



March 12, 2025

Director Judith French, Co-Chair
Commissioner Nathan Houdek, Co-Chair
Risk-Based Capital Model Governance (EX) Task Force

Re: Risk-Based Capital Model Governance (EX) Task Force 2025 goals and proposed charges

Dear Co-Chairs French and Houdek:

On behalf of the American Academy of Actuaries (Academy),¹ we appreciate the opportunity to provide comments to the Risk-Based Capital (RBC) Model Governance (EX) Task Force (Task Force) on the [2025 goals](#) and [proposed charges](#). As a long-time partner of the NAIC, the Academy looks forward to continuing our collaborative engagement with this new Task Force. As the preeminent experts in risk and financial security, the Academy's members are ideally positioned to offer sound, objective expertise and advice as the Task Force turns its attention to the existing RBC models and framework.

The Academy supports the 2025 goals and proposed charges. We believe that developing guiding principles and completing a gap analysis to promote consistency will be beneficial to regulators, regulated entities, and other external stakeholders. We look forward to working with the Task Force, external consultants, and stakeholders to support these objectives. As the professional actuarial association with the distinct focus on U.S. public policy and the U.S. actuarial profession, we also recognize the value of state regulation. We share your desire to ensure that our international partners understand and recognize the differences across the regulatory jurisdictions. In a global environment, recognizing, defining, and communicating the strengths of the U.S. RBC framework is a valuable and necessary effort.

Looking toward the development of guiding principles, we remind the Task Force of principles that the Academy shared in 2023 with the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBCIRE).² As we consider general principles, the Task Force may consider the following as a starting point:

1. **The RBC formula is a filtering tool.** The purpose of RBC is to help regulators identify potentially weakly capitalized insurers; therefore, changes that have a small impact on RBC ratios may not justify a change to the RBC formula.
2. **Emerging risks require regulatory scrutiny.** Emerging risks create concern for regulators, with existing regulatory tools considered alongside RBC for addressing newer risks. RBC needs to be considered when there are material solvency issues.
3. **RBC is based on statutory accounting.** RBC requirements should generally reflect the impact of risk on statutory surplus. It is important to understand that changes in accounting treatment will affect RBC.

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

² <https://www.actuary.org/sites/default/files/2023-12/Life-presentation-updatedprinciplesstructuredsecuritiesrbc.pdf>

4. **Appropriate risk measures.** Each component of RBC is designed for a particular risk profile. Different risk profiles may call for different risk measures (e.g., percentile vs. CTE)

With respect to performing a comprehensive gap analysis, we offer for the Task Force members' consideration a [Comparison of the NAIC Life, P&C and Health RBC Formulas](#) provided to the NAIC in 2002. This report provides an overview outlining the three formulas at that time, presented side by side, a summary of their differences, and detailed grids delineating how each formula handles the various risk elements faced by Life, P&C, and Health companies. If it is useful to the Task Force, the Academy would be happy to produce an updated version of the 2002 comparison, starting with the current versions of the three formulas.

As the Task Force works with outside consultants, interested parties, and other stakeholders, the Academy looks forward to being an active and reliable resource for regulators and industry. With our ongoing engagement throughout the NAIC, along with our unique actuarial perspectives and expertise across health, life, property/casualty, and financial reporting and risk management, we look forward to offering constructive and balanced analysis. We look forward to the continuing public dialogue and collaborative efforts as the Task Force begins its work.

If you have any questions or would like to discuss these comments further, please contact Katie Dzurec, director, public policy outreach (dzurec@actuary.org, 202-785-6929).

Sincerely,

Susan Kent
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