Draft date: 7/14/26

Virtual Meeting

FINANCIAL EXAMINERS HANDBOOK (E) TECHNICAL GROUP
Monday, August 3, 2026
2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

ROLL CALL

Eli Snowbarger, Co-Chair	Oklahoma	Andrea Johnson	Nebraska
John Litweiler, Co-Chair	Wisconsin	Colin Wilkins	New Hampshire
Laura Clements	California	Nancy Lee Chice	New Jersey
William Arfanis	Connecticut	Monique D. Smith	North Carolina
N. Kevin Brown	District of Columbia	Tracy Snow/Zachary Wheatley	Ohio
Cindy Andersen	Illinois	Diana Sherman	Pennsylvania
Grace Kelly	Minnesota	Jennifer Blizzard	Virginia
Shannon Schmoeger/Sara McNeely	Missouri	Tarik Subbagh	Washington

NAIC Support Staff: Elise Klebba/Bailey Henning

AGENDA

1. Consider Exposure of Handbook Guidance — *John Litweiler (WI)*
    a. CUSIP Terminology — Attachment 1
    b. Exhibit O – Assessment of Aggregated Controls — Attachment 2
    c. Evergreen Letter of Credit — Attachment 3

2. Receive Referrals Regarding the Following – *Eli Snowbarger (OK)*
    a. Assessing Private Asset Exposures — Attachment 4
    b. Unauthorized Offshore Reinsurers — Attachment 5

3. Discuss 2026 Project Listing – *John Litweiler (WI)* — Attachment 6

4. Discuss Any Other Matters Brought Before the Technical Group – *Eli Snowbarger (OK)*

5. Adjournment

EXAMINATION REPOSITORY – INVESTMENTS

Annual Statement Blank Line Items

Listed below are the corresponding Annual Statement line items that are related to the identified risks contained in this exam repository:

Bonds
Stocks (Preferred and Common)
Mortgage Loans on Real Estate
Cash, Cash Equivalents and Short-Term Investments
Derivatives
Other Invested Assets
Securities Lending – Reinvested Collateral Assets

Other Annual Statement line items related to investments, whose risks are less common, have not been included in this examination repository. They include the following:

Real Estate
Aggregate Write-Ins for Invested Assets
Contract Loans
Receivables for Securities
Payable for Securities
Investment Income Due and Accrued *(P&C Companies)*
Drafts Outstanding
Unearned Investment Income *(Life Companies)*
Liability for Deposit-Type Contracts *(Life Companies)*
Miscellaneous Liabilities – Asset Valuation Reserve
Contract Liabilities Not Included Elsewhere – Interest Maintenance Reserve
Contract Liabilities Not Included Elsewhere – Surrender Values on Cancelled Contracts *(Life Companies)*

Relevant Statements of Statutory Accounting Principles (SSAPs)

All of the relevant SSAPs related to the investment process, regardless of whether or not the corresponding risks are included within this exam repository, are listed below:

No. 2 — Cash, Cash Equivalents, Drafts, and Short-Term Investments
No. 7 — Asset Valuation Reserve and Interest Maintenance Reserve
No. 21 — Other Admitted Assets
No. 23 — Foreign Currency Transactions and Translations
No. 26 — Bonds
No. 30 — Unaffiliated Common Stock
No. 32 — Preferred Stock
No. 34 — Investment Income Due and Accrued
No. 37 — Mortgage Loans
No. 38 — Acquisition, Development and Construction Arrangements
No. 39 — Reverse Mortgages
No. 40 — Real Estate Investments
No. 41 — Surplus Notes
No. 43 — Asset-Backed Securities
No. 44 — Capitalization of Interest
No. 48 — Joint Ventures, Partnerships and Limited Liability Companies
No. 49 — Policy Loans

No. 56 — Separate Accounts
No. 74 — Insurance-Linked Securities Issued Through a Protected Cell
No. 83 — Mezzanine Real Estate Loans
No. 86 — Derivatives
No. 90 — Impairment or Disposal of Real Estate Investments
No. 93 — Investments in Tax Credit Structures
No. 97 — Investments in Subsidiary, Controlled and Affiliated Entities
No. 103 — Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

† Risks identified with this symbol may warrant additional procedures or consideration at the head of the internationally active insurance group (IAIG) or level at which the group manages its aggregated risks. Where IAIGs have a decentralized business model, at least in regard to certain operations and management of related risks, examiners should consider evaluating those risks at the subgroup or legal entity level. Refer to Section 1, Part I for additional guidance for examinations of IAIGs.

