

REINSURANCE (E) TASK FORCE

Reinsurance (E) Task Force March 2, 2026, Minutes

Memorandum to Monica Macaluso, Chair of the Reinsurance (E) Task Force, and John Rehagen, Vice Chair of the Reinsurance (E) Task Force; From Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group, and Kevin Clark, Vice Chair of the Statutory Accounting Principles (E) Working Group; Dated December 18, 2025; Regarding Derecognized IMR Impact to Reinsurance Collateral (SAPWG Ref #2025-22) (Attachment One)

Statutory Accounting Principles (E) Working Group; Maintenance Agenda Submission Form A; Ref #2025-22; IMR Impact to Reinsurance Collateral (Attachment Two)

Comment Letters Received Regarding Statutory Accounting Principles (E) Working Group Ref #2025-22; IMR Impact to Reinsurance Collateral (Attachment Three)

Reinsurance (E) Task Force
Virtual Meeting
March 2, 2026

The Reinsurance (E) Task Force met March 2, 2026. The following Task Force members participated: Ricardo Lara, Chair, represented by Monica Macaluso and Kim Hudson (CA); Angela L. Nelson, Vice Chair, represented by John F. Rehagen (MO); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Sheila Travis (AL); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by Wanchin Chou (CT); Trinidad Navarro represented by Nicole Brittingham (DE); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Kevin Clark (IA); Ann Gillespie represented by Susan Berry (IL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Rodney Huggle (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by Christopher Joyce (MA); Grace Arnold represented by Ben Slutsker and Fred Andersen (MN); Eric Dunning represented by Andrea Johnson (NE); Susan Ochs represented by David Wolf (NJ); Ned Gaines represented by Diana Branciforte (NV); Kaitlin Asrow represented by Bob Kasinow and Michael Campanelli (NY); Judith L. French represented by Cameron Piatt and Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Carter Lawrence represented by Trey Hancock (TN); Amanda Crawford represented by Jamie Walker and Rachel Hemphill (TX); Scott A. White represented by Doug Stolte and Jacob Lubetkin (VA); Allan L. McVey represented by Justin E. Parr (WV); and Nathan Houdek represented by Mark McNabb (WI).

1. Adopted its 2025 Fall National Meeting Minutes

Rehagen made a motion, seconded by Bruggeman, to adopt the Task Force’s Dec. 9, 2025, minutes (*see NAIC Proceedings—Fall 2025, Reinsurance (E) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Reinsurance Financial Analysis (E) Working Group

Kaumann stated that the Reinsurance Financial Analysis (E) Working Group met Feb. 9, 2026, and Dec. 18, 2025, in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to approve several certified and reciprocal jurisdiction reinsurers for passporting.

Kaumann stated that the Working Group has now approved 107 reciprocal jurisdiction reinsurers and 40 certified reinsurers for passporting and that 49 states and two territories have passported a reciprocal jurisdiction reinsurer. He noted that the list of passported reinsurers can be found on the NAIC’s certified and reciprocal jurisdiction reinsurer web page.

Kaumann made a motion, seconded by Sherman, to adopt the report of the Working Group. The motion passed unanimously.

3. Received a Status Report on the Reinsurance Activities of the Mutual Recognition of Jurisdictions (E) Working Group

Rehagen was introduced as the new chair of the Mutual Recognition of Jurisdictions (E) Working Group.

Jake Stultz (NAIC) stated that the Working Group last met Oct. 21, 2025, in regulator-to-regulator session, pursuant to paragraph 8 (international regulatory matters) of the NAIC Policy Statement on Open Meetings, where

it reapproved the status of Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom (UK) as qualified jurisdictions and Bermuda, Japan, and Switzerland as reciprocal jurisdictions. He noted that Bermuda, Japan, and the UK are in the process of making changes to their regulatory systems and that NAIC staff are monitoring the implementation of these changes and will report any findings to the Working Group.

4. Discussed How to Treat Derecognized Net Positive IMR (Realized Gains) in Relation to Reinsurance Collateral Required for Applicable Unauthorized or Certified Reinsurers

Macaluso stated that the Statutory Accounting Principles (E) Working Group sent a referral (Attachment One) and agenda item #2025-22 (IMR Impact to Reinsurance Collateral) (Attachment Two) to the Task Force after the 2025 Fall National Meeting. As a result of the Working Group exposure, three comment letters (Attachment Three) were received.

Macaluso stated that the Working Group formed the Interest Maintenance Reserve (IMR) Ad Hoc Group, which has been working through several IMR-related issues over the past two years. She noted that IMR refers to the deferral of recognition of the realized gains and losses resulting from the changes in the general level of interest rates, and that it has been more relevant over the past five years, as there have been significant changes in interest rates. The Working Group asked for the Task Force's input on how to treat derecognized net positive IMR in relation to reinsurance collateral required for applicable unauthorized or certified reinsurers.

Agenda item #2025-22 impacts the application of the *Credit for Reinsurance Model Law* (#785) collateral requirements for life, accident, and health reinsurance. Existing provisions in *Statement of Statutory Accounting Principle (SSAP) No. 61—Life, Deposit-Type and Accident and Health Reinsurance* require derecognized net positive IMR, which are realized gains, to be captured as an increase in the reinsurance collateral required for applicable unauthorized or certified reinsurers. However, SSAP No. 61 does not currently mention derecognized net negative IMR, which are realized losses, and whether those derecognized amounts should decrease applicable reinsurance collateral requirements. IMR is eliminated, or derecognized, by the cedent in accordance with reinsurance transactions as the block of business associated with recognized IMR has been eliminated. U.S.-domiciled assuming entities are required to recognize a corresponding amount of IMR for statutory accounting purposes as part of the reinsurance transaction. Offshore assuming entities do not recognize IMR, as the concept of IMR does not reflect an asset or liability under U.S. generally accepted accounting principles (U.S. GAAP) or other accounting regimes. The Ad Hoc Group spent considerable time discussing this issue and was unable to reach a consensus among the regulators and industry ad hoc representatives. The Ad Hoc Group presented the issue to the Working Group, and with exposure of the agenda item, the Working Group also directed a referral to the Task Force for input.

Macaluso stated that the question being asked is whether the treatment of derecognized net negative IMR should reduce collateral requirements in a manner that would be symmetrical to collateral increases caused by derecognized positive IMR, or if the treatment should be asymmetrical, whereby derecognized net negative IMR does not reduce collateral requirements.

Macaluso noted that the Task Force met Feb. 18 in regulator-to-regulator session, pursuant to paragraph 8 (consideration of strategic planning issues) of the NAIC Policy Statement on Open Meetings, to discuss this topic and get a better understanding of the outcomes that would result from the two different approaches. The consensus during that call was that the Task Force members needed more information to better understand the differences between these treatments. It was suggested that the Task Force hear from the groups that provided comments to the Working Group during the exposure period to better understand their suggested approaches. Macaluso noted that the American Council of Life Insurers (ACLI) and interested parties both suggested the use of the symmetrical approach, and the American Academy of Actuaries (Academy) also supported the symmetrical approach but included some additional guardrails.

Hans Avery (ACLI) stated that the ACLI's position is that the symmetrical approach to reflecting IMR and reinsurance collateral requirements maintains a more consistent relationship between the assets and liabilities in these transactions and ensures a more consistent level of security for policyholders as interest rates change. He noted that, with principle-based reserving (PBR), cash flows are modeled out, and IMR is subtracted from the final reserve to achieve a target overall level of reserve sufficiency, as designed into the *Valuation Manual*. He stated that the same notion applies with formulaic reserves, where there are not modeled cash flows, so that for a well-matched portfolio, the IMR is generated as assets are traded, the amount of additional book value of assets or the reduction of book value of assets that would be needed in order to provide the same level of future cash flows and, by extension, the same level of policy holder security.

