Draft date: 7/22/26

2026 Summer National Meeting
Columbus, Ohio

RISK-BASED CAPITAL MODEL GOVERNANCE (EX) TASK FORCE
Thursday, August 13, 2026
11:00 a.m. – 12:00 p.m.
Hilton Tower 402—Robinson Ballroom AB—Level 5

ROLL CALL

NAIC Member	Representative	State/Territory
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
Mike Causey	Mike Causey	North Carolina
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 June 18 and Spring National Meeting Minutes —*Commissioner Jon Godfread (ND)* — Attachment One

2. Discuss and Consider Exposure of Proposed Risk-Based Capital (RBC) Solvency Steering Group—*Commissioner Jon Godfread (ND)* — Attachment Two

3. Hear a Presentation from Bridgeway Analytics on the Most Material RBC Gaps for Further Consideration—*Amnon Levy (Bridgeway Analytics)* — Pending

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

5. Adjournment

Draft: 7/7/26

Risk-Based Capital Model Governance (EX) Task Force
and Capital Adequacy (E) Task Force
Virtual Meeting
June 18, 2026

The Risk-Based Capital Model Governance (EX) Task Force met June 18, 2026, in joint session with the Capital Adequacy (E) Task Force. The following Risk-Based Capital Model Governance (EX) Task Force members participated: Jon Godfread, Chair (ND); Doug Ommen, Co-Vice Chair, and Mike Yanacheak (IA); Nathan Houdek, Co-Vice Chair, and Amy Malm (WI); Michael Yaworsky represented by Jane Nelson (FL); Michael T. Caljouw represented by John Turchi (MA); Mike Causey (NC); Judith L. French (OH); Michael Wise represented by Hinal Patel (SC); Amanda Crawford (TX); Jon Pike (UT); and Scott A. White represented by Dan Bumpus (VA). The following Capital Adequacy (E) Task Force members participated: Grace Arnold, Chair, represented by Ben Slutsker (MN); Judith L. French, Vice Chair (OH); Mark Fowler represented by Charles Hale (AL); Ricardo Lara represented by Thomas Reedy (CA); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Jane Nelson (FL); Doug Ommen and Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by John Turchi (MA); Angela L. Nelson represented by William Leung (MO); Jon Godfread (ND); Eric Dunning represented by Andrea Johnson and Tadd Wegner (NE); Susan Ochs represented by David Wolf (NJ); Elizabeth Kelleher Dwyer represented by Liz Ammerman (RI); Michael Wise represented by Hinal Patel (SC); Amanda Crawford represented by Jamie Walker (TX); Scott A. White represented by Dan Bumpus (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek and Amy Malm (WI).

1. Heard a Background on the Exposed Revised RBC Preamble

Commissioner Godfread provided background on the proposed revisions to the risk-based capital (RBC) preamble. He noted that the RBC preamble was added to the instructions in 2019 to provide historical context and explain the purpose and limitations of RBC. He said regulators and interested parties have continued to discuss whether updates are needed to better reflect current RBC usage and governance expectations.

Commissioner Godfread stated that RBC remains an important regulatory tool for solvency oversight across the life, health, and property/casualty (P/C) lines of insurance, while recognizing that each line has distinct risks and business considerations. He emphasized that RBC is intended to identify potentially weakly capitalized companies and to support appropriate regulatory action and is not intended to rank insurers or serve as a comprehensive measure of financial strength, business strategy, liquidity, or risk management. He said the proposed revisions are intended to clarify the purpose, limitations, and appropriate context for RBC; address disclosure considerations; and align the preamble with the RBC model governance principles adopted at the end of 2025. In addition, the meeting's objective is to determine whether the revised preamble is ready for inclusion in the 2026 RBC instructions or whether further consideration should be deferred.

2. Considered Additional Comments on Possible Compromised Language

Amnon Levy (Bridgeway Analytics) stated that the revised draft moves the RBC preamble in the right direction by better explaining the purpose, use, history, limitations, and role of RBC within the broader solvency framework. He noted that state insurance regulators generally agreed with the recommendations of the American Council of Life Insurers (ACLI) and the Reinsurance Association of America (RAA) (Attachment XXX), including removing references to precision, clarifying the confidentiality of company-specific RBC calculations, and adding contextual language when RBC information is disclosed outside its stated regulatory purpose. They also incorporated selected edits to various business models and streamlined language, while declining proposed additions that were duplicative, too narrow, or outside the scope of the adopted principles.

3. Adopted the Revised Preamble

Representatives from the RAA, ACLI, the American Academy of Actuaries (Academy), and consumer representatives expressed support for the revised RBC preamble and appreciation for the collaborative drafting process. They noted that the revisions reflect careful consideration of stakeholder comments, improved clarity, and provided appropriate transparency regarding accepted and rejected edits.

Commissioner Godfread summarized that the revised draft reaffirms the primary purpose of RBC and thanked the drafting group for balancing stakeholder input. He noted that certain comments were incorporated to improve clarity and balance, while other proposed edits were not accepted because they were duplicative, overly narrow, too detailed, or could create unintended implications. He further stated that the final revised preamble incorporates RBC principles as a guiding framework for future changes, including purpose, use, materiality, objectivity, accuracy, transparency, process, prioritization, regulatory judgment, and practical implementation.

Commissioner Houdek made a motion, seconded by Bumpus, to adopt the revised preamble (Attachment XXX) by the Risk-Based Capital Model Governance (EX) Task Force. The motion passed unanimously.

Malm made a motion, seconded by Eft, to adopt the revised preamble by the Capital Adequacy (E) Task Force. The motion passed unanimously.

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

Draft Pending Adoption

Draft: 4/1/26

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

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

1. Heard Opening Comments

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

2. Adopted its 2025 Fall National Meeting Minutes

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

3. Received a Recap of Work Done in 2025

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Discussed and Received Input on its Plan for 2026

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

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

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

7. Heard an Update from the Academy

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

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

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RBC Model Governance (EX) Task Force

Proposed Work Plan for the Remainder of 2026

Internal Discussion Draft for Task Force Leadership, NAIC Officers, E Committee Leadership, and Staff
Revised July 2026

I. Purpose, Governance Need, and Proposed Path

The RBC Model Governance (EX) Task Force has two principal meetings remaining in 2026: the Summer National Meeting in Columbus and the Fall National Meeting in Dallas. Its remaining work should focus on completing its existing charges, establishing an orderly transition, and avoiding new technical workstreams.

The NAIC's committee structure is well designed to produce specialized technical analysis. Certain significant solvency issues, however, extend across multiple disciplines—including capital, investments, valuation, accounting, actuarial standards, reinsurance, financial analysis, and risk management—and may involve several E Committee groups or other letter committees. In those circumstances, responsibility may be distributed across multiple bodies, making it more difficult to maintain a unified view of the policy objective, relative priority, sequencing, dependencies, and resource demands.

Technical work should remain with the groups possessing the relevant expertise. Commissioner-level steering would complement that work by identifying broader policy questions, coordinating cross-cutting initiatives, ensuring that the appropriate groups are involved, and establishing defined points for commissioner direction when an issue cannot be resolved through technical analysis alone. The objective is not to create another layer of technical review or diminish the authority of E Committee, its subsidiary groups, or other NAIC bodies. It is to help the existing structure address complex solvency issues in a more coordinated, transparent, and durable manner.

The proposed path is to complete four outcomes:

1. **Complete the RBC governance foundation.** Confirm the framework established through the revised RBC Preamble and the RBC Model Governance Principles adopted in 2025 and provide a durable means of applying those principles after the Task Force concludes.
2. **Finalize RBC educational and public messaging materials.** Complete and distribute materials explaining the purpose, benefits, and limitations of RBC and its role within the U.S. state-based solvency framework. NAIC Communications is

completing final review, design, and distribution, with the materials expected to be available no later than Dallas.

3. **Develop a focused two-year RBC priority agenda.** Identify approximately five to seven material RBC gaps or modernization projects for E Committee consideration during 2027 and 2028. The two-year period is intended to provide a planning, sequencing, and accountability horizon, not to require completion of every project within that timeframe.

4. **Recommend a durable commissioner-level solvency-policy steering function.** Expose two structural options, together with a common operating framework, objective elevation standards, and express limitations. Preliminary feedback supports preserving the steering function after the Task Force concludes but is divided on where that function should reside. Broader exposure should inform the final recommendation regarding its name, placement, charge, membership, and reporting relationship.

The proposed steering function would have a broader but carefully limited scope than the initial RBC priority agenda. It could coordinate cross-cutting matters involving capital, accounting, valuation, actuarial issues, investments, reinsurance, financial analysis, or related solvency disciplines when a matter satisfies the elevation standard and requires commissioner-level policy direction or coordination across existing technical channels. It would not serve as a general financial-policy committee, review routine technical maintenance, or assume responsibility for work that can be effectively managed within an existing process.

Success should be measured by clearer ownership of cross-cutting initiatives, a focused and manageable priority agenda, improved coordination among technical groups, timely commissioner direction on genuine policy choices, predictable handoffs and policy checkpoints, and continued progress without delaying routine technical work.

If these deliverables are completed and an orderly handoff is made to E Committee and the appropriate NAIC leadership bodies, the Task Force should be positioned to conclude its work at the end of 2026

II. Work Completed to Date

The Task Force, working jointly with the Capital Adequacy (E) Task Force, completed revisions to the RBC Preamble ahead of the Commissioners Conference in Georgia.

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 RBC governance with the RBC Model Governance Principles adopted in 2025, including purpose, use, materiality, objectivity, accuracy, transparency, process, and prioritization. Together, the Principles and Preamble provide the policy foundation for determining how future RBC modernization should be prioritized, scoped, assigned, monitored, and returned to commissioners when significant policy decisions arise.

The Task Force has also substantially completed its RBC education and public messaging work. NAIC Communications is finalizing the materials for distribution no later than Dallas.

Feedback on the earlier work plan supports a narrower closeout agenda:

- Complete the Task Force’s existing charges rather than initiate additional substantive projects.
- Use a two-year planning horizon to provide stability and predictability.
- Establish an iterative process in which commissioners set policy direction, technical groups conduct the analysis, and material policy choices return to commissioners when appropriate.
- Finalize and distribute the RBC educational materials.
- Present two governance structures for comment and make a final recommendation in Dallas.

III. Gap Analysis and Two-Year Priority Agenda

Objective

Approve in Dallas a focused list of approximately five to seven material RBC gaps or modernization projects for initiation, sequencing, or continued development during 2027 and 2028. The agenda should establish priorities, assignments, milestones, and decision points; it should not imply that every project must be completed within two years.

The overarching objective is to address material gaps that affect the integrity, consistency, responsiveness, or appropriate use of the RBC framework. The agenda should be based on durable solvency criteria rather than perceived pressure to react to a particular sector, transaction type, company structure, or current market controversy.

Guiding Principles

The priority agenda should:

- Focus on material solvency concerns rather than catalogue every potential RBC issue.
- Create a manageable two-year portfolio.
- Distinguish major policy or modernization projects from routine factor updates, corrections, and technical maintenance.
- Identify dependencies involving capital, investments, accounting, valuation, reinsurance, financial analysis, or multiple lines of business.
- Keep risks associated with reinsurance in nonreciprocal jurisdictions visible as a priority while recognizing the existing E Committee referral and technical process.

Process

Initial inventory. Amnon Levy, working with Task Force leadership and NAIC staff, will develop an initial list based on prior Task Force work, the RBC Model Governance Principles, retrospective-review concerns, regulator input, and E Committee subsidiary group priorities.

Drafting and coordination. The Drafting Group will consolidate overlapping items and consult E Committee leadership and relevant technical chairs regarding scope, assignment, sequencing, resources, and dependencies.

Columbus discussion and exposure. The Task Force will review the initial inventory, narrow it toward approximately five to seven priorities, and expose the proposed agenda for focused comment.

Interim refinement. Comments will be synthesized, proposed assignments and milestones will be tested with E Committee leadership and technical chairs, and each priority will be placed into a common format.

Dallas approval and handoff. The Task Force will approve the final agenda and refer it to E Committee with recommended assignments, milestones, policy checkpoints, and reporting expectations.

Format for Each Priority

Each priority should be summarized concisely and include:

1. The identified gap or modernization issue;
2. The material solvency concern;

3. The policy question, if any;
4. The recommended E Committee group or groups;
5. Expected timing and milestones; and
6. Dependencies, data needs, or commissioner checkpoints.

The handoff should provide clear direction without prescribing the technical result.

IV. Commissioner-Level Governance Options

Feedback received to date indicates that the NAIC officers and staff generally support creation of a commissioner-level **Financial Policy Steering Committee**. That structure would provide broader commissioner engagement, visible membership support, and a policy perspective outside the ordinary technical process.

Both viable structures should nevertheless be presented in Columbus so Task Force members, commissioners, E Committee leadership, technical chairs, industry, consumer representatives, stakeholders, and interested parties have an opportunity to comment before a final recommendation is made.

The question is not whether commissioner-level steering has value. The question is where the function should reside and how it should operate without duplicating E Committee, delaying technical work, or elevating routine matters.

