NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Draft date: 7/14/26

Virtual Meeting

REINSURANCE (E) TASK FORCE
Monday, July 20, 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

NAIC Member	**Representative**	**State/Territory**
Ricardo Lara, Chair	Monica Macaluso	California
Angela L. Nelson, Vice Chair	John F. Rehagen	Missouri
Mark Fowler	Sheila Travis	Alabama
Heather Carpenter	David Phifer	Alaska
Peter M. Fuimaono	Elizabeth Perri	American Samoa
Michael Conway	Rolf Kaumann	Colorado
Joshua Hershman	Wanchin Chou	Connecticut
Trinidad Navarro	Nicole Brittingham	Delaware
Michael Yaworsky	Bradley Trim	Florida
John F. King	Martin R. Sullivan	Georgia
Michelle B. Santos	Michelle B. Santos	Guam
Ann Gillespie	Ann Gillespie	Illinois
Doug Ommen	Kim Cross	Iowa
Vicki Schmidt	Tish Becker	Kansas
Sharon P. Clark	Rodney Hugle	Kentucky
Timothy J. Temple	Tom Travis	Louisiana
Michael T. Caljouw	Christopher Joyce	Massachusetts
Grace Arnold	Ben Slutsker	Minnesota
Eric Dunning	Andrea Johnson	Nebraska
Ned Gaines	Diana Branciforte	Nevada
Susan Ochs	Susan Ochs	New Jersey
Kaitlin Asrow	Avani Shah/Michael Campanelli	New York
Mike Causey	Jacqueline Obusek	North Carolina
Jon Godfread	Matt Fischer	North Dakota
Remedio C. Mafnas	Charlette C. Borja	Northern Mariana Islands
Judith L. French	Cameron Piatt	Ohio
Glen Mulready	Eli Snowbarger	Oklahoma
TK Keen	Paul Throckmorton	Oregon
Michael Humphreys	Diana L. Sherman	Pennsylvania
Suzette M. Del Valle	Glorimar Santiago	Puerto Rico
Carter Lawrence	Trey Hancock	Tennessee
Amanda Crawford	Jamie Walker	Texas
Tregenza A. Roach	Glendina Matthew	U.S. Virgin Islands
Scott A. White	Doug Stolte	Virginia

NAIC Member	Representative	State/Territory
Erin K. Hunter	Justin E. Parr	West Virginia
Nathan Houdek	Mark McNabb	Wisconsin

NAIC Committee Support: Jake Stultz/Dan Schelp

AGENDA

1. Consider Adoption of its Meeting Minutes—*Monica Macaluso (CA)*
   a. June 22 — Attachment One
   b. March 2 — Attachment Two

2. Consider Adoption of the Report of the Reinsurance Financial Analysis (E) Working Group—*Rolf Kaumann (CO)*

3. Receive a Status Report on the Reinsurance Activities of the Mutual Recognition of Jurisdictions (E) Working Group—*John Rehagen (MO)*

4. Receive a Update on *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55)—*Fred Andersen (MN)* — Attachment Three

5. Discuss Ongoing Projects at the NAIC That Affect Reinsurance —*Monica Macaluso (CA)*

6. Discuss Any Other Matters Brought Before the Task Force —*Monica Macaluso (CA)*

7. Adjournment

Draft: 7/13/26

Reinsurance (E) Task Force
Virtual Meeting
June 22, 2026

The Reinsurance (E) Task Force met June 22, 2026. The following Task Force members participated: Ricardo Lara, Chair, represented by Monica Macaluso (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 Charles Santana (DE); Michael Yaworsky represented by Bradley Trim (FL); John F. King represented by Davis Camuso (GA); Doug Ommen represented by Kim Cross (IA); Ann Gillespie represented by Eric Wisz (IL); Vicki Schmidt represented by Chut Tee (KS); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by Christopher Joyce (MA); Grace Arnold represented by Ben Slutsker (MN); Mike Causey represented by Jessica Price (NC); Jon Godfread represented by Patrick Hendrickson (ND); Eric Dunning represented by Andrea Johnson (NE); Susan Ochs represented by David Wolf (NJ); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by Cameron Piatt (OH); Glen Mulready represented by Kate Yang (OK); TK Keen represented by Paul Throckmorton (OR); Suzette M. Del Valle represented by Glorimar Santiago (PR); Carter Lawrence represented by Trey Hancock (TN); Amanda Crawford represented by Jamie Walker and Rachel Hemphill (TX); Scott A. White represented by Doug Stolte (VA); Erin K. Hunter represented by Justin E. Parr (WV); and Nathan Houdek represented by Mark McNabb (WI).