Avery stated that the IMR has been characterized as a partial unlocking of the reserve interest rate and that it is creating a consistent level of reserve sufficiency as interest rates change. He stated that the symmetrical method of calculating collateral recognizes that and maintains a consistent level of sufficiency in collateral as rates change.

Avery noted that the symmetrical approach keeps collateral requirements consistent across economic cycles and different interest rate environments. With the asymmetrical method, there is the potential for periods with decreasing interest rates during which IMR is positive or increasing, and there is a relationship between the collateral and the liabilities. With that asymmetrical approach, there is potential for a different relationship between collateral and liabilities in an environment of rising interest rates and negative IMR.

Avery stated that the asymmetrical approach can create inconsistencies and distract from prudent asset liability management, affect reinsurance pricing, and create a different degree of favorability in different economic environments. He stated that the approach can potentially incentivize companies to affect pricing through the timing of portfolio actions, and it may create the issue that reinsurance has favorable and unfavorable periods; thus, it is less useful as a risk management tool.

Clark provided a brief synopsis of the Academy's comment letter due to communication issues.

Jeremy Starr (Academy) stated that when reinsurance meets all regulatory requirements, it represents true risk transfer where the ceding insurer's balance sheet exposure is reduced, and it is appropriate for the ceding insurer's surplus to reflect the reduced level of retained risk. He noted that reinsurance is an essential and effective risk mitigation tool, and as such, any revisions to collateral requirements should avoid unintentionally discouraging insurers from entering into sound risk-reducing reinsurance agreements. He stated that he recognizes regulators' concern regarding the potential use of negative IMR to reduce reinsurance collateral below policy reserves. He stated that rather than applying an all-or-nothing restriction, the Academy recommends a calibrated approach and allowing negative IMR to be included in the collateral calculation, permitting collateral below policy reserves only when supported by actual analysis, such as asset adequacy analysis.

Starr stated that by demonstrating that the proposed level of collateral is sufficient to meet the reinsurer's obligations under moderately adverse scenarios, the tested collateral amount should be floored at the policy reserves minus the absolute value of the negative IMR. If no testing is performed, collateral should be floored at 100% of the policy reserves. If posted collateral is less than the amount prescribed in this proposal, the cedent's reserved credit should be reduced by the shortfall. For certified reinsurers, all testing should be performed using 100% of ceded reserves before applying the certified reinsurer percentage. These recommendations are designed to balance credential protection with appropriate recognition of economic risk transfer, ensuring that negative IMR is incorporated in a way that recognizes the transaction economics and policyholder protection.

Macaluso asked how the symmetrical approach would adequately protect policyholder interests if collateral were reduced. Avery stated that it would start with reserves calculated under PBR the PBR would project all cash flows

from the assets, then come up with a reserve total with an allocated share of IMR subtracted. If it is a positive IMR, then the PBR calculated reserve gets reduced so that when combined with IMR later, the result is at the right level in total. If it is a negative IMR, then it would be increased, and would have something that comes back to the right level in total, with formula reserves.

Avery stated that IMR is the difference in the cost for a new asset that would replicate the same cash flows. When someone has a well-matched portfolio and trades out a bond that might generate some IMR, the amount generated really just reflects the change in book value they would have with a new asset to replace it. With interest rates rising, those future cash flows are cheaper, and the result is a lower book value of the new asset replacing that old one; however, there is the same level of policyholder security and the same future cash income to fund those benefits.

Hemphill asked Avery for his reaction and thoughts on the proposed guardrails that were included in the Academy's comment letter. Avery stated that he would prefer to get ACLI member feedback but noted that there are guardrails in place already, such as reinsurance asset adequacy testing (AAT).

Piatt noted that the Academy's comment letter stated that there would be some savings from the collateral reductions and asked if that number was quantifiable at this time. Avery noted that the ACLI has not gathered that information.

Hudson asked if there is a distinction in the Academy proposal between a negative IMR that might be admitted versus a negative IMR that is nonadmitted. He also asked what the impact on the reserves would be. Starr stated that the Academy was more focused on whether the collateral was adequate rather than whether it was admitted or nonadmitted.

Clark stated that the Ad Hoc Group discussed this issue but did not come to a consensus on the treatment of negative IMR in collateral requirements. He stated that the Ad Hoc Group did come to a consensus that basing it on whether it was admitted or nonadmitted before reinsurance was not going to be possible because once it is ceded or enters into a reinsurance agreement, then the capital requirement for the business that has been ceded reduces. Then, it no longer includes the capital that was previously used to calculate the admittance, and so it becomes a circular calculation. He stated that the Ad Hoc Group was generally in agreement that the IMR needs to either be all included or not included, or all included or not included, with a guardrail more like what the Academy is proposing, but that trying to differentiate based on the admittance cap is not mathematically feasible.

Macaluso stated that at this point, the Task Force is not ready to make a final decision on this issue. She directed NAIC staff and leadership from the Statutory Accounting Principles (E) Working Group to work together to determine the best way to move this forward.

5. Received a Status Report on Projects at the NAIC that Affect Reinsurance

Macaluso stated that *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) was adopted by the NAIC Executive (EX) and Plenary in August 2025. She noted that AG 55 requires asset adequacy analysis to be performed using a cash flow testing methodology for certain life and annuity reinsurance transactions. Macaluso noted that Task Force leadership is following the implementation closely and will continue to communicate with leadership and NAIC staff from the Life Actuarial (A) Task Force on this project.

Macaluso stated that NAIC committee support, with the help of several key regulators, held two regulator-only education sessions intended to bring regulators up to speed on these issues and allow for preliminary discussions with the regulators. She noted that these were not formal Task Force sessions, but rather were held to provide

information to regulators from the Task Force and several other task forces and working groups. She stated that NAIC committee support plan to hold another session to complete the discussions.

Macaluso stated that the NAIC held a property/casualty (P/C) reinsurance roundtable for commissioners and senior regulators in July 2025. She stated that the current planned direction is to continue building knowledge, which will include investing in training, analytics, and regulatory tools to better assess the strength of reinsurance programs and their impact on solvency. She noted that the NAIC plans to strengthen collaboration through shared data on catastrophe exposure, joint modeling initiatives, and cross-state coordination on public-private solutions. Additionally, the NAIC aims to be proactive and shape the market response through policy, oversight, and engagement.

Macaluso stated that the NAIC and the Reinsurance Association of America (RAA) arranged to hold a two-day training session in Kansas City, MO, in January 2026 for key regulators, with a focus on the basics of how reinsurance programs work, from contract drafting to underwriting and pricing to claim management, and how capital markets support the reinsurance industry. She noted that the initial training was canceled due to weather, but a make-up session is scheduled for May 2026.

Stultz stated that in 2023, the Macroprudential (E) Working Group created a new reinsurance worksheet, which is an optional tool for state insurance regulators to gain a better understanding of reinsurance transactions at the companies they regulate. He requested that anyone who had used the worksheet and had any comments on the overall form or function provide them to him so they can be compiled and shared with the appropriate NAIC group. Stultz noted that the Macroprudential (E) Working Group will also continue to focus on its 13 key considerations, with a major emphasis on cross-border reinsurance.

Stultz stated that the Valuation Analysis (E) Working Group is currently completing *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) reviews. He noted that AG 53 is broad and covers AAT for life insurers, but he noted that the Task Force’s primary focus in the process has been on the work involved with reinsurance, primarily focused on where this may affect the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (EU Covered Agreement) and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement). He noted that a wide range of people are working on this project, including actuaries from the NAIC and regulators from several states, including actuaries, investment experts, and financial staff. Stultz said that other subject matter experts (SMEs) from the NAIC are brought in when needed and that the work being performed is regulator-only.

