September 24, 2026

The Honorable Elizabeth Warren
Ranking Member
Senate Banking, Housing,
and Urban Affairs
Washington, DC 20510

Dear Senator Warren:

Thank you for your interest in state insurance regulators' oversight of the nexus between private investment firms and insurance companies. As you recognized, the National Association of Insurance Commissioners (NAIC)[1] is the standard-setting association and coordinating body for state insurance regulators. State insurance regulators comprise the NAIC. We facilitate their regulatory discussions to establish best practices and standards. State insurance regulators play a critical role in ensuring emerging risks within the insurance sector are appropriately addressed. We appreciate the opportunity to expound upon the practices and policies that state insurance regulators use to identify, monitor, and address potential risks associated with affiliated transactions and insurer investment strategies, including, but not limited to, exposure to private credit, private equity, and other private funds.

State insurance regulators and the NAIC have long worked to ensure a clear understanding of the assets supporting insurer liabilities (regardless of their legal structure or complexity), appropriate capital requirements for the risks being assumed, and sufficient visibility into activities occurring throughout an insurance group's broader corporate structure, including affiliated transactions.

Before exploring the specific aspects of your inquiry, the macroeconomic background in which private investment firms and insurance companies have grown their relationships deserves some attention and context.

As you are aware, following the financial crisis, there was a prolonged period of historically low interest rates. This environment increased incentives, particularly across the life insurance industry, to diversify into higher-yielding assets. Life insurers are long-term investors who aim to match the duration of their invested assets to their liabilities, typically by investing in high-quality fixed-income securities. This is because life insurers must generate sufficient investment returns to support obligations extending decades

[1] As part of our state-based system of insurance regulation in the U.S., the NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff support these efforts and represent the collective views of state insurance regulators domestically and internationally. For more information, visit www.naic.org.

into the future while maintaining the conservative financial position necessary to protect policyholders and preserve solvency. To be clear, the prolonged low-interest rate environment put pressure on the entire life insurance sector, regardless of ownership structure.

Over the years, life insurers have taken different approaches to mitigate this pressure. For many annuity products, the key issue has been generating investment returns that can support attractive credited rates for policyholders. One approach has been to invest in assets that offer additional yield in exchange for different characteristics, particularly greater illiquidity and structural complexity, rather than simply taking on lower-credit-quality investments. The long-duration nature of many insurance liabilities can make insurers particularly well-positioned to hold certain less-liquid assets and capture an illiquidity premium. At the same time, some insurers have chosen to increase premiums and/or reduce their exposure to more capital-intensive or less profitable lines of business. These dynamics have contributed to increased interest in the life insurance sector from private equity firms and alternative asset managers, which see opportunities to apply specialized investment strategies to long-duration insurance liabilities and gain access to a large pool of assets that, out of necessity, is now taking on some additional risk in an environment where finding yield is increasingly challenging.

While certain structures may present unique risks, insurance companies, their assets, and reinsurance contracts remain subject to rigorous risk-based regulatory requirements and scrutiny, regardless of private equity ownership, private credit exposure, or involvement in related-party transactions.

Insurance regulators have been focused on these evolving dynamics for nearly two decades, since the prolonged low-interest-rate environment began, and it is one that we have the tools to continue addressing.[2]

Baseline Regulatory Environment

Every insurer, regardless of its ownership structure, operates within a comprehensive state regulatory framework centered on the legal entity that issues policies and holds the assets supporting those obligations. State insurance regulators require insurers to hold capital based on the risks they take and to regularly report detailed information about their investments.

One of the pillars of this regulatory structure is risk-based capital (RBC), which is a rigorous framework that requires insurers to hold capital based on the specific risks they assume. Higher-risk activities require more capital, helping regulators assess whether an insurer has a sufficient financial cushion to withstand adverse events. Regulators also receive detailed statutory financial statements that provide extensive information about an insurer's financial condition, including data at the individual security level in its investment portfolio. This allows regulators to review the types of assets an insurer holds, assess the quality and liquidity of those investments, and identify concentrations or emerging risks.

The state-based regulatory structure also includes a comprehensive framework for regulating insurer investments. State investment laws establish permissible asset classes and concentration limits. Statutory

[2] NAIC, *A State-Based Regulatory Timeline for NAIC's Solvency Oversight* (2026), https://content.naic.org/sites/default/files/naic-state-based-regulatory-timeline-solvency-oversight.pdf (illustrating in a timeline the solvency work the NAIC and state regulators have been conducting since 1969).

accounting principles and detailed investment reporting govern how investments are classified, valued, and disclosed. As discussed above, RBC requirements align capital with the risks associated with insurer assets. Finally, the NAIC's specialized investment functions provide state insurance regulators with centralized expertise on, among other things, credit quality, structured securities, and other complex investments. Together, these requirements govern how insurer investments are admitted, classified, valued, reported, and reflected in capital requirements.[3]

In addition, state insurance holding company laws require insurers to report transactions with affiliated companies and, in some cases, obtain prior regulatory approval before entering into significant transactions. These requirements help regulators understand how money, assets, and obligations move within a corporate group and provide safeguards against transactions that could adversely affect the insurer or its policyholders.

Regulators supplement these reporting requirements with ongoing financial analysis, which involves regularly reviewing financial filings, performance indicators, investment activity, and other information to identify trends or areas that warrant closer attention. They also conduct risk-focused examinations, which are periodic reviews designed to evaluate an insurer's governance, risk management practices, internal controls, and key business activities.

To gain visibility into risks that may arise beyond the legal entity insurer itself, regulators require enterprise risk reports that identify material risks within the broader insurance group that could affect the insurer. Insurers also submit Own Risk and Solvency Assessments (ORSAs), which describe how the company identifies, measures, monitors, and manages its key risks and evaluates whether it maintains sufficient capital under a range of stress scenarios.

Finally, regulators review group capital information, which provides a broader view of the financial position of the overall insurance group. This information helps regulators assess whether risks or financial pressures elsewhere in the organization could affect the insurer and its ability to meet obligations to policyholders. Together, these tools give regulators both a detailed view of the insurer itself and a broader understanding of risks that may arise across the larger corporate structure.

For a more detailed timeline describing decades of coordinated state-based solvency oversight by insurance regulators through the NAIC, please refer to the following:
https://content.naic.org/sites/default/files/naic-state-based-regulatory-timeline-solvency-oversight.pdf

The Evolving Regulatory Environment

Since the last time the NAIC was able to brief the Senate Banking Committee on some of these issues in 2022,[4] state insurance regulators have taken a number of steps to strengthen their oversight of increasingly

[3] NAIC, *NAIC Model Laws, Regulations, Guidelines and Other Resources*, https://content.naic.org/model-laws (last visited Sept. 23, 2026) (listing the Investments of Insurers Model Act (Defined Limits Version) (Model #280) and Investments of Insurers Model Act (Defined Standards Version) (Model #283)); NAIC, Gov't Affs., *How Insurance Regulators Ensure Insurers Have Enough Money to Pay Claims: Leveraging Credit Ratings for Regulatory Use* (Mar. 2026), https://content.naic.org/sites/default/files/svo-discretion-issue-brief.pdf.
[4] Letter from the Officers of the NAIC to Sen. Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs (May 31, 2022), https://www.banking.senate.gov/imo/media/doc/naic_may2.pdf.

complex investments and asset structures. The focus of these efforts has been straightforward: to ensure that regulators have a clear understanding of the assets supporting insurer liabilities (regardless of their legal structure or complexity), appropriate capital requirements for the risks being assumed, and sufficient visibility into activities occurring throughout an insurance group's broader corporate structure, including affiliated transactions.