Common Charge Under Either Structure

The steering body would:

- Maintain a rolling two-year agenda for major RBC initiatives and related solvency matters that satisfy the elevation standard.
- Recommend priorities, sequencing, assignments, and coordination for significant initiatives.
- Define the policy objective, scope, and key parameters before substantial technical work begins.
- Recommend written referrals or charges to the appropriate parent committees or technical groups, including deliverables, timing, coordination needs, and commissioner checkpoints.
- Receive reports only at defined checkpoints when a material policy choice arises, the approved scope changes, or a cross-group issue cannot be resolved through the ordinary process.

- Coordinate matters spanning multiple solvency disciplines or parent committees while preserving the authority of each body.
- Report to E Committee and, as appropriate, the Executive Committee, officers, and broader membership.
- Monitor the overall portfolio of initiatives and recommend retrospective review when warranted.

Elevation Standard

A matter would be elevated only if it meets one or more of the following standards:

1. **RBC architecture.** The matter would add or remove a risk category, materially alter aggregation or covariance, introduce a new type of charge, or otherwise change the architecture or intended operation of the RBC formula, rather than recalibrate an existing factor.
2. **Material policy choice.** The matter presents a significant policy judgment that cannot be resolved through technical, actuarial, accounting, or data analysis alone and on which reasonable regulators may differ.
3. **Cross-discipline dependency.** The matter creates material dependencies across capital, investments, valuation, accounting, reinsurance, actuarial analysis, financial analysis, or multiple parent committees and requires coordinated policy direction.
4. **Framework-wide principle.** The matter would establish or materially alter a principle applicable across asset classes, lines of business, transaction structures, or company types, rather than address a single instrument, factor, or company-specific issue.

The basis for elevation should be documented in a brief written statement identifying the applicable standard, the policy question, the assigned technical group, and any requested checkpoint. Controversy or public attention alone would not justify elevation.

Limitations and Carve-Outs

The steering body would not:

- Conduct technical analysis, develop factors, or substitute its judgment for the assigned actuarial, accounting, investment, reinsurance, or financial-analysis group.

- Approve individual factors or technical specifications outside the authority and approval process already assigned to the appropriate NAIC bodies.
- Replace, override, or diminish the authority of E Committee, A Committee, or their subsidiary groups.
- Reassign, delay, or withdraw work already in active development unless authorized by the appropriate parent committee, the Executive Committee, or the officers.
- Review routine factor updates, recalibrations, corrections, model maintenance, or other technical matters that do not satisfy the elevation standard.
- Create an independent review requirement for every E Committee exposure or adoption.

Integration with Existing NAIC Processes

The steering function should operate through the existing charge, referral, and priority-setting structure:

1. Commissioners, parent committees, subsidiary groups, and NAIC staff identify potential priorities through the normal planning process.
2. The steering body applies the elevation standards, recommends relative priority and sequencing, and identifies cross-committee dependencies.
3. The appropriate parent committee adopts, modifies, or declines the proposed charge and assigns the technical work. Matters spanning letter committees proceed through coordinated or joint referrals approved by the relevant parent bodies.
4. The assigned technical group incorporates the matter into its work plan and retains responsibility for analysis, exposure, stakeholder engagement, and technical recommendations.
5. The matter returns to the steering body only at a checkpoint specified in the charge or when a new issue independently satisfies the elevation standard.
6. Final authority remains with the appropriate parent committee and the existing NAIC approval process.

This framework would allow the steering body to provide a consistent, organization-wide view of major solvency priorities while relying on the existing committees and technical groups to perform and approve the substantive work.

Option 1: Financial Policy Steering Committee

Under Option 1, the NAIC would establish a small commissioner-level Financial Policy Steering Committee outside the ordinary E Committee structure, likely reporting to or operating under the Executive Committee. Although the proposed title uses "Financial Policy," the charge would be limited to RBC and material cross-cutting solvency-policy issues that satisfy the elevation standard.

A possible seven- to nine-member Committee could include:

- The E Committee chair and vice chair;
- Commissioner representatives connected to Capital Adequacy, Invested Assets, Life Actuarial, Financial Analysis, and other relevant E Committee functions;
- An A Committee commissioner liaison when accounting, valuation, or related cross-letter coordination is material;
- Two or three at-large commissioners to provide broader membership perspective; and
- The President and President-Elect as members, ex officio members, or leadership liaisons.

Relevant technical chairs, NAIC staff, and invited subject-matter experts would participate as advisors. Formal membership and voting authority would remain commissioner-led.

This model would provide broader commissioner participation, continuity beyond changes in E Committee leadership, visible membership support for difficult technical work, and a natural forum for issues that span E Committee groups or letter committees. It would also place the governance function at a level capable of coordinating joint referrals without treating every matter as solely an E Committee issue.

Potential concerns include duplication, an additional procedural layer, and delay. Those risks should be addressed through the objective elevation standard, fixed checkpoints, a limited meeting schedule, written referrals through existing parent committees, and the express preservation of E Committee and A Committee authority. The Committee should meet at defined priority-setting and policy checkpoints rather than maintain a continuous supervisory presence over technical work.

Option 2: E Committee Solvency Steering Subcommittee or Formal Process

Under Option 2, the steering function would remain within E Committee through a formally charged Solvency Steering Subcommittee or a comparable written governance process.

Membership could generally mirror Option 1 but would be drawn primarily from E Committee leadership, relevant task force chairs, senior subject-matter expert regulators, and selected commissioners. Officers and at-large commissioners could participate periodically or receive scheduled reports.

This model would provide direct accountability to E Committee, close coordination with the groups performing the technical work, faster implementation, and less risk of duplicative meetings or referrals. It could function as a cabinet to E Committee while preserving technical development at the task force and working-group levels.

Potential concerns include insularity, dependence on current leadership relationships, less visible support from the broader membership, and a less direct mechanism for cross-letter coordination. Those risks could be addressed through at-large commissioner participation, an A Committee liaison, standardized referrals, periodic reporting to officers or the Executive Committee, and a formal review after an initial implementation period.

Issues for Exposure

The Columbus exposure should seek focused comment on:

- Organizational placement and reporting;
- Membership and officer participation;
- Materiality thresholds;
- Commissioner checkpoints and pre-exposure review;
- Transparency and regulator-only discussion;
- Safeguards against duplication and delay; and
- Whether the selected structure should be reviewed after an initial implementation period.

The comments should help refine the final structure and charge, while recognizing that the ultimate decision is an internal NAIC governance matter.

V. 2026 Meeting Plan and Decision Timeline

Columbus: Direction and Exposure

At the Columbus meeting, the Task Force should:

1. Acknowledge completion of the revised RBC Preamble and substantial completion of the educational materials.

2. Receive Amnon Levy's presentation and provide direction on a focused two-year RBC priority agenda.
3. Explain that feedback to date generally favors a Financial Policy Steering Committee while presenting both governance structures for consideration.
4. Review the common charge and the principal differences between the two options.
5. Authorize exposure of:
    - The proposed gap agenda;
    - The two governance options;
    - The common draft charge; and
    - Focused questions regarding placement, membership, scope, and operation.
6. Establish Dallas as the final recommendation and handoff meeting.

Between Columbus and Dallas: Comment and Refinement

During the interim period, Task Force leadership and NAIC staff should:

- Conduct a defined written comment period.
- Seek focused input from Task Force members, commissioners, E Committee leadership, technical chairs, NAIC staff, industry, consumer representatives, and interested parties.
- Refine the priority agenda, assignments, milestones, and commissioner checkpoints.
- Compare the governance options based on authority, accountability, commissioner engagement, efficiency, duplication risk, transparency, and staffing.
- Revise the common charge and prepare a concise recommendation identifying the preferred structure, membership, reporting relationship, thresholds, and implementation steps.
- Finalize the RBC educational and public messaging materials for distribution.

The interim work should refine the proposed choices rather than expand the Task Force's scope.

Dallas: Final Recommendation and Handoff

At Dallas, the Task Force should:

1. Approve the final two-year RBC priority agenda and refer it to E Committee.
2. Approve and distribute the RBC educational and public messaging materials.
3. Select and recommend:
    - A Financial Policy Steering Committee;
    - An E Committee Solvency Steering Subcommittee or formal process; or
    - A clearly defined hybrid or phased approach.
4. Approve the final charge, membership structure, reporting relationship, materiality thresholds, commissioner checkpoints, and implementation steps.
5. Refer the governance recommendation to the appropriate NAIC bodies for adoption.
6. Complete the handoff to E Committee and the Executive Committee.
7. Determine whether the Task Force should conclude its work at the end of 2026.

The Dallas outcome should be an actionable governance recommendation, not simply a preference between two concepts.

VI. Final Deliverables

The Task Force's remaining deliverables should be limited to four items:

1. **RBC Education and Public Messaging Materials**

Final materials explaining the purpose, benefits, and strengths of RBC and its role in the U.S. state-based solvency framework.

2. **Two-Year RBC Priority Agenda**

A focused list of approximately five to seven gaps or modernization projects, including rationale, assignment, timing, milestones, and commissioner checkpoints.

3. **Governance Recommendation and Charge**

A final recommendation identifying where commissioner-level steering should reside, together with a concise charge defining its role, authority, limitations, membership, reporting, and operating process.

4. **Final Handoff and Task Force Status Recommendation**

A clear handoff to E Committee and the Executive Committee, including confirmation that private credit and offshore reinsurance work will remain with the appropriate E Committee groups and a recommendation regarding whether the Task Force should sunset.

VII. Summary

The Task Force has completed the foundational work of revising the RBC Preamble, adopting the RBC Model Governance Principles, and substantially completing the RBC educational materials.

The remaining work should be disciplined and limited: finalize the educational campaign, approve a focused two-year RBC priority agenda, and recommend a durable commissioner-level governance structure.

Columbus should be used to present and expose the priority agenda and the two governance options. The period between Columbus and Dallas should be used to gather focused feedback and refine the recommendations. Dallas should be the decision point for final approval, handoff, and determination of the Task Force's future.

This approach preserves commissioner-level policy direction while allowing E Committee and its technical groups to perform the technical work. It also keeps important issues, including nonreciprocal-jurisdiction reinsurance risk, moving through the appropriate existing process without creating duplicative Task Force work.

BRIDGEWAY ANALYTICS

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

RBC-MoGo-TF

RBC gaps & inconsistencies

August 13, 2026

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

BRIDGEWAY ANALYTICS

Agenda

- Direction from the Chair and where things stand
- Proposed process for compiling the list of potential changes
- A reminder of significant current initiatives
- Identified gaps & inconsistencies – an initial list from the Drafting Group
- Areas warranting further study
- Items the Drafting Group did not prioritize at this time
- Appendix 1: Formative assessment of RBC gaps and materiality benchmarks to assess potential model risk
- Appendix 2: Trends in life holding

Direction from the Chair and where things stand

Direction: 5-7 NEW prioritized Gaps & Inconsistencies to be considered for adoption at the Dallas FNM

- Bridgeway to structure an initial list of 10-12 items with the Drafting Group for Columbus SNM
- Whittle the list down to 5-7 for Dallas FNM.
- Develop a narrative for the process that led to the prioritization and relate it to the Principles.

Where things stand: Gaps & Inconsistencies in RBC Components

- Request for comment on Gaps & Inconsistencies
- Bridgeway review of Life RBC investments

Where things stand: Model governance.

Bridgeway reviewed governance frameworks, including those used within the NAIC (e.g., GOES), by the Academy, the Federal Reserve, and other rulemaking bodies.

Bridgeway compiled formative governance standards related to the Principles, based on informal feedback from members of the Academy and industry stakeholders, including the ACLI, APCIA, NAMIC, RAA, and ACC.

Efforts on governance standards are currently on hold as regulators have expressed differing views on the form and depth of governance standards.

More direction is needed to move this forward.

Process for compiling the list of potential changes

- **Compile a list of ~20 candidate RBC components from comment letters, regulators, and Bridgeway.** Assess the following for each candidate RBC component (i.e., Model Risk):
  - Materiality and limitations in assessing solvency risk and the degree to which the practice is overseen elsewhere in the regulatory framework.
  - The effort associated with a review and possible update.
- **Engage iteratively with key stakeholders**
  - Meet with the Drafting Group to review the list, identify missing items, and whittle it to 10 – 12.
  - Informally engage with Industry stakeholders and members of the Academy to collect preliminary feedback.
  - Collect feedback from the Task Force.
- **Document process and develop a narrative for priorities in preparation for the Summer NM.**
- **If agreeable, the Task Force will request comments on the list of 10-12 items and supporting material.**
- **Collect feedback from commenters and whittle the list to 5-7 items for the Fall NM.**
  - This will involve a more comprehensive review of model risk and cost assessment.
  - Assessing the effort could involve engaging the Academy and other stakeholders.

The goal is to identify business practices, articulate their regulatory oversight, including RBC treatment and potential limitations, and provide a high-level assessment of materiality and effort to assess and possibly align the RBC component to inform prioritization.

The goal at this point is <u>NOT</u> to propose revisions.