Stultz stated that the NAIC formed the Risk-Based Capital Model Governance (EX) Task Force last year. The mission of this group is to develop a set of guiding principles for the RBC framework to ensure a consistent approach to future RBC 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.”

Having no further business, the Reinsurance (E) Task Force adjourned.

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To: Monica Macaluso, Chair of the Reinsurance (E) Task Force
John Rehagen, Vice Chair of the Reinsurance (E) Task Force

From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Kevin Clark, Vice Chair of the Statutory Accounting Principles (E) Working Group

Re: Derecognized IMR Impact to Reinsurance Collateral (SAPWG Ref #2025-22)

Date: December 18, 2025

This referral intends to inform the Reinsurance (E) Task Force of the exposure of agenda item 2025-22: IMR Impact to Reinsurance Collateral by the Statutory Accounting Principles (E) Working Group and request comments on the exposure and potential options. This item is publicly exposed until Feb. 13, 2026.

The agenda item impacts the application of Model #785 collateral requirements to Life, Accident and Health reinsurance. In summary, existing provisions in *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* require derecognized net positive IMR (realized gains) to be captured as an increase in the reinsurance collateral required for applicable unauthorized or certified reinsurers. However, there is no current mention in *SSAP No. 61* for derecognized net negative IMR (realized losses) and whether those derecognized amounts should decrease applicable reinsurance collateral requirements. (IMR is eliminated [derecognized] by the cedent in accordance with reinsurance transactions as the block of business associated with recognized IMR has been eliminated. U.S. assuming entities are required to recognize a corresponding amount of IMR for statutory accounting purposes as part of the reinsurance transaction. IMR is not recognized by offshore assuming entities, as the concept of IMR does not reflect an asset or liability under U.S. GAAP or other accounting regimes.) The IMR Ad Hoc Group spent considerable time discussing this issue and was unable to reach a consensus position among the regulators and industry ad hoc representatives. The ad hoc group presented the issue to the Statutory Accounting Principles (E) Working Group, and with exposure of the agenda item, the Working Group also directed a referral to the Reinsurance (E) Task Force for input.

The ultimate question is whether the treatment of derecognized net negative IMR should reduce collateral requirements in a manner that would be symmetrical to collateral increases caused by derecognized positive IMR, or if the treatment should be asymmetrical, whereas derecognized net negative IMR does not reduce collateral requirements. The exposed agenda item proposes asymmetrical treatment. The support for asymmetrical treatment includes the following:

- If derecognized net negative IMR reduces collateral requirements, it could be viewed that negative IMR is a collateral asset, but under Model 785, IMR does not qualify as a collateral asset. As IMR reflects realized gains and losses from the sale of fixed-income instruments, IMR is not a transferable asset and cannot be liquidated or used for policyholder claims.
- If derecognized net negative IMR reduces collateral requirements, the collateral (hard assets) required would be less than the cedent's recognized policy reserve prior to the transaction.
- If net negative IMR was nonadmitted prior to the reinsurance transaction, with derecognition of the IMR there would be a surplus increase at the cedent. This dynamic, coupled with a reduction of the reinsurer's collateral requirement, may incentivize reinsurance transactions for companies with nonadmitted negative IMR.

Representatives of the ACLI participating in the IMR Ad Hoc Group have communicated support for symmetrical treatment, which would allow derecognized negative IMR to reduce collateral requirements. The ACLI rationale for including IMR in the collateral requirement, whether positive or negative, is the view that it represents a valuation adjustment to the ceded reserves. It reflects the partial unlocking of the reserve valuation rate resulting from sales and reinvestments of the supporting fixed income investments. As such, under this view, the most accurate reflection of the value of the current reserves being ceded is inclusive of the IMR balance. For this reason, the ACLI believes any collateral requirements should be inclusive of IMR regardless of positive or negative direction. For supporters of the symmetrical view, asymmetrical treatment is generally viewed as arbitrary and punitive and may have an unfavorable impact on reinsurance costs for ceding insurers.

The reference agenda item 2025-22 accompanies this referral. It includes additional discussion and examples, as well as the exposed language supporting asymmetrical treatment. This exposed guidance would strengthen the current guidance that all net positive IMR derecognized as a reinsurance transaction shall be a factor in the reinsurance collateral calculation but excludes all derecognized net negative IMR from influencing the collateral requirement.

The Statutory Accounting Principles (E) Working Group appreciates your review and comments on this issue. Please contact NAIC staff Julie Gann (jgann@naic.org) if you have any questions.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr, Dan Schelp

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**Statutory Accounting Principles (E) Working Group
 Maintenance Agenda Submission Form
 Form A**

Issue: IMR Impact to Reinsurance Collateral

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared to establish clear guidance in *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and Schedule S, Part 4, on how IMR derecognized by the cedent pursuant to a reinsurance transaction should be reflected in determining the amount of reinsurance collateral required from the assuming entity to receive reinsurance credit. The requirement for collateral is only a component for assuming reinsurers that are unauthorized or certified for which full or partial collateral is required under the *Credit for Reinsurance Model Law (#785)* and *Credit for Reinsurance Model Regulation (#786)*. It does not apply to reciprocal jurisdiction reinsurers, authorized, accredited or licensed reinsurers where collateral is not required.

Although the existing guidance in SSAP No. 61 requires derecognized net positive IMR to be captured as an increase in the collateral requirement, from what industry communicated during the IMR Ad Hoc Group discussions, this SSAP No. 61 requirement has not been consistently followed. Industry representatives advised that the inclusion of derecognized net positive IMR in the collateral requirement has been driven by the terms of their reinsurance treaties. NAIC staff have highlighted that this is inconsistent with statutory accounting principles, and deviations should have been supported by a permitted or prescribed practice. Through discussions of the IMR Ad Hoc Group, consensus of the group was reached that SSAP No. 61 does appropriately require that any IMR associated with reinsured reserves be included in any collateral requirements under the Credit for Reinsurance Models.

However, there is no current mention of derecognized net negative IMR in the existing SSAP No. 61 for collateral requirements, and the IMR Ad Hoc Group has been discussing if/how derecognized net negative IMR should factor into the collateral requirement for reinsurance credit. If net negative IMR were to be included in the collateral requirement, it would reduce required collateral. As the ad hoc group was not able to arrive at a consensus position between regulators and industry on how this should be treated, this Form A includes two possible options for the Working Group to consider.

One point of note for which the ad hoc group was able to reach consensus was that the consideration of net negative IMR should not consider the admissibility of the IMR for the cedant prior to reinsurance. Rather, the balance should be either fully included or fully excluded from the collateral requirement. This is because the calculation of any surplus-based limitation of negative IMR admissibility would become circular after the reinsurance is in place and unable to be repeated from that point forward.

The question being presented to the Working Group to decide is as follows:

Should the treatment of derecognized net negative IMR reduce required collateral for reinsurance (i.e. be treated symmetrically with positive IMR)? If the treatment is symmetrical, then derecognized net positive IMR increases the collateral requirement, and derecognized net negative IMR would decrease the collateral requirement. If the treatment is asymmetrical, derecognized net positive IMR still increases the collateral requirement, but derecognized net negative IMR would not decrease the collateral requirement.

The agenda item includes discussion and illustrations for the two potential options. The arguments for each option are summarized below:

- **Symmetrical Treatment:** Industry advocates for IMR to be treated symmetrically for reinsurance collateral requirements. The rationale for including IMR in the collateral requirement, whether positive or negative, is the view that it represents a valuation adjustment to the ceded reserves. It reflects the partial unlocking of the reserve valuation rate resulting from sales and reinvestments of the supporting fixed income investments. Therefore, the most accurate reflection of the value of the current reserves being ceded is inclusive of the IMR balance. For this reason, any collateral requirements should be inclusive of IMR regardless of direction. Asymmetrical treatment is generally viewed by industry as arbitrary and punitive and may have an unfavorable impact on reinsurance costs for ceding insurers.
- **Asymmetrical Treatment:** The alternative view which is supported by NAIC staff is that net negative IMR derecognized from a reinsurance transaction should not be permitted to influence the collateral required to receive reinsurance credit. In addition to the questions/issues on how this can be perceived to allow IMR to reflect a collateral asset, particularly as IMR (which reflects realized gains and losses) are not transferable assets, this is also recommended to prevent incentivizing reinsurance transactions to derecognize nonadmitted IMR. This is also perceived to be consistent with existing guidance as only IMR liability adjustments are currently captured in SSAP No. 61 and Schedule S.

