



Draft date: 12/2/25

*2025 Fall National Meeting
Hollywood, Florida*

FINANCIAL CONDITION (E) COMMITTEE

Thursday, December 11, 2025

8:00 – 9:00 a.m.

Diplomat Convention Center—Great Hall 3-6—Level 3

ROLL CALL

| | | | |
|---------------------------------|----------------|--------------------|---------------|
| Nathan Houdek, Chair | Wisconsin | Vicki Schmidt | Kansas |
| Justin Zimmerman, Co-Vice Chair | New Jersey | Michael T. Caljouw | Massachusetts |
| Michael Wise, Co-Vice Chair | South Carolina | Mike Chaney | Mississippi |
| Mark Fowler | Alabama | Kaitin Asrow | New York |
| Michael Conway | Colorado | Judith L. French | Ohio |
| Michael Yaworsky | Florida | Cassie Brown | Texas |
| Holly W. Lambert | Indiana | Scott A. White | Virginia |
| Doug Ommen | Iowa | | |

NAIC Support Staff: Dan Daveline/Julie Gann/Bruce Jenson

AGENDA

1. Consider Adoption of its Nov. 20, Nov. 5, Oct. 7, and Summer National Meeting Minutes—*Commissioner Nathan Houdek (WI)* Attachment One

2. Consider Adoption of the Reports of its Task Forces and Working Groups —*Commissioner Nathan Houdek (WI)*
 - A. Accounting Practices and Procedures (E) Task Force Attachment Two
 - B. Capital Adequacy (E) Task Force Attachment Three
 - C. Financial Stability (E) Task Force Attachment Four
 - D. Examination Oversight (E) Task Force Attachment Five
 - E. Receivership and Insolvency (E) Task Force Attachment Six
 - F. Reinsurance (E) Task Force Attachment Seven
 - G. Valuation of Securities (E) Task Force Attachment Eight
 - H. Mutual Recognition of Jurisdictions (E) Working Group Attachment Nine
 - I. NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group Attachment Ten
 - J. Restructuring Mechanisms (E) Working Group Attachment Eleven



2025 NAIC FALL NATIONAL MEETING

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| 3. Consider Adoption of the List of Qualified Jurisdictions and Reciprocal Jurisdictions— <i>Robert Wake (ME)</i> | Attachment Twelve |
| 4. Consider Adoption of the List of Jurisdictions that Recognize and Accept the Group Capital Calculation (GCC)— <i>Robert Wake (ME)</i> | Attachment Thirteen |
| 5. Receive Informal Oral Comments on the Collateralized Loan Obligation (CLO) Timeline Presented During the Nov. 20 Meeting — <i>Commissioner Nathan Houdek (WI)</i> | Attachment Fourteen |
| 6. Consider Adoption of <i>Statutory Accounting 2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts</i> or Alternative — <i>Commissioner Nathan Houdek (WI)</i> | Attachment Fifteen |
| 7. Consider Adoption of Restructuring Mechanisms White Paper — <i>Commissioner Nathan Houdek (WI)</i> | Attachment Sixteen |
| 8. Discuss Any Other Matters Brought Before the Committee — <i>Commissioner Nathan Houdek (WI)</i> | |
| 9. Adjournment | |

Draft: 11/26/25

Financial Condition (E) Committee
Virtual Meeting
November 20, 2025

The Financial Condition (E) Committee met Nov. 20, 2025. The following Committee members participated: Nathan Houdek, Chair (WI); Justin Zimmerman, Co-Vice Chair (NJ); Michael Wise, Co-Vice Chair; Mark Fowler (AL); Michael Conway (CO); Michael Yaworsky represented by Carolyn Morgan (FL); Doug Ommen and Kevin Clark (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Chut Tee (KS); Michael T. Caljouw (MA); Mike Chaney represented by Chad Bridges (MS); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Cassie Brown (TX); and Scott A. White. Also participating was Anita Fox (MI).

1. Discussed Comments Received on the Exposed Alternative to 2024-06

Commissioner Houdek stated the Committee received four comment letters (Attachment X) on its previous exposure of an alternative proposal (Attachment X) to 2024-06.

Clark detailed the comment letter from the financial regulators of California, Iowa, Kansas, Minnesota, Virginia, and Wisconsin. He explained that life insurers hold a reserve liability on their balance sheets that represents the present value of future cash flows associated with insurance policies that they have written. Insurers are then required to hold assets against those reserves to fund those future obligations. Those obligations can also be transferred to other insurers using reinsurance. The most common way to do this is through proportional reinsurance, where the reinsurer assumes responsibility for all the risks associated with that reinsurance policy. If all of the risks are transferred to the reinsurer, the ceding company eliminates the reserve liability from its balance sheet because it is now the reinsurer's obligation. The elimination of the reserve is also referred to as a reserve credit.

Clark said that Appendix A-791 of the *Accounting Practices and Procedures Manual* (AP&P Manual) outlines the requirements for assessing whether all risks are transferred under proportional reinsurance. It contains specific requirements, but the basic principle is that determining whether risk transfer has been met involves ensuring that there is no potential for the ceding company to become responsible for payments to the policyholder that are not reinsured by the reinsurer. Because the ceding company eliminates the reserve liability for reinsurance, any payments that the insurer is responsible for would need to be made from the insurer's surplus. This would create a solvency risk that is not accounted for under the regulatory framework and is therefore prohibited under A-791.

He said the issue with the combination coinsurance and yearly renewable term (YRT) is that the coinsurance portion of the agreement appears to meet risk transfer when viewed in isolation, but when combined with the YRT, it becomes interdependent with another form of reinsurance, and the effect is no longer the performance of a proportional reinsurance agreement; therefore, it can now result in payments being made from the insurers surplus. This is a violation of the requirements of A-791 as it is currently written. The clarifications adopted by the Statutory Accounting Principles (E) Working Group add this as an additional example of a contractual feature that has the potential to violate the principle of risk transfer.

Clark stated that the changes do not alter the principles of risk transfer. Based on the review performed on Schedule S to identify contracts of concern, there are relatively few of these types of contracts in place, and they are found in only a small number of states. However, some of the agreements in place result in very large reserve

credits that are likely not reflective of the risk actually transferred. This has the potential to mask actual solvency concerns for individual companies. For this reason, the signers of the comment letter oppose any modifications to the adoption by the Statutory Accounting Principles (E) Working Group that would prevent domiciliary regulators from addressing solvency concerns with their insurers, which the signers of the comment letter believe the exposed alternative proposal would do.

Clark then discussed how the alternative proposal differentiates between the treatment of agreements based on whether they have been submitted to regulators. The comment letter notes that if the submission of the contract in the alternative proposal had been in the past, under the alternative, such contracts would have received at least two more years to comply with the risk transfer requirements. This appears to be the case whether there was any acknowledgement from the regulator that ever looked at the agreements.

He noted that it is essential to recognize that most of these agreements are third-party agreements that do not require regulatory approval. It is common for regulators to be provided with reinsurance agreements for informational purposes; however, it is uncommon for regulators to conduct a detailed review of those agreements unless they are required to do so. Therefore, the signers of the comment letter believe that submitting an agreement to a regulator and receiving no response should not affect when an agreement that does not properly account for risk transfer must be corrected. The signers of the comment letter also do not think it is prudent to permit the solvency position of insurers to continue to be misstated for an additional three years. For agreements that were submitted to regulators at some point in the past, for which a formal response was received and did not disapprove of the transaction, those agreements would be permanently grandfathered under the alternative proposal.

Clark said that, given the concern that the accounting for these agreements could be masking actual solvency issues, the signers also do not believe this is prudent. Additionally, a regulator's failure to disapprove of entering into a transaction that does not require regulatory approval does not imply that the regulator approves of a company's risk transfer analysis. Risk transfer analysis is the responsibility of the insurer and can be subject to review by regulators during exams, but unless an insurer specifically asks the regulator whether they concur with the company's risk transfer analysis and the regulator explicitly agrees, a non-disapproval of a transaction should not be construed as an approval of the company's risk transfer analysis for that transaction. Even if a regulator explicitly agrees with the company's risk transfer analysis, it is essential to note that reinsurance agreements and these combination YRT and coinsurance agreements are particularly complex, and the economic substance can be difficult to discern from the legal terms. The regulator, having previously reviewed an agreement and not identified a concern the first time around, should not be prevented from addressing a potential solvency concern now that more information is available.

