



June 8, 2026

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

Re: Exposure of Proposed Revisions to the RBC Preamble

Dear Commissioners Godfread, Houdek, and Ommen:

On behalf of the American Academy of Actuaries'¹ Cross-Practice Risk-Based Capital (RBC) Task Force (Academy), we appreciate the opportunity to provide comments to the RBC Model Governance (EX) Task Force (MoGo) on the (Exposure). The Academy supports both the incorporation of the recently adopted Principles, and the Task Force's conducting periodic reviews to assess alignment, effectiveness, and ongoing applicability. We reiterate that the Preamble, with inclusion of the Principles, strengthens the purpose and understanding of RBC. With respect to the proposed changes, subject matter experts with unique actuarial perspectives and expertise across health, life, property/casualty, and financial reporting and risk management, have reviewed the latest Exposure, and we offer the following comments. [Exposure of Proposed Revisions to the RBC Preamble](#) (Exposure). The Academy supports both the incorporation of the recently adopted Principles, and MoGo's conducting periodic reviews to assess alignment, effectiveness, and ongoing applicability. We reiterate that the Preamble, with inclusion of the Principles, strengthens the purpose and understanding of RBC. With respect to the proposed changes, subject matter experts with unique actuarial perspectives and expertise across health, life, property/casualty, and financial reporting and risk management, have reviewed the latest Exposure, and we offer the following comments.

Section B.

In Section B, The Mission of the Capital Adequacy (E) Task Force (CADTF), subsection 7, there seems to be inconsistent use of tense. The Academy suggests [underlined language added]:

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

Section C.

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.

With respect to Section C, Purpose of Risk-Based Capital, the Academy notes a concern with the final sentence of subsection 13, “Because the RBC framework has been developed with certain regulatory needs in mind, state regulators have decided to keep *some elements* of the calculation confidential, as well as any workout plans for companies that have triggered a regulatory action.” [emphasis added]

If the term “some elements” refers to elements that are not available in the Annual Statements as described in Section 5, our concern is that this could be interpreted too broadly. If this broad interpretation is applied in the future, underlying RBC formulas and methodology could be kept confidential, as opposed to just having the detailed application of those formulas and methodology to a particular insurer being confidential. While the RBC filings of insurers should be kept confidential, except for total adjusted capital (TAC) and authorized control level (ACL) risk-based capital, we want to ensure that the transparency of the methodology and the resulting TAC and ACL are maintained now and in the future.

We also suggest adding “Requirements” to the title of section C to read, “Purposes of Risk-Based Capital Requirements” as the section has been amended with inclusion of “requirements.”

Section D.

In Section D, Objectives of Risk-Based Capital Reports, we suggest editing the first sentence in subsection 17, “degrees of anticipated additional regulatory oversight following the reporting of an RBC event” to read, “degrees of required additional regulatory oversight...” to underscore that an RBC event **requires** enhanced oversight.

Section F.

In Section F, Limited Use of Risk-Based Capital, the Academy notes that removal of general statements about inappropriate uses of RBC are in line with previous Academy comments, and we support the changes to this version of the Preamble.

The Academy notes, however, that this section may cause confusion. As drafted, the first part of subsection 21 explicitly states the intended use of RBC ratios and the second portion goes on to identify uses other than identifying potentially weakly capitalized companies, which seems to weaken the assertion that the purpose of RBC ratios is to identify potentially weakly capitalized companies. The Academy also notes that the list of considerations is not (and could not be) complete to be sufficiently precise. As such, the Academy recommends removing the section that begins “Since the information content of RBC factors entering into RBC calculations should be considered...”

If the section is not deleted, the Academy suggests the following edits:

RBC ratios are intended to help identify potentially weakly capitalized companies and to facilitate regulatory action and oversight, and do not provide a complete, clear, or meaningful ranking of insurers. Regulators consider the insurer’s overall financial situation when interpreting them. They were not developed or intended for any other use. Nevertheless, to the extent RBC ratios are considered for purposes beyond identifying potentially weakly capitalized companies, their usefulness may ~~Since the information content of RBC ratios can be limited for companies that are not at risk of triggering an action level, and a spectrum of factors underlying entering into RBC calculations should therefore be considered when using RBC ratios beyond identifying weakly capitalized companies,~~ including, but not limited to

Section G.

With respect to Section G, the Academy supports embedding RBC principles within the Preamble, and we offer two suggestions with respect to the Principles. The language included in the second sentence in Principle 2 “Use” seems to weaken the first Principle. Referring to other purposes weakens the purpose statements. As suggested in Section F, we recommend deleting the sentence, “RBC requirements may be used for other purposes, but the uses must not distort or redefine the purpose of RBC requirements.”

Finally, in Principle 6, “Accuracy,” the Academy suggests the following edit:

Sufficiently precise to ~~assess solvency risk~~ determine regulatory action thresholds, while avoiding unnecessary complexity.

We look forward to the continued collaborative dialogue with you and other stakeholders as you continue your work on this project. If you have any questions or would like to discuss these comments further, please contact Katie Dzurec, Public Policy Outreach Director (dzurec@actuary.org).

Sincerely,

Dana Hunt, MAAA, FSA, FRM
Chairperson, Cross-Practice RBC Task Force
American Academy of Actuaries