This agenda item was driven from discussion at the IMR Ad Hoc Group. With differing opinions among staff, regulators and industry reps, it was requested that this issue be presented to the full Working Group.

Discussion and illustration entries are presented to illustrate the impact of these options:

1. Net Positive IMR Increases Collateral Requirements (current SSAP No. 61 guidance)

Positive IMR is generated when a fixed-income asset is sold in a decreasing interest rate environment, in that the fair value of the sold investment is greater than the book/adjusted carrying value (BACV), resulting in a realized gain. When this occurs, although the entity may have received a gain from the sale, they will be reinvesting in a lower-yielding asset resulting in fewer cash flows over the asset's duration. Recognizing that the entity still has long-term obligations for which the asset should be matched, the realized gain is recognized as a liability (positive IMR) and amortized to income over the life of the originally held fixed-income investment.

Example: Cedent has \$20 of positive IMR from the sale of a \$100 fixed-income instrument for \$120 in a declining interest rate environment. The entity then ceded the \$100 reserve under an 80% coinsurance transaction. Assuming everything was equal:

- Remove \$80 policy reserves ($\$100 * 80\%$)
- Remove \$16 of positive IMR (liability) ($\$20 * 80\%$)
- Remove \$96 of assets ($\$120 * 80\%$)

Prior to the transaction, the cedent had \$96 reported as a total liability – the \$80 reserve and the \$16 IMR. For reinsurance collateral purposes, an amount of \$96 is required to equal the cedent's liability that was established prior to the reinsurance transaction. If the positive IMR was not required to increase the collateral requirement, then the cedent would only have protection of \$80 for the \$96 in liability they had recognized prior to the reinsurance transaction. With the assumption that the specific assets backing the liability are transferred to the assuming entity, which equals \$96 after the reinvestment and reinsurance transaction, and no additional amounts or different types of investments are required, by including the positive IMR in the collateral requirement, the transaction would be surplus neutral to the ceding entity. If the positive IMR was not included in the collateral requirement, then the reinsurer would be permitted to provide less collateral than what would be needed to cover the transferred policy reserves.

2. Net Negative IMR Decreases Collateral Requirements

Negative IMR is generated when a fixed-income asset is sold in an increasing interest rate environment, in that the fair value of the sold investment is lower than the book/adjusted carrying value (BACV), resulting in a realized loss. When this occurs, the reporting entity would be re-investing a lower amount into a higher-yielding asset, generating more cash flow over the asset's duration. (For example, if the asset was on book for \$100 (with a fair value of \$80) and paying 4% prior to the sale, after the sale/re-investment, the entity would have an asset on book for \$80 and paying 6%.) If the loss qualifies for IMR under the guidance, the realized loss is recognized as an asset (negative IMR) and amortized to income over the life of the originally held fixed-income investment. Prior to 2023, this negative IMR asset was nonadmitted. Under the current INT 23-01, if the reporting entity qualifies, this negative IMR asset is admitted.

Example: Cedent has \$20 of admitted negative IMR from the sale of a \$100 fixed-income instrument for \$80 in a rising interest rate environment. The reporting entity then ceded the \$100 reserve under an 80% coinsurance transaction. If everything is always equal:

- Remove \$80 policy reserves ($\$100 * 80\%$)
- Remove \$16 of negative IMR (asset) ($\$20 * 80\%$)
- Remove \$64 of assets ($\$80 * 80\%$)

In an example where everything is equal, it may appear that offsetting liabilities and assets of \$80 were removed by the cedent in a surplus neutral transaction. However, the assuming entity only received \$64 of hard assets that could be used to pay claims. The cedent's policy reserve was still \$80, therefore if only \$64 of assets were used to collateralize the transaction, the collateral does not provide protection for the full reserve. It should also be noted that non-US reinsurers would not be recognizing the IMR.

Including negative IMR into the calculation results with these questions / issues:

- It may be viewed that the negative IMR is being used as a collateral asset towards the full \$80 policy reserve. Under the Model, IMR does not qualify as a collateral asset.
- If negative IMR is permitted, the collateral (hard assets) required is less than the cedent's recognized policy reserve prior to the transaction.

Note: The ACLI position is that the IMR should be considered an adjustment to the cedent's recognized policy reserve. If this position is supported, then the IMR is not viewed as collateral and the amount of collateral required would equal the policy reserve (\$64 in this example).

- If the assuming entity only received the \$64 of hard assets, requiring the assuming entity to post collateral of \$80 could make the transaction undesirable from a reinsurer perspective. However, there are questions whether reinsurers would accept only \$64 in hard assets to assume the \$80 policy reserve.
- IMR (either positive or negative) is not a transferable component. As previously noted, IMR does not qualify as an asset or liability under U.S. GAAP or SAP definitions. IMR is strictly a SAP concept that allows deferred recognition of realized gains and losses.

The questions / issues involving negative IMR in the reinsurance collateral calculation become more nuanced if the negative IMR did not qualify for admittance. The elimination of nonadmitted IMR results in a surplus bump to the ceding entity. This is shown as follows:

Example: Cedent has \$20 of nonadmitted negative IMR from the sale of a \$100 fixed-income instrument for \$80 in a rising interest rate environment. The reporting entity then ceded the \$100 reserve under an 80% coinsurance transaction. If everything was always equal:

- Remove \$16 of negative IMR (asset) $(\$20 * 80\%)$
- Decrease \$16 as nonadmitted assets, increasing cedent's surplus.
- Remove \$80 policy reserves $(\$100 * 80\%)$
- Remove \$64 of assets $(\$80 * 80\%)$

With this dynamic, the removal of the nonadmitted assets increases the company's surplus. Then, with the reinsurance arrangement the same questions arise as to whether the IMR should be a factor in the collateral of the reinsurance arrangement. If allowing the nonadmitted IMR to be included in the collateral calculation, the ceding entity has a benefit to their financial statements in a manner as though the IMR was always admitted. This may incentivize reinsurance transactions for companies with nonadmitted negative IMR, particularly in situations when the IMR had exceeded admittance thresholds.

Under the ACLI proposal, they do not believe the admittance/nonadmittance status at the ceding entity should impact the consideration of IMR in the collateral calculation. Rather, the calculation of nonadmittance would then be completed after the ceding transaction (and removal of IMR), recognizing that with less negative IMR, it would be more likely that a company would be within admittance parameters. As a very simple example, if a company had exceeded admittance thresholds by \$10, and derecognized net negative IMR by \$12 because of a reinsurance transaction, then the company would be fully able to admit the remaining net negative IMR after the result of the reinsurance transaction. Under the ACLI proposal, the derecognized nonadmitted IMR of \$12 should still be considered as a reduction of the policy reserve. Therefore, if the policy reserves removed were \$80, then only \$68 would be required as collateral from the assuming entity.

Existing Authoritative Literature:

SSAP No. 61—Life, Deposit-Type and Health Reinsurance

Paragraphs 47 and 50 provides guidance for the collateral requirement for certified and unauthorized reinsurers to receive reinsurance credit. This guidance is specific that the collateral requirement is equal to the reserve credit taken. If the collateral requirement is not met, then the ceding entity must set up a net liability that includes the reserve credits taken, including any IMR liability adjustment as detailed in paragraphs 47a and 50a.