Understanding the Assets Supporting Insurer Liabilities

Enhanced Ability to Assess "Bonds"

Bonds represent the largest asset class held by insurance companies. Under the RBC framework, insurers are required to hold a capital buffer to account for the credit risk of their bond portfolios, based on credit assessments of the individual bonds in the portfolio. In most cases, this regulatory assessment is based on a credit rating obtained from a credit rating agency (as discussed in more detail below). In cases that do not qualify for regulatory use of a credit rating (those that include credit exposure to an affiliate, for example), bonds must be submitted to the NAIC to conduct a risk assessment, or else a significant default RBC charge must be applied to the insurance company.

Historically, whether an investment was treated as a "bond" for insurance regulatory purposes depended entirely on its legal structure or label, mirroring the classification framework applied under U.S. generally accepted accounting principles (GAAP). As the financial markets have evolved and asset-backed securities (ABS) have become more prevalent and diverse, state insurance regulators have identified a need for a classification framework that is more focused on substance than on legal form to ensure that investments classified as bonds contain only the risks regulators associate with bonds. Put simply, some newer investments were structured to look like bonds on paper, but economically, they behaved differently and could carry risks traditional bonds did not. Regulators did not want two investments with very different risks receiving the same regulatory treatment simply because they were organized under a similar legal framework. To address this issue, regulators adopted a principles-based bond definition, effective Jan. 1, 2025, to ensure that investments are classified according to their underlying economic characteristics and risk rather than solely to their legal form.

The principles-based bond definition creates elevated standards for asset backed securities (ABS). It focuses on economic substance, which requires substantive credit enhancement to support classification as a bond. It also looks at the cash-producing nature of the underlying collateral. Debt securities that fail the bond definition must be reported separately and do not qualify for a nationally recognized statistical rating organization (NRSRO) rating for regulatory risk assessment. (To be clear, regulators are using NRSRO ratings as a customer to help regulate insurance companies and not attempting to regulate NRSROs.) Such investments must be filed with the NAIC for risk assessment or incur a significant default RBC charge. This project also revamped bond reporting requirements to provide significantly greater granularity on investment characteristics and established a structure to facilitate significant updates to RBC requirements for asset-backed securities, as highlighted later in this letter. For example, if it walks like an equity investment and talks like an equity investment, it should not receive the same treatment as a traditional bond just because of how the paperwork is structured. The principles-based bond change helps prevent economically dissimilar assets from receiving similar regulatory treatment simply because they are structured similarly.

Enhanced Ability to Assess Individual Investment Risks

State insurance regulators have also enhanced their ability to independently assess the investment risk of individual investments. For years, insurance regulators have partially relied on ratings from credit rating agencies to help determine how risky an investment is. That worked reasonably well for many public securities due to the ability to rely on overall market validation, but it became more challenging as insurers increasingly began investing in complex, privately originated assets, which may have less transparency. In this changing market, regulators want to make sure they understand the actual risks themselves rather than simply accepting the rating at face value.

To address this concern, the NAIC's Securities Valuation Office (SVO) and state regulators now have the authority to investigate and possibly challenge a rating being used for regulatory purposes when there is a concern that the rating may not accurately reflect the investment risk. To be clear, the NAIC and state regulators are customers of the ratings agencies and use ratings for regulatory purposes only, not to attempt to regulate ratings agencies. This process provides ample due process for insurers and interested parties. It is supervised by regulators, and it is the regulators who ultimately decide whether a rating will be used for regulatory purposes. In practical terms, for example, regulators can say, "We understand the rating agency gave this investment an A-level rating, but based on what we are seeing, we are not convinced the risk is that low. We want to get a closer look under the hood." The goal is not to second-guess every rating; it is to provide, for regulatory purposes only, a safeguard when there are reasons to question whether a rating accurately reflects risk.

Additionally, many private market investments use private letter ratings. Historically, regulators received the rating itself, with little to no information about how the rating was reached. Now, insurers and ratings providers must provide a supporting rationale explaining what information was reviewed, what assumptions were made, why the rating provider believes the investment deserves its rating, and what risks were considered, among other factors. This allows regulators to assess the reasoning behind the rating rather than just seeing the final letter grade.

Regulators are also reviewing ratings providers more holistically, so that regulators can have a better understanding of the products they are receiving as customers of the ratings providers. The NAIC is developing a Credit Rating Provider Due Diligence Framework that creates a formal process to evaluate whether rating providers' methodologies and rating mappings remain appropriate for regulatory purposes. The framework is not designed to re-rate everything in the market. Instead, it asks broader questions such as: Are certain ratings providers consistently producing ratings that appear too generous or too harsh? Are their methodologies reasonable? Do their ratings continue to align with the level of risk regulators expect for a given regulatory designation? Are there asset classes or groups of ratings that deserve additional scrutiny? Collectively, these efforts are helping to ensure that regulatory oversight is based on a thorough evaluation of underlying risk and not solely on external ratings.

Testing Whether Complex or High-Yield Assets Can Support Liabilities (AG 53)

A regulator's ability to test whether assets can actually support the liabilities they underlie is as important as understanding the actual value of "bonds," complex, and/or private investments. Regulators were observing inconsistent treatment of structured securities, affiliated-originated assets, and other complex assets. In particular, they observed that higher projected returns were not always accompanied by comparably rigorous treatment of credit, liquidity, valuation, and cash-flow risk. To address this issue, they adopted *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53).[5]

Asset adequacy analysis under AG 53 asks whether assets backing long-duration insurance promises, in particular, are likely to produce sufficient cash at the right times under reasonably adverse conditions. It allows regulators to determine whether favorable reserve results rely on optimistic private-asset valuations, unusually high yields, understated defaults or liquidity assumptions, or reinvestment strategies that may not survive stress. It improves the evidence behind the reserve-adequacy conclusion. It does not, by itself, prove that every asset will perform as modeled.

Since AG 53's adoption in 2022, regulators have worked to standardize reporting and receive clarity on several issues, including projected portfolio allocations, structured-asset tranche information, Schedule BA[6] and feeder-fund details, payment-in-kind (PIK) features, and explicit linkages between AG 53 submission and the full actuarial memorandum. For the 2026 year-end review cycle, regulators have identified three principal areas of continued attention for potential additional modeling or disclosure under AG 53: 1) unmodeled "cliff" risks in structured assets; 2) unmodeled illiquidity risk; and 3) Level 3 valuation risk. As insurer investments become more complex, regulators are keeping pace by testing insurer assumptions and models with tools like AG 53.