1. Adopted its Response to the Statutory Accounting Principles (E) Working Group Regarding Derecognized Net Negative IMR's Impact to Reinsurance Collateral

Macaluso stated that this discussion originated with the Statutory Accounting Principles (E) Working Group and was referred to the Task Force because it affects collateral used for credit for reinsurance purposes. The Working Group formed the Interest Maintenance Reserve (IMR) Ad Hoc Group to address broader IMR issues, and during those discussions, this question arose: how to treat IMR when calculating reserves to be collateralized. She stated that the Working Group asked for Task Force input on how to treat derecognized net negative IMR in relation to reinsurance collateral required for applicable unauthorized or certified reinsurers.

Macaluso stated that the Working Group's agenda item 2025-22 impacts the application of the *Credit for Reinsurance Model Law* (#785), specifically the collateral requirements for life, accident, and health reinsurance. She stated that the existing provisions in *Statement of Statutory Accounting Principles* (*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 currently does not address derecognized net negative IMR, which are realized losses, or whether the reserves to be collateralized should include negative IMR. She stated that 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. Macaluso noted that IMR is not recognized by offshore assuming entities, as the concept of IMR does not reflect an asset or liability under U.S. generally accepted accounting principles (GAAP) or other accounting regimes.

Macaluso stated that the referral from the Working Group included two possible approaches. First, the symmetrical approach would allow negative IMR to be included when calculating reserves to be collateralized, as is done for positive IMR, whereas the asymmetrical approach would not allow any negative IMR to be included for reinsurance purposes. Macaluso stated that the Working Group publicly exposed its agenda item 2025-22 at the 2025 Fall National Meeting and received three comment letters, which supported the symmetrical approach.

Macaluso stated that the Task Force discussed this issue publicly during its March 2 meeting and met twice in regulator-to-regulator session to help Task Force members understand this topic. She noted that the Task Force's view is that the ultimate decision on the treatment of derecognized net negative IMR rests with the Working Group, as this is a technical issue involving statutory accounting and reserves and is outside the Task Force's charges. She noted that, given the existing limit on the admission of net negative IMR not to exceed 10% of the current period's unadjusted capital and surplus, the asymmetrical approach appears to be the best in this scenario at this time.

Macaluso noted that in the context of the current limit on the admittance at 10% of the current period unadjusted capital and surplus, and the fact that over the past few years multiple offshore reinsurers have obtained Reciprocal Jurisdiction status, while asymmetrical treatment may create a small disadvantage, it is still the more reasonable approach. She stated that the meeting materials included a draft response (Attachment One-A) from the Task Force to the Working Group, recommending the asymmetrical approach while leaving any final decisions on technical accounting issues up to the Working Group.

Rehagen stated that he supports the approach recommended by Macaluso, noting that the transactions would be affected only with reinsurers in jurisdictions that have not been vetted by the NAIC.

Cheung stated support for the asymmetrical approach, noting that while the symmetrical approach is more intuitive and, from an actuarial perspective, makes more sense, it is difficult to implement when an admission cap is associated with a negative IMR. He stated that, since the negative IMR cap exists, anything that is done to try to reflect it within this collateral calculation may unintentionally either encourage or discourage the use of reinsurance. He stated that the asymmetrical approach is a better way to go as opposed to trying to do something and then having an unintended consequence from that, so from an actuarial perspective, even though conceptually the symmetrical approach makes sense, when you combine it with the admission cap, the asymmetrical approach is the better option.

Malm asked Cheung whether his opinion would change if there were no 10% admittance cap. He stated that without the cap, there is a very strong argument for the symmetrical approach. He noted that in prior meetings, the Task Force discussed why IMR exists and that, without the 10% cap, there is no reason to use the asymmetrical approach. It represents reserve decreases that do not occur when interest rates rise, so there is really no reason to limit it. However, when you combine it with the current surplus cap, it is difficult to adjust the collateral requirement while keeping that surplus cap in effect. Hemphill agreed with Cheung.

Hans Avery (American Council of Life Insurers—ACLI) stated that the symmetrical approach better aligns with the economics of a reinsurance transaction. He noted that when interest rates increase, the present value of liabilities decreases, so you need fewer invested assets for a new portfolio. If you have a new coinsurance agreement, you will typically have a new portfolio, so this makes sense.