Reinsurance Ceded to a Certified Reinsurer

47. A liability is established by the ceding entity to offset credit taken in various balance sheet accounts for reinsurance ceded to a certified reinsurer in an amount proportionate to any deficiency in the amount of acceptable security that is provided by the certified reinsurer as compared to the amount of security that is required to be provided in accordance with the certified reinsurer's rating. **In determining the amount of this liability, the ceding insurance entity must first determine the net obligations subject to collateral from the certified reinsurer,** which is equal to the following:
- a. **Reserve credits taken including any Interest Maintenance Reserve (IMR) liability adjustment; plus**
 - b. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - c. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - d. Amounts contractually due the assuming entity.

Unauthorized Reinsurance

50. If the reinsurer is not authorized, otherwise approved or certified to do business, the reinsurance is considered to be unauthorized. A liability is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. **Credit for reinsurance with unauthorized companies shall be permitted if the ceding entity holds securities or cash of the assuming entity equal to the reserve credit taken.** Such deposits are to be held under the control of the ceding entity. Additionally, any securities held under such an arrangement must be investments that the ceding entity is allowed to make under the provision of the investment sections of the insurance statutes. Other permissible arrangements include irrevocable trusts or "clean" letters of credit. **If the assuming entity is not licensed or is not an authorized reinsurer in the domiciliary state of the ceding entity or if the reinsurance does not meet required standards, the ceding entity must set up a net liability equal to the** following:
- a. **Reserve credits taken including any IMR liability adjustment; plus**
 - b. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - c. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - d. Deposits by or funds withheld from the reinsurer, as provided for in the reinsurance treaty and in compliance with the security requirements of Appendix A-785, pledged as security for the payment of reinsurance obligations. Such deposits or funds are typically held by the ceding entity or are placed in a trust or custodial account. Amounts placed in trust or custodial accounts are held subject to withdrawal by, and under the control of, the ceding entity; less

- e. Amounts of reinsurance recoverables covered by a clean, irrevocable letter of credit issued by a qualified U.S. financial institution as defined in Appendix A-785; less
 - f. Amounts contractually due the assuming entity.
51. The net liability defined in paragraph 50 shall never be less than zero for any particular reinsurer. The change in liability for unauthorized reinsurance is a direct charge or credit to surplus.

Annual Statement Instructions, Schedule S – Part 4 & Part 5

Schedule S, Part 4: Reinsurance Ceded to Unauthorized Companies and Schedule S, Part 5: Reinsurance Ceded to Certified Reinsurers include reinsurance ceded data used in the development of the liability for reinsurance in unauthorized or certified companies.

- For unauthorized - The liability serves to offset those assets and liability reductions that reflect the result of reinsurance ceded with unauthorized companies.
- For certified – The liability serves to offset those assets and liability reductions that reflect the result of reinsurer ceded with certified reinsurers that is not properly collateralized in accordance with the rating assigned to the certified reinsurer by the commissioner of the reporting company's state of domicile.

These schedules include the following columns:

Part 4 – Column 5 / Part 5 – Column 9: Reserve Credit Taken

This column includes the amount by which aggregate reserve for life contracts, deposit-type contracts, and accident and health companies has been reduced on account of reinsurance with unauthorized (or certified) companies. The amounts by company should be the same as those shown for life reinsurance ceded in Schedule S, Part 3, Section 1, Column 9 and for accident and health reinsurance ceded in Schedule S, Part 3, Section 2, Columns 9 & 10.

Part 4 – Column 6 / Part 5 – Column 10: Paid and Unpaid Recoverable, Including IBNR

This column is to include all paid and unpaid losses recoverable, including IBNR. It shall include the reduction in claim liability on account of reinsurance on incurred but not reported claims (estimated).

Part 4 – Column 7 / Part 5 – Column 11: Paid and Unpaid Recoverable, Including IBNR

This column is include all asset and liability reductions resulting from reinsurance ceded to unauthorized (or certified) reinsurers not included in columns 5 or 6 (or 9 or 10 for certified). Examples of items included in the column include:

- **Unamortized Interest Maintenance Reserve (IMR) liability adjustment**, if any, of the ceding company.
- Commissions and expense allowances due the ceding company.
- Modified coinsurance reserve adjustments due.
- Experience rating refunds due.

Both Schedule S Part 4 & Part 5 have explicit summary instructions that the securities held on deposit or held in a trust account should be valued at fair market value. This is also reiterated in the following instructions:

Column 12 (Part 4) and Column 20 (Part 5): Funds Deposited by and Withheld from Reinsurers

Where permissible to be taken as credit against the loss and reserve liabilities in Column 8 (Total of Columns 5, 6 & 7), amounts deposited by the reinsurer with or for the reporting insurance company, letters of credit, and trust agreements. Securities held on deposit or held in a trust fund should be valued at fair market value.

NAIC Note: Clarification on the fair value reporting requirements has been highlighted for a separate agenda item.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): Pursuant to the IMR Ad Hoc Group call on July 28, the issue of whether negative IMR should be a factor in determining the extent of reinsurance collateral required was directed to the full Statutory Accounting Principles (E) Working Group. The ad hoc group did not reach a consensus between industry and regulators, as industry supported symmetrical treatment with positive IMR (both impacting the reinsurance collateral) whereas regulators noted concern with this approach, particularly if negative IMR was nonadmitted by the ceding entity. It was noted that if nonadmitted negative IMR could be used to reduce collateral requirements, reporting entities could be incentivized to enter reinsurance transactions for the surplus bump they would receive.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose proposed revisions to SSAP No. 61 to clarify how IMR derecognized as part of a reinsurance transaction should influence the reinsurance collateral required to receive reinsurance credit. These revisions reiterate the current requirement to increase reinsurance collateral requirements for net positive IMR derecognized from a reinsurance transaction and the staff recommendation to prohibit a decrease in reinsurance collateral requirements from the derecognition of net negative IMR.

With this exposure, regulators are asked to comment on whether different IMR treatment should be considered from what is recommended. Specifically, instead of the asymmetrical approach, whether both positive and negative IMR derecognized from reinsurance transactions should impact the reinsurance collateral treatment (symmetrical treatment). Additionally, with exposure, a referral is recommended to the Reinsurance (E) Task Force to provide notice of this discussion and request comments.

As discussed within, the recommendation for asymmetrical treatment is supported by NAIC staff for the following reasons:

- **Positive IMR:** Both the policy reserve and IMR are needed in the collateral requirement to ensure that the collateral equals the established cedent's liability prior to the reinsurance transaction.
- **Negative IMR:** By including negative IMR derecognized from a reinsurance transaction, the collateral required drops below the required policy reserve. IMR is not permitted to reflect a collateral asset, and as negative IMR simply reflects previously recognized realized losses, IMR is not a transferable asset. Further, if negative IMR was nonadmitted, the process to include negative IMR as a reduction of the collateral

requirement could incentivize reinsurance transactions to obtain a surplus bump from the elimination of the nonadmitted IMR.

Proposed Revisions to SSAP No. 61 to paragraphs 47a and 50a for both certified and unauthorized reinsurers and the calculation of the reserve credits: (Remaining subparagraphs excluded for brevity.)

Proposed Revisions to SSAP No. 61:

Reinsurance Ceded to a Certified Reinsurer

47. A liability is established by the ceding entity to offset credit taken in various balance sheet accounts for reinsurance ceded to a certified reinsurer in an amount proportionate to any deficiency in the amount of acceptable security that is provided by the certified reinsurer as compared to the amount of security that is required to be provided in accordance with the certified reinsurer's rating. **In determining the amount of this liability, the ceding insurance entity must first determine the net obligations subject to collateral from the certified reinsurer**, which is equal to the following:
- a. Reserve credits taken, which shall include all net positive Interest Maintenance Reserve (IMR) derecognized as a result of the reinsurance transaction, but shall exclude all net negative IMR derecognized as a result of the reinsurance transactions¹ ~~including any Interest Maintenance Reserve (IMR) liability adjustment~~; plus
 - b. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - c. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - d. Amounts contractually due the assuming entity.

