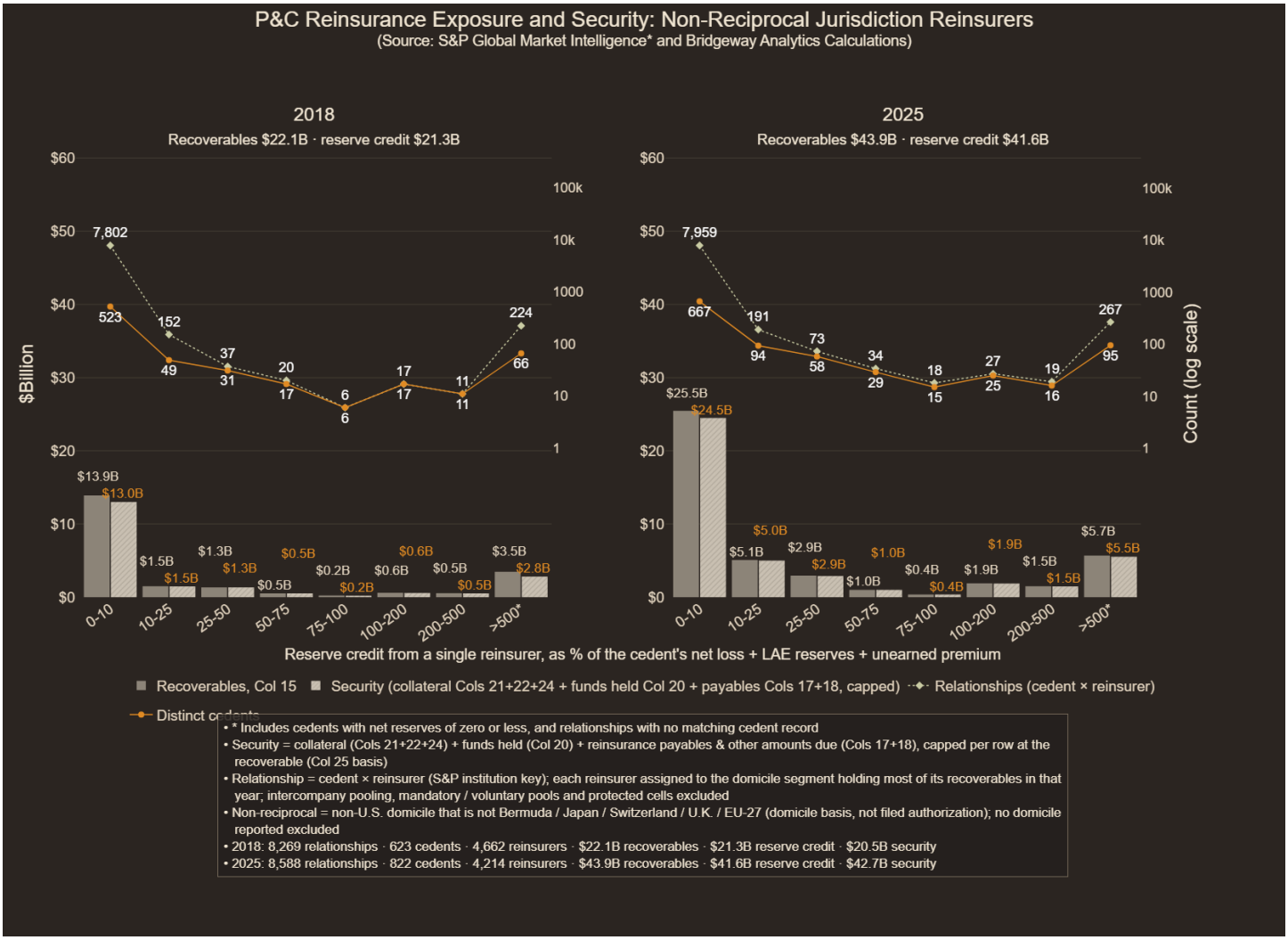


Figure 20. P&C reinsurance exposure and security, non-Reciprocal jurisdiction reinsurers, 2018 vs. 2025



5. **Life residential mortgage loans.** As discussed above, residential mortgages warrant review because a single broad RBC charge of 68 bps (~A-rated corporate bond) was set when the asset class was inconsequential and was not empirically supported. Life holdings reached approximately $150 billion in 2025, with growth exceeding 30% that year (*Figure 21*). The category can include loans with substantially different risks, ranging from individual residential mortgage loans smaller than $100 thousand to mortgage loans for large townhouse developments larger than $100 million (*Figure 22*).