Testing Reserves, Assets, and Capital Adequacy After Certain Life Reinsurance Transactions (AG 55)

In support of the push for greater transparency into insurer investments and alignment of capital requirements to those risks, state insurance regulators have also been working to enhance their view of certain life insurance and annuity reinsurance transactions, particularly those involving offshore affiliates, captives, or other reinsurers that are not subject to the same U.S. actuarial reporting requirements. To do this, regulators adopted *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55). This guideline addresses concerns that the reserves insurers report can decline after they transfer business to a reinsurer, even though the underlying risks remain, and some supporting assets and assumptions are no longer fully visible to U.S. regulators.

To tackle this issue, AG 55 requires actuarial analysis of the ceding insurer and the reinsurer as a single, integrated system, and evaluation of whether the combined assets and reserves would be sufficient under moderately adverse conditions. The analysis examines a wide range of risks, including investment performance, interest rates, asset quality, policyholder behavior, mortality, liquidity, defaults, and the collectability of reinsurance recoverables. It also requires an explanation of why reserves declined after reinsurance and an assessment of whether sufficient assets and capital remain available to support the business if conditions deteriorate.

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[5] NAIC, AG 53, § 2 (Scope) (eff. Dec. 31, 2022), reprinted in NAIC *Accounting Practices and Procedures Manual*, app. C. NAIC, Macroprudential (E) Working Group, *Tracking for the List of 13 MWG Considerations – PE Related and Other* (status as of June 25, 2025), https://content.naic.org/sites/default/files/inline-files/13%20MWG%20Considerations%20-%20Status%206-25-25_0.pdf (Consideration 4, describing AG 53 review priorities).
[6] *NAIC, Capital Markets Bureau, Double-Digit Increase in Other Long-Term Invested Assets at Year-End 2025 (May 21, 2026), https://content.naic.org/sites/default/files/capital-market-schedule-ba-ye2025.pdf.*

Importantly, it does not automatically require insurers to hold additional reserves. Instead, it provides regulators with enhanced information to evaluate whether reserve levels remain appropriate after reinsurance transactions and whether additional reserves may be warranted in specific circumstances. Domestic regulators retain the authority to require additional reserves when necessary.

The first AG 55 filings were submitted in 2026, and regulators have begun reviewing those filings. As part of their ongoing review, regulators are examining the sustainability of the assumptions, the quality and liquidity of supporting assets, the valuation of less-liquid investments, the collectability of reinsurance recoverables, and whether adequate capital remains available to absorb losses under more severe stress scenarios. Regulators are also considering additional review guidance for year-end 2026 filings that would seek more detailed information about reserve calculations, supporting assets, capital resources, and the drivers of reserve reductions. However, these proposals remain draft guidance under consideration as this work continues to evolve. This work is intended to improve regulators' ability to assess the effectiveness and resilience of complex reinsurance structures.

Enhanced Private Investment Reporting

As part of the work to enhance state insurance regulator visibility into complex and/or private investments, assets, and reinsurance arrangements, beginning with financial statements as of year-end 2026, insurers will be required to report private investments using a common classification and a new standardized disclosure. Regulators will be able to see how each covered investment was distributed (publicly registered, Rule 144A, another form of private placement, or outside the Securities Act classification), how much exposure falls into each category (measured by book/adjusted carrying value [BACV] and fair value), how observable valuation inputs are (through Level 2 and Level 3 fair-value amounts), how much deferred PIK interest is associated with each category, and how much book value relies on a private letter rating for its NAIC designation. The change will replace a relatively blunt public/private split and identified-based proxies with a more consistent dataset that regulators can aggregate by insurer, investment type, and reporting period. To be clear, this change will not create a universal "private credit," privately originated," or "high-risk asset" flag. What it will do is add specific reporting dimensions regulators can use, along with other filing information, to analyze those concepts more accurately. For example, regulators will have an improved ability to examine several dimensions of concentration analysis, including investment type, distribution type, private-rating reliance, valuation, and deferred or PIK interest, which can reveal whether an insurer's private placement concentration is predominantly of one type and whether it relies heavily on private ratings, unobservable valuation inputs, or non-cash interest.

<u>Ensuring Appropriate Capital Requirements for Risks Being Assumed</u>

Residual Interests in Structured Securities

State insurance regulators have also taken steps to ensure capital requirements remain aligned with risk, even when insurers are holding complex securities products. For example, a structured security takes a large pool of loans or other assets, bundles them together, and divides the cash flows into different slices, often called tranches. Cash flows from the underlying collateral are applied to the debt tranches through a waterfall. The most senior tranche investors get paid first, the next priority tranche investors get paid next, and so on. The most junior investors absorb losses first but may earn higher returns if things go well. A "residual interest" is the last layer of the waterfall.

To address the risk in this waterfall structure, regulators adopted a 45% RBC charge for residual interests in structured securities, which are often among the riskiest portions of those investments, while continuing work to develop a more refined and risk-sensitive framework for structured assets. When an insurer holds the tail end of that waterfall, the part of an investment that would absorb losses first if things go wrong, regulators now require the insurer to hold significantly more capital against that risk. This helps ensure insurers have a larger financial cushion when investing in assets that could be more vulnerable during periods of market stress.

More recently, regulators adopted revised RBC factors for collateralized loan obligations (CLOs), a type of structured security, effective for year-end 2026. The revisions include additional capital treatment for certain lower-rated, thin subordinated CLO tranches that would be expected to experience higher loss severity in tail economic scenarios.[7] Regulators continue to evaluate the capital treatment of other ABS to better align capital requirements with underlying risk.

Comprehensive Review of the Risk-Based Capital Framework

Regulators are also undertaking a comprehensive review of the RBC framework to ensure it remains consistent, risk-sensitive, and responsive to an evolving insurance marketplace.[8] This work includes establishing guiding principles for future capital adjustments, identifying areas where the framework can be improved, strengthening coordination among NAIC groups involved in capital oversight, and developing a process for ongoing review and refinement. The effort is guided by a commitment to the principle of "equal capital for equal risk" and is intended to reinforce the framework's long-standing foundation that similar risks should receive similar capital treatment while enhancing transparency, consistency, and confidence in the solvency oversight system.

<u>Increased Transparency Over Related-Party and Affiliate Relationships</u>

Expanded Related Party Investments, Transactions, and Asset Manager Reporting

Starting in 2022, state insurance regulators began strengthening insurer reporting requirements to provide a clearer view of related party investments and transactions. The newer Related Party Reporting identifies any investment owned by the insurer in which a related party is involved with the investment. The disclosure framework, implemented in insurers' annual financial filings, requires insurers to identify not

[7] NAIC, Capital Adequacy (E) Task Force, *Adopted Modifications to Risk-Based Capital Formulas*, Proposal 2026-12-IRE MOD, "CLO RBC Factors" (adopted June 30, 2026; effective year-end 2026), https://content.naic.org/capital_adequacy_task_force.htm; NAIC, Government Affairs, *How State Insurance Regulators Are Responding to Growth in CLOs and Private Credit* (Apr. 2026), https://content.naic.org/sites/default/files/government-affairs-private-credit-issue-brief.pdf.