Unauthorized Reinsurance

50. If the reinsurer is not authorized, otherwise approved or certified to do business, the reinsurance is considered to be unauthorized. A liability is established to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. Credit for reinsurance with unauthorized companies shall be permitted if the ceding entity holds securities or cash of the assuming entity equal to the reserve credit taken. Such deposits are to be held under the control of the ceding entity. Additionally, any securities held under such an arrangement must be investments that the ceding entity is allowed to make under the provision of the investment sections of the insurance statutes. Other permissible arrangements include irrevocable trusts or "clean" letters of credit. If the assuming entity is not licensed or is not an authorized reinsurer in the domiciliary state of the ceding entity or

¹ [The guidance for derecognized net positive and net negative IMR is required in the collateral requirement calculation for all cedents regardless of the reinsurance treaty terms.](#)

if the reinsurance does not meet required standards, the ceding entity must set up a net liability equal to the following:

- e. Reserve credits taken, [which shall include all net positive IMR derecognized as a result of the reinsurance transaction, but shall exclude all net negative IMR derecognized as a result of the reinsurance transactions²](#); ~~including any IMR liability adjustment~~; plus
 - f. Claim liability credits taken on paid and unpaid (in course of settlement) claims recoverable; plus
 - g. Other asset increases or liability reductions resulting from amounts recoverable from the assuming entity including commissions, expense allowances, modified coinsurance reserve adjustments, experience rating refunds, and estimated incurred but not reported claim liabilities; less
 - h. Deposits by or funds withheld from the reinsurer, as provided for in the reinsurance treaty and in compliance with the security requirements of Appendix A-785, pledged as security for the payment of reinsurance obligations. Such deposits or funds are typically held by the ceding entity or are placed in a trust or custodial account. Amounts placed in trust or custodial accounts are held subject to withdrawal by, and under the control of, the ceding entity; less
 - i. Amounts of reinsurance recoverables covered by a clean, irrevocable letter of credit issued by a qualified U.S. financial institution as defined in Appendix A-785; less
 - j. Amounts contractually due the assuming entity.
51. The net liability defined in paragraph 50 shall never be less than zero for any particular reinsurer. The change in liability for unauthorized reinsurance is a direct charge or credit to surplus.

Staff Review Completed by: Julie Gann, NAIC Staff—August 2025

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to SSAP No. 61 to clarify how IMR that has been derecognized as part of a reinsurance transaction should impact the reinsurance collateral required to receive credit for reinsurance. The exposed revisions reflect the asymmetrical proposal, in which derecognized positive IMR increased collateral requirements, but that derecognized negative IMR does not decrease collateral requirements. Comments on the symmetrical and asymmetrical approaches as well as the proposed revisions are requested.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2025/12-9-25FallNationalMeeting/Exposures/25-22-ReinsCollateral.docx>

² [The guidance for derecognized net positive and net negative IMR is required in the collateral requirement calculation for all cedents regardless of the reinsurance treaty terms.](#)



February 13, 2026

Dale Bruggeman
Chairperson
Statutory Accounting Principles (E) Working Group National
Association of Insurance Commissioners

Subject: [SAPWG 2025-22 IMR Impact to Reinsurance Collateral](#) Public Exposure

Dear Chair Bruggeman:

On behalf of the Reinsurance Working Group (RWG) of the American Academy of Actuaries,¹ we appreciate the opportunity to provide comments to the Statutory Accounting Principles (E) Working Group (SAPWG) regarding SAPWG 2025-22 IMR Impact to Reinsurance Collateral (SAPWG 2025-22) exposure following the NAIC's Fall 2025 National Meeting. The RWG believes this is an important issue and appreciates SAPWG's consideration of public comments.

In response to the SAPWG 2025-22 exposure, we offer the following commentary in an effort to help balance the posting of collateral, based on the economics of a transaction, with the regulators' need to ensure that policyholder interests are protected.

Reinsurance that meets all regulatory requirements passes risk from the insurer to the reinsurer. As a result, the risk remaining on the cedent's balance sheet is reduced. Under those circumstances, we consider it appropriate that a cedent's surplus could be enhanced using such a reinsurance agreement.

Further, we recognize that reinsurance has proved to be an effective risk mitigation tool and believe that any changes to collateral requirements should avoid disincentivizing insurance companies from implementing appropriate reinsurance solutions.

At the same time, we appreciate the concern about negative IMR being used to reduce collateral below the level of policy reserves. Rather than an all-or-nothing approach to negative IMR, we would propose the following:

1. Allow negative IMR as part of the collateral calculation.
2. In order to allow collateral to be less than policy reserves, require the ceding company actuary to demonstrate, such as by using asset adequacy analysis (AAA), that the level of collateral would be sufficient to mature the reinsurer's liabilities under moderately adverse scenarios. This tested level of collateral would be floored at the policy reserves minus the absolute value of the negative IMR. The AAA could be done on a standalone basis at the

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.

treaty level. The results may be aggregated with those of other reinsurance agreements if the collateral may be used to meet the reinsurer's obligations under the other reinsurance agreements.

3. If no testing is performed, then the collateral would be floored at the policy reserves.
4. Posted collateral less than that developed by the cedent's actuary would result in a reduction in the reserve credit equal to the difference between the test collateral amount and the amount actually held.

In the case of Certified Reinsurers, where collateral is required for less than 100% of the ceded policy reserves, the calculations would be done based upon 100% of the ceded policy reserves and then the appropriate percentage would be applied.

We appreciate the opportunity to share these comments and look forward to the continued collaborative conversations between SAPWG and interested stakeholders. If you have any questions or would like to discuss these comments further, please contact Will Behnke, the Academy's policy project manager, risk management and financial reporting (behnke@actuary.org).

Sincerely,

Jeremy Starr, MAAA, FSA Chairperson
Reinsurance Working Group American
Academy of Actuaries

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/rtf/2026springnm/03-02 springnm/summary and minutes/03a_aaa_imr impact to reinsurance comments.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/rtf/2026springnm/03-02%20springnm/summary%20and%20minutes/03a_aaa_imr%20impact%20to%20reinsurance%20comments.docx)



February 13, 2026

Mr. Kevin Clark, Chair
Statutory Accounting Principles (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: SAPWG Ref #2025-22 – IMR Impact to Reinsurance Collateral

Dear Chair Clark,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide comments on the Statutory Accounting Principles Working Group (SAPWG) Ref #2025-22 regarding the impact of the Interest Maintenance Reserve (IMR) on reinsurance collateral requirements.

ACLI recommends symmetrical treatment of IMR in collateral calculations because it supports the prudent use of reinsurance as a risk-management tool. Under this approach IMR can both increase and decrease required collateral, which has several important benefits:

- The symmetrical approach better aligns the market value of assets and liabilities.
- The symmetrical approach stabilizes collateral requirements through economic cycles.
- The symmetrical approach prevents collateral implications from distracting from prudent and timely asset-liability management.

We also suggest SAPWG consider the risk that asymmetrical treatment of IMR in collateral calculations could exacerbate the impact of market cycles. By only allowing IMR to increase collateral, the asymmetrical approach would make reinsurance comparatively more expensive when interest rates increase. By introducing conditions that make certain periods more or less favorable for reinsurance transactions, an asymmetrical approach could unintentionally encourage non-economic decision-making. These potential effects do not appear to be addressed in the exposure document.