Figure 21. Life Residential Mortgage Loan Holdings

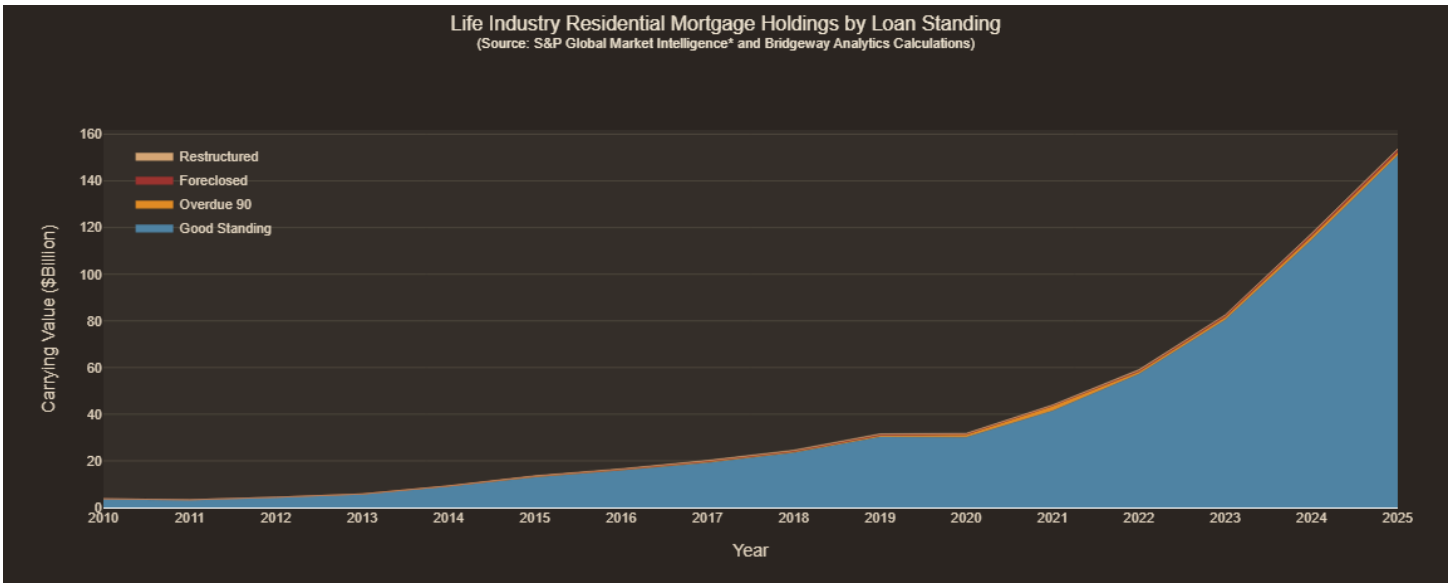
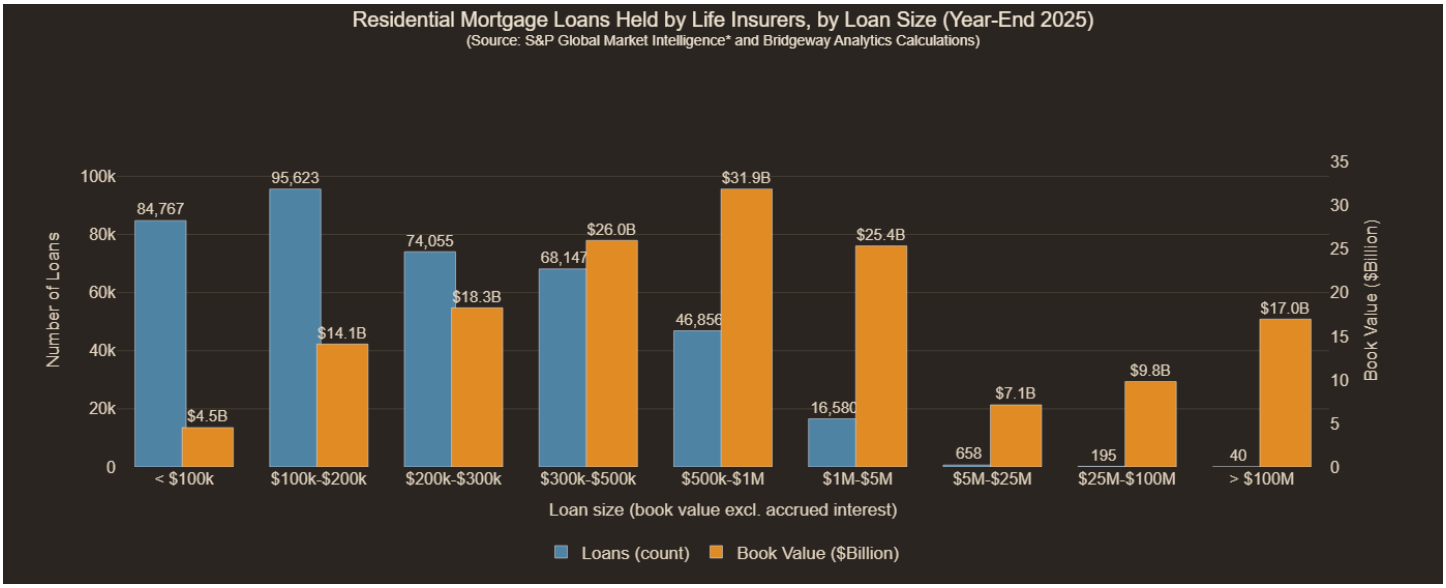