Process: RBC Principles and assessing gaps & inconsistencies

Candidate RBC components will be assessed separately for Life, P&C, and Health along the following dimensions:

- **Assessing model risk** in the context of the broader solvency framework.
  - **Materiality**. Does the RBC component limit an assessment of solvency risk for an identifiable set of companies?
  - **Grounded in Statutory Accounting and reserving**. Does the RBC component align with Statutory Accounting and reserving practices?
  - **Emerging risks**. Is an emerging business practice or macroprudential risk becoming material to the point where the associated RBC components may limit an assessment of solvency for an identifiable segment of companies? (e.g., investment or reinsurance trends)
  - **Equal capital for equal risk**. Is the RBC component calibrated to a consistent statistical safety level and time horizon, and is it appropriate for the underlying risk? Does the RBC component reflect measurable risks that can impact solvency when including the mitigating effects of risk management?
- **Prioritization**. The effort is significant, and level-setting on the materiality of RBC gaps and inconsistencies across the disparate frameworks will be challenging and imprecise, but necessary. The Task Force will need to use regulatory judgment to prioritize changes, considering their necessity, materiality, time, and resource intensity, and other relevant considerations.

When designing the process for maintaining and updating RBC requirements, considerations should include: Model risk management standards that provide guidance on how initial RBC charges are set, the process for prioritizing RBC components for emerging asset classes and business practices, and the process for re-evaluating RBC charges.

BRIDGEWAY ANALYTICS

A reminder of current initiatives

Several significant long-term initiatives that regulators have prioritized:

- **Life RBC**
    - RBC Covariance (possibly related to the portfolio adjustment function (PAF)/size factor)
    - Structured Securities Project (with the Academy) (possibly related to the PAF/size factor)
        - Refinements to the CLO RBC C-1 factors, including possible differentiation of MM CLOs
    - RBC C-3 Harmonization & GOES (with the Academy and Conning)
    - Longevity risk (with LATF)
- **Property & Casualty RBC**
    - Climate-related catastrophe risks, including severe convective storms (SCS) and broader climate hazards.
    - R-4 (Reserve Risk) & R-5 (Premium Risk) Loss/Premium Concentration Factors
- **Health RBC**
    - H-2 Underwriting risk charge (with the Academy), managed care credit
    - Stop loss assessment
    - Long-term care assessment

Gaps & inconsistencies: RBC components initial list (1 of 2)

RBC Component (in no particular order)	Description (see Appendix for details)	Materiality benchmark (2025) (see Appendix for details)	Effort
Life reinsurance transactions	While RBC includes a reserve credit and recoverables charge, they are coarse. In addition, the use of arrangements in non-Reciprocal jurisdictions has grown. Thus, the need to assess risks and RBC treatment.	Reserve credit and ModCo has reached ~$2.85 trillion, with ~$135 billion for non-Reciprocal jurisdictions.	Significant
P&C reinsurance transactions	While RBC includes counterparty recoverables charge, by credit quality and collateral, arrangements in non-Reciprocal jurisdictions and nontraditional reinsurance have grown. Thus, the need to assess risks and RBC treatment.	Ceded reserves to non-Reciprocal jurisdictions reached $42 billion in 2025.	Significant
Life residential mortgage loans	Residential mortgages can range from a few hundred thousand to a several hundred million dollar townhouse development that can face significant differences in their risk characteristics. An assessment of whether the current 68 bps charge (~A-rated corporate bond), which was not empirical-based, accurately reflects the risks is needed.	Residential mortgages reached ~$150 billion, exhibiting significant growth, over 30% in 2025. In 2018, holdings were $18 billion.	Moderate
RMBS and CMBS	1. RMBS & CMBS Intrinsic Price (IP) Designations have characteristics that deviate significantly from agency ratings, including having a maturity effect. 2. An assessment of whether corporate C-1 bond factors are appropriate for Life RMBS and CMBS RBC is needed, with considerations for their unique structural features.	1. IP Designations are estimated to result in A2-rated 5-year tranche receiving over 40 times the capital of A2-rated 1-year tranche. 2. CMBS at $148 billion and RMBS at $133 billion (9th- and 10th-life asset classes)	1. Moderate 2. Significant
Life RBC Covariance, including the treatment across asset classes, and the portfolio adjustment factor	Life RBC Covariance assumptions are coarse, generally set at 100% or 0%, which clearly don't reflect reality. Furthermore, the current simplistic structure does not lend itself to recognizing diversification or concentration risks across the broad set of assets that face disparate risks (e.g., corporate, municipal, and consumer backed securitizations). An assessment of the RBC Covariance structure (e.g., cross asset class) and parameters is needed.	A hypothetical insurer with 3% of its portfolio invested in common stock would have its RBC drop from 446% to 384% if, say, common stock-bond correlations of 50% were used, as is the case with Solvency II.	Significant

BRIDGEWAY ANALYTICS

Gaps & inconsistencies: RBC components initial list (2 of 2)

RBC component (in no particular order)	Description (see Appendix for details)	Materiality benchmark (20025) (see Appendix for details)	Effort
P&C Rcat correlation	Correlations among hurricane, wildfire, and severe convective storm risks to be assessed and update the Rcat calculation formula accordingly.	SCS exposures have grown materially, from \$19 billion in 2019 to \$47 billion in 2024.	Significant
H-2 Underwriting Risk	Underwriting risk factors need to be assessed and updated, including diversification credit, stop-loss, LTC, and managed care credit.	Direct incurred claims + change in contract reserves = \$1.278 trillion • Stop-loss = \$34.2 billion • LTC = \$23.3 billion • Managed care credit proxy = \$1.03 trillion	Significant
Life principle-based capital (RBC C-3)	While the current focus on revising C-3 has been on fixed and variable annuities, and life products that are single-premium, there hasn't been a recent significant effort to align RBC C-3 calibration for life products that are not single-premium. Life recurring-premium and other products are subject to static factors, which should be modernized and principle-based.	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.	Significant
Life RBC factor-Designation grid mismatch	Schedule D-1 bonds use the granular 20-class C-1 grid. Schedule BA fixed-income is charged the *coarse pre-2021 6-class* grid and the 2021 PAF, which should be assessed for possible update.	Most Schedule BA Designations 1 (\$27 billion) and 2 (\$11 billion) receive a lower RBC charge, which can be less than 50% if reported on Schedule D-1.	Moderate
Life investment valuation-basis mismatch	Applying bond and mortgage factors to Schedule BA debt may not be appropriate, which needs reviewing, given mismatched valuation. For example, Schedule B mortgages, generally measured at amortized cost, while Schedule BA funds are measured under U.S. GAAP equity method.	The carrying value of Schedule BA commercial mortgages, for example, is \$32 billion, 32% of which are valued below cost, with an average markdown of -20%.	Moderate

BRIDGEWAY ANALYTICS

Gaps & inconsistencies: Model governance

While detailed direction has not been provided on model governance, the proposed process for identifying and prioritizing gaps & inconsistencies does follow the spirit of the formative *RBC Model Risk Management Guidelines* that Bridgeway compiled and reviewed with industry stakeholders.

The Drafting Group acknowledged the benefits of formalizing coordination across the various Task Forces and Working Groups.

The Drafting Group explored questions related to governance in almost every session, keeping in mind notable points from commenters:

- The question of how RBC charges are set and whether there is a better assignment – examples that were discussed:
  - Life investment valuation-basis mismatch that was included on the list, where, for example, CM factors from Schedule B are applied to Schedule BA mortgage funds.
  - ‘Other’ categories may be too broad, such as JV, LLC, LP – Other, or Other Financial-Backed ABS Self-Liquid with Other Collateral ($41 and $125 billion life holdings in 2025, respectively), given the differentiated risks.
- Whether the prioritization process is sound, and whether a more formal process is needed for new asset classes to receive dedicated capital charges?
- What process should be followed when assessing whether RBC charges need re-evaluation?

Additional discussion is needed to assess how the processes should be structured.

BRIDGEWAY ANALYTICS

Areas warranting further study

1. **Operational risk charge**. The operational charge (3% x RBC before the operational charge) is not based on an empirical study. The Drafting Group agreed that both qualitative and quantitative assessments of the risks were needed and that the concept needed to be better defined. However, the Drafting Group acknowledged significant challenges, including a possible costly data collection effort. While it was worth conducting a literature review to assess whether there are recent studies on the matter, the Drafting Group concluded the risk was not obviously material. 2025 RBC operational risk totals: (a) ~$0.6 billion (net of C-4a) for Life RBC, (b) ~$14 billion for P&C RBC, and (c) ~$2.7 billion for Health RBC. The effort is expected to be significant.

2. **RBC outliers**. An analysis of companies with high RBC ratios, breaking down how they allocate total available capital and the authorized control-level RBC, could identify some RBC gaps. The effort is expected to be moderate.

BRIDGEWAY ANALYTICS

Items the Drafting Group did not prioritize at this time (1 of 2)

- **Health reinsurance.** The Drafting Group did not view health reinsurance as a material or emerging risk, although recent growth suggests it warrants monitoring. In 2025, incurred claims + change in contract reserves = $1.3 trillion, with reinsurance recoverables at under $30 billion.
- **Limitations with the Health RBC formula**. RRC's comment letter included several limitations with the Health RBC formula (Attachment Three). While the Drafting Group did not disagree with the list, there was no accompanying assessment of materiality, nor was there an immediate way for the Drafting Group to assess materiality. As with other items, stakeholders advocating for prioritizing updates to the RBC formula should provide a materiality assessment.
- **Significant variation in the calibration of Life RBC investment components**. Athene's comment letter (Attachment Three) highlighted significant variation in model calibration across bonds, commercial mortgages, residential mortgages, real estate, common stock, and other asset classes, including the risk horizon, statistical safety level, Statutory Accounting, discounting, reinvestment, and other modeling features. For example, commercial real estate mortgage CM factors were estimated at a 92% VaR, while the C-1 bond factors were estimated at a 96% VaR. *2021 Revisions to the RBC C-1 Bond Factors.pdf* demonstrates the difference can be significant, with C-1 VaR 96% factors ~40% – 80% higher than VaR 92%. While the Drafting Group acknowledged the variation in calibrations, regulators pointed to deliberate decisions (such as those involving different time horizons) to deviate from benchmarks (e.g., VaR 96) and noted that such deviations alone were insufficient to justify prioritizing updates to those components. As with other items, stakeholders advocating to prioritize an update to the RBC formula should provide an assessment of materiality.

Items the Drafting Group did not prioritize at this time (2 of 2)

- **Life policyholder behavior risk**. RRC advocated for the modeling of behavioral risk. While the Drafting Group did not disagree with RRC that behavior risk was important, embarking on the effort was viewed as too significant in the context of the other priorities.
- **Business practices, including concentrated investment strategies for an identifiable segment of companies**. Several business practices were identified for segments of the industry that the Drafting Group felt were better addressed elsewhere in the framework or were sufficiently narrow that they could be addressed by a state insurance department rather than by utilizing limited RBC resources.
- **P&C, Lines subject to tail risk (e.g., Personal Injury Protection or mass tort), smaller companies increased underwriting risk, and cat risk adjustment does not address all perils (e.g., Severe Convective Storms)**. RRC raised several limitations with the P&C formula, many of which the Drafting Group felt may be legitimate candidate items but required more details and an assessment of materiality.

Appendices

Appendix 1. Formative assessment of RBC gaps and materiality benchmarks to assess potential model risk

A. Reinsurance
    A. Life
    B. P&C
    C. Health
B. Life residential mortgage loans
C. RMBS and CMBS
    A. IP Designations
    B. Life RMBS and CMBS RBC
D. Life RBC Covariance across asset classes and the PAF/size factor
E. P&C Rcat correlation
F. H-2 Underwriting Risk
G. Life principle-based capital (RBC C-3)
H. Life RBC factor-Designation grid mismatch
I. Life investment valuation-basis mismatch
J. Warrants further assessment - operational risk

Appendix 2. Trends in life holdings

Appendix I.A.Reinsurance

A. Life
B. P&C
C. Health

Appendix 1.A. Life reinsurance transactions

Reinsurance oversight is extensive, with multiple layers of the existing solvency framework. Statutory reserve credit falls under Statutory Accounting requirements and the *Credit for Reinsurance Model Law (#785),* which establishes the authorized, accredited, certified, and reciprocal jurisdiction frameworks, as well as collateral requirements for unauthorized reinsurers. Credit for reinsurance is reflected in Statutory Accounting through *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*, which establishes the accounting for reinsurance, including the recognition of reserve credit. For life insurers, reserve valuation and reinsurance are also subject to the Valuation Manual, including principle-based reserve requirements where applicable. Regulators routinely assess reinsurer solvency through statutory financial reporting, financial examinations, group supervision under the Insurance Holding Company System Regulatory Act (Model #440), Own Risk and Solvency Assessment (ORSA) requirements under the Risk Management and Own Risk and Solvency Assessment Model Act (Model #505), the Group Capital Calculation (GCC), and other supervisory tools.