Clark stated that, for these reasons, the signers believe the best way to address the particular circumstances for each insurer is for them to engage with their domiciliary regulator to determine the best solution for transitioning existing agreements. This may warrant regulators considering a permitted practice that would allow the transactions to be phased out in an orderly way while allowing the regulator to apply guardrails to ensure that the solvency position of the insurers is fairly stated. It would also result in the disclosure of the impacts of any granted permitted practices, which would allow those relying on the insurer's statutory financial statements to understand the impacts.

Commissioner Caljouw thanked Clark, the Iowa Insurance Division, and the cosigners on the joint comment letter for presenting what he described as the best practical explanation of the issue.

Director Fox summarized her comments to the Committee. She emphasized that while Michigan is not a member of the Committee, she was concerned about the potential impact of the issue on non-domestic states of

companies that have these combination YRT and coinsurance reinsurance contracts, which do not transfer risk. She noted that the accounting issue does not have two sides, and that the reinsurance agreement, by definition, is something that needs to transfer the risk. She appreciated the way Clark summarized the key issue, which was the potential deprivation of surplus. She stated that she also appreciated the points made by Clark on how such agreements, which have been reviewed by a state, are not bound forever by their review, and agreed with the suggestion that it is up to the company to work with its domestic state to deal with the specific situation. Most importantly, as a non-domestic state, she emphasized the need for the permitted practice to be disclosed. She noted that the basis of the state-based system is being able to rely on each other, and that can only be done when disclosures on these types of items are made. She stated her support for the action adopted by the Statutory Accounting Principles (E) Working Group and the ability of state permitted practices to be used on a contract-by-contract basis, rather than through grandfathering or across-the-board exemption from a very basic statutory accounting issue.

Sheldon Summers (Claire Thinking Inc.) summarized his background as a former actuary with the California Department of Insurance, who worked on the original model regulation and subsequent question-and-answer section of A-791 more than 20 years ago. He also summarized the comments of Claire Thinking Inc. He noted his comments were related to the addition to A-791, the use of cash flow testing under moderately adverse scenarios and assumptions as a means to demonstrate the transfer of risk. He noted that what is being discussed is a much lower standard than is currently required and inconsistent with the other accounting requirements in A-791. However, this point seems to be agreed upon by others, thereby reducing the need for him to raise further concerns related to this matter.

Carrie Haughawout (American Council of Life Insurers—ACLI) stated her appreciation for the Committee's openness and collaboration on the issue, even on a topic that has been challenging for many. She further stated her appreciation and respect for the intent behind the proposals, but the ACLI's main outstanding concerns remain the impact of retroactive application, which it believes would introduce uncertainty and affect the transparency and predictability of insurers' long-term decisions. She noted that its discussions with many of the Committee members have been very constructive and that the ACLI has received valuable feedback, enabling it to refine the ACLI draft to address both regulatory concerns mentioned and industry concerns. She noted the ACLI's commitment to work with the Committee to achieve the outcome and thanked everyone for their time and thoughtful feedback.

Commissioner Ommen expressed his appreciation to all the individuals involved in the process. He noted that Committee members are aware of the transactions that might be impacted by 2024-06 and how some of those might be more challenging to address, but Iowa does view that permitted practices are the right way to have that balanced approach to make sure issues are taken care of, as well as allowing the domestic regulator to be in a position to observe and consider the effects of these transactions. He suggested that his staff's experience with these issues may enable them to have discussions with other states that have less experience, noting how this could lead to a more consistent approach among states, given that it seems to be a fair request.

Commissioner Caljouw thanked Commissioner Ommen and noted that ensuring solvency was the most important core function of regulators. He stated that he looked forward to further discussion at the Fall National Meeting but emphasized that he wants to ensure this issue does not create a system of regulatory arbitrage between states, where there is a picking and choosing between state approaches. He felt there was a need to strike a balance between the use of permitted practices on issues such as these, where the impacted transactions are smaller, and ensuring that a patchwork of states' approaches is not created, which could be leveraged by the industry. He noted that he did not think that was the intent of anyone on this issue, but it was something to be mindful of and to hear more from others about the balance needed. He described that historically, Massachusetts has not issued permitted practices, and he was reluctant to change that position for good reason most of the time.

Director Fox responded that she did not believe the intent was that any state would have to use a permitted practice on this issue, although that authority has always existed; however, she believes states will use those in a very judicious manner.

Commissioner Houdek thanked everyone for their participation in the discussion and for their active involvement in the issues. He reminded everyone that 2024-06 was adopted by the Statutory Accounting Principles (E) Working Group and the Accounting Practices and Procedures (E) Task Force at the Summer National Meeting and because a lot of questions came up at those meetings, it was decided to not take action and give Committee members more time to learn about the issue, ask questions, and become more familiar with this complicated topic. However, since this has now taken place, the intention is for the Committee to take action on the issue at the Fall National Meeting. He encouraged everyone to use the time before then to get any outstanding questions answered by state staff or committee support.

2. Discussed the Timeline on CLO Actions

Commissioner Houdek summarized the timeline that had been developed on possible actions that are intended to be taken in 2026 by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group and the Invested Assets (E) Task Force that was renamed to be effective in 2026. He described an approximate timeline of action on the structure changes to risk-based capital (RBC) for collateralized loan obligations (CLOs), which will involve exposure to a proposal no later than the Spring National Meeting, but is more likely to occur in January or February. He noted that the approximate timeline on the factor includes exposure no later than April 30. He discussed the authority the Capital Adequacy (E) Task Force had to extend the ultimate timeline for adoption and also noted that if the factors cannot be implemented in 2026, the Invested Assets (E) Task Force will expose the CLO modeling proposal in June or July of next year with the goal to have the CLOs modeled for year-end 2026. Commissioner Houdek noted that there would be time for comments at the Fall National Meeting.

3. Adopted Referrals on Cybersecurity Matters

Commissioner Houdek directed the Committee to the draft referrals put before the Committee in the interest of full transparency. He noted that the referrals were not compiled as the result of any single discussion among regulators, but rather as a result of recent regulatory investigations into cybersecurity incidents. He stated that all regulators are aware that cybersecurity is an issue affecting all insurance companies and continues to be an area of focus for insurance regulators, primarily through the work of the Innovation, Cybersecurity, and Technology (H) Committee. However, financial regulators also have a responsibility to consider and evaluate an insurer's cybersecurity preparedness, as well as the potential impacts of cyber incidents on an insurer's financial solvency. These factors are already considered in the evaluation of information technology (IT) systems during a financial examination, but regulators also need to consider cybersecurity in conjunction with merger and acquisition reviews, as well as affiliated service agreements.

Commissioner Zimmerman made a motion, seconded by Commissioner Caljouw, to adopt the draft referrals and send them to the applicable working group. The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/2025_3Fall/112025 - E Committee Minutes.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/2025_3Fall/112025%20-%20E%20Committee%20Minutes.docx)

Draft: 11/10/25

Financial Condition (E) Committee
Virtual Meeting
November 5, 2025

The Financial Condition (E) Committee met Nov. 5, 2025. The following Committee members participated: Nathan Houdek, Chair (WI); Justin Zimmerman, Co-Vice Chair (NJ); Michael Wise, Co-Vice Chair, and Geoffrey Bonham (SC); Mark Fowler represented by Sanjeev Chauduri (AL); Michael Conway represented by Rolf Kaumann (CO); Michael Yaworsky represented by Jane Nelson (FL); Doug Ommen represented by Carrie Mears (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Michael T. Caljouw (MA); Mike Chaney represented by Chad Bridges (MS); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by David Cook (OH); Cassie Brown (TX); and Scott A. White represented by Doug Stolte (VA).