Figure 22. Residential Mortgage Loans Held by Life Insurers, by Loan Size (2025)



6. **Principle-based Life RBC C-3 for products that are not single-premium.** At well over $1 trillion, non-single-premium life policies are significant, constituting most life policies; C-3 constitutes roughly 6.5% of Life RBC.

Figure 23. 2025 Life Policy Premiums ($billion)

	First Year	Renewal	Single Premium	Non-Single %
Direct	$613.3	$1,382.9	$1,036.8	65.8%
Reinsurance Assumed	$231.7	$414.6	$147.4	81.4%
Reinsurance Ceded	$354.4	$913.2	$381.3	76.9%
Net	$490.6	$884.3	$802.9	63.1%

Priority 3.

7. **RMBS and CMBS.** Non-agency CMBS life holdings were ~$148 billion and RMBS life holdings were ~$133 billion in 2025, making them the 9th- and 10th-largest asset classes, respectively. For property & casualty, each is at ~$50 billion in 2025.

Figure 24. Life RMBS and CMBS Holdings

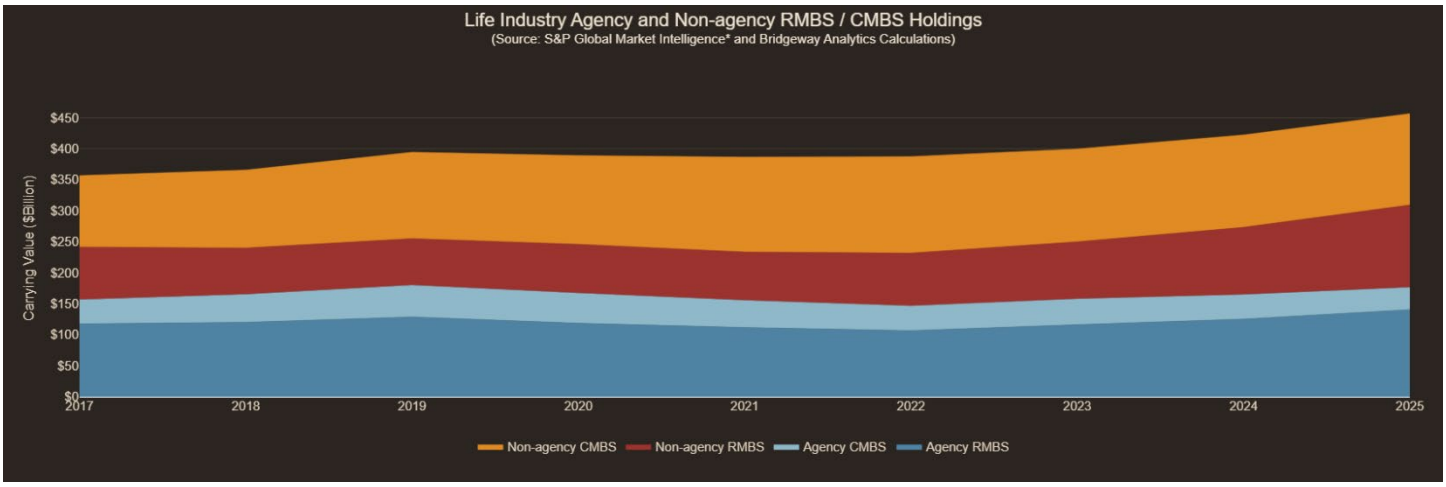
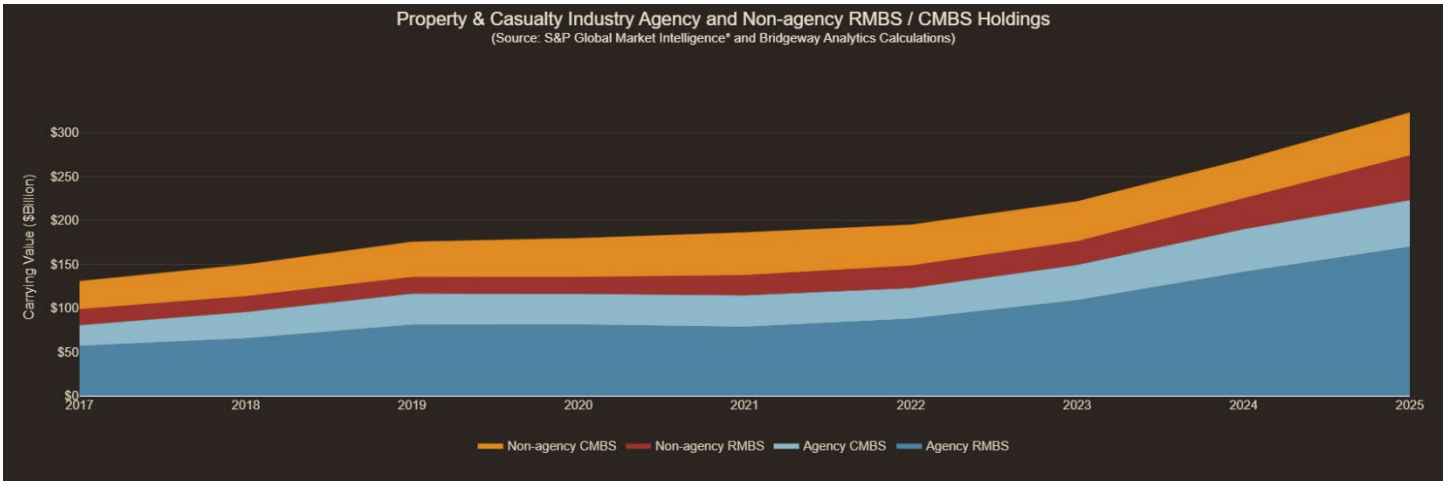