RBC treatment. A pretax RBC counterparty charge of 0.78% generally applies to ceded reinsurance balances, including recoverables on paid and unpaid life and A&H losses, A&H unearned premiums and other reserve credits, and life reserve credit. The formula subsequently provides 0.78% offsets for qualifying amounts, including certain affiliated reinsurance, funds-withheld balances, and qualifying trust-supported or otherwise re-established reserves. Thus, these items are more precisely characterized as offsets to the initial gross charge, rather than exclusions from the gross calculation. Modified coinsurance and funds-withheld arrangements also receive separate risk-transfer treatment elsewhere in the Life RBC formula. Where applicable, qualifying Workers' Compensation Carve-Out recoverables are subject to a separate additional 6% charge. Note that 2025 life recoverables ($74 billion) were small relative to the ~$2.85 trillion of ceded reserve credit + ModCo; life claims settle quickly.

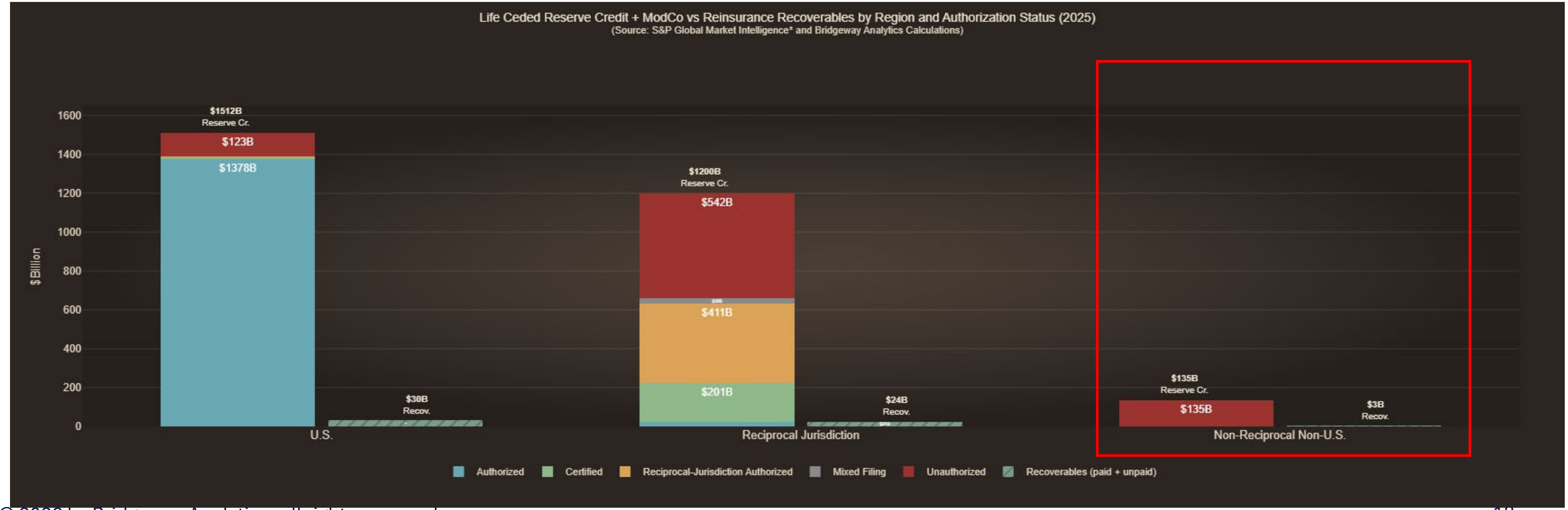
Appendix 1.A. Life reinsurance transactions - summary

Potential RBC gaps.

- **The risk of a cedent needing to recapitalize Capital & Surplus in the event a reinsurer from a non-Reciprocal jurisdiction fails** (see E-Committee memo to Life RBC Working Group – Attachment Fourteen)**.** Reinsurance transactions can reduce the ceding company's underwriting capital requirements through reserve credit. If an unauthorized reinsurer were to fail, recapture would include available collateral. While RBC captures counterparty risk to reserve credit, the current framework may not fully differentiate transactions with similar collateral but materially different capital resources available to the cedent, who may have deployed the surplus relief associated with the transaction. In addition, regulators may have less transparency into the capital resources (including surplus) available to absorb losses beyond the collateral supporting reinsured reserves for non-NAIC-filing reinsurers.
- **RBC reinsurance charges are coarse.** Unlike P&C, which differentiates RBC by the credit quality of the reinsurer and the collateral, there is a single Life RBC reinsurance counterparty charge.
- **Affiliated transactions are often exempt,** which, in many cases, is difficult to justify, as discussed in the *2012 Spring NM Proceedings, Volume 2, Part 2*.

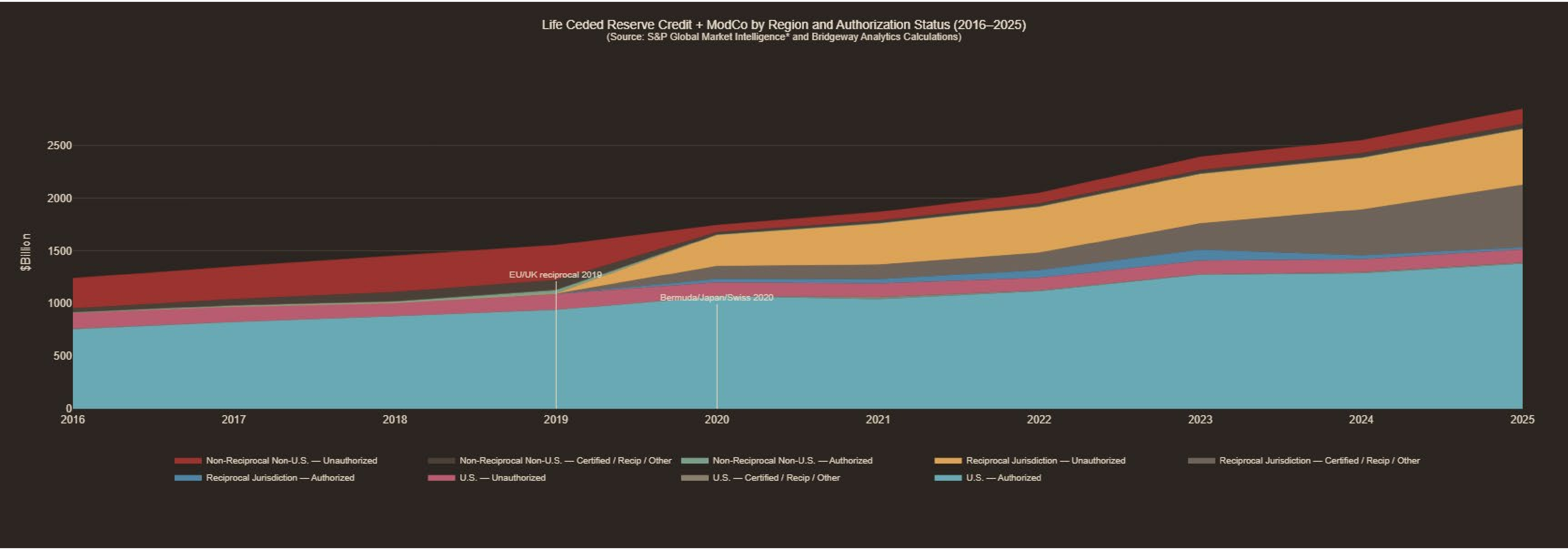
Appendix 1.A.A. Life reinsurance transactions

Materiality benchmark to assess potential model risk. Life reserve credit and ModCo to non-reciprocal reinsurers were $135 billion in 2025. While 100% collateral for reserve credit is required for transactions with unauthorized reinsurers, potential concerns have been flagged regarding whether the framework accounts for the risk that a cedent may need to recapitalize Capital & Surplus if a reinsurer from a non-Reciprocal jurisdiction fails. Reinsurance recoverables, which Life RBC captures, sit at $3 billion; they don't play a significant role for life companies as they do for P&C or health.



Appendix 1.A.A. Life reinsurance transactions

Materiality benchmark to assess potential model risk. The growth in life transactions with non-Reciprocal jurisdictions has been notable.



Appendix 1.A. Life reinsurance transactions - summary

Key points from discussions and commenters

- The effort is expected to be significant
- AG LV was recently introduced. While formative and quantitative elements are limited to reserves (i.e., the total assets supporting the transaction are not analyzed quantitatively), it does provide regulators a tool to explore the overall transaction.
- Risk factors for group life insurance were discussed. The factors apply to in-force Face Amount of Insurance, with affiliated and unaffiliated reinsurance of the practice in the trillions. The structures generally use YRT with provisions for Loss Carryforward and Experience Refunds.
- Areas of potential concern that were discussed included retrocessions, captive and offshore transactions, particularly to unauthorized reinsurers and to non-Reciprocal jurisdictions.

BRIDGEWAY ANALYTICS

Appendix 1.A.B. P&C reinsurance transactions

Reinsurance oversight is extensive, with multiple layers of the existing solvency framework. Statutory reserve credit is falls under Statutory Accounting requirements and the Credit for Reinsurance Model Law (#785), which establishes the authorized, certified, and reciprocal jurisdiction frameworks, as well as collateral requirements for unauthorized reinsurers. Credit for reinsurance is reflected in Statutory Accounting through *SSAP No. 62R—Property & Casualty Reinsurance*, which establishes the accounting for ceded and assumed reinsurance and the conditions for recognizing statutory credit. Regulators routinely assess reinsurer solvency through statutory financial reporting, financial examinations, group supervision under the *Insurance Holding Company System Regulatory Act (Model #440), the Group Capital Calculation (GCC),* and enterprise risk assessments through the Risk Management and *Own Risk and Solvency Assessment (ORSA) Model Act (Model #505)*.

RBC treatment. P&C RBC R-3 rating- and collateral-sensitive reinsurance recoverables charge reflects the ceding insurer's exposure to amounts due from reinsurers, including recoverables associated with loss reserves and unearned premium (Ceded reserve credit = Ceded Recoverables − Reins Recoverables on Paid Losses and LAE). The recoverable, net of any applicable reinsurance penalty, is first stressed to 120%. Reinsurance payable and funds held are deducted, and the stressed net recoverable is divided between collateralized and uncollateralized. Collateralized factors range from 1.6% to 3.0%, and uncollateralized factors range from 1.6% to 12.0%. State-mandated involuntary pools and associations, federal insurance programs, and U.S. parents, subsidiaries, and affiliates are exempt. Recoverables from alien affiliates are not exempt. Funds held are offset against the stressed recoverable, while letters of credit and trust assets generally move balances into the lower collateralized-factor treatment.

Appendix 1.A.B. P&C reinsurance transactions

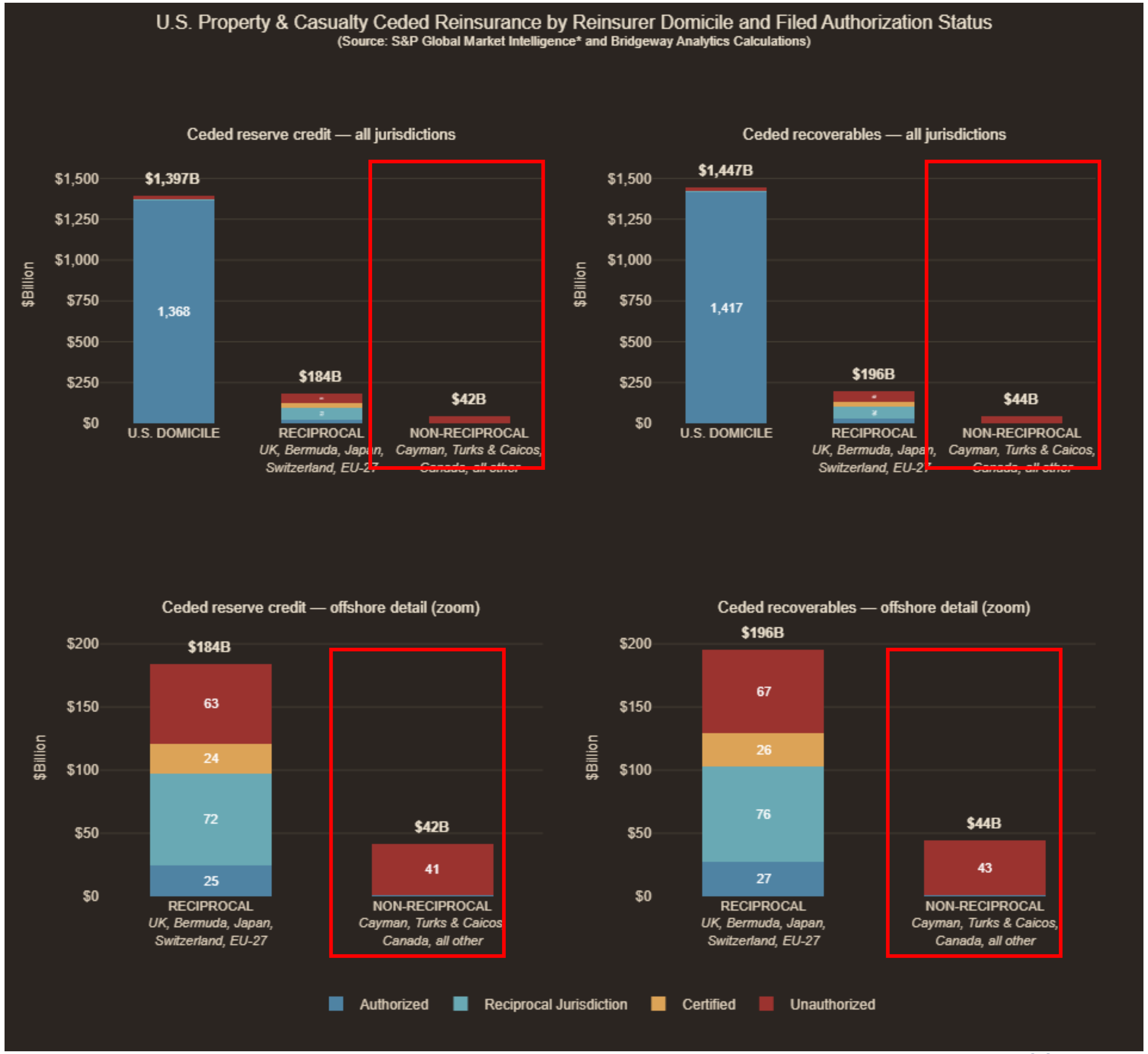
Materiality benchmark to assess potential model risk.