1. Adopted its 2026 Proposed Charges

Commissioner Houdek stated the purpose of the meeting was to consider adoption of the Committee's proposed 2026 charges, which were exposed for a public comment period that ended Oct. 2. He noted that the exposed charges included those of the Committee and the working groups that report directly to it. He added that, separately, each of the task forces that report to the Committee adopted their own charges, except for the new Invested Assets (E) Task Force, whose 2026 charges were adopted at the Summer National Meeting. The combined charges were presented to the Committee for adoption, recognizing that the Committee has the authority to further modify the charges of the task forces. Commissioner Houdek referred meeting participants to the 2026 proposed charges and the three comment letters (Attachment X) received on the charges.

Colin Masterson (American Council of Life Insurers—ACLI) summarized the views of ACLI members. He noted that they understand the need for some of the groups under the Committee's jurisdiction to deal with thematic issues or trends. However, since those issues and themes are often complex and at the forefront of market trends that relate to the industry more broadly, there may be times when the publishing of post-meeting information could be beneficial. This would be especially valuable for any significant initiatives referred to the group to ensure that such referrals are as informative and comprehensive as possible. Therefore, when appropriate, and without sharing specific or otherwise confidential information, the Committee should consider putting within its charges explicit notice of which groups function typically in this fashion while also stating that notices and summaries will be provided following such calls in accordance with the NAIC Policy Statement on Open Meetings.

Commissioner Houdek stated that he was not inclined to make any changes to the charges to address the ACLI's comments. He stated that during the start of every in-person Committee meeting, he would list the dates the Financial Analysis (E) Working Group and Valuation Analysis (E) Working Group met since the last national meeting in regulator-to-regulator session. He stated that similar reporting exists for the parent group for other working groups that have a focus on confidential information, such as the Reinsurance Financial Analysis (E) Working Group and Receivership Financial Analysis (E) Working Group. He noted that reporting this information has been NAIC practice for some time. He also said that when other groups occasionally meet in regulator-to-regulator session, the meetings are often already reported out by the respective groups, but in a different way. He said there is typically a note that the group is meeting in regulator-to-regulator session pursuant to a specific paragraph or paragraphs of the NAIC Policy Statement on Open Meetings. Commissioner Houdek indicated that there has already been some discussion on this topic regarding the Invested Assets (E) Task Force for 2026, given the confidential meetings that are expected to occur specifically relating to the Investment Analysis (E) Working Group. As indicated in the past, the intention is to provide regular updates about when the Task Force holds meetings and a summary of the discussion, to the extent allowed, given the confidential nature of the information

discussed. The Committee has also decided that, after a period of time, it is willing to assess and revise how the new Task Force and the three new working groups operate.

Jay Muska (American Property Casualty Insurance Association—APCIA) stated that APCIA members generally support the proposed charge for the Reciprocal Exchanges (E) Working Group, but they did have one substantive concern in addition to some edits to better reflect existing regulatory authority to cover all transactions between the Attorney-in-Fact (AIF) and the subscribers policy to reflect the different contractual arrangements in existence. The one area of concern was with the uncertainty associated with the term “modest profit,” given that the definition of such could range from minor to medium. Additionally, it deviates from the current fair and reasonable language in the *Insurance Holding Company System Regulatory Act* (#440), *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450), and *Statement of Statutory Accounting Principles (SSAP) No. 25—Affiliates and Other Related Parties*. He noted that changes were needed to avoid creating an unlevel playing field between reciprocal exchanges and other insurers.

Commissioner Houdek responded that the purpose of the Reciprocal Exchanges (E) Working Group is to ensure that Model #440 and Model #450, as well as other relevant guidance, are clear that AIF fees paid to manage and provide services to a reciprocal exchange are fair and reasonable. He specifically noted that the goal is to ensure the guidance is clear that AIF fees should be calculated on a cost basis, plus a reasonable service charge. Commissioner Houdek stated that he did not think the APCIA disputed that intent. He noted that in response to one of the APCIA comments, he was fine with replacing the words “modest profit” in the draft charge with “reasonable profit.” He also noted that the charge itself is not intended to prevent the Working Group from producing any necessary clarifications in Models #440 and #450 along these lines. He said that with respect to the APCIA’s suggestion to increase the scope to include other agreements, he was concerned that the Working Group would lose focus if the scope was expanded at this time.

Commissioner Houdek said that it is important to remain focused on the issue of fair and reasonable AIF fees. He suggested that the Working Group can always bring back any other issues that arise during its discussions and request approval to address those issues in the future. He added that everyone should keep in mind the language of SSAP No. 25, which states that amounts charged for services should be based either on current market rates or on allocations of costs, but does not specify “current market value.” SSAP No. 25 also states that fees are intended to pay for services rendered and do not result in a transfer of excessive payments or profits from an insurer to the AIF. Commissioner Houdek reiterated he was fine replacing “modest profit” with “reasonable profit,” but was not inclined to support any further changes to the charges.

Colleen Scheele (National Association of Mutual Insurance Companies—NAMIC) noted her agreement with the concerns raised by the APCIA, including the language dealing with modest profit, and noted that Commissioner Houdek had proposed an edit to that. She added that since reciprocal exchanges were not a new form of property/casualty (P/C) insurance and their long-standing market, which is already tethered to state law, any edits to be made are examined for unintended consequences for the market and regulations that are currently in place.

Commissioner Houdek stated that no one on the call could provide any additional information on the Risk Management Corporation’s (RMC’s) comments, but he wanted to respond to some of them. He stated that the proposed working group was not being used to create a new mandate to ensure AIF fees must be fair and reasonable, as Model #440 already has that requirement in place. He clarified that the formation of the working group was intended to codify this intent in Model #440. Additionally, SSAP No. 25 has long held that AIF fees paid by reciprocal exchanges must be considered fair and reasonable. He noted that it was his understanding that fees to manage and service a reciprocal exchange by an AIF are not paid by individual subscribers to the AIF. Rather, they are paid by the reciprocal exchange from the premium income the reciprocal earns for writing the business.

Consequently, they are subject to fair and reasonable standards. Commissioner Houdek noted that he believed the APCIA comments already reflected that. He also noted that he did not support any further changes to the proposed charges. Commissioner Caljouw stated his agreement with Commissioner Houdek on the changes to address the comments.

Commissioner Caljouw made a motion, seconded by Eft, to adopt the proposed charges with the change to replace “modest profit” with “reasonable profit” in the Reciprocal Exchanges (E) Working Group’s charges. The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

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Draft: 10/10/25

Financial Condition (E) Committee
Virtual Meeting
October 7, 2025

The Financial Condition (E) Committee met Oct. 7, 2025. The following Committee members participated: Nathan Houdek, Chair (WI); Michael Wise, Co-Vice Chair (SC); Justin Zimmerman, Co-Vice Chair (NJ); Mark Fowler (AL); Michael Conway (CO); Michael Yaworsky represented by Alexis Bakofsky (FL); Doug Ommen (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Michael T. Caljouw (MA); Mike Chaney represented by Chad Bridges (MS); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French (OH); Cassie Brown represented by Jamie Walker (TX); and Scott A. White (VA). Also participating was Amy Malm (WI).

1. Exposed an Alternative Proposal to Statutory Accounting Principles (E) Working Group Agenda Item 2024-06

Commissioner Houdek stated that the original focus of the meeting was to consider adoption of Statutory Accounting Principles (E) Working Group agenda item 2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts. He advised that the Working Group and the Accounting Practices and Procedures (E) Task Force had adopted the revisions detailed in the agenda item to *Statement of Statutory Accounting Principles (SSAP) No. 61—Life, Deposit-Type, and Accident and Health Reinsurance* at the Summer National Meeting. At that time, the Committee deferred action to allow time to better understand the background and adopted revisions. He stated that since the Summer National Meeting, the Committee has conducted two regulator-to-regulator meetings to receive information on this topic. Both meetings were in line with the NAIC open meetings policy, allowing for consultation with NAIC staff related to technical guidance and discussion on specific companies. During the first regulator-to-regulator meeting, representatives of the American Council of Life Insurers (ACLI) were invited to participate and share information.

Commissioner Houdek stated that although the plan was to consider the Working Group's agenda item 2024-06 for adoption during this meeting, an alternative proposal was recently received. The proposal was distributed in advance to the Committee, interested regulators, and interested parties, and he invited Director French to present the proposal.