---------------------------------------Detail Eliminated for Spacing Purposes--------------------------------------

Identified Risk	Branded Risk	Exam Asrt.	Critical Risk	Possible Controls	Possible Test of Controls	Possible Detail Tests
The insurer does not review its liquidity position to determine if adjustments are necessary to meet its potential near-term cash flow needs. **Please Note:** Examiners may wish to refer to the Exam Planning Questionnaire section on liquidity (Exhibit B, Section IV, Part J) to assist in identifying and assessing potential risk in this area.	OP ST LQ	Other	LC	The insurer has a liquidity measurement, monitoring and management framework that includes a written liquidity plan with contingency and stress-testing features.	Determine whether management's review of the liquidity plan and stress testing procedures and assumptions is reasonable considering its experience and market history.	Validate that the company's illiquid assets (including private placement, non-marketable funds, real estate-related assets, special deposits/restricted assets and affiliate investments) were all considered, and determine whether it relies heavily upon nontraditional or non-insurance activities (e.g., commercial paper and securities lending) for liquidity. Validate company liquidity testing to confirm results under stressed scenarios. If necessary, use an investment specialist and/or actuary to analyze the insurer's liquidity position.
Financial Reporting Risks						
The insurer's bonds, stocks and short-term investments that are considered hard-to-value, high-	MK	VA	VIIA	The insurer reconciles its investments to the statements received from its investment	Inspect reconciliations of the insurer's recorded investments to the investment statements	Review Jumpstart investment exception reports to determine whether the company's quality assurance controls

Identified Risk	Branded Risk	Exam Asrt.	Critical Risk	Possible Controls	Possible Test of Controls	Possible Detail Tests
risk and/or subject to significant price variation are incorrectly valued.				managers/custodians on a regular basis. In the event the insurer manages its own investments, it obtains pricing information from a recognized independent source, such as Bloomberg. The insurer periodically reviews the prepayment and default assumptions for loan-backed securities and evaluates the proper valuation per SSAP No. 43. The insurer has procedures in place to review for wash sales and to determine whether they have been properly valued and disclosed in accordance with SSAP No. 103. The insurer has a process in place to ensure the correct currency conversion is used in	received from investment managers/custodians. Test the controls in place surrounding the independent pricing process to determine whether guidelines (mid-market, bid, ask) are reasonable and consistently applied. Review the insurer's process to review prepayment assumptions for loan-backed securities, and inspect relevant documents as necessary. Review the insurer's procedures for identifying wash sales, including its listing of such sales. Ensure that this list is updated at least on a quarterly basis and is properly reviewed by the insurer. Discuss with management the process used to ensure correct currency conversions are in place. Test the process to	were functioning for accurate~~-~~ security identifiers~~Committee on Uniform Security Identification Procedures (CUSIP)~~, designation and market values. Confirm the value of securities with investment managers/custodians, and agree the amount confirmed to the insurer's records. Select a sample of pricing of securities, and verify quotes with other independent sources. Review insurer assumptions for reasonableness. Review the insurer's investment transactions to test the completeness of the insurer's listing of wash sales. If wash sales are identified, determine whether they have been properly valued and disclosed in accordance with SSAP No. 103.

EXHIBIT O

EXAMINATION SAMPLING WORKSHEETS

This exhibit includes three worksheets that may be useful to examiners in documenting the process to conduct test procedures through the use of examination sampling. Part One of the exhibit provides a worksheet to be used when conducting sampling for use in control testing in Phase 3. Parts Two and Three provide worksheets to be used when conducting non-statistical sampling or attribute sampling for tests of details in Phase 5. Each of the worksheets within this exhibit should be utilized in conjunction with guidance provided in Section 1 – Part III, C, when applicable.

PART ONE - TEST OF CONTROLS SAMPLING WORKSHEET

-------------------------------------Detail Eliminated for Spacing Purposes---

1. Determine the sample size using the table below:

Sample Sizes for Controls		
Control Frequency	**Control Occurrences**	**Sample Size**
Annual	**1**	1
Quarterly	**4**	2
Monthly	**12**	3-5*
Weekly	**52**	5-12*
Daily	**250**	25-40*

* - Sample size should be towards the high end of the range if planned level of risk management is Strong.