- **The risk of a cedent needing to recapitalize Capital & Surplus in the event a reinsurer from a non-Reciprocal jurisdiction fails** (see E-Committee memo to Life RBC Working Group – Attachment Fourteen)**.** A reinsurance transaction can lead to a reserve credit and reduce the ceding company's underwriting RBC requirements. Lower RBC requirements often allow companies to redeploy Capital & Surplus. In the event the reinsurer fails, the cedent would first look to available collateral for the reserve credit, required for unauthorized reinsurers, and then to the reinsurer's liquidation estate for any remaining amounts due. While RBC captures counterparty recoverables risk, the current framework does not account for the risk of facing additional RBC requirements and thus needing to source additional Capital & Surplus upon reassuming the business when the reinsured business is significant. The overall transaction is transparent to regulators for NAIC-filing reinsurers, but much less so for transactions involving non-Reciprocal jurisdictions. Surplus (or TAC) of P&C insurers is often in the same order as reserves, leaving regulators with limited visibility into a significant portion of the transaction. Ceded reserves to non-Reciprocal jurisdictions reached $42 billion in 2025.
- **Affiliated transactions are often exempt,** which, in many cases, is difficult to justify, as discussed in the *2012 Spring NM Proceedings, Volume 2, Part 2*.

Appendix 1.A.B. P&C reinsurance transactions

Materiality benchmark to assess potential model risk.

- P&C reserve credit to non-reciprocal reinsurers reached $42 billion in 2025. While 100% collateral for reserve credit is required for transactions with unauthorized reinsurers, potential concerns have been flagged regarding whether the framework accounts for the risk that a cedent may need to recapitalize Capital & Surplus if a reinsurer from a non-Reciprocal jurisdiction fails. Reinsurance recoverables are included for reference, as they are used to determine the RBC counterparty risk charge.
- Further exploration is needed to identify the composition of business practices, their risks, and their respective regulatory safeguards.

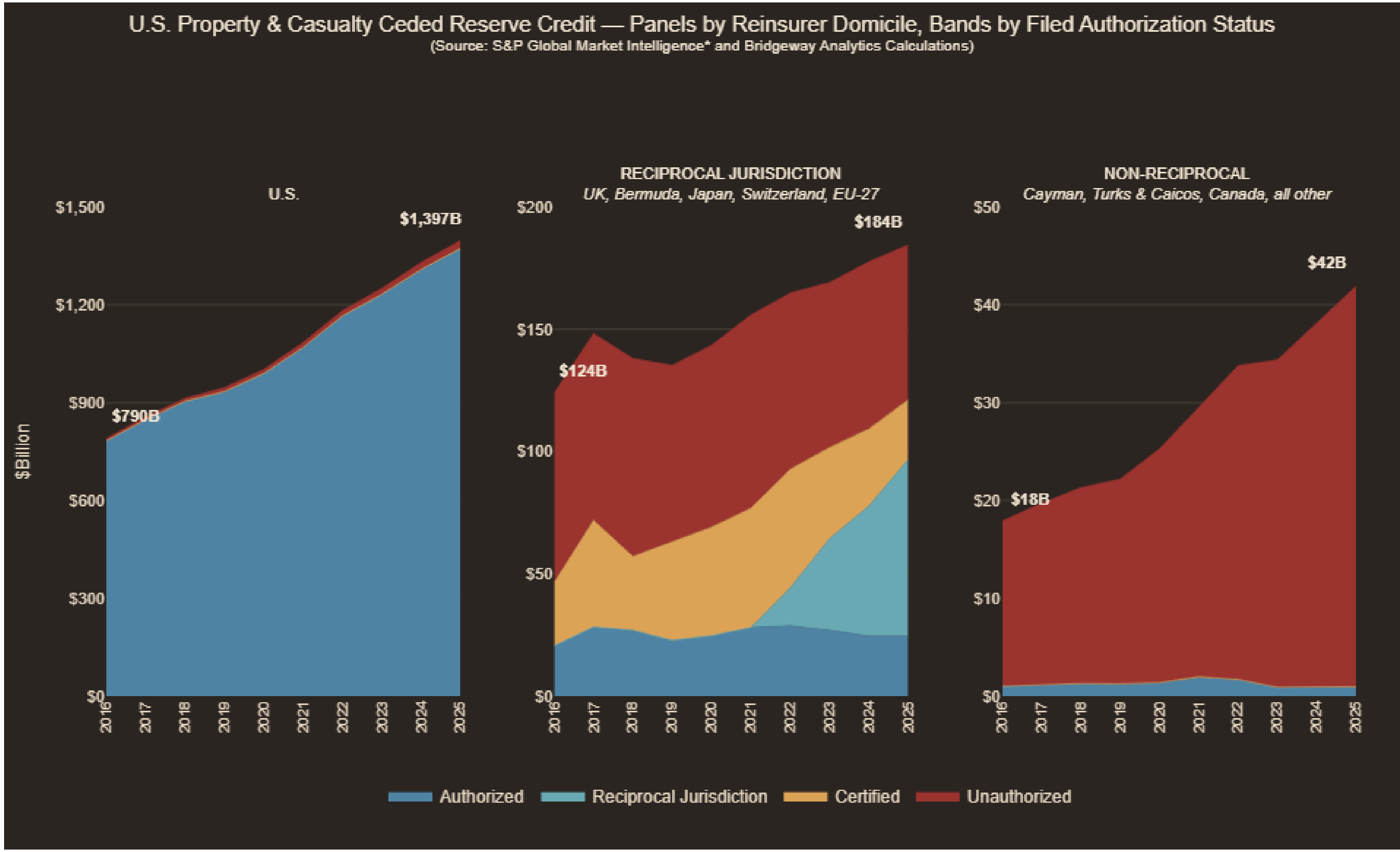


Appendix 1.A.B. P&C reinsurance transactions

Materiality benchmark to assess potential model risk. In 2025, reinsurance reserve credit to non-Reciprocal jurisdictions reached $42 billion. The growth since 2016 has been over 100%.

Note:

- Ceded recoverables are measured from P&C Schedule F Col 15
- Ceded reserve credit = Ceded Recoverables − Reins Recov on Paid Losses and LAE = Unpaid Loss & LAE + UPR + Contingent Commissions



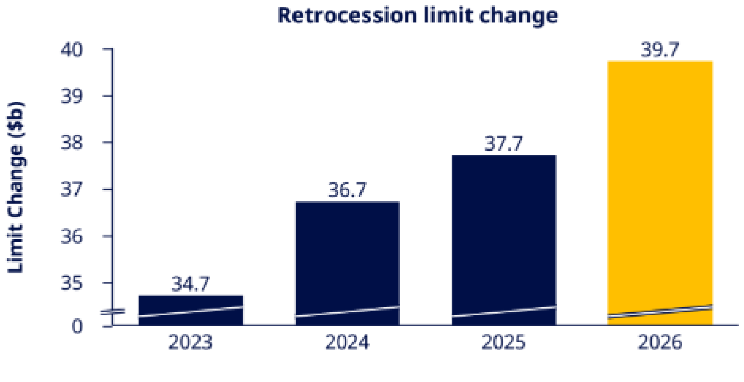
Appendix 1.A.B. P&C reinsurance transactions

Materiality benchmark to assess potential model risk. Retrocession data for non-Reciprocal jurisdictions, which is a potentially concerning practice, is not readily available. Additional assessment of the types of transactions, the associated risks, and their respective regulatory safeguards is needed.

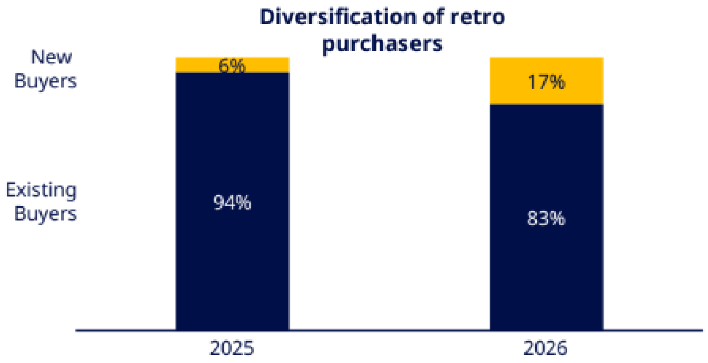
Increased Demand for Property Retrocession

As the market softens, demand for property retro has increased, driven by a greater number of new buyers, with existing buyers also expanding their placements. There has been particular demand for aggregate covers, which, in most cases, was met by existing markets together with some new entrants. Additional purchasing utilized most of the capacity available at the mid-year, from both traditional and ILS sellers.

Mid-year retro placements renewed in a smooth and timely fashion. With client and market expectations drawing closer post January 1, the delta between quotes and firm orders has narrowed. Pricing remains in line with January 1 renewal, with non-loss-impacted placements experiencing risk-adjusted rate changes between -10% and -20%.



Limit change includes Retro UNL, Retro Cat Bond, Cat on D&F & ILWs



Source: Guy Carpenter July 2026 Reinsurance Renewal Report July 12, 2025

Appendix 1.A.B. P&C reinsurance transactions

Materiality benchmark to assess potential model risk. ILS transactions come in many forms and are often structured with collateral covering the contractual loss limit. Additional assessment of the types of transactions, including sidecar structures, the associated risks, and their respective regulatory safeguards, is needed.

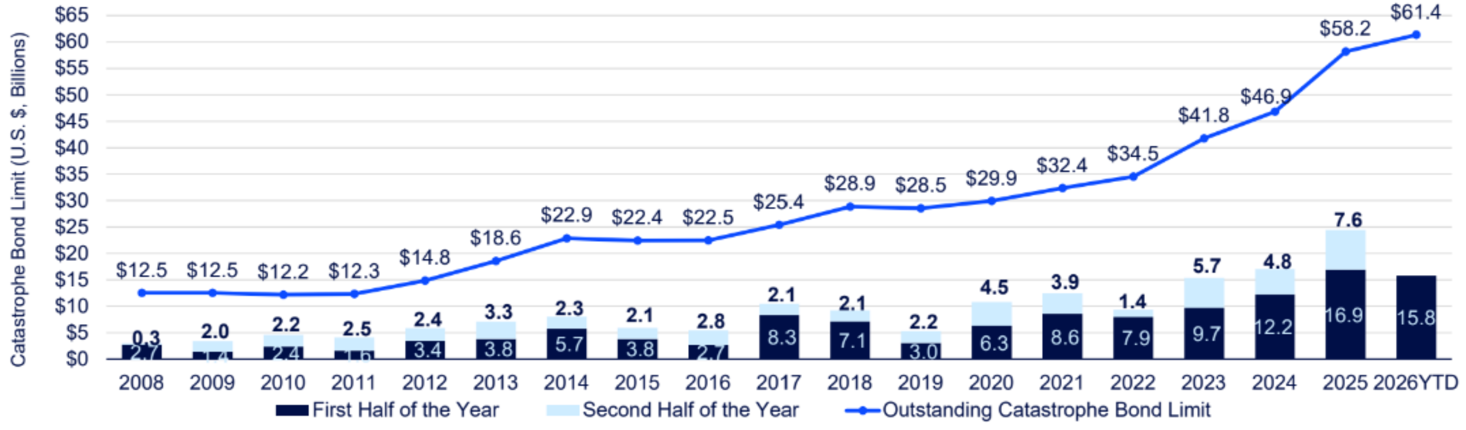
ILS: Catastrophe Bonds

Stable activity

After an exceptional 2025, the catastrophe bond market has remained active in 2026. **60** deals from **58** unique sponsors closed in 1H 2026 totaling **US$15.8 billion** in limit. Total outstanding catastrophe-bond notional capacity rose to an all-time high above **US$61 billion**, underscoring continued sponsor demand and investor capacity.