Director French stated that this risk transfer topic has generated a lot of discussion with good arguments on all sides of the issue, resulting in robust debate. She stated that many regulators have been interested in finding a middle ground—one that would provide needed discretion to regulators but also provide needed certainty to insurers that have these combination contracts. Director French stated that the ACLI had provided the Co-Yearly Renewable Term (YRT) Risk Transfer Discussion Draft, a proposal that accomplishes the following: 1) provides different effective dates depending on whether agreements have been submitted to the domiciliary regulator and the status of those submissions; 2) exempts agreements that have already been approved; and 3) provides additional clarity around demonstrating risk transfer. Director French stated that she is not prepared to vote or even support this proposal at this time, as further time is needed to assess and discuss, but that she is prepared to offer it for exposure so regulators can discuss it thoroughly. She stated that after comments are received, consideration could occur on the revisions that should be adopted.

Walker stated that the proposal addresses reinsurance agreements that have been approved but does not provide clarity for when regulators disapprove a contract and the timing around those disapproved agreements. She also stated concerns with language that would block a regulator from reviewing a transaction based on what had been provided in the past, citing a need to be consistent in the regulation of domestic insurers. She then stated that the proposed edits to *A-791: Life and Health Reinsurance Agreements* are concerning, as what is proposed creates a

different standard and definition of risk transfer for a combination contract compared to a non-combination contract, noting that this could create unintended consequences. Walker stated that if the A-791 discussion proceeds, it should be referred to the Working Group for a technical review.

Commissioner Houdek stated that after the proposal is exposed and the comments received are considered, the Committee could decide whether action should be taken at the Committee level or if a referral to the Working Group would occur.

Malm stated that she had similar comments as Walker, but an additional question was how the proposal would be interpreted in determining submissions to the domiciliary state. She stated that reinsurance agreements could be shared during an examination or other meetings when discussions or procedures are being addressed by a contract examiner instead of state insurance department staff. She stated that clarity should be considered for actual application.

Commissioner Ommen further inquired about the process, asking whether the exposure would be inviting comments from regulators or if another process would be utilized to solicit regulator comments. He also inquired whether another meeting would occur to discuss the comments received. Commissioner Houdek stated that if exposed, there would be a public comment period for all stakeholders, including regulators, industry representatives, and other interested parties. He stated that NAIC staff would collect the comments with a subsequent Committee meeting to discuss those comments. He stated that a 30-day public comment period would provide the opportunity to review comments at an interim meeting and then consider action at the Fall National Meeting.

Director French made a motion, seconded by Commissioner Fowler, to expose the Co-YRT Risk Transfer Discussion Draft for a 30-day public comment period ending Nov. 7. The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

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Draft Pending Adoption

Draft: 08/14/25

Financial Condition (E) Committee
Minneapolis, Minnesota
August 13, 2025

The Financial Condition (E) Committee met in Minneapolis, Minnesota, August 13, 2025. The following Committee members participated: Nathan Houdek, Chair (WI); Michael Wise, Co-Vice Chair (SC); Justin Zimmerman, Co-Vice Chair (NJ); Mark Fowler (AL); Michael Conway represented by Rolf Kauman (CO); Michael Yaworsky represented by Jane Nelson (FL); Doug Ommen and Carrie Mears (IA); Holly W. Lambert (IN); Vicki Schmidt (KS); Michael T. Caljouw (MA); Mike Chaney represented by David Browning (MS); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French and Dale Bruggeman (OH); Cassie Brown and Jamie Walker (TX); and Scott A. White, Doug Stolte and Dan Bumpus (VA). Also participating were Philip Barlow (DC); and Sandra Bigglestone (VT).

1. Adopted its July 28 and Spring National Meeting Minutes

Director Wise made a motion, seconded by Commissioner Caljouw, to adopt its July 28 (Attachment One) and March 26, minutes (*see NAIC Proceedings – Spring 2025, Financial Condition (E) Committee*). The motion passed unanimously.

2. Adopted Reports of its Task Forces and Working Groups

Commissioner Houdek stated that the Committee usually takes one motion to adopt its task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards (i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial). He reminded Committee members that after the adoption of its votes, all the technical items included within the reports adopted will be sent to the NAIC Members for review shortly after the conclusion of the 2025 Summer National Meetings as part of the Financial Condition (E) Committee's technical changes report. Pursuant to the technical changes report process previously adopted by the Executive (EX) Committee and Plenary, the members will have 10 days to comment. Otherwise, the technical changes will be considered adopted by the NAIC and effective immediately.

With respect to the task force and working group reports, Commissioner Houdek asked the Committee: 1) whether there are any items that should be discussed further; and 2) whether there are other issues not up for adoption that are currently being considered by task forces or working groups reporting to the Committee that require further discussion. The response to both questions was no.

In addition to presenting the reports for adoption, Commissioner Houdek noted that the Financial Analysis (E) Working Group met Aug. 10, July 16, June 25, May 28-29, April 29-30, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss letter responses and financial results. Additionally, the Valuation Analysis (E) Working Group met Aug. 10 and May 14 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss valuation items related to specific companies.

Director French made a motion, seconded by Commissioner Fowler, to adopt the task force and working group reports: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Financial Stability (E) Task Force; Examination Oversight (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Valuation of Securities (E) Task Force; Group Solvency Issues (E) Working Group (Attachment Two); NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group (Attachment Three); and the National Treatment and Coordination (E) Working Group (Attachment Four), with the exception of the Statutory

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Accounting Principles (E) Working Group 2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts. The motion was unanimously approved.

3. Received an Update from the Valuation of Securities (E) Task Force

Mears noted that the Task Force had two adoptions of changes related to private letter rating rational reports, one of which is clarifying. She noted that in some cases, the SVO has received private letter rational reports that really did not have substantive analysis and the Task Force had provided an anonymized actual rating rational report to demonstrate what this is and to ensure that those reports serve the purpose of providing transparency and information of how the rating came to be. One of the things the Task Force is wanting to clarify is that amendment is related just to the substance of the report itself, it is not a judgement of the rating, it is just ensuring that report has enough information to explain and document the rating that was assigned. For those rating rational reports as well, the Task Force adopted an amendment that gives 90 day period to provide those following an annual rating update of following a rating change. The Task Force had a couple of exposures as well. One is for when there is a change to a private letter rating, the rating itself, there is a 30 day period to provide the SVO that update. The Task Force also exposed a memo from the SVO which will propose creating blanks change to security IDs on the annual statement. This proposal will combine a host of security identifiers and put into a single field for reporting. This will help the verification processes internally and also allow some security identifiers that have not previously used to be permitted as well. This is important because in 2024 there were 10,053 missing or invalid security identifiers in Schedule D that collectively represented about \$55 billion of book adjusted carrying value. Mears reported that the Task Force received an update on the CLO modeling project from the Structured Security Group, noting that they have worked to have that ready but the Task Force decided to defer implementation for one more year given the work going on CLOs at the Risk-Based Capital Investment Risk and Evaluation (E) Working Group with the American Academy of Actuaries. She reported they directed the NAIC staff to draft a proposed change to the Purposes and Procedures Manual of the Investment Analysis Office and expose that for a 30 day comment period. She reported the Task Force also received updates that would be of interest related to the CRP Due Diligence work and the filing exception discretion projects. As reported June 2nd, NAIC selected PWC to assist the NAIC in developing such a framework. The NAIC business and technology teams have met with PWC to kick off the project and align stakeholder expectations, establish project governance, and discuss the CRP data. Mears noted that a template was created for historical ratings data call to the Credit Rating Providers (CRPs). The template standardizes the ratings history necessary for the development of the frameworks and the analytical frameworks analytical component. The data call was issued to all eight CRPs on August 8th. Updates will be provided in the future. Additionally, the initial business requirements have been gathered for the filing exemption discretion process. This process will require updates to the NAICs Vision and AVS Plus applications. The NAIC also reviewed various vendor applications to establish a secure data room to be used during the deliberative portion of the discretion process and a vendor has been selected for that. System enhancements are expected to begin in 2026.