2. Select the sample (Note: this may be reflected on the actual testing spreadsheet). Sample items should be selected in a manner that gives each item in the population an equal chance to be selected:

3. Document the number of deviations from the testing of controls:

   Explain the type of deviations found and explain the reasons for such deviations:

   Dev. #1

   Dev. #2

   Dev. #3

4. Conclude on the final assessed level of risk management and the acceptability of test results. The examiner should first evaluate whether each control tested is designed appropriately to address the identified risk and operating effectively based on the results of testing. When relying on multiple controls to address a single risk, document a single overall assessment regarding how the controls collectively address the risk. -In general, if any deviations are found that cannot be explained as isolated incidences, the examiner should consider the nature and severity of the deviations and whether the other controls sufficiently mitigate the identified risk when determining the final assessed level of risk management.~~final assessed level of risk management should be weak.~~ Also, discuss any other matters deemed relevant to the test of controls documented above:

Final Assessed Level of Risk Management:

-------------------------------------Detail Eliminated for Spacing Purposes---

V. Reinsurance Review

This section of the Handbook addresses the following subjects:

A. Evaluation of Risk Transfer
B. Credit for Reinsurance Guidelines
C. Reinsurance Balances Recoverable
D. Termination of Reinsurance Agreements

--Detail Eliminated for Spacing Purposes--

B. Credit for Reinsurance Guidelines

Note: In 2019, the NAIC adopted revisions to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786). These revisions serve to extend the ability for U.S. ceding insurers to obtain credit for reinsurance ceded to reinsurers from Reciprocal Jurisdictions with no collateral requirements. If your state has adopted these revisions, you should refer to the model or your state's updated statute for the most current guidance regarding credit for reinsurance as it pertains to "Reciprocal Jurisdictions."

Subject to the laws of the various states, credit for reinsurance may be allowed to the ceding company when the reinsurance contract includes a proper insolvency clause and the specific criteria for the appropriate category have been adequately met:

1. Reinsurer is Licensed in the Ceding Company's Domiciliary State

   Reinsurers who meet this classification must have obtained their licensure status at the time the statutory financial statement credit for reinsurance is claimed or when financial statements indicating the credit have been filed by the ceding company. The reinsurer then must continue to maintain compliance with the licensure status at all times after the credit has been taken. The licensure requirement is considered to be perpetual and not periodic; therefore, appropriate information is required to be included in the company's financial statements when reinsurers do not comply with the requirements.

2. Assuming Insurer Has Obtained Reinsurer Accreditation

   An assuming insurer must have obtained reinsurance accreditation in the domiciliary state of the ceding company at the time the financial statement credit is claimed in order for the domestic insurer to receive a credit for reinsurance. In order to obtain the status of an accredited reinsurer, the assuming company must file a Form AR-1 (Certificate of Assuming Insurer), which grants specific authority to the ceding company's domiciliary insurance commissioner (Part Two of Exhibit N – Reinsurance Review), as well as documentation of licensure to transact insurance or reinsurance and annual statements with the domiciliary insurance commissioner. In addition, the assuming insurer must demonstrate to the satisfaction of the commissioner that it has adequate financial capacity to meet its reinsurance obligations and is otherwise qualified to assume reinsurance from domestic insurers. An assuming insurer is deemed to meet this requirement as of the time of its application if it maintains a surplus as regards policyholders in an amount not less than $20 million and its accreditation has not been denied by the commissioner within ninety (90) days after submission of its application. The insurance commissioner is entitled to suspend or revoke reinsurer accreditation if the above conditions are not preserved.

3. Reinsurer is Domiciled in Another State

The reinsurer must be domiciled (and licensed) in a substantially similar state that has adopted the NAIC *Credit for Reinsurance Model Law* (#785) or substantially similar law and, therefore, is subject to that state's credit for reinsurance standards at the time the financial statement credit for reinsurance is claimed. The reinsurer must also maintain a surplus of at least $20 million and file a Form AR-1 with the insurance commissioner.