[8] NAIC, *Risk-Based Capital Model Governance (EX) Task Force: 2026 Charges*, https://content.naic.org/committees/ex/rbc-model-governance-tf (last visited Sept. 23, 2026) (charging the Task Force to develop guiding principles for the RBC framework and to complete a comprehensive gap analysis and consistency assessment). NAIC, *Principles for RBC Requirements* (adopted Dec. 2025), https://content.naic.org/sites/default/files/inline-files/Dec%202025%20Adopted%20Principles.pdf.

only direct investments in related parties, but also more complex arrangements in which related parties may influence an investment's structure, management, servicing, or asset selection. The reporting distinguishes between transactions in which related parties have significant involvement and those in which they do not, including situations in which related parties may benefit through origination, management, servicing, or structuring fees even if they are not the insurer's direct counterparty. It also captures arrangements that are effectively related-party transactions in substance, regardless of their legal form.

These disclosures apply across multiple investment schedules in the annual financial filings insurers submit, providing regulators with greater visibility into affiliate relationships, potential conflicts of interest, and fee arrangements that might otherwise be difficult to identify. Getting to the substance of the related party action supports targeted review of concentration, underwriting discipline, credit quality, valuation, conflicts, and overlapping fees. Related-party involvement is a risk indicator requiring context; it is not, by itself, evidence that an investment is improper.

In the years since the Related Party Reporting was implemented, regulators have continued to innovate to address problems they are seeing in the market. To level set, the term "affiliate" has a specific legal definition and is a subset of the broad coding term "related party." Regulators continued their work in this area by clarifying that an invested asset is reported as affiliated when it is issued by an affiliate or includes the obligations of an affiliate, which is based on a clear definition of "affiliation" by statute. By contrast, a non-affiliated investment involving a related party in another role continues to be identified by the Related-Party Reporting codes. This closed a classification ambiguity, without treating every related-party role as a legal "affiliation."

Additionally, regulators further enhanced transparency around the investment management arrangements of insurers by requiring insurers to identify all firms with authority to make investment decisions on their behalf, including primary advisors and any sub-advisors. Insurers must also disclose whether those advisers are affiliated, unaffiliated, or part of the insurer's own organization, along with information such as regulatory registration details and whether the applicable investment management agreements have been filed with the regulators. For a more detailed discussion of these issues, refer to the NAIC Capital Market Bureau's Special Report on "U.S. Life Insurers' Affiliated Investments at Year-End 2025."

Enhanced Review of Affiliated Investment-Management Arrangements

Getting reporting on the identity of an affiliated asset manager was only the starting point. Regulators continued to dig into affiliated relationships by creating standardized guidance for analysts and examiners to help them understand whether an insurer retains meaningful control and whether an affiliated asset manager agreement is fair and reasonable for the insurer. The guidance directs review of investment selection, transaction authority, conflicts and fiduciary responsibilities, fees, sub-advisers, reporting and oversight, and terminations. This gets at the problem of an insurer legally owning the assets while an affiliate controls selection, trading, valuation inputs, or fee-generating structures. The handbook guidance provides regulators a clearer basis to determine whether authority is too broad, incentives are misaligned, fees divert value from the insurer, or the insurer lacks the capability to oversee the manager.

Taken together, these developments demonstrate that state insurance regulation has continued to evolve alongside changes in insurer ownership structures, investment strategies, and financial markets. Rather than relying on a static regulatory framework, regulators have regularly updated capital requirements, reporting standards, supervisory tools, and analytical capabilities to address emerging risks while maintaining a consistent focus on insurer solvency and policyholder protection. Moreover, the continuing modernization of these tools does not reflect an insurance regulatory vacuum requiring enhanced federal guardrails; rather, it reflects the state-based system performing its longstanding function of adapting prudential standards as markets evolve.

On Matters Involving Individual Companies

Your letter raises questions concerning recent public reporting about several specific companies. The NAIC does not regulate individual insurance companies or conduct company-specific financial examinations or investigations. Those responsibilities rest with the applicable state insurance departments. In addition, information developed through state supervisory processes may be confidential under applicable state law. Accordingly, the NAIC cannot comment on company-specific supervisory matters or ongoing investigations.

We are happy to keep you apprised of our work, as outlined above, to enhance transparency, align capital, and address related party issues as it proceeds. In addition to our open meetings, minutes of our discussions are publicly available on the NAIC website. We can turn now to your specific questions.

1. **<u>Please describe what actions and/or assessments the NAIC has taken since being notified of Delaware Life and Clear Spring's misclassifications.</u>**

The NAIC cannot comment on company-specific supervisory matters or ongoing investigations. Questions about actions taken with respect to individual companies should be directed to the relevant domestic regulator, not the NAIC.

As you recognized, the NAIC is a standard-setting organization and not a state insurance regulator. The NAIC supports state insurance regulators by providing analytical and technical expertise and, at the states' request, serves as a forum for coordination, communication, and information sharing when issues of common concern arise. This coordination includes, but is not limited to, information sharing and coordinated supervisory actions through working groups such as the NAIC's Financial Analysis (E) Working Group and the Valuation Analysis (E) Working Group, which assist in multistate solvency monitoring and regulatory oversight.

More broadly, and as discussed in some detail above, insurance companies are required to disclose certain relationships and investments to regulators. In addition, company officers are required to sign the NAIC Jurat Page, which is a sworn statement certifying their financial statements are complete and accurate. *Statement of Statutory Accounting Principles (SSAP) No. 25—Affiliates and Other Related Parties* specifically requires insurers to disclose relationships and investments that depend largely on the performance of affiliated entities.

2. **<u>Is NAIC conducting assessments or analysis to ensure that other insurance companies are not engaged in similar conduct as those owned by Walter?</u>**

As discussed in more detail above, state insurance regulators collect and analyze information intended to identify affiliated and related-party investment activity across the insurance sector. Insurers are required to report detailed investment information through statutory financial statements, including coding intended to identify various related-party relationships.

Those reporting requirements have been enhanced in recent years to help regulators identify whether investments were originated, managed, serviced, or otherwise connected to related parties. Insurers also publicly disclose investment advisers, investment managers, broker-dealers, and other entities or individuals with authority over investment decisions, including whether those parties are affiliated with the insurer. In addition, updated regulatory guidance for affiliated investment management agreements provides regulators with a framework for reviewing matters including investment authority, conflicts of interest, fiduciary responsibility, fee arrangements, use of sub-advisers, reporting obligations, performance, compliance, and termination provisions. Regulators supplement that reporting with financial analysis, risk-focused examinations, holding company filings, lead-state supervision, and enterprise risk reporting.

Furthermore, company officers are required to attest under oath to the accuracy and completeness of company financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual* (AP&P Manual). The basic financial statements and the Notes to the financial statements are subject to annual audit by an independent auditor in accordance with generally accepted auditing standards.

State regulators continue their ongoing work to evaluate whether additional reporting or supervisory enhancements would improve regulators' ability to identify significant economic relationships that may not fit neatly within traditional legal definitions of affiliation or control.

3. **<u>What are NAIC's current standards, best practices, regulatory policies, and model laws addressing the role of private investment, private equity, and private credit in the insurance industry?</u>**

State insurance regulation does not establish a separate solvency framework based solely on whether an insurer is owned by a private equity firm or whether it invests in private credit. Instead, the framework is risk- and activity-based. The regulatory concern is not the label; it is whether a particular structure creates conflicts of interest, excessive concentration, weak valuation support, illiquidity, leverage or structural risk, rating opacity, reinsurance risk, or inadequate capital and reserves.