Figure 25. Property & Casualty RMBS and CMBS Holdings



8. **Life RBC Covariance and the portfolio adjustment factor (PAF). Covariance.** A recent Guggenheim study provides a reference on the materiality of covariance assumptions: *Changing the Correlation Assumptions in the RBC Calculation*. Common stock under C-1cs is uncorrelated with other assets (e.g., bonds) that fall under C-1o. Materiality is assessed using a hypothetical insurer with 1% in equity and a 500% RBC ratio. Applying the Solvency II standard of 50% correlation would be a 34-point reduction in RBC to 466% (see ***Figure 26***, reduced from the Guggenheim study). As the equity allocation increases, the difference also increases. At 3%, the Solvency II calibration leads to a 62-point reduction in RBC. Common stock accounts for ~4% of insurers' cash and invested assets.

Figure 26. The Impact of Increasing Equity Correlation to 50% on RBC Ratios

RBC Ratio Declines in 50% Correlation Scenario

Equity Allocation	Correlation Assumption				
	0%	25%	50%	75%	100%
1.00%	500%	482%	466%	452%	439%
1.50%	490%	466%	445%	427%	411%
2.00%	477%	448%	424%	403%	386%
2.50%	462%	430%	403%	382%	364%
3.00%	446%	411%	384%	362%	344%

Source: Guggenheim Investments, NAIC.

PAF. The PAF accounts for diversification and concentration risks, which can differ significantly across asset classes. The general bond PAF starts at approximately 2.4, reaches 1.0 at roughly 700 issuers, and approaches 0.82 for very large portfolios, reflecting a more gradual accumulation of issuer diversification benefits. Meanwhile, the recently adopted Life C-1 factors for collateralized loan obligations (CLOs) included a flat CLO PAF of 1.0, rather than the alternative modeled schedule of 1.38 for one deal, declining to 1.0 after 11 deals. While CLO tranche risks are estimated to be highly correlated, substantial diversification is already embedded in each underlying loan pool, leaving limited incremental benefit from adding CLO transactions. That said, diversification across credit classes, for example, combining corporate credit with securitized consumer credit, offers benefits that the framework is not structured to recognize explicitly. For details, see *Components of Life RBC and Proposed Changes to CLOs*. Regulators have acknowledged the need for further review in 2027 and beyond.

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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.

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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

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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.

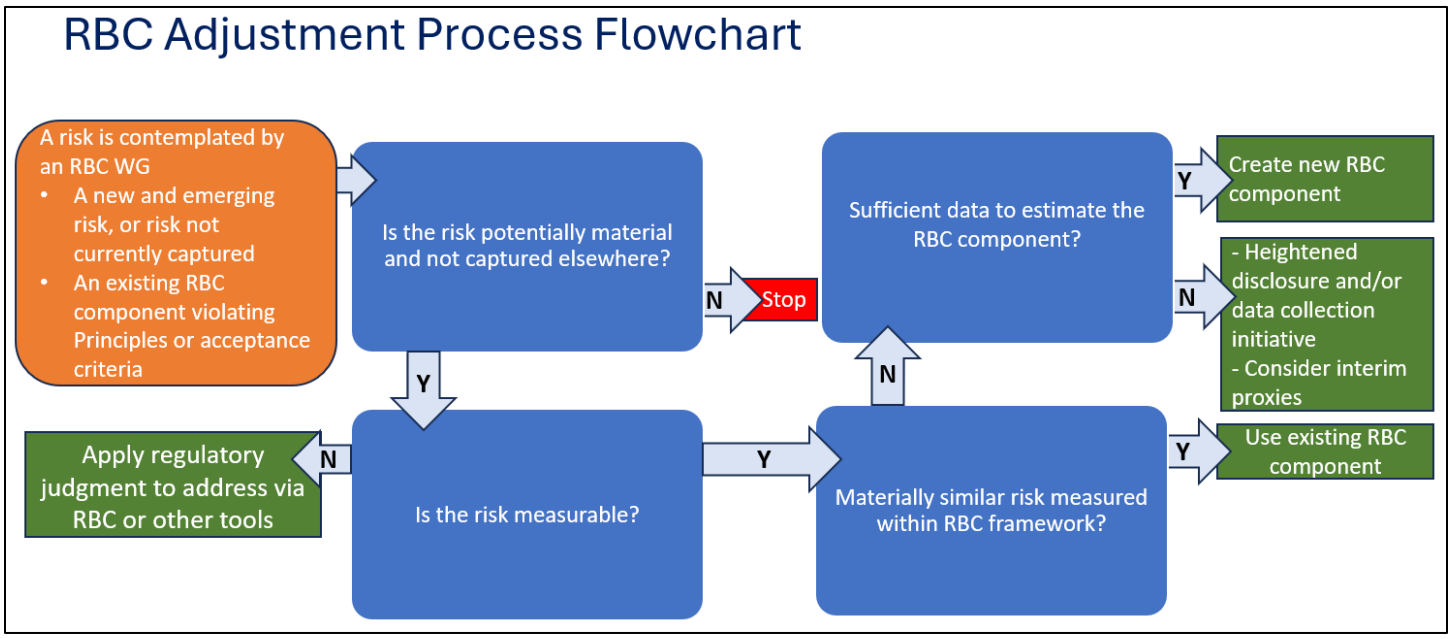
5.1 New Models & Assessing Risks to be Included in the Framework