Commissioner Houdek stated the additional 1-year extension made sense as regulators continue to try and align that work with the Academy's efforts and the work of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group. Houdek also noted that it seemed appropriate that the NAIC develop a formal roadmap and more defined timeline with a clearer path to completion. This will help inform decision making on how to proceed with the goal to ideally have the process completed by year-end 2026, consistent with the extension. Houdek stated the Risk-Based Capital Investment Risk and Evaluation (E) Working Group is expecting to receive an update from the Academy in September. So, hopefully from that update regulators will have a clearer sense of the Academy progress, and the NAIC can use the coming months to develop the roadmap and timeline for the Fall National Meeting. Until then,

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we will continue to engage in heightened monitoring of insurer CLO exposure using all the tools at our disposal including the Structured Securities Group's CLO model.

4. Received an Update from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Barlow stated a lot of good work had been accomplished by the American Academy of Actuaries (Academy) since the last update. They now have a working model and are beginning to work with that and will receive an update on that at the Working Group's September conference call. They are working with the NAIC Structured Security Group (SSG) who provide the waterfall runs. Barlow requested this work be prioritized for the SSG. However, a timeline will be created to see what needs to be done and by when to meet a year-end 2026 schedule for having something ready to implement that Academy's work. NAIC staff are also working on the structural changes that are required in case we have an earlier introduction timeline. He noted he was not sure at this point whether we actually will need structural change, but they want to be prepared in case we do need those but it's all developed in a way that its flexible enough that if we later develop the factor part of the change, we can implement that. Or, if there needs to be an additional delay, they can continue with the process as it is. The Working Group also met with the Statutory Accounting Principles (E) Working Group and the Valuation of Securities (E) Task Force in a regulatory meeting to review the information on collateralized loan obligations (CLOs). Barlow reminded the Committee that the work of the Academy is part of process that will enable them to use a similar process to evaluate other asset backed securities once the CLO work is complete.

5. Formed a Reciprocal Exchanges (E) Working Group

Houdek noted that included in the materials was a referral from the Risk-Focused Surveillance (E) Working Group and a Model Law Development Form. The referral contemplates forming a new working group and the model law request proposes modifying the Insurance Holding Company System Regulatory Act (440) and Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450) to clarify that reciprocals be subject to the fair and reasonable standards relate to intercompany transactions, which are designed to prevent fees charged to insurance companies from their affiliates from being excessive. Kaumann made a motion, seconded by Commissioner Ommen to adopt the model law request form to consider changes to model 440 and/or model 450. The motion was unanimously approved. Commissioner Schmidt made a motion, seconded by Commissioner Caljouw to include the proposed charges of the new working group in the proposed 2026 charges of the Committee. The motion was unanimously approved.

6. Receive a Proposal to Rename the Risk Retention Group (E) Task Force

Bigglestone summarized the proposal to rename the Risk Retention (E) Task Force the Risk Retention Group (E) Working Group, would oversee all drafting, maintenance, and analysis work related to risk retention groups (RRGs). The Working Group would include no more than 12 members representing the key states where RRGs are domiciled and/or writing business. Most meetings would be held in regulator-to-regulator sessions, as discussions will primarily focus on individual companies and best practices used by domestic states in similar situations. The Working Group would meet in open session when discussing public RRG topics and policy issues. The proposed effective date is Jan. 1, 2026. Director Wise made a motion, seconded by Director French to adopt the proposal to rename the Risk Retention Task Force and include those charges in the Committee's proposed 2026 charges. The motion was unanimously approved.

7. Receive a Proposal to Adopt Statutory Accounting 2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts

Bruggeman noted how the Statutory Accounting Principles Working Group had been discussing this agenda for a little while as a result of a referral from the Valuation Analysis Working Group. There are contracts that would

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be put in scope that are combination coinsurance and yearly renewable term that end up having interdependent features, or in other words they are linked. Those kinds of contracts can create issues because one of the overarching features within the starting point is NAIC Model 791, which every state has adopted. The accounting aspects involve concerns and discussions revolving around the dates involved where one of them is the effective date of the contract and the other is when the first reporting date of the changes happens with those potential contracts for accounting giving time to make the adjustment. It was determined the first reporting date would be in 2026 and the issue revolves around the effective date of the contracts. The term grandfathering was used as a means to suggest not to look back with a rejection of the use of grandfathering at the Statutory Accounting Principles (E) Working Group being unanimous and two no votes at the Accounting Practices and Procedures (E) Task Force. Houdek acknowledged that they had been a lot of discussion the last few days but indicated they would hold off on voting on the issue at this time, and the Committee will plan to hold a meeting soon to give everyone a chance to learn more and understand the issue before taking action.

8. Any Other Matters Brought Before the Committee

Shannen Logue (PA), on behalf of the Big Data and Artificial Intelligence (H) Working Group, indicated that 24 states have adopted the AI Model Bulletin, with a handful of states who are in the works on adoption. This year, the Big Data and Artificial Intelligence (H) Working Group had a charge to develop an AI Evaluation tool to help regulators doing market or financial examinations assess the controls and practices insurers have as it pertains to AI Systems.

The AI Evaluation tool is intended to be an interim solution for states to pilot during their examinations to gather input and develop recommendations for long term solutions, which may include updates to examination handbooks, MCAS data, CGAD templates. A draft version of the AI Systems Evaluation tool is open for public review and comment until Sept. 5th. After the conclusion of the comment period, the feedback will be reviewed and updates to the tool will be made. A copy of our tool is available on our working group's website, or you can reach out to the NAIC support staff, Miguel Romero, Scott Sobel, and Dorothy Andrews to get up to speed on this initiative. She noted that the BDAIWG wants to:

1. Encourage regulators, insurers, and interested parties to review the draft tool and provide feedback
2. Recruit states who are interested in being a pilot user of the tool in order to provide input on the long term solutions
3. Identify AI training needs for regulators who would be evaluating insurer's use of AI Systems

Having no further business, the Financial Condition (E) Committee adjourned.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/2025_1Spring/032625 E Minutes.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/2025_1Spring/032625%20E%20Minutes.docx)

Draft: 11/20/25

Capital Adequacy (E) Task Force
Virtual Meeting
November 19, 2025

The Capital Adequacy (E) Task Force met Nov. 19, 2025. The following Task Force members participated: Doug Ommen, Chair, represented by Mike Yanacheak (IA); Judith L. French, Vice Chair, represented by Tom Botsko (OH); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Charles Hale (AL); Ricardo Lara represented by Shaowei Yang (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Carolyn Morgan (FL); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Chut Tee (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Timothy J. Temple represented by Tom Travis (LA); Grace Arnold represented by Fred Andersen (MN); Angela L. Nelson represented by John Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Tadd Wegner (NE); Justin Zimmerman represented by Paul Lupo (NJ); Elizabeth Kelleher Dwyer represented by Liz Ammerman (RI); Michael Wise represented by Thomas Baldwin (SC); Carter Lawrence represented by Trey Hancock (TN); Cassie Brown represented by Jamie Walker and Rachel Hemphill (TX); Scott A. White represented by Greg Chew (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Heard Introductory Remarks

Yanacheak reported that the Capital Adequacy (E) Task Force met Oct. 23 in joint session with the Risk-Based Capital Model Governance (EX) Task Force to address the risk-based capital (RBC) preamble issue. The Risk-Based Capital Model Governance (EX) Task Force determined that further discussion of this matter would be more appropriately handled within its own group. As a result, the Capital Adequacy (E) Task Force has been requested to postpone any action regarding the preamble at this time. Yanacheak noted that the issue remains on the working agenda in a pending status, and the Capital Adequacy (E) Task Force will refrain from further deliberation until additional guidance is received from the Risk-Based Capital Model Governance (EX) Task Force.

2. Adopted the Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force's Oct. 23 Joint Minutes and the Capital Adequacy (E) Task Force's Summer National Meeting Minutes

Yanacheak reported that the Capital Adequacy (E) Task Force met Oct. 23 in joint session with the Risk-Based Capital Model Governance (EX) Task Force and took the following action: 1) heard introductory remarks; 2) received an update on the RBC preamble issue; 3) discussed comments received on proposed preamble changes; and 4) discussed related issues at the Risk-Based Capital Model Governance (EX) Task Force.