Guy Carpenter Securities

GC Securities has had an active year with 20 different 144A cat bonds, amounting to over US$5.3 billion in total limit, representing 34% of the overall limit.



GUY CARPENTER
A MARSH BUSINESS

Source: GC Securities July 2026 Reinsurance Renewal 10

Source: *Guy Carpenter July 2026 Reinsurance Renewal Report* July 12, 2025

Appendix 1.A.B. P&C reinsurance transactions

<u>Key points from discussions and commenters</u>

- The effort is expected to be significant
- Areas of potential concern that were discussed included retrocessions, captive, offshore transactions, non-traditional arrangements, and surplus lines, particularly transactions with non-Reciprocal jurisdictions.
- Loss-sensitive swing-rated excess-of-loss reinsurance arrangements were explored. Loss-sensitive swing-rated excess-of-loss reinsurance arrangements, especially with captives and RRGs, that seem to improperly result in favorable cedent RBC. Notably, arrangements with large swings between the minimum and maximum rate, caps on the ceded losses, and multi-year (typically 3-year) evaluation periods for such caps and minimum rates. While these arrangements technically transfer underwriting risk, the risk that is transferred is so far out in the tail that scenarios producing a reinsurer deficit would have resulted in the cedent's insolvency. Loss conversion factors attached to the ceded losses essentially function as a fee for the arrangement, resulting in much more favorable RBC and a greater likelihood of insolvency.
- Some P&C industry stakeholders felt that many non-Reciprocal transactions were not a material concern. Rather, the focus should be on lightly capitalized primary insurers whose business models are highly dependent on a single third-party reinsurer, particularly when that reinsurer is in a non-Reciprocal jurisdiction. They pointed out that, in the case of concern, if a reinsurer were to become insolvent, the cedent could be required to reassume the business and, despite fully collateralized reserves, may have limited stand-alone capital to support those liabilities after having previously recognized the capital benefits associated with the transferred risk. The Drafting Group felt that at this formative stage, a better understanding of various considerations is needed before restricting the scope.

BRIDGEWAY ANALYTICS

Appendix 1.A.C. Health RBC reinsurance transactions

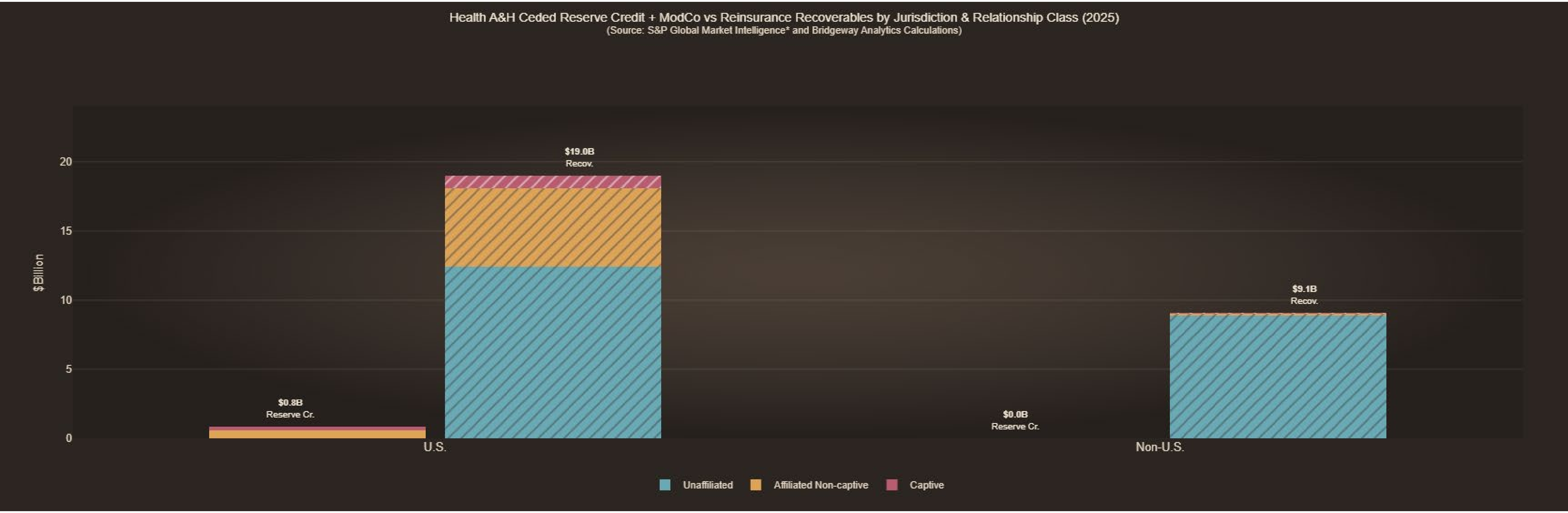
RBC treatment. A counterparty charge of 0.5% applies to reinsurance recoverables on paid and unpaid losses, unearned premiums, and other reserve credits. Reinsurance with a wholly owned subsidiary is exempt because affiliate risk is addressed elsewhere in the Health RBC formula. Other affiliated and non-affiliated reinsurance is subject to the 0.5% charge. Unlike the Life RBC formula, the Health RBC instructions do not provide separate exemptions for FWH, ModCo, or trust-supported reinsurance. Health recoverables, at just under $30 billion, dwarf the reserve credit $1.2 billion; the ceded economic risks are captured in claims, not reserves.

Potential RBC gaps (there are other limitations to oversight outside RBC)

- **The risk of a cedent requiring capital resources in the event of a reinsurer failure.** Reinsurance transactions can reduce the ceding company's underwriting capital requirements through reserve credit. If an unauthorized reinsurer were to fail, the cedent would look first to available collateral and then to the reinsurer's liquidation estate for any remaining amounts due. While RBC captures counterparty recoverability risk, the current framework may not fully differentiate transactions with similar collateral but materially different capital resources available to the cedent, who may need to support the policy block in the event of a reinsurer failure. In addition, regulators may have less transparency into the capital resources (including surplus) available to absorb losses beyond the collateral supporting the reinsured reserves for transactions outside the NAIC framework.
- The exemption for reinsurance with a wholly owned subsidiary is supported by a look-through rationale: the health insurer’s ownership of the subsidiary results in an affiliate-risk charge elsewhere in the formula. Importantly, the exemption does not extend to other affiliates, such as a parent or sister company.

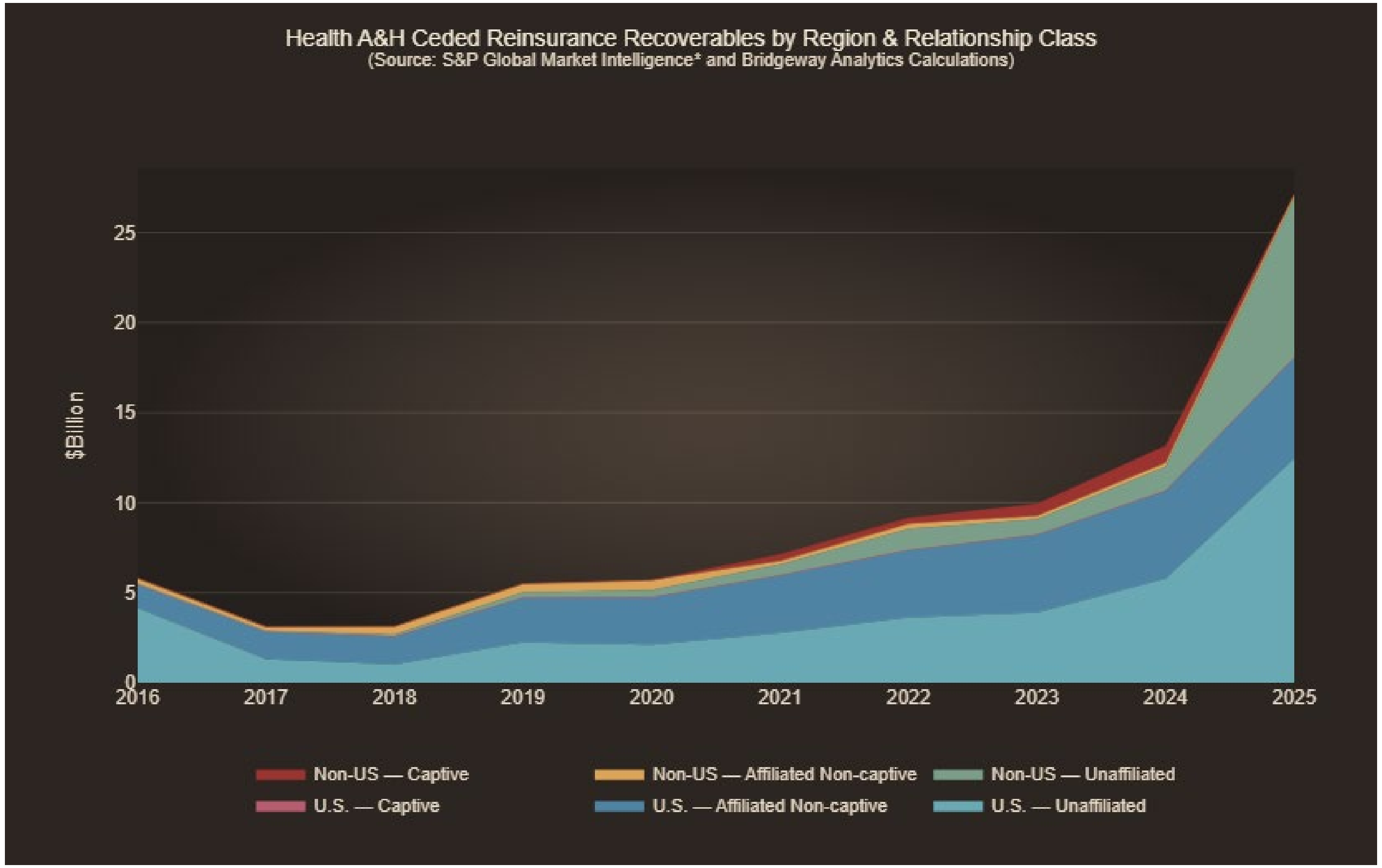
Appendix 1.A.C. Health reinsurance transactions - summary

Materiality benchmark to assess potential model risk. Health reinsurance was not viewed as a material or emerging risk, although recent growth suggests it warrants monitoring. In 2025, incurred claims + change in contract reserves = $1.3 trillion, with reinsurance recoverables at under $30 billion.



Appendix 1.A.C. Health reinsurance transactions

Materiality benchmark to assess potential model risk. Health reinsurance was not viewed as a material or emerging risk, although recent growth suggests it warrants monitoring. In 2025, incurred claims + change in contract reserves = $1.3 trillion, with reinsurance recoverables at under $30 billion.

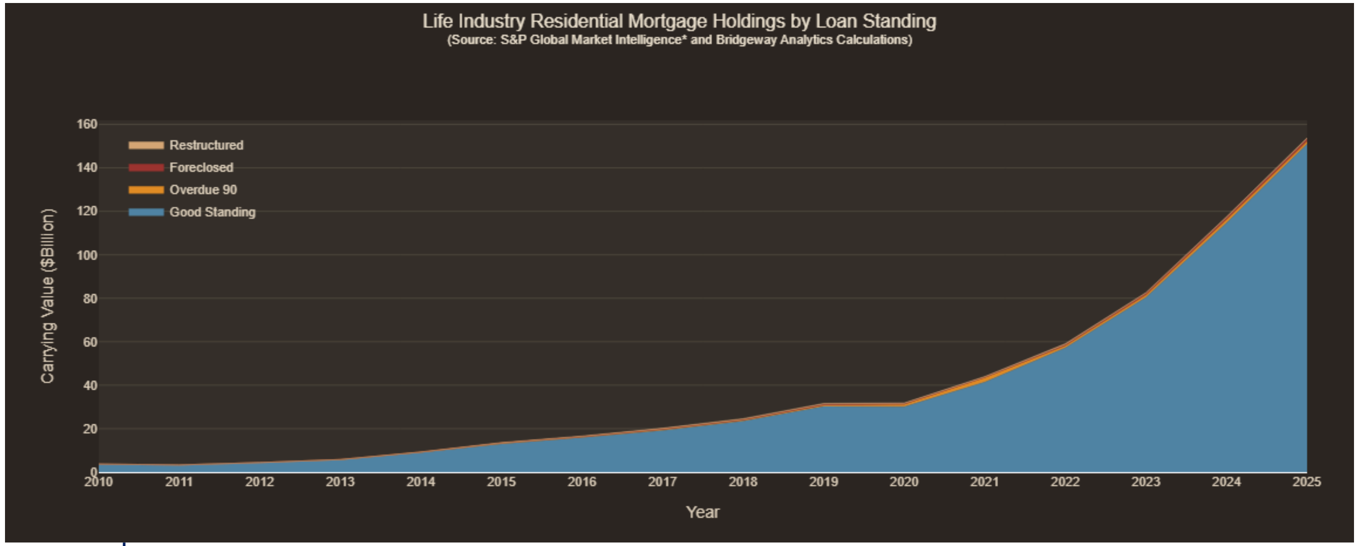


Appendix 1.C. Life RBC for residential real estate mortgages

Potential RBC gaps. The current charge of 68 bps (~A-rated corporate bond) is not empirically supported and was set when the asset class was inconsequential. Regulators viewed this component as needing to be assessed and possibly updated due to its materiality, non-alignment with STAT and reserving, and its emerging risk. The effort is expected to be moderate. Additional considerations discussed:

- Aligning the treatment of RMBS with that of directly held residential real estate may be considered.
- Applying RBC charges of residential mortgage under Schedule B to mortgage funds under Schedule BA (recently introduced and not material) may be assessed, given differences in STAT.