On the balance, ACLI expects the symmetrical approach to create more capital stability and more competitive pricing for consumers. We recognize regulators' focus on ensuring the sufficiency of collateral supporting reinsurance recoverables. ACLI fully supports collateral sufficiency, and we welcome continued dialogue on the treatment of IMR within reinsurance collateral determinations.

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

ACLI appreciates SAPWG's thoughtful consideration of this issue. We support SAPWG's continued efforts to ensure that the statutory treatment of IMR remains economically grounded, promotes sound risk management, and reflects the practical realities of life insurer investment portfolios.

Sincerely,



Shannon Jones
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202-624-2029



Hans Avery
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202-624-2012

cc: Julie Gann, NAIC

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/membermeetings/e cmte/rtf/2026springnm/03-02 springnm/summary and minutes/att three-b_acli comment letter - 2025-22.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/membermeetings/e%20cmte/rtf/2026springnm/03-02%20springnm/summaryandminutes/att%20three-b_acli%20comment%20letter%20-2025-22.docx)

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February 13, 2026

Mr. Kevin Clark, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Interested Parties Comments on Items Exposed for Comment by the Statutory Accounting Principles Working Group (SAPWG) with Comments due February 13th

Dear Mr. Clark:

Thank you and the NAIC Statutory Accounting Principles Working Group (the Working Group) for the opportunity to comment on the above-referenced items, which were exposed for comment by the Working Group during the NAIC 2025 Fall National Meeting.

Ref #2025-01: Sale-Leaseback Clarification

The Working Group exposed further revisions to SSAP No. 22, as illustrated in the exposure draft, under the Fall 2025 Updated Staff Recommendation. The exposed revisions incorporate certain aspects of the changes recommended by the NAMIC/APCIA comment letter and include additional NAIC staff changes to further clarify the intent and scope of the proposed guidance and the effective date.

Interested parties believe the clarification to the SSAP No. 22 guidance is helpful in that it removes the ambiguity of the prior guidance and makes it clear that if the pledge arrangement removes access (or creates forfeiture risk), then the transaction is not a sale-leaseback transaction; rather it is financing. The proposed changes create a new category of restricted assets within SSAP No. 22 that fails the availability test. This helps to distinguish between the types of pledged assets that may be involved in leasing arrangements and helps to determine if there is a lack of control and/or potential for forfeiture risk. We support the minor edit proposed in the comment letter submitted by the National Association of Mutual Insurance Companies and American Property Casualty Insurance Association.

Ref #2025-22: IMR Impact to Reinsurance Collateral

The Working Group exposed revisions to SSAP No. 61 to clarify how IMR that has been derecognized as part of a reinsurance transaction should impact the reinsurance collateral required to receive credit for reinsurance. The exposed revisions reflect the asymmetrical proposal, in which derecognized positive IMR increased collateral requirements, but that derecognized negative IMR does not decrease collateral

requirements. Comments on the symmetrical and asymmetrical approaches as well as the proposed revisions are requested.

Interested parties recommend symmetrical treatment of IMR in collateral calculations as it is consistent with the prudent use of reinsurance as a risk-management tool as discussed in the comment letter from the American Council of Life Insurers.

Ref #2025-23: IMR Proof of Reinvestment

The Working Group exposed the proposed concepts and templates for the IMR Proof of Reinvestment developed by the IMR Ad Hoc Group, as shown above, for Working Group and industry consideration. These concepts and disclosures are anticipated to be included in the issue paper and revised SSAP developed as part of the IMR long-term project.

Interested parties support the Proof of Reinvestment included with the exposure draft and the suggested technical corrections provided in the letter from the American Council of Life Insurers.

Ref #2025-24: Commitments and Contingencies Disclosures

The Working Group exposed revisions, as detailed in the exposure draft, to the annual statement instructions, *SSAP No. 1—Accounting Policies, Risks & Uncertainties, SSAP No. 5—Liabilities, Contingencies and Impairments of Assets, SSAuP No. 21—Other Admitted Assets, SSAP No. 26—Bonds, and SSAP No. 43—Asset-Backed Securities*. Exposed revisions consolidate and clarify the disclosure requirements for commitments and contingent commitments, including the addition of a definition for commitments, and a new comprehensive commitments and contingent commitments disclosure.

Interested parties has had several conference calls to discuss this exposure draft and concluded that the definitions need to be clarified and that there is some complexity in the differences of definitions that are likely to cause a lack of consistency in industry’s application of the exposure as currently drafted. We would like to extend our offer to work with NAIC staff on the exposure draft once we get past 2025 year-end reporting.

Ref #2025-25: Separate Account Nonadmitted Assets

The Working Group exposed revisions to SSAP No. 56 to address nonadmittance for assets held under the “general account basis” in the separate account, and to support the separate account annual statement revisions to incorporate the concept of nonadmitted assets within the separate account balance sheet and corresponding schedules.

Interested parties support the exposed revisions.

Ref #2025-26: SSAP No. 48 Equity Changes

The Working Group exposed this agenda item with a request for feedback on the above noted aspects and the application of existing guidance.

Interested parties has had several conference calls to discuss this exposure draft and had conflicting interpretations of how this draft would be applied. Given the complexity and the extent of systems changes this item could have on company's reporting systems, we would like to extend our offer to work with NAIC staff on the exposure draft once we get past 2025 year-end reporting.

Ref #2025-27: SSAP No. 1 Modco/FWH Code

The Working Group exposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* to expand paragraph 23.b to add a reporting code for assets held under a modco and funds withheld arrangements.

Interested parties continue to recommend that the assets assigned to Modco and FWH agreements be reported in the aggregate but not subject to individual restricted asset coding of any kind in the detailed investment schedules. We would appreciate the opportunity to work with NAIC staff and regulators to arrive at an acceptable compromise on this issue, along the lines of our work on Schedule S – Part 8.

In addition, we recommend limiting possible changes to only Life/Fraternal reporting entities, which would be consistent with how Schedule S – Part 8 was created and where almost all the Modco/ Funds Withheld reinsurance agreements are reported.

For Property & Casualty insurers, Modco / Funds Withheld reinsurance agreements are rarely used and when they are, the assets represent the cash for the ceded premium the ceding insurer holds onto rather than paying the assuming insurer. These assets remain commingled in the ceding insurer's general investment portfolio managed by the ceding insurer. Accordingly, the agreement does not require and does not result in restricted assets that are specifically identifiable and/or potentially managed by the assuming reinsurer or its affiliates. It appears that P&C companies were inadvertently scoped into Note 5L in the Blanks proposal and will not be able to complete the schedule.

We recommended that the Blanks proposal be re-exposed or deferred to allow the Working Group item to be adopted.

Ref #2025-28: Nonadmittance of Long-Term Repos

The Working Group exposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to allow long-term repurchase agreements to be admitted. The revisions also clarify that reverse repurchase agreements with maturity dates in excess of one-year shall continue to be nonadmitted and provide guidance for how the nonadmittance should be reflected.

Interested parties agree that conceptually long-term repurchase agreements should be admitted assets. We reached out to industry to ask whether companies have longer dated repurchase agreements that can be puttable and received responses that the companies were not aware of any repurchase agreements with those terms.

Ref #2025-29: Reporting Clarifications

The Working Group exposed this agenda item to modify and/or clarify guidance for the reporting of certain components in the investment schedules, particularly for aspects related to debt securities predominantly incorporated with the implementation of the principles-based bond definition. Reporting entities are requested to identify additional reporting components that could use clarification as they complete the year-end 2025 reporting under the provisions of the bond definition.