Avery noted that many companies can fully admit negative IMR, so for those companies, the asymmetrical approach creates a difference between the balance sheet requirements for a retained risk and the collateral requirement for reinsurance with an unauthorized company, which really serves to make reinsurance, and by extension, access to capital, more expensive. A further complication is that different companies may have different impacts depending on their IMR positions. He stated that another related item is that there are a few different interpretations of the wording in the draft, and one of them was that, all else equal, collateral and requirements should be consistent with the balance sheet requirements for retained risk. He stated that if that is the intention, it may be helpful to make that explicit. He noted that further discussions are needed on the implementation of this recommendation by the Statutory Accounting Principles (E) Working Group.

Avery stated that regarding the guardrails noted in earlier meetings, he appreciates that guardrails are being established as part of the broader IMR conversation and would welcome discussion on what guardrails would be appropriate for reinsurance collateral. He stated that there could be solutions that are simpler and easier to implement than cash flow testing. He noted that scope is important and that under-collateralization should be less of a concern in arm's-length commercial transactions because both parties are incentivized to have a reasonable collateral balance.

Sheldon Summers (Claire Thinking) stated that he was an interested party of the American Academy of Actuaries (Academy), which submitted a comment letter recommending a symmetrical approach with the guardrails involving cash flow testing. He noted that his comments are his own opinion and do not represent anyone else's. He stated that when reserves are calculated without a principles-based modeling approach, the resulting formula-based reserves are generally expected to be conservative. However, under a principles-based modeling approach, reserves for a block of business may be based on the allocation of an aggregate reserve that covers other blocks of business with offsetting risks, resulting in reserves that may be lower for a block of business than what they would be if they were just calculated without consideration of the other blocks of business. When the blocks of business are reinsured, the gross reserves and the reserve credit for that ceded business may still be based on an allocated aggregate reserve that is based on offsetting risks, even though such offsetting of risks may no longer exist.

Summers stated that this can result in a gross reserve and reserve credit for a ceded block that does not adequately reflect the exposure of the ceding company to the reinsurer, and that in such cases, an amount of collateral that is based on the reserve credit may not be sufficient. He stated that the determination of collateral, when required, should be revisited for ceded policies in which gross reserves and reserve credit are calculated under a principles-based modeling approach. Regarding the IMR issue, if the Task Force were to recommend the symmetrical approach, which does not appear to be the case based on the comments made, he believes that this should be conditional on asset adequacy testing of the business being ceded on a standalone basis.

Hemphill stated that with principles-based reserving (PBR), there is no mirror reserving, so the reserve credit that the cedant receives could be very different than the reserve that would be needed for the ceded block by itself. If the cedant has a variety of blocks that they are allowed to aggregate, they could have aggregation benefits that reduce the reserve, and when they cede one of the blocks, they have fewer aggregation benefits. She stated that the reduction in the reserve may be less than the risk being assumed by the reinsurer because the cedant is losing an aggregation benefit. So, it is true but also counterintuitive that one cedant may need less collateral than another cedant ceding identical blocks, depending on the profile of the retained blocks and any aggregation benefit on a gross basis. She stated that it could be argued that the collateral then appropriately reflects the amount needed to make the cedant whole if they had to assume the block back, as the cedant would then again get that aggregation benefit. She stated that it is still worth considering that for PBR, the collateral required to account for counterparty risk depends not only on the block being ceded but also on the blocks retained.

Cheung said that regarding the aggregation benefit, it could go the other way as well. The ceding company could lose an aggregation benefit, while the assuming company would gain one. He noted that although it is not part of *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55), there are different aggregation elements to consider. He noted that he agreed with Summers' general point that just because it is a PBR reserve, it does not mean it is good from a cash-flow testing perspective.

Avery reiterated that it is a worthwhile conversation around guardrails, but that there are probably easier approaches for all involved, since cash flow testing is a significant amount of work, and suggested that regulators could explore other options if the guardrail path is the way that the conversation goes. He noted that he cannot make any recommendations without speaking with the ACLI membership, but some of the ideas mentioned include proof of reinvestment for the reinsured block to put it on an even footing with direct business. Avery asked if the Working Group or the Life Actuarial (A) Task Force would discuss some of these issues.

Jake Stultz (NAIC) stated that there would be additional opportunities to discuss this topic at the Statutory Accounting Principles (E) Working Group.