Botsko made a motion, seconded by Kaumann, to adopt the Capital Adequacy (E) Task Force and Risk-Based Capital Model Governance (EX) Task Force's joint Oct. 23 minutes (Attachment XXX) and the Capital Adequacy (E) Task Force's Aug. 12 minutes (*see NAIC Proceedings – Summer 2025, Capital Adequacy (E) Task Force*). The motion passed unanimously.

3. Adopted the Reports of its Working Groups

A. Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Barlow reported that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met Nov. 4 and Sept. 8. During these meetings, the Working Group took the following action: 1) adopted its Sept. 8 minutes, which included the following action: a) adopted its June 23 meeting minutes; and b) heard an update from the American Academy of Actuaries (Academy) on the structured securities project with an emphasis on collateralized loan obligations (CLOs); and 2) discussed comment letters received on proposal 2025-12-IRE (Securities Valuation Office Funds Alignment Project).

B. Life Risk-Based Capital (E) Working Group

Barlow reported that the Life Risk-Based Capital (E) Working Group met Nov. 14; Oct. 31 in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup; and Sept. 11. During these meetings, the Working Group took the following action: 1) adopted its Sept. 11 minutes, which included the following action: a) adopted the Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup's joint July 21 minutes and the Working Group's June 18 minutes; b) heard a presentation from the Academy on C-3 alignment; and c) exposed the covariance slide deck for a 60-day public comment period ending Nov. 10; 2) adopted the Working Group and Variable Annuities Capital and Reserve (E/A) Subgroup's joint Oct. 31 minutes, which included the following action: a) discussed comments received on the proposed changes to C3 Phase I and Phase II calculations and the life RBC instructions; b) re-exposed modified changes for a 60-day public comment period ending Jan. 5, 2026; c) adopted the proposed changes to the Valuation Manual (VM)-21, Requirements for Principle-Based Reserves for Variable Annuities, supplement blanks and instructions; d) exposed scope clarification proposals for VM-21 and life RBC for a 28-day public comment period ending Dec. 1; and e) heard updates on C3 Phase II analysis; 3) discussed comment letters received on the exposed covariance slide deck; 4) adopted its 2026 working agenda; and 5) exposed the conceptual proposal 2025-16-L (Collateral Loans) for a 60-day public comment period ending Jan. 13, 2026.

C. Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup

Botsko reported that the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup met Nov. 12 and Oct. 8 in joint session. During these meetings, the Working Group and Subgroup took the following action: 1) adopted their Oct. 8 minutes, which included the following action: a) adopted their June 30 minutes; b) discussed the catastrophe modeling wildfire review and impact analysis; c) discussed the possibility of updating the Rcat covariance formula; d) discussed the possibility of separating the earthquake and hurricane losses experience PR100s; e) discussed the Securities Valuation Office (SVO)-funded RBC alignment project; f) heard updates from the Academy regarding property/casualty (P/C) RBC premium and loss concentration factors; and g) discussed accident and health structure in the P/C RBC formula; 2) adopted proposal 2025-08-CR (Jan. 1-Oct. 15 Cat Event List); 3) exposed proposal 2025-19-CR (Separating Earthquake and Hurricane Lines Experience Data in PR100s); 4) exposed proposal 2025-20-CR (Wildfire Rcat Implementation); 5) discussed their working agenda; 6) discussed the SVO-funded RBC alignment project; 7) received an update from the Health Risk-Based Capital (E) Working Group regarding proposal 2025-15-CA (A&H Underwriting Risk Structure Change); and 8) exposed a presentation from the Academy regarding the P/C RBC premium and loss concentration factors report.

D. Health Risk-Based Capital (E) Working Group

Drutz reported that the Health Risk-Based Capital (E) Working Group met Nov. 6. During this meeting, the Working Group took the following action: 1) adopted its June 20 minutes, which included the following action: a) adopted

its April 30 and Spring National Meeting minutes; and b) discussed the 2024 health RBC statistics; 2) adopted its Sept 29 minutes, which included the following action: a) discussed comments received on the Academy's H2—Underwriting Risk Component and Managed Care Credit Calculation in the Health RBC Formula Report; b) discussed the impact analysis of the factors and structure from the Academy's H2 report; and c) exposed a referral from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group for a 65-day public comment period ending Dec. 3; 3) adopted its 2025 working agenda; 4) exposed proposal 2025-15-CA (A&H Underwriting Risk Structure Change) for a 75-day public comment period ending Jan. 20, 2026; and 5) exposed a conceptual draft of the managed care credit (MCC) for a 75-day public comment period ending Jan. 20, 2026.

Drutz made a motion, seconded by Botsko, to adopt the reports of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, including its Nov. 4 (Attachment XXX) and Sept. 8 (Attachment XXX) minutes; Life Risk-Based Capital (E) Working Group, including its Nov. 14 (Attachment XXX), Oct. 31 (Attachment XXX), and Sept. 11 (Attachment XXX) minutes; Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup, including their Nov. 12 (Attachment XXX) and Oct. 8 (Attachment XXX) minutes; and Health Risk-Based Capital (E) Working Group, including its Nov. 6 minutes (Attachment XXX). The motion passed unanimously.

4. Adopted Proposal 2025-08-CR (Jan. 1-Oct. 15 Cat Event List)

Chou stated that proposal 2025-08-CR consolidates both U.S. and international catastrophe event lists spanning from 2016 to 2025 for use in year-end 2025 reporting. This comprehensive list encompasses major peril types, including hurricanes, earthquakes, wildfires, and severe convective storms. The first version of the 2025 event list, covering incidents from January through October, was made available for public comment via an e-vote on Nov. 3, with no feedback received during the seven-day exposure period. Chou further noted that a revised iteration of the event list will be released for additional public comment in early January 2026, with adoption anticipated by February 2026.

Chou made a motion, seconded by Botsko, to adopt proposal 2025-08-CR (Attachment XXX). The motion passed unanimously.

5. Adopted its Working Agenda

Yanacheak listed the following edits to the health RBC section of the Task Force's 2026 working agenda: 1) line X1 was updated to reference the adoption of proposal 2025-03-CA; 2) a previous H2 working agenda item was split into lines X4, X5, and X6 to align with the three work products from the Academy report (i.e., the H2 structure, H2 factors, and MCC expansion); 3) line X8 was added to address the Statutory Accounting Principles (E) Working Group referral on moving some non-bond debt to Schedule BA as a result of the principles based bond project; and 4) line X9 was added because the Working Group decided to take up the long-term care (LTC) topic.

Yanacheak also listed the following changes to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group section of the working agenda: 1) the item regarding structured notes is proposed to be removed; 2) the item on RBC treatment of asset-backed securities (ABS) has merged with the item on tail risk of privately structured securities due to their similarity; and 3) the item on RBC treatment of residual tranches was expanded to document the adoption of a proposal to affect a 45% RBC charge for residual tranches/interests for life insurers only.

Yanacheak indicated that the following edits were included in the life section of the working agenda: 1) the item regarding the structured proposal to split Schedule D, Part 1, into two parts is proposed to be removed based on the completion of proposal 2024-24-L MOD; 2) the item regarding the Longevity Risk (E/A) Subgroup has been

expanded to include longevity reinsurance; and 3) the item on tax credit investments was added as a result of a referral from the Statutory Accounting Principle (E) Working Group.

Yanacheak noted the following updates within the P/C section of the working agenda: 1) revising expected completion dates, ongoing items, and comments for items P1, P3, P4, P5, P6, and P7; 2) removing completed items from the original P7 and P8; and 3) introducing the following three initiatives to the “New Items” section: a) evaluating the possibility of adding wildfire peril in the Rcat component; b) evaluating the possibility of separating earthquake and hurricane loss experience data in PR100s; and c) evaluating the possibility of updating the loss and premium concentration factors in PR017 and PR018.

Additionally, Yanacheak reported several changes in the general Task Force section: 1) items CA1 through CA6 have been updated to incorporate recent developments and decisions; 2) three items have been removed from the agenda, reflecting their completion; and 3) the following item has been added to the “New Items” section: a) evaluating whether to expand the instructions for LR034, LR035, PR033, PR034, and XR027 to promote consistent labeling of various company action levels across different lines of business.