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.

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 16, 2026

Re: Proposed Review of Governance for Material Financial Policy Initiatives

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I recommend that the Executive (EX) Committee undertake a focused review of how material financial policy decisions are developed and advanced through the NAIC committee system. The review should determine whether existing processes consistently provide meaningful commissioner direction, appropriate stakeholder engagement, and clear accountability for significant policy choices. Its findings should guide whether changes to existing practices or additional governance mechanisms are warranted.

The Risk-Based Capital Model Governance (EX) Task Force was established in 2025 in part to facilitate coordination and alignment among NAIC committees and task forces involved in RBC modernization. Its discussions have raised governance questions that extend beyond RBC and are appropriate for Executive Committee consideration. The objective is to understand what is working well, where practices may be inconsistent, and whether targeted refinements would improve the process, without presuming a procedural failure or a preferred organizational structure.

Assessment of existing processes. The Executive Committee should examine how material initiatives move from the identification of a risk through the selection of policy objectives and potential approaches, technical development, stakeholder input, and necessary approvals. The review should assess when commissioners receive the underlying evidence, reasonable alternatives, and potential effects, and whether they have a meaningful opportunity to provide direction before consequential policy choices are settled.

The review should also examine how material policy choices are distinguished from technical implementation; how charges, referrals, and development plans establish the scope of work and responsibility for decisions; and how stakeholder feedback informs both policy direction and implementation. Where several committees are affected, it should assess whether responsibilities and decision points are clear, including how significant questions are elevated, reconsidered, and resolved.

DRAFT

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

A practical approach would be to select a limited number of recent or ongoing initiatives and reconstruct their decision paths. Examples could include a recent or proposed RBC factor, an initiative addressing emerging investment risk in structured securities, or a reinsurance or reserve-related solvency initiative. For each, the review should establish what direction was provided, by whom and when; what information and alternatives were considered; and how stakeholder input and required approvals were addressed.

The assessment should account for relevant confidential supervisory work and nonpublic briefings, recognizing that the public record alone may not capture all analysis or commissioner engagement. It should consider how the policy rationale and decision process can be communicated while protecting confidential information. The review should neither prejudge the merits of individual initiatives nor interrupt ongoing technical work.

Consideration of governance improvements. If the Executive Committee identifies areas for improvement, it should evaluate changes proportionate to those findings. Options could include a common materiality screen, clearer written referrals and development plans, commissioner policy decision checkpoints, concise policy briefs, and procedures for resolving significant questions that cross committee responsibilities.