4. Reinsurer Maintains Trust Funds

A credit for reinsurance ceded by domestic insurers is available to assuming insurers that maintain trust funds for a requisite amount in a qualified U.S. financial institution (actual amount is determined by the classification of the assuming insurer). The assuming insurer is required to annually report to the insurance commissioner for determination of the sufficiency of the trust fund. The classifications of assuming insurers are as follows:

a. <u>Single Assuming Insurer</u> – Trust funds must equal or exceed the assuming insurer's liabilities attributable to ceded reinsurance by U.S. domiciled insurers. In addition, the assuming insurer shall maintain trusteed surplus of at least $20 million. If the assuming insurer has permanently discontinued underwriting new business secured by the trust for at least three full years, the commissioner may authorize a reduced required trusteed surplus to an amount no lower than thirty percent (30%) of the assuming insurer's liabilities attributable to reinsurance ceded by the U.S. ceding insurers covered by the trust.

b. <u>Incorporated and Unincorporated Group Underwriters</u> – For reinsurance ceded under reinsurance agreements dated after January 1, 1992, trust funds must equal or exceed the group's liabilities for business ceded by U.S. domiciled ceding insurers. For reinsurance agreements dated before December 31, 1992, trust funds must at least equal the insurance and reinsurance liabilities attributable to business written in the United States. In addition to these trusts, the underwriters must maintain $100 million in surplus for the benefit of U.S.-domiciled ceding insurers. The incorporated members of the group are prohibited from engaging in auxiliary business, other than underwriting as a member of the group, and must be subject to the same regulation and control of the group as the unincorporated members. The group is also required to annually file either a certification of solvency for each underwriter member or independently prepared financial statements for each underwriter to the insurance commissioner.

A credit for reinsurance will not be granted for reinsurers who maintain trust funds, unless the insurance commissioner of the state where the trust is domiciled has approved the form of the trust. An insurance commissioner from another state may approve the trust if the commissioner has accepted responsibility for the regulatory oversight of the trust. The form of the trust is required to be filed with the insurance commissioner in every state the ceding insurer beneficiaries of the trust are domiciled.

5. Certified Reinsurers

An assuming reinsurer must have obtained certification by the commissioner of the domiciliary state of the ceding company at the time the financial statement credit is claimed in order for the domestic insurer to receive a credit for reinsurance. In order to obtain the status of certified reinsurer, the assuming reinsurer must be domiciled and licensed to transact insurance or reinsurance in a qualified jurisdiction, as determined by the commissioner. The assuming reinsurer must also maintain a surplus level of no less than $250 million and maintain financial strength ratings from two or more acceptable rating agencies.

The allowable credit for reinsurance ceded by a domestic insurer to an assuming reinsurer that has been certified as a reinsurer in the domestic insurer's state is based upon the security held by, or on behalf of, the ceding insurer (e.g., amount of funds held, letter of credit, etc.). The amount of security required to be held (e.g., level of collateral required) corresponds to the rating assigned to the certified reinsurer by the commissioner, which is based on various factors including, but not limited to, the certified reinsurer's business practices, regulatory actions against the certified reinsurer, financial strength and the report of the independent auditor.

6. Reciprocal Jurisdiction Reinsurers

   Credit for reinsurance ceded by domestic insurers is available to an assuming insurer that is licensed to write reinsurance by, and has its head office or is domiciled in, a Reciprocal Jurisdiction. For reinsurance with Reciprocal Jurisdiction reinsurers, there are no collateral requirements if the reinsurers have met the minimum standards in the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786). In order to be designated a Reciprocal Jurisdiction by the commissioner, a jurisdiction must meet one of the following requirements: 1) a non-U.S. jurisdiction that is subject to an in-force covered agreement with the U.S.; 2) a jurisdiction that meets the requirements for accreditation under the NAIC financial standards and accreditation program; or 3) a jurisdiction that has been designated by the commissioner as a qualified jurisdiction and meets any additional requirements specified by the regulation. The assuming insurer must also maintain a surplus level of no less than $250 million and a minimum risk-based capital (RBC) ratio of 300% or amounts established by Model #785 and Model #786.

7. Credit for Reinsurance is Required by Law

   For those jurisdictions in which reinsurance is required by law, the domestic ceding insurers may take a credit for reinsurance, even though the assuming insurer does not meet the requirements set forth in the above sections. Examples of the assuming insurers for which credit may be allowed include state-owned or controlled insurance or reinsurance companies, guaranty organizations and residual required market mechanisms.