Botsko made a motion, seconded by Wegner, to adopt the Task Force’s working agenda (Attachment XXX). The motion passed unanimously.

6. Discussed the Statutory Accounting Principles (E) Working Group Referral Regarding Collateral Loan Schedule BA Reporting Changes

Yanacheak stated that the Task Force received a referral from the Statutory Accounting Principles (E) Working Group on June 5, which focused on proposed changes to how collateral loans are reported under Schedule BA. To ensure transparency and gather stakeholder input, this referral was exposed for a 45-day public comment period ending Aug. 14. Notably, no comment letters were submitted during this exposure period. Yanacheak clarified several key points about collateral loans: these financial instruments are distinct from traditional securities—they are not classified as securities, are not rated by any nationally recognized statistical rating organization (NRSRO), and are not designated by the SVO. Instead, collateral loans are categorized and reported as “Other Long-Term Invested Assets” on Schedule BA. Currently, regardless of the type of assets backing these loans, all collateral loans are reported in line PR009 for P/C insurers and XR008 for health insurers. These loans are subject to a fixed RBC charge of 5%.

To provide further insight into the prevalence of collateral loans, Yanacheak referenced a report prepared by committee support that summarized collateral loan holdings as reported in the 2024 annual filings, broken down by type of business (Attachment XXX). The findings revealed that collateral loans represent a very small fraction of total cash and invested assets (specifically, only 0.04% for P/C insurers and effectively 0.00% for health insurers). This data suggests that, at present, collateral loans do not pose a significant concentration risk within these sectors.

Tee stated that the Life Risk-Based Capital (E) Working Group exposed a conceptual proposal regarding collateral loans on Nov. 14 for a 60-day public comment period ending Jan. 13, 2026. Tee inquired whether, following the receipt and review of comments, the Working Group would develop and subsequently expose a formal proposal. Additionally, Tee inquired whether the proposal would be presented again to the Task Force and the Financial Condition (E) Committee for further consideration after it is forwarded. Yanacheak responded that, unless the proposal contains controversial issues, it is not customary for the Task Force and Committee to re-expose it.

Barlow noted that the conceptual proposal on collateral loans is not yet ready for adoption. There are outstanding issues related to asset valuation reserve (AVR) that the Life Risk-Based Capital (E) Working Group has requested

further insight on from the Academy. Barlow concurred with Yanacheak that any comments received should be directed to the Working Group, where the technical discussions will take place.

7. Received an Update Regarding the RBC Treatment for SVO-Designated Investments

Botsko stated that the Property and Casualty Risk-Based Capital (E) Working Group received three comment letters during the exposure period. One comment letter strongly supported the initiative to harmonize RBC requirements for SVO-designated bond funds, which include exchange-traded funds (ETFs), mutual funds, and private funds. The authors of this letter emphasized that such harmonization would be especially beneficial for smaller insurance companies, as these organizations often lack the resources or portfolio size needed for direct investments in individual bonds. Therefore, enabling access to diversified bond funds would help them manage risk more effectively without increasing their exposure.

Botsko stated that the second letter expressed confidence in the existing regulatory framework, highlighting the strengths of the current two-step process that allows issuers and insurers to submit investment fund holdings to the SVO for designation as certain bond funds. The authors recommended that, before making any changes to RBC requirements, the Working Group should conduct a comprehensive analysis of the risks associated with these funds. They also cautioned that any changes requiring additional regulatory infrastructure or increased expenses for companies should be carefully considered to ensure they provide meaningful benefits for solvency oversight.

Botsko stated that the third comment letter suggested that the proposal could be improved by including a detailed analysis of its actual impact on RBC charges and ratios at the individual company level. This analysis should aggregate results across various scenarios, particularly those involving changes to R2 factors. The letter also pointed out that the data used in the analysis was skewed by two large P/C companies with significant equity holdings, which distorted the R2 results. Chou agreed with Botsko on the importance of conducting a thorough risk assessment to ensure the proposal's effectiveness and fairness.

Drutz stated that the Health Risk-Based Capital (E) Working Group exposed the referral for a 65-day public comment period ending Dec. 3. The Working Group will provide the status of this issue to the Task Force during the Task Force's next meeting.

8. Discussed Other Matters

Yanacheak announced that the Task Force will not convene in person at the Fall National Meeting. Instead, it plans to reconvene in spring 2026 to address outstanding agenda items.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/E CMTE/CADTF/2025-2-Summer/June 30 CADTF minutes.docx

Draft Pending Adoption

Draft: 11/18/25

Examination Oversight (E) Task Force Virtual meeting December 1, 2025

The Examination Oversight (E) Task Force met Dec. 1, 2025. The following Task Force members participated: Judith L. French, Chair, represented by Zachary Wheatley (OH); Karima M. Woods, Vice Chair, represented by N. Kevin Brown (DC); Mark Fowler represented by Sheila Travis and Blase Abreo (AL); Heather Carpenter represented by David Phifer (AK); Ricardo Lara represented by Ber Vang (CA); Michael Conway represented by Rolf Kaumann (CO); Jared Kosky represented by William Arfanis (CT); Michael Yaworsky represented by Carolyn Morgan (FL); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Levi Nwasoria (KS); Sharon P. Clark represented by Jeff Gaither (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by John Turchi (MA); Anita G. Fox represented by Kristin Hynes (MI); Grace Arnold represented by Kathleen Orth (MN); Mike Chaney represented by Mark Cooley (MS); Angela L. Nelson represented by John Rehagen (MO); Eric Dunning represented by Tadd Wegner (NE); Ned Gaines (NV); Justin Zimmerman represented by David Wolf (NJ); Jon Godfread represented by Matt Fischer (ND); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Teresa Borrowman (OR); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Larry D. Deiter represented by Johanna Nickelson (SD); Cassie Brown represented by Shawn Frederick (TX); Scott A. White represented by Jennifer Blizzard (VA); Patty Kuderer represented by Tarik Subbagh (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its Sept. 29 and Summer National Meeting Minutes

Wheatley stated that the Task Force conducted an e-vote that concluded Sept. 29 to adopt its 2026 proposed charges. The Electronic Workpaper (E) Working Group revised its existing charges by removing the requirement for ongoing oversight of the transition to the TeamMate+ application.

The Task Force also met Dec. 1 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to discuss open exams that are past the 22-month deadline.

Eft made a motion, seconded by Malm, to adopt the Task Force's Sept. 29 (**Attachment XX**) and July 31 (*see NAIC Proceedings – Summer 2025, Examination Oversight (E) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Reports of its Working Groups

A. Financial Examiners Coordination Working Group

Wheatley provided the report of the Financial Examiners Coordination (E) Working Group. He stated that the Working Group met Aug. 10 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss reports on group coordination.

B. Financial Analysis Solvency Tools (E) Working Group

Chew stated that the Working Group met in a regulator only session on Aug. 21 and adopted enhancements to the property casualty scoring system. These enhancements are the result of a two-year project that used artificial intelligence (AI) and machine learning to refine the system's ability to identify insurers at risk of solvency issues earlier and more accurately. Key changes included removing ratios with no significant predictive value, modifying certain existing ratios, and adding two new predictive ratios identified by the model. The Working Group also met

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in open sessions on Nov. 6 and Sept. 23 to adopt revisions to the *Financial Analysis Handbook* on the following topics: 1) updates to reflect the principle-based bond definition; 2) guidance on contractor oversight; 3) enhancements to the Insurer Profile Summary (IPS) and Group Profile Summary (GPS) examples.

The Working Group also adopted changes to Property/Casualty (P/C) Insurance Regulatory Information System (IRIS) Ratio 9 – Adjusted Liabilities to Liquid Asset Ratio and formed a drafting group to develop guidance and related calculations for determining whether an insurer is in hazardous financial condition.

