

NAIC Launches New Risk-Based Capital (“RBC”) Task Force

February 25, 2025

On February 5, 2025, the National Association of Insurance Commissioners (the “NAIC”) announced the establishment of a new Risk-Based Capital Model Governance (EX) Task Force (the “Task Force”). This new Task Force, reporting directly to the Executive Committee, signals the latest proactive effort by the NAIC to update and strengthen the governance framework surrounding RBC requirements—a cornerstone of insurer solvency regulation in the United States. Below, we outline the key details of this initiative, its objectives and potential implications to insurers and their investment strategies.

Background and Launch. The NAIC’s decision to form the Task Force stems from ongoing regulatory discussions about the need for greater consistency and oversight in how RBC formulas are developed and implemented and to consider other changes to RBC to address emerging risks when a framework did not previously exist. According to the NAIC’s February 20, 2025 [press release](#), the Task Force was created to develop guiding principles for future RBC adjustments, conduct a comprehensive gap analysis to identify areas for improvement and design a communication campaign highlighting the RBC formulas’ strengths in the U.S. state-based system of financial regulation and solvency oversight. The announcement followed a [memorandum](#) to interested parties, dated February 9, 2025, from the two new co-chairs of the Task Force, Insurance Director Judith French (OH) and Insurance Commissioner Nathan Houdek (WI), which detailed the Task Force’s formation and initial directives.

This move reflects the NAIC’s recognition that the RBC system—designed to ensure insurers maintain adequate capital to meet policyholder obligations—requires periodic reassessment to remain effective in a dynamic financial environment. The NAIC noted that the prolonged low-interest rate environment since the global financial crisis of 2007–2009 created an industry trend to search for yield in investment portfolios, resulting in greater complexity of insurers’ investment strategies. Compounding the NAIC’s concern is the notable increase in private capital as traditional banks have retreated from providing credit due to stricter post-financial crisis regulations. These factors have contributed to insurers now serving as a growing source of real-economy financing. The Task Force’s establishment underscores a commitment by the NAIC to

balance enhancing insurers' capital requirements with maintaining availability of products to meet consumer needs.

Objectives of the Task Force. The Task Force has been charged with several critical responsibilities to:

- Develop a set of guiding principles for the RBC framework to ensure a consistent approach to future adjustments. These principles will serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness and further the principle of “Equal Capital for Equal Risk.”
- Complete a comprehensive gap analysis and consistency assessment to identify and inventory gaps that exist and establish a plan for addressing identified gaps and potential inconsistencies that improve the framework.
- Oversee the development of an education and public messaging campaign to highlight the benefits and strengths of the RBC framework as an important part of the U.S. state-based insurance regulatory system.
- Create a process for analyzing both retrospective and future adjustments to RBC, incorporating regular reviews of RBC outcomes and ensuring future adjustments are made in alignment with guiding principles. This process will facilitate ongoing improvements to ensure the framework remains responsive to emerging risks and market trends, enabling the RBC framework to adapt proactively.

The NAIC emphasized that the new Task Force will not replace or pause existing RBC-related initiatives being considered by several other NAIC tasks forces (e.g., the Life Actuarial Task Force (LATF), the Capital Adequacy Task Force (CATF), the Accounting Practices and Procedures Task Force (APPTF) and the Valuation of Securities Task Force (VOSTF)) but will instead serve as a high-level oversight body to ensure alignment of the NAIC's strategic roadmap laid out in its “Framework for Regulation of Insurer Investments—A Holistic Review.”

Context and Timing. The launch of this new Task Force comes at a pivotal moment in the insurance industry. Recent years have seen increased scrutiny of the RBC framework, particularly as regulators struggle to keep up with emerging challenges such as climate change, cybersecurity and the growing use of innovative private credit structures such as collateralized loan obligations (“CLOs”), NAV loans and rated notes/feeder funds. Most notably, the NAIC recently completed its significant “principles-based bond project,” resulting in a new “bond definition” effective January 1, 2025.

The timing of the Task Force's formation aligns with the NAIC's broader strategic priorities for 2025, including strengthening solvency oversight and promoting uniformity across state jurisdictions. The Task Force's work could influence how RBC requirements evolve, potentially affecting capital planning, reporting obligations and regulatory interactions for insurers of all sizes.

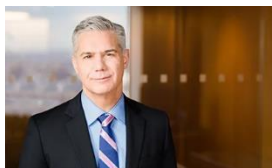
Implications for Insurers. While the Task Force's efforts are just beginning, we anticipate several potential impacts to include:

- **Portfolio Adjustments:** Depending on the Task Force's recommendations, insurers may need to revise their investment portfolios to adapt to changing RBC requirements and principles.
- **Increased Clarity:** The creation of a centralized process for analyzing both retrospective and future adjustments to RBC could lead to more predictable and consistent application of RBC requirements, thereby reducing uncertainty in insurers' investment strategies and capital management.
- **Heightened Reporting Expectations:** As transparency becomes a priority, insurers may face additional disclosure requirements or scrutiny of their investments and RBC calculations.
- **Opportunities for Input:** The Task Force is likely to solicit feedback from industry stakeholders, providing an avenue for industry to shape the future of RBC regulation.

Next Steps. The Task Force is expected to commence its work in the coming weeks, with initial meetings likely to focus on scoping its review and engaging with existing NAIC task forces and working groups. We will closely monitor its activities and provide updates as they become available, including any draft proposals or calls for stakeholder input. Given the Task Force's prominence, we anticipate a steady cadence of developments throughout 2025.

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