8. Assuming Insurer is Unauthorized and Not Included Within the Previous Categories

   A credit for reinsurance may also be granted to the ceding company even when the assuming insurer does not meet any of the above credit-permitted categories. In these instances, if the ceding insurer holds funds or is exclusively entitled to funds held in a U.S. institution provided as security for reinsurance obligations, the ceding insurer is permitted to take a reduction of liability or record an asset. The reduction is not permitted to exceed the liabilities carried by the ceding insurer. The funds held may take the form of cash, qualifying admitted asset securities as indicated by the NAIC Securities Valuation Office, letters of credit, and any other security that has been approved by the insurance commissioner. In order for the letters of credit to be accepted, they must be clean, irrevocable, unconditional, and issued or confirmed by a qualified U.S. financial institution. In addition, they must have an "evergreen" clause that indicates the letter cannot expire without 30-day advance notice, clearly provides for continuous renewal (e.g., successive renewal periods), and provides notice on what laws the letter of credit is governed by (e.g., state law, Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce, or any other publication). An example letter of credit form is included in the Handbook as Part One of Exhibit N.

--Detail Eliminated for Spacing Purposes--

EXHIBIT N

REINSURANCE REVIEW

This exhibit includes items that may be useful to examiners while conducting a review of the reinsurance contracts and programs in place at an individual insurer. Part One of the exhibit provides an example letter of credit form that may be used by companies and referenced by examiners in determining whether letters held by the company are acceptable as a basis for receiving a credit for unauthorized reinsurance. Part Two provides a form that may be used by reinsurers applying for accredited or authorized status in states which they are not licensed. This form, entitled Form AR-1, may be submitted as evidence of a company's compliance with requirements to designate the Commissioner as agent for receipt of service of process and to recognize the Commissioner's authority to examine the company's books and records. Part Three of the exhibit provides a ceded reinsurance contract review form that may assist the examiner in determining whether required elements have been included in the contract and in determining whether the contract includes a valid transfer of risk. Each of the items included within this exhibit should be utilized in conjunction with guidance provided in Section 1, Part V- Reinsurance Review.

PART ONE – EXAMPLE LETTER OF CREDIT FORM

(Name of Bank)
(Address)

FOR INTERNAL IDENTIFICATION PURPOSE ONLY

Date______________________ ID No.____________________ Issuing Bank No._______________

Clean, Irrevocable, Unconditional Letter of Credit No.:____

Account Holder (Reinsured):____

Issuing Bank:____

Beneficiary (Reinsured):____

Amount:______________________________________ Expiration Date:___________________________

Date____________________

Clean, Irrevocable Unconditional Letter of Credit No.:________________________________

To Beneficiary: (Name)______________________________

(Address)____________________________

Dear Sir or Madam:

We have established this clean, irrevocable, and unconditional letter of credit in your favor for drawing up to U.S. $______________ effective immediately and expiring at our (bank address) with our close of business on ______________. Except when the amount of this letter of credit is increased, this credit cannot be modified or revoked without your consent.

We hereby undertake to promptly honor your sight draft(s) drawn on us, indicating our credit No. ______________, for all or any part of this credit upon presentation of your draft drawn on us at our offices prior to the expiration date hereof.

The term "Beneficiary" as used herein includes any successor by operation of law of the named Beneficiary including, without limitation, any liquidator, rehabilitator, receiver or conservator. *

Except as stated herein, this undertaking is not subject to any requirement or qualification. Our obligation under this letter of credit is the individual obligation of the Bank, in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien or security interest.

This letter of credit expires on ______________ but will automatically extend without amendment for successive additional periods of one year each from the expiration date or any future expiration date, unless 30 days prior to such expiration date, we notify you by registered mail that this letter of credit will not be renewed.

This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits International Chamber of Commerce publication No. 600 (UCP 600), or its successor, as well as the International Standby Practices Publication No. 590 (ISP98). Notwithstanding Article 17 of said publication (or its successor), in the event that one or more of the occurrences specified occurs, then the bank hereby specifically agrees that this letter of credit shall be extended so as not to expire during such interruption of business and shall extend for 10 days after such resumption of business.

______________________________ ______________________________

Signature Title

*If the named Beneficiary is a California domestic insurer, this paragraph should be deleted and replaced by: “The term Beneficiary as used herein includes and is limited to the court appointed domiciliary receiver, conservator, rehabilitator or liquidator.”