The Executive Committee should consider whether enhancements to existing letter committee structures, a commissioner-led Financial Policy Steering Committee, or another formalized governance mechanism would best address any identified needs. Any recommendation should preserve existing committee responsibilities, technical expertise, and required approval authorities; protect confidential supervisory information; and avoid unnecessary duplication or delay. Routine technical matters should continue through established channels.

To make agreed improvements consistent and durable, the Executive Committee should consider incorporating them into the Committee Charters and Charges Policy Manual as it is developed. Written procedures could clarify when commissioner direction is needed, how material policy decisions are documented, and how responsibilities carry forward through changes in committee leadership.

Requested next steps. I respectfully request that the Executive Committee consider this review and determine its scope, timing, and next steps. Specific case studies and developed structural proposals can be considered after the Committee accepts the referral and establishes the review process. The immediate request is agreement to examine current practices and use the findings to determine whether, and how, governance should be strengthened. This draft is submitted for Task Force consideration and has not yet been approved as a Task Force referral.

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November 13, 2026

Commissioner Jon Godfread (ND), Chair
Commissioner Doug Ommen (IA), Co-Vice Chair
Commissioner Nathan Houdek (WI), Co-Vice Chair
Risk-Based Capital Model Governance (EX) Task Force
National Association of Insurance Commissioners
c/o Dan Daveline
Via email: ddaveline@naic.org

cc: Commissioner Scott A. White (VA), Chair, Executive (EX) Committee

Re: NAMIC Comments – Proposed Review of Governance for Material Financial Policy Initiatives (Attachment Four)

Dear Commissioner Godfread, Commissioner Ommen, and Commissioner Houdek:

On behalf of the National Association of Mutual Insurance Companies (NAMIC)[1] and our members, we appreciate the opportunity to comment on the draft memorandum from Commissioner Godfread to Commissioner White, Chair of the Executive (EX) Committee, titled "Proposed Review of Governance for Material Financial Policy Initiatives" (the "Memorandum"), included as Attachment Four to the Task Force's 2026 Fall National Meeting agenda materials.[1] NAMIC concurs with the Memorandum and respectfully urges the Task Force to approve it as a referral and the Executive (EX) Committee to accept it.

NAMIC and its members have long been strong supporters of the state-based system of insurance regulation, and we believe that system is at its best when transparency, accountability, and stakeholder engagement are upheld as core principles. In prior comments to the Task Force, NAMIC supported preserving the strengths of the technical process, emphasizing transparent checkpoints, public comments, materiality, and cost-benefit consideration. Regardless of the steering structure ultimately selected, NAMIC believes any structural decision should rest on a clear understanding of how material financial policy decisions are made today. The Memorandum provides a sound path to that understanding.

[1] *The National Association of Mutual Insurance Companies is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies, including local and regional insurers as well as some of the nation's largest carriers, NAMIC members collectively write $453 billion in annual premiums, representing 58 percent of the homeowners and 52 percent of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect member companies and their policyholders.*

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Why NAMIC Supports the Memorandum