The same fundamental policyholder-protection and solvency requirements apply to all insurers.

The regulatory framework includes, but is not limited to:

- state investment laws governing permissible investments and concentrations;
- the *Insurance Holding Company System Regulatory Act* (#440) and related state laws governing acquisitions, control, affiliated transactions, and enterprise risk;
- statutory accounting requirements;

- risk-based capital (RBC) requirements;
- asset adequacy analysis;
- financial analysis and risk-focused examination requirements;
- Own Risk and Solvency Assessment (ORSA) requirements;
- group supervision and group capital analysis; and
- detailed annual and quarterly financial reporting.

Taken together, these authorities provide state regulators with a comprehensive framework for supervising insurer investments and solvency.

To drill down into some of the documents behind these relevant standards:

- Model #440 and its implementing *Model Regulation with Reporting Forms and Instructions* (#450) establish the principal framework for ownership, acquisition and control issues. Model #440 defines control functionally; the power to direct management or policies through securities, contract, or otherwise; and presumes control at 10% of voting securities while allowing individual commissioners to find control below that level based on the facts. This is the primary reference for determining whether an entity is a legally defined "affiliate" of a given insurer and thereby whether ongoing investments with those "affiliates" are reported as such (as discussed in further detail above).

- A proposed change of control generally requires a Form A filing and commissioner approval. The filing identifies the acquirers, its ownership structure and key personnel, the source and financing of the purchase price, audited financial information, proposed management or advisory contracts, and plans for dividends, asset sales, mergers, liquidation, or other material changes. Model #450 also calls for three-year financial projections and an organizational chart showing control relationships.

- The commissioner must approve a change in control, unless one or more statutory grounds for disapproval exists, including:

    - the insurer would no longer meet licensing requirements,
    - the transaction would substantially lessen competition or create a monopoly,
    - the acquirer's financial condition might jeopardize the insurer or prejudice policyholders,
    - the acquirer's plans are unfair or unreasonable to policyholders or contrary to the public interest,
    - the competence, experience, or integrity of persons controlling the insurer is inadequate, or
    - the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

- Once an insurer is part of a holding-company system, Model #450 Forms B, D, and F provide further relevant information as to affiliate relationships, transactions, and enterprise risks:

    - Form B Insurance Holding Company System Annual Registration Statement: provides annual registration information on ownership and management; organizational relationships; loans, investments, and asset transfers; management and service agreements; reinsurance dividends; tax-allocation agreements; and stock pledges.

   - Form D Prior Notice of a Transaction: gives the domiciliary regulator prior notice (generally 30 days) of specified material affiliate transactions, including investments, loans, reinsurance, management agreements, service contracts, guarantees, and cost-sharing arrangements.

   - Form F Enterprise Risk Report: requires the ultimate controlling person to identify material group-wide developments that could pose enterprise risk to the insurer, including strategy, compliance, risk management, acquisitions, capital resources, guarantees, regulatory matters, and material changes in the group.

- When examining affiliated investment-management agreements, the Financial Analysis Handbook and Financial Condition Examiners Handbook direct analysts and examiners reviewing affiliated investment-management agreements to consider:

   - permitted investments and investment-selection guidelines;
   - the manager's transaction authority and the insurer's retained approval rights;
   - conflicts, related-party products, cross-trades, and affiliated originations;
   - acknowledgment of fiduciary responsibility;
   - fee methodology, incentive fees, overlapping fees, and possible circumvention of dividend limits;
   - authority to hire sub-advisers, insurer consent, and responsibility for sub-adviser fees;
   - portfolio, performance, risk, and compliance reporting;
   - regular board or management oversight; and
   - termination rights and transition arrangements.

- Regarding the above discussed principles-based bond definition, effective Jan. 1, 2025, revised *SSAP No. 26—Bonds* and *SSAP No. 43—Asset-Backed Securities*, together with related changes to *SSAP No. 21—Other Admitted Assets*, require bond treatment to follow economic substance rather than legal form.

- The *NAIC Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) outlines how investment risk is translated into statutory accounting and RBC treatment. Specifically, effective in 2022, the P&P Manual was amended to require insurers to provide a private rating letter (PLR) report for all privately rated securities. The rationale report had to explain the methodology and analysis supporting the rating. Additionally, all such investments must now be disclosed in the Schedule D listing of every bond owned by the insurer with the NAIC administrative symbol PLR. This symbol is denoted next to any bond reported in Schedule D next to the NAIC designation, which is designed to denote the investment risk of that bond, either as determined by the NAIC Securities Valuation Office (SVO) or by an algorithm that automatically translates the second lowest nationally recognized statistical rating organization (NRSRO) rating on that bond into the NAIC designation.

- A draft of the Credit Rating Provider (CRP) Due Diligence Framework was exposed for a 60-day public comment period on May 4, 2026. On Aug. 12, the relevant NAIC working group discussed the comments and directed staff and PwC to prepare a revised framework. The CRP Due Diligence Framework, as discussed in more detail above, is intended to evaluate rating-provider methodology, performance, mapping, and suitability for regulatory use.

- *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) addresses the asset adequacy of complex and high-yield assets for life insurers above specified reserve and asset thresholds, including structured securities and assets originated by the insurer, an affiliate, or a closely connected investment manager.

- Actuarial Guideline *LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) requires the domestic cedant to evaluate specified material asset-intensive life reinsurance treaties ceded to entities that do not submit a *Valuation Manual* (VM)-30, Actuarial Opinion and Memorandum Requirements, memorandum to state insurance regulators—including certain offshore, captive, affiliate, and other structures—as an integrated whole.

- Several changes to the financial statement filing requirements mandating transparency and affiliated and related party reporting requirements were implemented by the following:

  - Since year-end 2022, 2021-22BWG has required six related-party investment codes that identify direct credit exposure and roles in securitizations or similar investments, including sponsor/originator relationships, and whether underlying exposure involves a related party. This applies to "affiliated" investments in particular, as well as those that are not "affiliated" but involve a "related party."

  - Ref. #2022-15 clarified in March 2023 that an asset issued by an affiliate, or containing an affiliate's obligation, remains an affiliated investment notwithstanding technical structuring.

  - 2024-05BWG requires disclosure of all investment advisers with investment discretion, including primary advisers and sub-advisers, effective for 2024 reporting.

  - 2025-05BWG Modified implemented new Schedule S annual reporting for funds-withheld and modified coinsurance arrangements.

  - 2025-10BWG implemented restricted-asset reporting identifying funds-withheld assets affiliated with the reinsurer and related Note 5L clarifications consolidating restricted-asset visibility.

  - 2025-22BWG Modified, effective for annual 2026, adds a securities-level classification across the major investment schedules and a disclosure by investment type and classification.

Regulators continue to modernize their solvency tools in an open and transparent manner.

4. **What specific trends and regulatory challenges involving ties between private investment firms and insurance companies are NAIC members identifying in states across the country?**

State insurance regulators are focused on several interconnected trends.