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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Eli Snowbarger (OK) and John Litweiler (WI), Co-Chairs, Financial Examiners Handbook (E) Technical Group

FROM: Greg Chew (VA), Chair, Financial Analysis (E) Working Group

DATE: May 12, 2026

RE: Enhanced Financial Examination Guidance for Assessing Private Asset Exposures

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The Financial Analysis (E) Working Group (FAWG) meets periodically to discuss, among other things, potentially troubled insurers and insurance groups. During these meetings, FAWG also discusses issues and industry trends, including identifying any that are potentially adverse or might warrant communication and coordination with other NAIC groups. As a result of the issues and trends discussed, FAWG would like to refer the following issue to your group.

In reviewing 12/31/25 industry results, FAWG members continued to note an ongoing increase in the amount of private assets held by U.S. domestic insurers, including securities with NAIC designations supported by private letter ratings and securities that are valued based on Level 3 (unobservable) inputs. As the potential lack of transparency related to private assets can complicate the assessment of credit quality and reduce the liquidity of the portfolio, FAWG recommends consideration of enhancements to NAIC financial examination guidance to assist financial regulators in identifying, assessing, and testing an insurer's risks and controls in these areas. In so doing, we recommend the development of additional exam considerations related to an insurer's governance and risk management processes related to investment strategies and oversight in this area.

Thank you for your consideration of this referral. Please note that a similar referral has been sent to the Financial Analysis Solvency Tools (E) Working Group (FASTWG) related to the development of analysis tools and risk assessment guidance in this area. We encourage monitoring the efforts of FASTWG in this regard and coordinating to the extent deemed appropriate.

If there are any questions regarding the issues discussed, please contact me or NAIC staff (Bruce Jenson at *bjenson@naic.org*) for clarification.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: Eli Snowbarger (OK), and John Litweiler (WI), Co-Chairs of the Financial Condition Examiners Handbook (E) Technical Group

From: Greg Chew (VA), Chair of the Financial Analysis (E) Working Group
Fred Andersen (MN), Chair of the Valuation Analysis (E) Working Group
Carrie Mears (IA), Chair of the Investment Analysis (E) Working Group

Date: June 16, 2026

Re: Cessions to Unauthorized Offshore Reinsurers

As you are aware, there has been an emerging trend in recent years where an increasing number of U.S. life and annuity insurers have been ceding large portions of their business to reinsurers in non-U.S. jurisdictions. Most of this business has been ceded to reinsurers in Bermuda, which has undergone the process of being recognized as a reciprocal jurisdiction and has continued to make meaningful enhancements to their system in recent years. Overall, many of the regulatory changes adopted by the Bermuda Monetary Authority (BMA) have been viewed positively by U.S. regulators and states that have experience collaborating with the BMA generally report a favorable view of Bermuda as a reciprocal jurisdiction.

Corresponding with the timing of regulatory and tax changes in Bermuda, unauthorized jurisdictions have emerged as growing destinations for life and annuity reinsurance. U.S. regulators don't have the same comfort with the regulatory system in those jurisdictions, with many having experience in reviewing transactions going there reporting significant concerns with the lack of: 1) defined capital and reserving framework, 2) coherence between permitted accounting, reserving and capital frameworks, 3) transparency and 4) collaboration.

The Financial Analysis (E) Working Group is charged with the following among other things, to "…Support, encourage, promote, and coordinate multistate efforts in addressing solvency problems, including identifying adverse industry trends."

Given the reinsurance trends mentioned above, and the potential for some of these trends to create solvency problems, the Financial Analysis (E) Working Group, in coordination with the Valuation Analysis (E) Working Group, and the Investment Analysis (E) Working Group and U.S. state insurance regulators of insurers with material cessions to unauthorized reinsurers, have collaborated to leverage shared and complementary expertise to identify key concerns and recommendations.

Key Takeaways

- While material affiliated reinsurance agreements are reviewed by the cedent's domestic regulator for non-disapproval, non-affiliated agreements are not typically subject to regulatory review by the cedent's domestic regulator prior to the effective date of the transaction. This limits the ability of the domestic regulator to gain comfort ahead of time regarding third-party transactions.
- Regulators that reviewed the affiliated agreements and were able to get comfortable with the transactions, did so through a variety of considerations and steps in the Form D review and approval

process, which varied significantly across states and could benefit from greater consistency and uniformity. None of the regulators reported gaining comfort with the regulatory framework in the unauthorized jurisdiction but rather based on requirements applied through U.S. regulatory authority to the ceding insurer.