- **It starts with assessment, not a predetermined answer.** The Memorandum asks the Executive (EX) Committee to understand what is working well, where practices may be inconsistent, and whether targeted refinements are warranted, "without presuming a procedural failure or a preferred organizational structure." This is a disciplined, evidence-based approach that NAMIC believes all stakeholders can support.
- **It focuses on the stage of the process that matters most.** The Memorandum asks when commissioners receive the underlying evidence, reasonable alternatives, and potential effects, and whether they have a meaningful opportunity to provide direction "before consequential policy choices are settled." NAMIC noted in its March 2026 testimony on the NAIC Policy Statement and Open Meetings, foundational policy direction is often established in task forces, working groups, drafting groups, and informal subgroups, and relatively few substantive changes are made once proposals advance beyond those stages. Earlier commissioner direction, paired with earlier stakeholder engagement, can identify issues sooner, reduce unintended consequences, and avoid significant late-stage revisions.
- **It distinguishes policy choices from technical implementation.** Clarifying how material policy choices are separated from technical work, and how charges, referrals, and development plans assign responsibility for decisions will help technical groups receive clear objectives and help stakeholders understand which body is accountable for which decision.
- **It addresses elevation and reconsideration.** The Memorandum asks how significant questions are elevated, reconsidered, and resolved when several committees are affected. Stakeholders have at times found it difficult to obtain review of a material policy question when technical groups regard the direction as already set, parent groups defer to technical expertise, and the issue impacts more than one committee at the NAIC. A clear, documented path for elevating and resolving such questions would benefit regulators and interested parties alike.
- **It uses a practical method.** Reconstructing the decision paths of a limited number of recent or ongoing initiatives, including what direction was provided, by whom and when, what alternatives were considered, and how stakeholder input was addressed, is a practical and proportionate way to test current practice without interrupting ongoing technical work.
- **It aims for durable improvements.** NAMIC supports incorporating agreed improvements into the Committee Charters and Charges Policy Manual. As the Task Force has recognized, the NAIC needs processes that survive turnover among commissioners and technical leaders, and written procedures are the most reliable way to achieve that.

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Recommendations to Strengthen the Review

In concurring with the Memorandum, NAMIC offers the following recommendations for the Executive (EX) Committee's consideration as it sets the scope, timing, and next steps for the review:

1. **Conduct the review in open session and expose its scope and findings.** Consistent with the NAIC Policy Statement on Open Meetings, the review's scope, case-study selection, and findings should be discussed in open meetings and exposed for public comment for a period of not less than 30 days. NAMIC agrees that confidential supervisory information must be protected; we ask that any regulator-only discussion be limited to the specific confidential matter, and that a public summary describe the subject matter and the basis for closure.
2. **Make stakeholder input a formal part of the review.** The Memorandum appropriately asks how stakeholder feedback informs policy direction and implementation. NAMIC recommends that the Executive (EX) Committee invite interested parties, including industry and consumer representatives, to submit observations on the selected case studies, so the reconstructed decision paths reflect the experience of all participants in the process.
3. **Build materiality and impact into any governance improvements.** Among the options the Memorandum identifies, NAMIC particularly supports a common materiality screen, clearer written referrals and development plans, commissioner policy decision checkpoints, and concise policy briefs. Policy briefs should be public and should address materiality, potential effects on policyholders and insurance markets, reasonable alternatives (including whether supervisory tools such as examination or disclosure would address the concern), and cost-benefit considerations. Policy briefs should also be exposed for stakeholder comment and dialogue to embed early stakeholder engagement.
4. **Document decisions and votes.** Commissioner policy decision checkpoints should be recorded through a motion, second, and vote in open session, with the decision and its rationale reflected in the minutes. Material policy direction should not be adopted, in whole or in part, in regulator-only sessions.
5. **Set a defined timeline and public report.** NAMIC recommends that the Executive (EX) Committee establish a timeline for the review and issue a written public report of its findings and any recommended changes, with an opportunity for comment before changes are adopted.

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Conclusion

NAMIC concurs with the Memorandum and appreciates Commissioner Godfread's leadership in elevating these governance questions to the Executive (EX) Committee. A focused, transparent review of how material financial policy decisions are developed will strengthen commissioner engagement, support sound technical work, and enhance confidence in the state-based system. We look forward to continuing collaboration with the Task Force and the Executive (EX) Committee as this work proceeds.

Respectfully submitted,



Erin Collins
Senior Vice President – State and Public Policy Affairs
National Association of Mutual Insurance Companies (NAMIC)

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[1] NAIC, Risk-Based Capital Model Governance (EX) Task Force, 2026 Fall National Meeting Agenda Materials, Attachment Four, Memorandum from Commissioner Jon Godfread (ND) to Commissioner Scott A. White (VA), "Proposed Review of Governance for Material Financial Policy Initiatives" (Nov. 16, 2026), agenda materials at 76–77, https://content.naic.org/sites/default/files/national_meeting/agenda-materials-for-rbc-mgtf-fnm_1.pdf.