Hemphill stated that if there is going to be a discussion of collateral under PBR to reevaluate what is currently being done, it would be a good conversation to have with the Life Actuarial (A) Task Force.

Rehagen made a motion, seconded by Stolte, to approve the draft response from the Reinsurance (E) Task Force to the Statutory Accounting Principles (E) Working Group, which included a recommendation to use the asymmetrical approach, excluding net negative IMR from the calculation of reserves to be collateralized. The motion passed unanimously.

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

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

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

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

Date: June 22, 2026

On Dec. 18, 2025, the Statutory Accounting Principles (E) Working Group requested comments on agenda item *2025-22: IMR Impact to Reinsurance Collateral*, which was publicly exposed until Feb. 13, 2026, by the Working Group. Interest Maintenance Reserve (IMR) is a statutory accounting mechanism used by life insurers to defer recognition of realized capital gains and losses from interest rate changes, with recent NAIC guidance allowing limited admittance of net negative IMR balances not to exceed 10% of the current period unadjusted capital and surplus.

The agenda item addresses how negative IMR shall be considered within the *Credit for Reinsurance Model Law* (#785) collateral requirements for 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. <u>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</u>. (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 Statutory Accounting Principles (E) Working Group, with exposure of the agenda item, directed a referral to the Reinsurance (E) Task Force for input.

The question from the Working Group was whether the treatment of derecognized net negative IMR should reduce collateral requirements in a manner that would be <u>symmetrical</u> to collateral increases caused by derecognized positive IMR, or if the treatment should be <u>asymmetrical</u>, whereas derecognized net negative IMR does not reduce collateral requirements. <u>The exposed agenda item proposes asymmetrical treatment</u>.

At the Task Force's March 2 meeting, the Task Force heard public comments from the American Council of Life Insurers and the American Academy of Actuaries, who have also provided comments to the Working Group in response to agenda item exposure. The comments from these groups advocated for the symmetrical approach.

It is the view of the Task Force that the ultimate decision on the treatment of derecognized net negative IMR rests with Statutory Accounting Principles (E) Working Group as this is a highly technical issue dealing with reserves and is outside the charges of this Task Force. However, given the existing limit of the admittance of net negative (disallowed) IMR to not exceed 10% of the current period unadjusted capital and surplus, it appears that, at this time, the asymmetrical approach is the best approach in this scenario.

Please contact NAIC staff Jake Stultz (jstultz@naic.org) if you have any questions.

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

Draft: 3/16/26

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

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.

Update on Actuarial Guideline 55 reviews

Fred Andersen, Chair of Valuation Analysis (E) Working Group

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AG 55 background

- Adopted by the NAIC last year
- Disclosures on reserve adequacy after certain reinsurance
  - Are reduced reserves resulting from these transactions still adequate to pay future claims?
  - Are reserves available to cover moderately adverse conditions and capital available to cover more severe conditions?
- First filings: 2Q 2026
  - 80 life insurers with filings; over 100 AG 55 reports
    - Some ceding companies: multiple treaties within scope

AG 55 Reviews

- Started with prioritized companies
  - e.g., high percentage of liabilities ceded offshore or to captive
- Reviews still in early stages
- Interactions with early review companies
- No firm conclusions at this point
- Mainly observations, areas to pursue better understanding

AG 55 findings

- Many annuity blocks have lower reserve amount supporting it after offshore / captive reinsurance
- Most common reasons for reduced reserves (reported by companies):
  - Asset returns are higher than US statutory discount rate
  - Policyholder behavior is less efficient than in US stat
  - VM-22 changed some of the dynamics

AG 55 findings

- If reserves are not reduced?
  - Company may say, “holding 100% US Statutory reserve”
    - But little or no extra money to support the block
    - Equivalent of near 0% RBC ratio
  - AG 55 contemplates reserves and capital supporting assumed business
    - Reviews are digging into this issue
- Other identified issues (to pursue better understanding)

AG 55 – top topics of regulatory interest

- Actuarial
  - Verify reasonableness of asset & liability-related assumptions
- Asset-related
  - Valuation of level 3 assets accurate?
- Reinsurance-related
  - Transparency of assets held by offshore reinsurer
  - Reinsurer balance sheet verification
  - Reasons for offshore / captive reinsurance, post-VM-22 adoption

Next steps

- Continue reaching out to companies, gaining more understanding on these issues
  - Macro and company-specific analysis