- Many of these considerations and processes can be further developed as best practices and handbook considerations, both related to pre-transaction review and post-transaction monitoring. Potential considerations include continuous monitoring and post-transaction assessment of the reinsurer's performance (by requesting and reviewing financial statements), the credit quality of collateral assets held, risk transfer and reserve adequacy. Additional considerations include regular meetings with the cedant, the engagement of investment and actuarial specialists if needed; and gaining a good understanding of the basis for managing the solvency of the reinsurer by the regulator authority of the unauthorized offshore reinsurance jurisdiction.
- Concerns were noted generally around the reduced transparency into asset and reserving standards of the unauthorized offshore reinsurance regulatory authority, lack of solvency requirements or methods that match the strength of U.S. asset adequacy testing and RBC; and the lack of regulatory coordination and information sharing with U.S. regulators.
- Most states provided a summary of their understanding of the mix, credit quality and liquidity of the assets held by the cedent or held in trust to support the reserves.
- It is also noted that VAWG is currently undertaking a review of AG-55 filings and will have results of their review and recommendations soon. However, initial results indicate that the blocks of business ceded to unauthorized reinsurers tend to come from newer, relatively smaller annuity writers offering aggressive crediting rates, and tend to result in more significant decreases in total asset requirements than blocks ceded to Bermuda.
- Finally, U.S. state regulators may benefit from educational sessions to gain a better understanding of the unauthorized offshore regulator authority's capital, reporting and reserving standards in comparison to U.S. standards.

Recommendation

The Chairs of FAWG, VAWG and INVAWG make the following recommendations to FEHTG.

- Consider enhanced guidance in the *Financial Condition Examiners Handbook* for post-agreement assessment of the offshore reinsurance performance, collateral assets and reserving assessment.

Also note that a related referral has been sent to Financial Analysis Solvency Tools (E) Working Group to consider enhanced guidance in the *Financial Analysis Handbook* for: 1) Form D review of offshore reinsurance agreements, if applicable; 2) post-agreement assessment of the offshore reinsurance performance; 3) collateral assets; and, 4) reserving assessment including AG-55 review guidance. Also consider enhancements to other regulatory tools to assist states in identifying reinsurance risks.

If there are any questions regarding this response, please contact NAIC staff (Bruce Jenson, bjenson@naic.org, or Jane Koenigsman, jkoenigsman@naic.org) for further clarification.

2026 Projects for FEHTG
Last Updated :
7/17/2026

	Topic	Referral (If Applicable)	Request/Issue to be addressed
1	Actuarial Guideline Narrative Guidance	N/A	Add narrative guidance pertaining to more recent actuarial guidelines (53 and 55)
2	Guidance in response to VM-22 and GOES implementation	N/A	Guidance in response to VM-22 and GOES implementation
3	Private Asset Exposure	FAWG	Consideration of enhancements to guidance to assist regulators in identifying, assessing and testing an insurer's risks and controls, particularly related to an insurer's governance and risk management processes related to investment strategies and oversight.
4	Exhibit O	N/A	Conclusion on worksheet seems to imply that each control should be assessed individually, versus coming to a conclusion of controls in the aggregate when multiple controls are used as mitigation strategies
5	LOCs and Evergreen Letters	N/A	Language may need refreshed in light of recent judgments
6	Reinsurance Worksheet	N/A	Consider whether there are specific clauses that should be reviewed/incorporated into the Reinsurance Contract Review procedures
7	CUSIP terminology	N/A	IDAWG adopted changes to security references - "CUSIP" will revised to reflect "Security Identifier"
8	Unauthorized Offshore Reinsurers Referral	FAWG, VAWG, and INVAWG	Emerging trends in US life and annuity insurers ceding material business to unquthorized offshore reinsurers have raised solvency, transparency, and regulatory oversight concerns. The referral requests enhanced handbook guidance for examiners on post-transaction monitoring of reinsurance arrangements, including assessment of reinsurer performancce, collateral quality, and reserve adeqacy.