Interested parties offer the following comments on this item:

1. Payment Due at Maturity:

- Please clarify that the payment at maturity refers to the contractual / legal maturity date (vs. anticipated repayment date) and represents the amount specified in the contract (i.e., the contractual payment due at contractual maturity).
- Interested parties prefer that the amount remain unchanged on an ongoing basis unless additional lots are purchased or existing lots are sold. If the amount represents the contractual payment due (vs. anticipated repayment due) at maturity, it should not change except as a result of such transactions.
- We have no objection if the NAIC chooses to limit the disclosures to certain subcategories in Schedule D – Part 1 as identified in the proposal.
- If it is anticipated that the field will change after acquisition, IPs would request further conversation with NAIC staff.

2. Origination Balloon Payment %:

- We agree that the origination date should be used when available; for instruments purchased in the secondary market, the acquisition date should be used instead. We also recommend retaining the statement that transition is subject to best efforts.
- Please clarify that the amounts refer to contractual amounts due at the contractual maturity date, rather than expected amounts due based on the anticipated repayment date.

3. Rated Notes or Rated Feeder Funds:

- Interested parties agree that if a feeder fund does not qualify as an operating company under the bond standard and payments from the underlying collateral are used to service the debt, the instrument would not be reported as an ICO. Insurers apply their own accounting policies to determine whether an investment is classified as an ICO or ABS, and the industry is not aware of any instances in which debt issued by a feeder fund has been reported as an ICO. If the NAIC wishes to clarify this point in the bond standard, the industry has no objection.
- We prefer to avoid introducing a new characteristic code, as this matter is not considered significant and would add complexity to an already detailed Schedule D. If the NAIC instead requires that all debt issued by feeder funds be reported as ABS, the industry would not object, though defining a “feeder fund” may be beneficial. The industry is willing to work with the NAIC as needed.

4. Aggregate Deferred Interest:

- Industry has not observed that bank loans generally have payment dates extending beyond 12 months (other than PIK).
- Accordingly, we have no comments on this requirement, as it is already addressed in the annual statement instructions and insurers will comply beginning in 2025.
- Bank loans that meet the applicable definition are reported as ICO. The bank loans reported as ICO do not have multiple bank loans as underlying collateral; if they did, industry believes they would not qualify as ICO.

5. Schedule BA – Residuals Maturity Date:

- Insurers do not consider the residual maturity date to be a relevant data point for several reasons. Contractual maturity dates are often set far into the future solely to ensure eventual payoff and to avoid perpetual classification. In practice, insurers expect residual interests to be settled well before the contractual maturity date.
- For insurers applying a cost recovery method, the contractual maturity date is not relevant.
- Residual interests are structured to receive cash flows for which both the timing and amount are uncertain; therefore, the residual maturity date is not a relevant data point.

6. Schedule BA – Investments in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having Characteristics of Mortgage Loans:

Interested parties believe a principles-based approach should be considered for this issue and provide the following rationale:

- The NAIC proposes that the intent of Schedule BA reporting is to use a 'single-level look-through' (e.g., an SSAP No. 48 investment holds RMBS/CMBS and thus an insurer should not look through the RMBS/CMBS and conclude it has “underlying characteristics of mortgage loans”). Interested Parties agree that, in the specific example provided, the cash flows used to pay down the SSAP No. 48 investment are from bonds (i.e., RMBS/CMBS). However, use of ‘single-level look-through’ in all cases may not properly reflect the nature and risk of the assets that will ultimately support an insurer’s investment. As an example, an insurer may own equity in a Limited Partnership (LP) which owns equity in a fund (the fund may be an LP also) that owns only real estate. The underlying fund (an LP) owns real estate that produces lease income, which is ultimately passed through to the investor. If an insurer stops the analysis at the ‘single-level-look-through’, it would conclude that the underlying risk is equity in a fund. In reality, the insurer is assuming real estate risk through this structure. Structures can be multilayered for tax, legal and other commercial reasons. Interested Parties support using a principles-based approach for the determination of how to report the underlying characteristics of investments in the LP based on the nature of the cash flows that will service the investment.
- Similarly, regarding the proposal to "explicitly exclude debt securities, including RMBS/CMBS from the SSAP No. 48 reporting category for investments with 'underlying characteristics of mortgage loans,'" we believe a principles-based approach should be applied to determine the underlying characteristics and resulting classification. For example, IPs are concerned that in the example provided, some small amount of RMBS/CMBS in a mortgage fund may “taint” the classification of the SSAP No. 48 investment in a fund that, in substance, has ‘underlying

characteristics of mortgage loans’ (i.e., where the cash flows generated to pay off the investment are primarily mortgage loans). Given the classification as having ‘underlying characteristics of XXXX’ has a direct impact on RBC, we believe it is important to properly reflect the risk associated with the underlying assets that are generating cash flows to pay the investment.

In summary, interested parties support the development of a principles-based approach that considers the substance of a reporting entity’s investment for determining the classification of SSAP No. 48 investments as having ‘underlying characteristics of XXX’. We are willing to work with NAIC staff as this is developed.

Ref #2025-30: Administrative Services Contracts Disclosure Clarification

The Working Group exposed revisions to *SSAP No. 47—Uninsured Plans* and the related annual statement note 18B to correct the net gain or loss calculation on Administrative Services Contract plans.

Interested parties have no comments on this item.

Ref #2025-31: Update Coverage Gap

The Working Group exposed revisions to *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* to note the December 31, 2024, end of the Coverage Gap Discount program and add relevant references to the CMS Manufacturer’s Discount Program which began in 2025.

Interested parties have no comment on this item.

Ref #2025-32: Remove Shaded Text

The Working Group exposed revisions to *SSAP No. 40—Real Estate Investments*, *SSAP No. 90—Impairment or Disposal of Real Estate Investments*, the *Summary of Changes*, and the *How to Use* document to delete the shaded text instructions and delete previously superseded guidance in SSAP No. 40, which is currently shown as shaded text.

Interested parties have no comments on this item.

Ref #2025-33: Update to Annual Statement Expense Descriptions and Categories

The Working Group exposed revisions to update and modernize the expense descriptions and categories in the annual reporting blanks, as detailed in Exhibit 1 for P&C, Exhibit 2 for Life/Fraternal, Exhibit 3 for Health, and Exhibit 4 for Title of this Form A. This agenda item does not result in changes to statutory accounting.

Interested parties do not have any concerns with the edits in Exhibit 1, however we did not see a Section 15 which relates to Computer Software (which is shown in the Index).

Ref #2025-34: Updates on Economic Scenario Generator and Non-Variable

The Working Group exposed revisions to *SSAP No. 3—Accounting Changes and Corrections of Errors* and *SSAP No. 51—Life Contracts* to provide guidance on the optional implementation period for *Valuation Manual* revisions regarding the economic scenario generator and non-variable annuities. The revisions expand the existing phase-in disclosure to reflect the APF 2025-04 economic scenario generator phase-in by adding reference to VM-20.

The exposed revisions to *SSAP No. 51* and *SSAP No. 52—Deposit-Type Contracts* effective date paragraphs provide that the VM-22 (non-variable annuities) optional implementation period in APF 2025-11 is reported as a change in valuation basis when implemented. Changes in valuation basis are reported in the change in accounting principles disclosures in *SSAP No. 3—Accounting Changes and Corrections of Errors*.

Interested parties have no comments on this item.

Thank you for considering interested parties' comments. We look forward to working with you and the Working Group on these items. We would recommend working with NAIC staff prior to a blanks exposure to refine clarity as much as possible prior to the exposure. If you have any questions in the interim, please do not hesitate to contact either one of us.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Julie Gann, NAIC staff
Robin Marcotte, NAIC staff
Wil Oden, NAIC staff
Jake Stultz, NAIC staff
Interested parties

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmt/rtf/2026springnm/03-02 springnm/summary and minutes/att three-c_sap ip comment letter.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmt/rtf/2026springnm/03-02%20springnm/summary%20and%20minutes/att%20three-c_sap%20ip%20comment%20letter.docx)