Materiality benchmark to assess potential model risk. Residential mortgages are now material (~$150 billion) and growing (over 30% in 2025) with significant variation in their risk characteristics, ranging from a few hundred thousand to several hundred million-dollar townhouse developments, related to a recent SAPWG referral.



Appendix 1.D. RMBS and CMBS

A. RMBS & CMBS Intrinsic Price (IP) Designations
B. Life RBC for RMBS and CMBS

Appendix 1.D.A. RMBS & CMBS Intrinsic Price (IP) Designations

Potential RBC gap. RMBS & CMBS Intrinsic Price (IP) Designations are not maturity-agnostic, unlike rating-based Designations, resulting in RBC sensitivity to tenor. The effect can be significant; by one approximation an A2-Moody's rated 5-year tranche would receive over 40 times the capital as an A2-Moody's 1-year tranche (see *The Implications of CLO Intrinsic Price Designations for Investment Strategies & Capital Markets*).

Materiality benchmark to assess potential model risk. The asset classes are material for life companies; CMBS at $148.26 billion and RMBS at $132.98 billion represent the 9th- and 10th-largest life asset classes, with RMBS for life growing significantly, over 13% in 2025. For context, CLOs were $260 billion in 2025. The effort is expected to be moderate. This item requires coordination with IA-TF.

Appendix 1.D.B. Life RBC for RMBS and CMBS

Life RBC for RMBS.

- **Potential RBC gap.**
  - Charges are based on C-1 bond factors, which have been argued to be inappropriate for structured assets, whose portfolios may exhibit very different tail risks, as was found to be the case with CLOs.
  - Aligning the treatment of RMBS with that of directly held residential mortgages may be considered, although it is worth noting that the two underlying mortgage loan markets may not align given differences in the definition of residential mortgages.
- **Materiality benchmark to assess potential model risk.** The asset class is material for life companies ($132.98 billion) and is growing significantly (over 13% in 2025), making it the 10th-largest life asset class. The effort is expected to be moderate.

Life RBC for CMBS.

- **Potential RBC gap.** Charges are based on C-1 bond factors, which have been argued to be inappropriate for structured assets, whose portfolios may exhibit very different tail risks, as was found to be the case with CLOs.
- **Materiality benchmark to assess potential model risk.** The asset class is material for life companies ($148.26 billion), representing the 9th-largest life asset class. The effort is expected to be moderate.

Appendix 1.E. Life RBC Covariance, including the treatment across asset classes, and the portfolio adjustment factor

Potential RBC gaps.

- **Life RBC Covariance**. 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.
- **PAF**. Life bond RBC includes a PAF that 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 asymptote 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*.

Appendix 1.E. RBC covariance, and the PAF

Materiality benchmark to assess potential model risk.

- **Covariance.** A recent Guggenheim study provides a point of reference for 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%. 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.

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.

Investment Risk Correlation Assumptions Under Current RBC Model

Correlation Matrix	Fixed Income	Interest Rate	Equity	Insurance
Fixed Income	100%			
Interest Rate	100%	100%		
Equity	0%	0%	100%	
Insurance	0%	0%	0%	100%

- **PAF**. Life bond RBC includes a PAF that 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 asymptote 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*.

Appendix 1.F. P&C RCat correlations

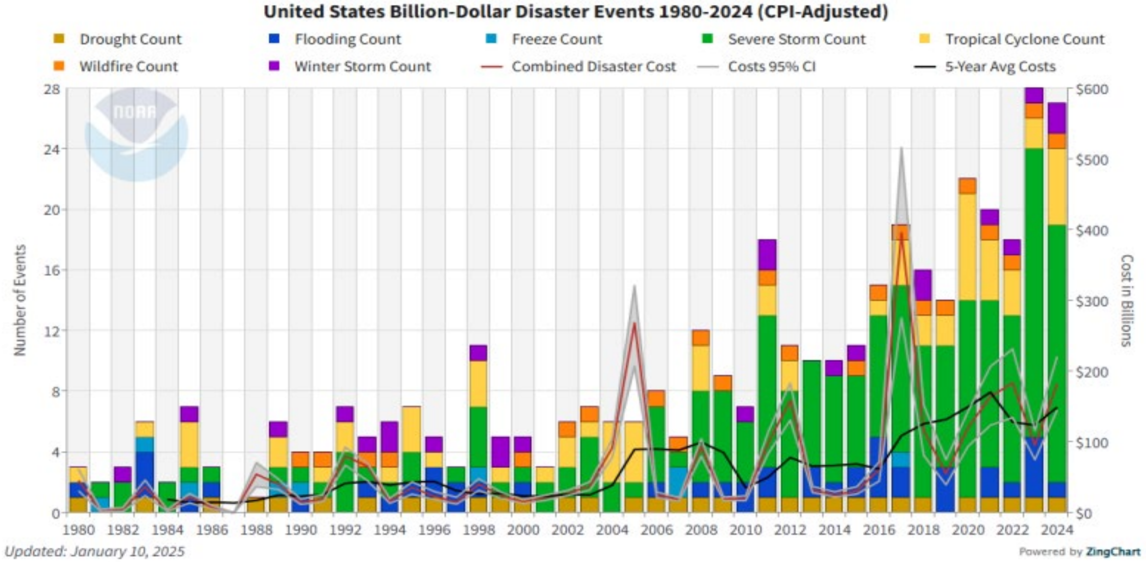
Potential RBC gap. Revision of the Rcat calculation formula to reflect correlations among hurricane, wildfire, and severe convective storm risks.

Materiality benchmark to assess potential model risk. SCS exposure increased from $19 billion in 2019 to $47 billion in 2024. Revision of the Rcat calculation formula to reflect correlations among hurricane, wildfire, and severe convective storm risks. The effort is expected to be significant.

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



Source: *NAIC NATURAL CATASTROPHE RISK DASHBOARD As of December 31, 2024*. The following link will allow one to sort by peril, by state and by region: *NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2025).*

Appendix 1.G. H-2 Underwriting Risk

Potential RBC gap. Underwriting risk factors, including diversification credit, stop-loss, LTC, and managed care credit.

Materiality benchmark to assess potential model risk. Using group and individual: Direct incurred claims + change in contract reserves = $1.278 trillion +$6 billion = $1.284 trillion

- Stop-loss = $34 billion + $0.2 billion = $34.2 billion
- LTC = $15 billion + $4.7 billion + $2.2 billion + $1.1 billion + $3.3 billion = $26.3 billion
- Managed care credit. proxy using managed-care-heavy lines—comprehensive major medical, Medicare Advantage, and Medicaid. Their 2024 claims plus reserve changes total approximately = $124 billion + $352 billion + $295 billion + $216 billion B + $5 billion = $992 billion

The effort is expected to be significant.

Attachment Three

BRIDGEWAY ANALYTICS

Appendix 1.G. H-2 underwriting risk charge

Potential RBC gap. H2 requirements for comprehensive medical, Medicare Supplement, dental/vision, Medicare Part D, stop-loss, disability income, long-term care, and other coverages are calculated using their applicable factors and then added together.

Materiality benchmark to assess potential model risk. Using group and individual Direct incurred claims + change in contract reserves = $1.278 trillion +$6 billion = **$1.278 trillion** (NAIC, 2024 Accident and Health Policy Experience Report (2025)):

- **Stop-loss =** $34 billion + ~$0 billion = **$34.2 billion**
- **LTC =** $15 billion + $4.7 billion + $2.2 billion + $1.1 billion + $3.3 billion = **$23.3 billion**
- **Managed care credit.** proxy using managed-care-heavy lines—comprehensive major medical, Medicare Advantage, and Medicaid. Their 2024 claims plus reserve changes total approximately = $124 billion + $352 billion + $295 billion + $216 billion B + $5 billion = **$1.03 trillion**

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

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

Appendix 1.H. Life principle-based capital (RBC C-3)

Potential RBC gap. While the current focus has been on fixed and variable annuities, and life products that are single-premium, there hasn't been a recent significant effort to align RBC C-3 calibration for life products that are not single-premium; life recurring-premium and other products are subject to static factors that have not been comprehensively reevaluated since the original Life RBC framework was introduced in 1993.

Materiality benchmark to assess potential model risk. 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. The effort is expected to be significant.

Appendix 1.I. Life principle-based capital (RBC C-3)

Potential RBC gap. While the current focus has been on fixed and variable annuities, and life products that are single-premium, there hasn't been a recent significant effort to align RBC C-3 calibration for life products that are not single-premium; life recurring-premium and other products are subject to static factors that have not been comprehensively reevaluated since the original Life RBC framework was introduced in 1993.

Materiality benchmark to assess potential model risk. 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. The effort is expected to be significant.

2025 life policies ($ billion)

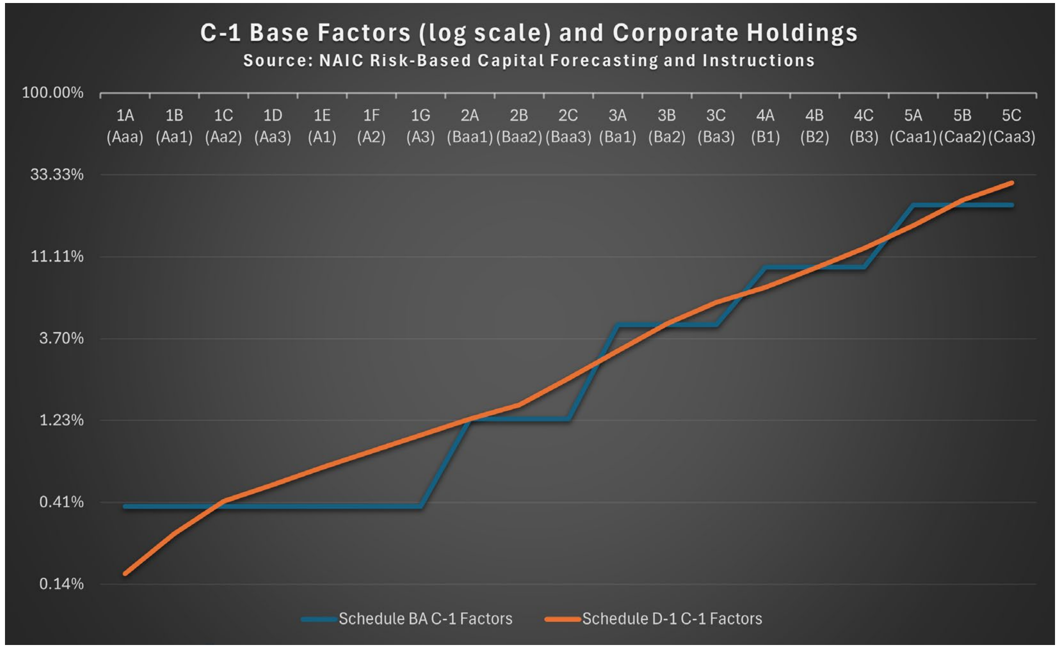
	First Year	Renewal	Single Premium	Non-Single %
Direct	613.3	1,382.9	1,036.8	65.8%
Reinsurance Assumed	231.7	414.6	147.4	81.4%
Reinsurance Ceded	354.4	913.2	381.3	76.9%
Net	490.6	884.3	802.9	63.1%

Appendix 1.J. Factor-grid mismatch

Potential RBC gap. Schedule D-1 bonds use the granular 20-class C-1 grid. Schedule BA fixed-income is charged the *coarse pre-2021 6-class* grid and the 2021 PAF. Most Schedule Designations 1 and 2 receive a lower RBC charge, which can be less than 50% of that on Schedule D-1.

Materiality benchmark to assess potential model risk.

- Schedule BA NAIC 1 - $27.1 billion carrying value.
- Schedule BA NAIC 2 - $11.5 billion carrying value.