First, as discussed in more detail above, the prolonged low-interest-rate environment led life insurers, in particular, to search for yield, including by partnering with alternative asset managers and exploring higher-yielding investment strategies. Although interest rates have since risen from their post-financial-crisis lows, the resulting shifts in investment portfolios, ownership structures, and reinsurance arrangements remain important areas of regulatory attention.[9]

Second, insurer portfolios have increasingly included privately originated, less liquid, and more structurally complex assets. Private credit itself is not new to insurance portfolios, but the scale, structure, and opacity of certain newer forms of private credit warrant and are receiving continued regulatory attention. For a more detailed discussion of private credit, refer to the NAIC Capital Market Bureau's Special Report titled "Private Credit Analysis of the U.S. Insurance Industry".

Third, some insurers have become increasingly connected with affiliated or related asset managers. Those arrangements can raise supervisory questions regarding conflicts of interest, fees, investment selection, asset origination, valuation, and whether arrangements are structured in the best interests of the insurer and its policyholders.

Fourth, regulators are examining the growing use of private ratings and the degree of information available to regulators when an insurer relies on an external credit rating provider for regulatory treatment.

Fifth, regulators are monitoring the growth of asset-intensive reinsurance, including transactions involving affiliated and offshore reinsurers, to ensure that regulators retain appropriate visibility into the assets and reserves ultimately supporting policyholder obligations.

These trends reinforce the need for a regulatory framework that focuses on economic substance rather than form, ensuring that supervisory tools continue to evolve to address underlying risks as markets and business practices change.

5. **Has NAIC identified any shortcomings with the current "filing exempt" process that would allow insurers to bypass the Commission's review, using an external firm's opinion instead? a. If so, what shortcomings has NAIC found and what actions is NAIC taking to resolve them?**

The filing-exempt process was designed to avoid duplicating credit analysis already being performed by nationally recognized credit rating providers.[10] However, filing exemption does not mean that a security is exempt from regulatory oversight.

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[9] NAIC, *Navigating Shifts in Life Insurance: How Regulators Respond to Market Evolution* (Dec. 3, 2025), https://content.naic.org/article/navigating-shifts-life-insurance-how-regulators-respond-market-evolution.

[10] NAIC, Government Affairs, *How Insurance Regulators Ensure Insurers Have Enough Money to Pay Claims: Leveraging Credit Ratings for Regulatory Use* (Mar. 2026), https://content.naic.org/sites/default/files/svo-discretion-issue-brief.pdf (describing regulators as consumers of credit rating products and the SVO discretion process, including the three-notch

The filing-exempt process permits state insurance regulators to use eligible credit rating provider (CRP) ratings as an input for insurance regulatory purposes. In that context, state regulators and the NAIC are consumers of credit ratings rather than producers. To be clear, NAIC designations are not credit ratings, and the NAIC is not a credit rating agency.

As consumers of those ratings for regulatory purposes only, state regulators recognized that an increasing reliance on private ratings and differences among credit rating methodologies warranted stronger regulatory due diligence. Regulators have, therefore, taken several actions.

First, regulators have granted the NAIC's SVO the authority to challenge a rating, used for regulatory purposes only, when there is reason to question whether that rating appropriately reflects the investment's risk. Additionally, private letter ratings must be accompanied by rating rationale information, so regulators receive information regarding the basis for the rating rather than only the assigned letter grade.

Second, regulators have also established a process under which the SVO may conduct its own analysis when there is reason to question whether a filing-exempt designation appropriately reflects investment risk. Under that process, removal of a rating from filing-exempt treatment requires a difference of at least three notches between the filing-exempt designation and the SVO Credit Committee's assessment, followed by review and decision by state regulators. The process also provides notice and appeal rights to affected insurers. The NAIC cannot unilaterally override a credit rating, and regulators anticipate that this authority will be used selectively.

Third, in 2026, regulators exposed an initial Credit Rating Provider Due Diligence Framework intended to establish a structured and scalable process for assessing whether ratings used for regulatory purposes continue to map reasonably to NAIC designations. NAIC designations are standardized regulatory classifications of investment risk, ranging from NAIC 1 (highest quality) to NAIC 6 (lowest), with modifiers that provide additional granularity within those categories. They reflect gradations of the likelihood that an insurer will receive an investment's full principal and expected interest in a timely manner and are used for statutory accounting and reporting, state investment laws, and risk-based capital requirements.[11] Under the filing-exempt process, eligible CRP ratings are translated into corresponding NAIC designations, which is why regulators need confidence that those ratings continue to map appropriately to the regulatory risk categories.

The framework has four components: 1) a scoping assessment to identify rating providers, asset classes, and securities warranting further review; 2) a risk assessment that applies quantitative testing to comparable segments; 3) detailed testing, including methodology discussions and security-specific review where appropriate; and 4) governance procedures that provide for graduated remediation when concerns are identified. Those remedies can include: enhanced monitoring; additional detailed testing; requirements for additional private or public letter ratings; adjustments to the ratings-to-designation translation matrix; removal of filing-exempt status; or de-admittance of a CRP. The objective is not to recreate every

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materiality threshold, state regulator review, and notice and appeal protections). (describing regulators as consumers of credit rating products and the SVO discretion process, including the three-notch materiality threshold, state regulator review, and notice and appeal protections).

[11] NAIC, *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, pt. 1, NAIC Designations, at 29–30, ¶ 7 (Dec. 2025) (effective Dec. 31, 2025), https://content.naic.org/sites/default/files/publications-ppm-manual.pdf (defining NAIC designations, describing the NAIC 1 through NAIC 6 scale and designation categories, and identifying their incorporation into state law through the accreditation standards governing risk-based capital, statutory accounting, and state investment regulation).

individual credit rating or to regulate rating agencies, which remain subject to oversight by the Securities and Exchange Commission (SEC).[12] Rather, it is to give state regulators, as consumers of those ratings, a formal and repeatable basis for determining the extent to which ratings should be relied upon within the insurance regulatory framework.

Taken together, these measures demonstrate that state insurance regulators have not simply relied on third-party ratings but have continued to strengthen their ability to independently assess investment risk, challenge ratings when warranted, and obtain greater transparency into insurers' assets.

6. **Has NAIC conducted an assessment of the impact of private investment firms on insurers, including the growing trend of insurers being acquired by private equity firms? What actions is NAIC taking in response?**

State insurance regulators have been examining the changing ownership and business models of life insurers for many years.[13] In 2022, state insurance regulators identified 13 regulatory considerations associated with trends becoming more common across the life insurance sector, including increased private equity ownership.[14] Rather than treating those considerations as theoretical concerns, regulators used them as a roadmap to evaluate the existing solvency framework and identify areas where additional transparency, reporting, capital, accounting, and supervisory tools were warranted. That review led to many of the reforms adopted since then, including enhanced related-party disclosures, expanded asset manager reporting, the principles-based bond definition, strengthened oversight of private credit and structured securities, and the development of AG 55.

The regulatory objective is not to prohibit private investment firms from participating in the insurance market. The focus is on ensuring that ownership, governance, fees, investment practices, capital, and risk-transfer arrangements protect policyholders and preserve the financial strength of the regulated insurance entity.

7. **Has NAIC identified or tracked additional instances of private firms conducting risky investments with policyholder premiums, and failing to disclose or misclassifying investments? a. If so, please provide details.**

To date, the NAIC is not aware of any material instance of a private firm engaging in risky investments with policyholder premiums and failing to disclose or misclassifying those investments.