Asset	Stat valuation	Cost $B	% Below cost	Avg markdown (below-cost)
Surplus Notes	Amortized cost if desig 1-2; lower of AC or FV if desig 3-6 (SSAP 41)	21.6	46%	−2.7%
JV/LLC Mortgage Loans	Audited GAAP equity / NAV (SSAP 48); CM1–CM7 look-through for RBC	31.8	32%	−19.7%
Debt Sec w/o Creditor Rel, no SVO desig	Lower of amortized cost or fair value (SSAP 21)	5.8	51%	−22.9%
JV/LLC Bonds, SVO desig	Audited GAAP equity / NAV (SSAP 48); NAIC designation for RBC	5.9	10%	−6.0%
JV/LLC Bonds, no SVO desig	Audited GAAP equity / NAV (SSAP 48); NAIC designation for RBC	5.7	29%	−16.8%
Capital Notes	Amortized cost if desig 1-2; lower of AC or FV if desig 3-6 (SSAP 41)	3.9	30%	−1.1%
Debt Sec Lack Cr Enh, SVO desig	Lower of amortized cost or fair value (SSAP 21)	2.0	54%	−8.7%
Noncollateral Loans	Amortized cost, LCM if impaired (SSAP 21)	1.0	12%	−12.2%
JV/LLC Preferred Stock	Audited GAAP equity / NAV (SSAP 48); designation for RBC	0.9	46%	−25.7%
Working Capital Finance	Amortized cost (SSAP 105, LCM if impaired)	0.8	1%	−0.3%

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Appendix 1.K. Valuation-basis mismatch

Potential RBC gap. Applying bond and mortgage factors to Schedule BA debt may not be appropriate, given the valuation mismatch. For example, a mortgage is generally carried at amortized cost, while a mortgage fund on Schedule Ba is measured under the U.S. GAAP equity method, which includes CECL allowance.

Materiality benchmark to assess potential model risk. The carrying value of Schedule BA commercial mortgages, for example, is $32 billion, 32% of which are valued below cost, with an average markdown of -20%.

Asset	Stat valuation	Cost $B	% below cost	Avg markdown (below-cost)
Surplus Notes	Amortized cost if desig 1-2; lower of AC or FV if desig 3-6 (SSAP 41)	21.6	46%	−2.7%
JV/LLC Mortgage Loans	Audited GAAP equity / NAV (SSAP 48); CM1–CM7 look-through for RBC	31.8	32%	−19.7%
Debt Sec w/o Creditor Rel, no SVO desig	Lower of amortized cost or fair value (SSAP 21/26)	5.8	51%	−22.9%
JV/LLC Bonds, SVO desig	Audited GAAP equity / NAV (SSAP 48); NAIC designation for RBC	5.9	10%	−6.0%
JV/LLC Bonds, no SVO desig	Audited GAAP equity / NAV (SSAP 48); NAIC designation for RBC	5.7	29%	−16.8%
Capital Notes	Amortized cost if desig 1-2; lower of AC or FV if desig 3-6 (SSAP 41)	3.9	30%	−1.1%
Debt Sec Lack Cr Enh, SVO desig	Lower of amortized cost or fair value (SSAP 21/26)	2.0	54%	−8.7%
Noncollateral Loans	Amortized cost, LCM if impaired (SSAP 21)	1.0	12%	−12.2%
JV/LLC Preferred Stock	Audited GAAP equity / NAV (SSAP 48); designation for RBC	0.9	46%	−25.7%
Working Capital Finance	Amortized cost (SSAP 105, LCM if impaired)	0.8	1%	−0.3%

Appendix 1.L. Warrants further assessment - operational risk

Potential RBC gap. The *2019 Spring National Meeting Proceedings, Part 04*, beginning around page 10-714, summarize the benchmarks and supervisory judgment supporting the NAIC's 3% operational-risk factor.

- The NAIC evaluated several methodologies and factors before selecting a 3% post-covariance operational-risk add-on, effective for 2018 RBC. The factor was at the low end of international benchmarks, reflecting limited data and concern that operational risk was already captured elsewhere in RBC. Bermuda, Canada, and Japan used comparable percentage-of-capital approaches; Solvency II and the U.K. provided broader, but not directly comparable, benchmarks.
- Under the Solvency II standard formula, the basic operational-risk calculation for non-life business generally applies 3% factors to earned-premium and technical-provision exposure measures, uses the greater of the resulting calculations, and includes an additional premium-growth component. The resulting charge is generally capped at 30% of the Basic Solvency Capital Requirement (BSCR). **This exposure-based methodology is not directly equivalent to the NAIC's 3% post-covariance add-on**.
- The proceedings also discuss an Operational Risk Consortium International (ORIC)/Oliver Wyman survey that reported operational-risk capital averaging 8% of total capital requirements for insurers using internal models and 12% for those using standard formulas. NAIC participants questioned the comparability because operational risk was not necessarily defined consistently, some operational risk may have been embedded in other capital components, and jurisdictions and models differed in calibration and diversification treatment.

Materiality benchmark to assess potential model risk. Operational risk in 2025: (a) ~$0.6 billion (its net of C-4a) for Life RBC, (b) ~$14 billion for P&C RBC, and (c) ~$2.7 billion for Health RBC.

BRIDGEWAY ANALYTICS

Appendix 2. Trends in life holdings (2025 categories)

Schedule	Category	2017 ($B)*	2020 ($B)*	2024 ($B)*	2025 ($B)	1yr CAGR %	5yr CAGR %	8yr CAGR %
D-1-1 ICO	Issuer Credit Obligations — Corporate	$1,707	$2,024.35	$2,110.33	$2,169.79	2.8	1.4	2.6
B Mortgage Loans	Long-term Commercial Mortgage, Other	$427.13	$531.77	$626.45	$634.85	1.3	3.6	5.1
D-1-2 ABS	ABS — Non-Agency CLO/CBO/CDO	$48.85	$145.04	$245.35	$259.90	5.9	12.4	23.2
D-2 Common Stock	Common Stock	$165.17	$193.77	$221.87	$243.11	9.6	4.6	5
BA Other Invested Assets	Joint Venture, LLCs: Common Stock	$76.24	$100.40	$161.80	$170.06	5.1	11.1	10.5
D-1-2 ABS	ABS — Other ABS Self-Liquid	$145.05	$111.86	$160.70	$162.03	0.8	7.7	1.4
D-1-1 ICO	ICO — US Gov't Exmpt RBC	$234.88	$192.23	$154.17	$160.07	3.8	-3.6	-4.7
B Mortgage Loans	Long-term Residential Mortgage, Other	$18.19	$27.82	$114.39	$150.98	32	40.3	30.3
D-1-2 ABS	ABS — Non-Agency CMBS	$141.10	$161.27	$154.66	$148.26	-4.1	-1.7	0.6
D-1-2 ABS	ABS — Non-Agency RMBS	$141.93	$117.68	$117.22	$132.98	13.4	2.5	-0.8
D-1-1 ICO	ICO — Municipal Special Revenue	$81.86	$112.37	$123.14	$125.41	1.8	2.2	5.5
D-1-2 ABS	ABS — Agency RMBS Not Guaranteed	$101.84	$101.92	$102.34	$110.18	7.7	1.6	1
D-1-1 ICO	ICO — Project Finance Op Ent	$28.21	$50.90	$75.89	$99.36	30.9	14.3	17
D-1-1 ICO	ICO — Funds Representing Operating Entities	$17.43	$47.22	$81.07	$99.07	22.2	16	24.3
D-1-2 ABS	ABS — LBS	$4.55	$15.78	$49.58	$62.87	26.8	31.8	38.9
D-1-1 ICO	ICO — Bank Loans Acquired	$21.07	$50.19	$63.57	$58.81	-7.5	3.2	13.7
BA Other Invested Assets	Joint Venture, LLCs: Real Estate	$31.78	$40.46	$61.84	$58.45	-5.5	7.6	7.9
D-1-1 ICO	ICO — Single Entity Backed	$19.99	$33.84	$52.66	$56.40	7.1	10.8	13.8
D-1-1 ICO	ICO — Foreign Gov't	$91.78	$47.52	$49.47	$53.14	7.4	2.3	-6.6
D-1-2 ABS	ABS — Equity Backed Sec		$3.07	$28.77	$52.89	83.8	76.7	
D-1-2 ABS	ABS — Other ABS Full Analysis	$3.48	$10.14	$38.16	$45.80	20	35.2	38
BA Other Invested Assets	Joint Venture, LLCs: Other	$22.03	$32.67	$41.19	$44.47	8	6.4	9.2
D-1-1 ICO	Issuer Credit Obligations — Municipal General Dir & Grtd	$28.89	$33.60	$33.89	$33.93	0.1	0.2	2
D-1-2 ABS	ABS — Other ABS Practical Expedient	$1.71	$4.57	$22.29	$33.55	50.5	49	45
BA Other Invested Assets	Joint Venture, LLCs: Mortgage Loans	$3.81	$7.09	$16.93	$31.17	84.1	34.5	30
D-1-2 ABS	ABS — Agency RMBS Guaranteed	$18.73	$19.73	$25.22	$30.35	20.3	9	6.2
BA Other Invested Assets	Collateral Loans	$5.30	$11.75	$27.41	$28.01	2.2	19	23.1
B Mortgage Loans	Long-term Farm Mortgage	$19.72	$24.73	$26.12	$26.40	1.1	1.3	3.7
D-2 Preferred Stock	Preferred Stock	$9.45	$14.18	$17.56	$21.81	24.2	9	11
D-1-1 ICO	Issuer Credit Obligations — Other US Gov't Not Exmpt RBC	$16.68	$20.36	$20.48	$21.58	5.3	1.2	3.3
BA Other Invested Assets	Surplus Debentures	$12.22	$16.27	$20.33	$21.37	5.1	5.6	7.2
D-1-2 ABS	ABS — Agency CMBS Not Guaranteed	$7.68	$19.82	$20.75	$20.81	0.3	1	13.3
A Real Estate	Income Production	$16.99	$16.10	$15.89	$15.41	-3	-0.9	-1.2
D-1-2 ABS	ABS — Agency CMBS Guaranteed	$9.58	$11.89	$13.81	$15.02	8.8	4.8	5.8
B Mortgage Loans	Long-term Mezzanine Loan	$9.91	$9.67	$13.61	$14.62	7.4	8.6	5

Real estate-related investments:
- Components do not align with quantitative benchmarks, e.g.,
  - RMBS/CMBS Intrinsic Price (IP) Designations are not maturity agnostic, as is the case with rating-based Designations.
  - Commercial and residential mortgages don't align with a Stat or 90-CTE.
- Residential mortgages are now material with significant variation in their characteristics that may benefit from granular RBC.
- RBC does not align across categories (e.g., RBC for CMBS is not aligned with RBC for commercial mortgages or income-producing real estate).

Schedule BA RBC charges use legacy charges from Schedule D. The accounting treatment is different across Schedules.

Limited visibility on the details for ABS categories classified as Other. Other ABS is $257 billion; ~half is assigned collateral, including individual consumer obligations ($56 billion), cash-flow rights ($34 billion), corporate receivables ($28 billion), ~$125 billion in Collateral is categorized as Other. Similar issue with JV, LLC ($44.47 billion).

* See next slide for Bridgeway's methodology for mapping 2017-2024 categories.

Appendix 2. Bridgeway's 2017-2024 to 2025 investment mapping

2017–2024 → 2025 Category Mapping

D-1 ABS vs ICO

1. **Legacy MBS** `Asset_Type` (Commercial/Residential Mortgage-Backed) → **ABS**, sub-typed by collateral/asset_type:
   - CLO/CBO/CDO collateral → Non-Agency CLO/CBO/CDO
   - Commercial MBS → Non-Agency CMBS · Residential MBS → Non-Agency RMBS
   - Lease/Ground Lease collateral → Lease-Backed (LBS)
   - anything else → Other ABS Self-Liquid
2. **S&P Issuer label** (2025 ABS sub-type):
   - `%CLO/CBO/CDO%` → Non-Agency CLO/CBO/CDO
   - `Agency RMBS Guaranteed` / `Agency RMBS Not Guaranteed` → same
   - `Agency CMBS Guaranteed` / `Agency CMBS Not Guaranteed` → same
   - `Non-Agency CMBS` / `Non-Agency RMBS` → same
   - `%LBS%` → Lease-Backed · `Equity Backed%` → Equity Backed Sec · `%ABS%` → that ABS label
3. **Otherwise → ICO** (issuer-mapped, section C).

S&P issuer label → 2025 ICO issuer category

S&P label	2025 ICO category
Industrial · Hybrid Securities · Parents, Sub · (unclassified)	**Corporate**
Gov't Agency · US Federal Gov't	US Gov't Exmpt RBC
Foreign Gov't	Foreign Gov't
Subdiv US States	Municipal Special Revenue
US States, Poss	Municipal General Dir & Grtd
Unaffiliated Bank Loans · Bank Loans	Bank Loans Acquired
(any other 2025 ICO label)	unchanged

Schedule A / B / BA

Schedule	Source field	Notes
B Mortgage Loans (incl. Mezzanine, Commercial, Residential, Farm)	`SD0020.Asset_Type`	Total
A Real Estate	`SD0021.Caption_for_Products`	occupancy category
BA Other Invested Assets	`SD0007.Asset_Type`	JV/LLC, Residual Tranches, tax credits, collateral/surplus notes — 2025 labels

Notes and known limitations

- ETC/EETC, SEBO-CTL, FABN not cleanly separable from S&P fields pre-2025.
- Rows with a near-zero legacy base produce meaningless CAGRs.
- Aff/Unaff suffix stripped and combined throughout.

Appendix 2. Bridgeway's mapping for 2017-2024 investment categories to 2025

***S&P Global Market Intelligence Data Use Disclaimer**

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