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[12] NAIC, Credit Rating Provider (E) Working Group, *Meeting Materials* (May 4, 2026) (attaching the proposed *NAIC Credit Rating Provider (CRP) Due Diligence Framework – Whitepaper*, §§ 1–4 and § 4.2.2), https://content.naic.org/sites/default/files/call_materials/2026May04_CRPWG_Materialsv2.pdf; NAIC, Credit Rating Provider (E) Working Group, *Questions and Responses for the Proposed Credit Rating Provider Due Diligence Framework*, at 10, 13–15, 19–20 (2026), https://content.naic.org/sites/default/files/inline-files/questionsresponsescrpduediligenceframeworkproposal_0.pdf (describing the graduated remediation process, stating that the NAIC is a consumer of ratings rather than a rating agency supervisor, and explaining that the framework is intended to complement rather than duplicate SEC oversight of rating agencies).

[13] *Letter from the Officers of the National Association of Insurance Commissioners to Sen. Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs (May 31, 2022), https://www.banking.senate.gov/imo/media/doc/naic_may2.pdf*.

[14] NAIC, Macroprudential (E) Working Group, *Tracking for the List of 13 MWG Considerations – PE Related and Other* (status as of June 25, 2025), https://content.naic.org/sites/default/files/inline-files/13%20MWG%20Considerations%20-%20Status%206-25-25_0.pdf.

8. **<u>Has NAIC conducted analysis on pension fund holders' exposure to private credit risk? a. If so, please provide details.</u>**

State insurance regulators regulate and analyze insurance companies rather than pension funds themselves. Regulators do, however, monitor pension risk transfer (PRT) transactions through which pension liabilities are transferred from plan sponsors to life insurers. We refer you to the NAIC's 2022 letter to Sen. Sherrod Brown for a more comprehensive discussion of the regulatory safeguards that apply when pension obligations are transferred to an insurer.[15] These safeguards include requirements that insurers maintain assets sufficient to meet their obligations at all times, hold additional capital as a buffer against adverse events, and invest predominantly in investment-grade fixed-income securities, whereas pension plans may operate with funding shortfalls and generally have broader latitude to invest in equities, private credit, and other alternative assets.

State regulators have also enhanced reporting to improve visibility into PRT transactions and the assets that support those obligations. Beginning with changes adopted in 2021, separate-account reporting was revised to allow regulators to more readily identify PRT activity and assess whether assets supporting those liabilities are adequate. State regulators have also engaged with the U.S. Department of Labor regarding the federal fiduciary framework applicable when a pension plan sponsor selects an insurer for a PRT transaction.[16]

Based on year-end 2025 separate account financial statement data, 39 life insurers reported approximately $409 billion in PRT group annuity business, up from approximately $395 billion at year-end 2024.[17] For context, that business represents roughly 4% of the approximately $9.6 trillion in total general and separate account assets held by U.S. life insurers. Similarly, PRT liabilities represent approximately $400 billion relative to approximately $9.6 trillion in life and annuity policyholder liabilities across the life insurance sector.

State regulators also monitor the investment portfolios supporting insurers that assume PRT obligations. Under a broad definition, approximately 13% of insurer invested assets fall within private credit. Newer forms of private credit that have attracted greater regulatory attention represent less than 6% of invested assets.

Traditional private placements should also be distinguished from newer structures. Life insurers have been a significant source of long-term financing to American businesses for decades, and insurers held more than $500 billion of traditional private placement bonds at year-end 2025.

The NAIC would defer to the appropriate federal and state pension authorities regarding private credit investments held directly by pension plans.

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[15] NAIC, Letter to Sen. Sherrod Brown, Chairman, S. Comm. on Banking, Houing, & Urban Affairs (May 31, 2022), https://www.banking.senate.gov/imo/media/doc/naic_may2.pdf.
[16] NAIC, *Pension Risk Transfer* (updated May 9, 2024), https://content.naic.org/insurance-topics/pension-risk-transfer; NAIC, Macroprudential (E) Working Group, *Tracking for the List of 13 MWG Considerations – PE Related and Other* (status as of June 25, 2025), https://content.naic.org/sites/default/files/inline-files/13%20MWG%20Considerations%20-%20Status%206-25-25_0.pdf.
[17] NAIC, Financial Regulatory Services, staff analysis of year-end 2025 Separate Accounts Statement filings, General Interrogatories, Line 01.01A (Pension Risk Transfer Group Annuities) (2026) (unpublished analysis, on file with the NAIC).

9. Have NAIC or any NAIC members conducted analysis on state guaranty fund exposure to credit risks? a. If so, please provide details.

State guaranty associations are an important part of the state insurance framework, but they are a backstop that applies following an insurer's insolvency. The primary objective of state solvency regulation is to identify and address financial problems before an insurer reaches that point.

State guaranty associations are established under state law and generally funded through assessments on solvent insurers operating in the applicable market. State insurance regulators have examined guaranty association protections in the context of (PRT business. As part of the Macroprudential (E) Working Group's review, regulators specifically considered state guaranty association coverage for pension beneficiaries relative to Pension Benefit Guaranty Corporation (PBGC) protection. Based on the National Organization of Life and Health Insurance Guaranty Associations' (NOLHGA's) study and other research reviewed through that process, regulators concluded that state guaranty funds provide adequate protection for PRT business and closed that particular workstream.[18]

We would defer to NOLHGA and individual states regarding any quantitative analysis, specifically isolating guaranty association exposure attributable to private-credit risk.

10. Does NAIC plan to increase transparency of the rulemaking process, including details around the providers of oral and written feedback, and an explanation of how feedback is integrated?

Transparency and public participation are central features of the NAIC process.

NAIC committees, task forces, and working groups generally conduct their substantive policy work through publicly noticed meetings. Proposals are routinely exposed for public comment, and interested parties—including consumer representatives, industry participants, rating organizations, academics, and other stakeholders—are provided opportunities to submit written comments and participate in public discussions.

Written comments submitted during formal exposure periods are generally included in public meeting materials, and state insurance regulators frequently discuss stakeholder feedback publicly when considering revisions to proposals.

The NAIC continually evaluates ways to make its policy-development process more accessible and understandable to regulators, consumers, industry participants, policymakers, and other interested parties.

11. What, if any, shortcomings has NAIC identified in current policy and regulations for insurance companies in regards to investing policyholder premiums into risky assets? a. How could these shortcomings be resolved?

State insurance regulators continually evaluate whether the solvency framework appropriately captures emerging and changing risks. That continual review is a feature of the state-based system and has led to several recent changes.

[18] NAIC, Macroprudential (E) Working Group, *Tracking for the List of 13 MWG Considerations – PE Related and Other* (status as of June 25, 2025), https://content.naic.org/sites/default/files/inline-files/13%20MWG%20Considerations%20-%20Status%206-25-25_0.pdf (Consideration 12(c)).

For example, regulators identified the need to ensure that investments with equity-like characteristics are not inappropriately treated as bonds. That led to the principles-based bond definition.

Regulators determined that the capital treatment of certain structured securities should be reconsidered to more accurately reflect their underlying economics. That work includes the 45% RBC charge on residual tranches and continued development of more risk-sensitive structured securities factors.

Regulators have also identified the need for greater due diligence around private credit ratings, more granular reporting of private investments, greater visibility into related-party relationships, enhanced review of affiliated asset-management arrangements, and stronger analysis of certain asset-intensive reinsurance transactions.

The NAIC and its members are actively addressing each of those areas through updates to reporting, accounting, capital requirements, ratings oversight, examination guidance, asset adequacy testing, and reinsurance oversight. The objective is to ensure that the regulatory treatment of insurer investments continues to reflect the underlying economic risk as markets evolve. Insurance regulation is not static; it is designed to evolve alongside changes in products, markets, and risks. The ongoing enhancement of regulatory standards reflects the system's ability to identify emerging issues and respond proactively to protect policyholders and maintain insurer solvency.

12. <u>Does NAIC believe there is a lack of transparency in insurers' investments?</u>

Certain private and complex investments pose greater transparency challenges than traditional publicly traded securities, and state insurance regulators have explicitly identified transparency as an area requiring continued attention.

At year-end 2025, privately rated assets constituted a meaningful but limited portion of insurer portfolios, and the amount of insurer exposure characterized as "private credit"[19] can vary significantly depending on the definition used.

This distinction matters. Traditional private placements, which insurers have used for decades, differ materially from newer structured, privately rated, or affiliated investments that may present greater challenges with respect to transparency, valuation, or comparability.

This is one reason regulators have adopted enhanced private placement reporting, related-party coding, private letter rating requirements, SVO challenge authority, and the Credit Rating Provider Due Diligence Framework, and continue to evolve their regulatory toolbox to match the challenges of the day.

a. <u>How does the transparency of insurers' investments for insurers owned by private firms compare to that of insurers not owned by private firms?</u>

Transparency concerns are not determined solely by ownership. An insurer not owned by a private investment firm can hold complex, privately originated investments, whereas an insurer owned by a private investment firm can hold traditional, highly transparent assets. State insurance regulators,

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[19] *See National Association of Insurance Commissioners (NAIC), Capital Markets Special Report: Private Credit Analysis (Aug. 2024), available at https://content.naic.org/sites/default/files/capital-markets-special-reports-private-credit-analysis.pdf.*

therefore, focus on the substance of the investments, transactions, governance arrangements, and economic relationships involved.

In addition, insurers report bonds at the individual-security level on Schedule D, including the applicable NAIC designation and SVO administrative symbol. Those reporting fields identify securities supported by private letter ratings and provide regulators with granular visibility into the composition and rating basis of insurer bond portfolios.[20]

At the same time, affiliated or closely related asset-management structures can create additional supervisory questions involving conflicts of interest, fees, valuation, origination, and whether investments are economically connected to the insurer's broader corporate group. Those relationships, therefore, receive specific regulatory attention through holding company oversight, related-party reporting, investment-manager disclosure, and examination processes.

b. <u>Is NAIC considering any model legislation that would help state insurance regulators address loopholes that prevent them from assessing the investments of the insurance companies they regulate?</u>

State insurance regulators have not waited for new model legislation to respond to these developments. In 2024, the Financial Condition (E) Committee adopted an updated Holistic Investment Framework to coordinate the regulation and analysis of insurer investments. That framework has already produced changes through statutory accounting, financial reporting, RBC requirements, actuarial guidance, SVO procedures, examination guidance, and existing holding company and investment authorities, as discussed in more detail above.

Effective in 2026, the NAIC also reorganized its investment oversight structure around the Invested Assets (E) Task Force and working groups focused on investment analysis, investment-designation analysis, and CRP oversight.[21]

These mechanisms allow state insurance regulators to adapt oversight as investment products and risks evolve. The NAIC and its members will continue to determine whether amendments to existing model laws or additional model legislation are appropriate where a legislative change is the most effective regulatory tool.

13. <u>What engagement, if any, has NAIC had with federal agencies regarding the role of private investment, private equity, and private credit in the insurance industry, including through its non-voting role on the Financial Stability Oversight Council? Describe any communications, meetings, and ongoing projects.</u>

The NAIC and state insurance regulators regularly engage with federal financial policymakers and regulators on issues affecting the insurance sector, including through the state insurance regulator

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[20] NAIC, *Official NAIC Annual Statement Instructions: Life, Accident & Health/Fraternal, for the 2026 Reporting Year* (adopted June 2026), Schedule D, pt. 1, § 1, col. 6, https://content.naic.org/sites/default/files/publication-asi-lua-25.pdf (requiring reporting of the NAIC designation, designation modifier, and SVO administrative symbol for each security, and identifying "PL" as the administrative symbol for a private letter rating).

[21] NAIC, Financial Condition (E) Committee, *Framework for Regulation of Insurer Investments — A Holistic Review* (Oct. 2024), https://content.naic.org/sites/default/files/inline-files/Oct%202024%20Investment%20Framework.pdf; NAIC, *Private Credit* (updated July 24, 2026), https://content.naic.org/insurance-topics/private-credit.

representative's participation on the Financial Stability Oversight Council (FSOC) and through direct engagement with the U.S. Department of the Treasury and the Federal Insurance Office (FIO). Relatedly, the NAIC and state insurance regulators also work closely with the International Association of Insurance Supervisors (IAIS), the International Monetary Fund (IMF), and other international counterparts, where they have helped lead global discussions. For example, the NAIC and state insurance regulators contributed to the IAIS paper on structural shifts in the life insurance sector.[22]

As an example of such regular high-level engagement, on May 7, 2026, state insurance commissioners and NAIC representatives met with Treasury Secretary Scott Bessent and senior Treasury officials for a focused discussion regarding developments in private credit and insurance. The NAIC and FIO have continued discussions at a technical level on topics including RBC, private letter ratings, offshore reinsurance jurisdictions, and the oversight of evolving business models as the year has progressed. [23]

The NAIC welcomes appropriate coordination and information sharing with federal policymakers. At the same time, Congress has long recognized states as the primary regulators of the business of insurance. Federal engagement is most effective when it complements, rather than duplicates, displaces, or preempts, the state supervisory framework and draws upon the insurer-specific information, examination authority, and insurance expertise of state insurance regulators.

We appreciate your interest in these important issues. Insurer investment strategies, ownership structures, and risk-transfer arrangements continue to evolve, and state insurance regulators remain committed to ensuring that the regulatory framework keeps pace.

We would welcome the opportunity to brief you and your staff further on this work.

Sincerely,

Scott White
NAIC President
Commissioner
Virginia Bureau of Insurance

Elizabeth Kelleher Dwyer
NAIC President-Elect
Director
Rhode Island Department of Business Regulation

Jon Pike
NAIC Vice President
Commissioner
Utah Insurance Department

Michael Wise
NAIC Secretary-Treasurer
Director
South Carolina Department of Insurance

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[22] IAIS, *Issues Paper on Structural Shifts in the Life Insurance Sector* (Nov. 2025), https://www.iais.org/uploads/2025/11/Issues-Paper-on-structural-shifts-in-the-life-insurance-sector.pdf.
[23] U.S. Department of the Treasury, *U.S. Department of the Treasury Hosts Convening with State Insurance Commissioners on Private Credit and the Insurance Sector* (May 7, 2026), https://home.treasury.gov/news/press-releases/sb0493.