C. Financial Examiners Handbook (E) Technical Group

Snowbarger stated that the Technical Group met Nov. 20 and Oct. 14 to adopt revisions to the Handbook on the following topics:

- Revisions to Exhibit A simplify and consolidate examination planning steps by merging steps one, six, and seven into one concurrent meeting step, combining information technology (IT) risk assessment (step four) into a single step, and deleting step five. Corresponding narrative guidance in Section 2-1 for updating the IPS was also deleted.
- Revisions to the reinsurance ceding repository add the new catastrophe reinsurance interrogatory as an information source and include other potential procedures when reviewing catastrophic reinsurance coverage for reasonableness.
- Revisions to Exhibit Q clarify that there should be a meeting at the end of the examination to communicate exam results with the analyst.
- Revisions to the introduction and Section 1-4 provide guidance on the responsible use of artificial intelligence (AI), including considerations regarding user review of AI output and confidentiality.
- Revisions to the capital and surplus repository and reinsurance ceding repository include updates related to modified coinsurance (modco) reinsurance and related collateral held. Revisions were also made to the investments repository that update an existing risk identifier and add sample procedures to help ensure the appropriate reporting treatment of securities under the principle-based bond definition.
- Revisions to the reserves/claims handling (life) repository add sample procedures for asset adequacy testing (AAT) for certain asset-intensive reinsurance transactions in accordance with *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55).
- Revisions throughout the Handbook reflect changes to the risk matrix verbiage, as standalone risk matrices will be phased out with the transition to TeamMate+. Updates were also made to Exhibits V, CC, and DD to replace outdated Automatic Reference Counting (ARC) reference examples with hyperlinks, reflecting how references appear in TeamMate+.

D. IT Examination (E) Working Group

Vang stated that the Working Group met July 31 to discuss the decision framework document to separate information technology general control (ITGC) work from cyber risk assessment work following last year's gap analysis work. Vang stated that the framework document lays out a new seven-step process for IT examination and will create a new Exhibit C, Part 3 for the cyber risk assessment. This framework document was exposed for a 30-day public comment period and received only non-substantive comments. A new drafting group was formed to start updating the IT examination guidance in the Handbook in alignment with the decision framework. This work is ongoing and will continue into next year.

Draft Pending Adoption

Eft made a motion, seconded by Kaumann, to adopt the reports of the Financial Analysis Solvency Tools (E) Working Group, including its Nov. 6 (Attachment XX) and Sept. 23 (Attachment XX) minutes; the Financial Examiners Handbook (E) Technical Group, including its Nov. 20 (Attachment XX) and Oct. 14 (Attachment XX) minutes; and the IT Examination (E) Working Group, including its July 31 minutes (Attachment XX). The motion passed unanimously.

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

SharePoint/NAIC Support Staff Hub/Committees/E Committee/2025_3Fall/EOTF/EOTF – Meeting Minutes 12.1.2025

*Virtual Meeting***RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE**

Monday, December 1, 2025

Summary Report

The Receivership and Insolvency (E) Task Force met Dec. 1, 2025. During this meeting, the Task Force:

1. Adopted its July 30 minutes. During this meeting, the Task Force took the following action: 1) adopted its March 4 minutes; 2) adopted its 2026 proposed charges and those of its working groups; 3) heard an international update; and 4) received a report of the Receivership Financial Analysis (E) Working Group.
2. Received the report of the Receivership Financial Analysis (E) Working Group, which met Aug. 10 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss companies in receivership and related topics. The Working Group plans to meet Dec. 8 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss companies in receivership and related topics.
3. Heard an update on international resolution activities. The International Association of Insurance Supervisors (IAIS) has exposed a draft application paper on recovery planning and a draft application paper on resolution powers and planning for a 90-day comment period ending Feb. 25, 2026. The Financial Stability Board (FSB) has affirmed the continued use of the IAIS' Holistic Framework and will continue to suspend the global systemically important insurer (G-SII) list. The FSB has also issued guidance on recovery and resolution planning.
4. Heard an update on the Uniform Data Standards (UDS) 3.0 project from Pennsylvania and the National Conference of Insurance Guaranty Funds (NCIGF). The UDS 3.0 project is making updates to the current UDS 2.0 data transfer system, which is used to transfer data from insolvent insurers to guaranty associations. State insurance regulators are encouraged to review the draft 3.0 version and provide feedback. The draft 3.0 version is available on the Guaranty Support Inc. website at guarantysupport.com.
5. Heard an update on model law adoption. States that have not adopted recent amendments to the *Insurance Holding Company System Regulatory Act* (#440) related to the continuation of essential services in receivership and amendments to the *Property and Casualty Insurance Guaranty Association Model Act* (#540) for cybersecurity and restructuring were encouraged to consider including the amendments in their next legislative proposals.

Virtual Meeting

MUTUAL RECOGNITION OF JURISDICTIONS (E) WORKING GROUP

Tuesday, October 21, 2025

12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

Meeting Summary Report

The Mutual Recognition of Jurisdictions (E) Working Group met Oct. 21, 2025. During this meeting, the Working Group:

1. 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 that are not subject to an in-force covered agreement.
2. Reapproved the Canada Office of the Superintendent of Financial Institutions (OSFI) as a jurisdiction that recognizes and accepts the U.S. approach to the group capital calculation (GCC).

Draft: 12/2/25

NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group
Virtual Meeting
December 1, 2025

The NAIC/AICPA (E) Working Group of the Financial Condition (E) Committee met Dec. 1, 2025. The following Working Group members participated: Doug Stolte, Chair (VA); Diana Sherman, Vice Chair (PA); Sayaka Dillon (CA); Rylenn Brown (DE); Kevin Clark (IA); Kristin Hynes (MI); Shannon Schmoeger (MO); Andrea Johnson (NE); Ned Cataldo (NH); David Cook (OH); and Johanna Nickelson (SD).

1. Adopted Updated Sound Practice Documents

Stolte stated that during its July 28 meeting, the Working Group discussed a referral received from the Chief Financial Regulator Forum related to issues that regulators are experiencing in gaining access to external audit workpapers in support of financial examinations. As a result of those discussions, the Working Group agreed to form a drafting group consisting of both state regulators and audit firm representatives to propose updates to existing sound practices documents that address the concerns raised.

The drafting group was led by Nickelson and Dave Osborn (EY) and included participants from the following states and firms: Connecticut, the District of Columbia, Missouri, Ohio, Pennsylvania, and Virginia, as well as Crowe LLP, EisnerAmper LLP, Johnson Lambert LLP, KPMG LLP, and RSM US LLP.

The drafting group met Oct. 20, Sept. 29, and Aug. 27 to discuss the issues identified and propose edits to the two different sound practices documents maintained in this area. Updates were first developed for the NAIC's *AICPA Four-Step Process for Use by Regulators* (Attachment XXX-A). Stolte stated that the most significant revisions proposed to this document include expanding the national firm representative listing from 10 to more than 30 of the top firms conducting statutory insurance company audits. Additionally, minor revisions were proposed to update the description of the recommended four-step process.

The drafting group also developed updates to the *Best Practices: Insurance Regulator Access to Audit Documentation* document maintained by the AICPA (Attachment XXX-B). Stolte stated that the updates to this document are more significant, including both revisions to existing sound practices and the development of several new sound practices to address concerns communicated in the referral.

Nickelson stated that the changes to both documents should address the concerns identified in the referral and lead to improved communication between state insurance regulators and audit firm representatives. Osborn thanked the members of the drafting group for their work and noted that the sound practices identified are recommendations for audit firms to follow and are not binding.

Bruce Jenson (NAIC) provided an overview of the most significant changes proposed to both documents, including clarifications related to which workpapers are subject to regulator review and states' abilities to sign or acknowledge auditor disclosure letters. In addition, sound practices for audit firms were developed or updated related to workpaper access, workpaper format, and auditor disclosure. Sound practices for regulators were developed or updated related to notification, meetings, scope, communication, and coordination.

Hynes made a motion, seconded by Clark, to adopt the proposed revisions to the sound practice documents and approve them for posting to the NAIC website.

2. Discussed Plans for an Educational Webinar

Stolte stated that, with the updated sound practice guidance and the significant expansion of the list of national audit firm representatives, there is a need to educate both the new firm representatives and state insurance regulators on the new guidance. Stolte recommended scheduling a webinar to provide training on the new guidance and asked for feedback on this proposal, including the best time to schedule the webinar.

Cook stated that the webinar should be held before the completion of statutory audit reports in 2026, which are generally due June 1 in each state. Osborn stated that the audit firm representatives have an upcoming meeting where they can discuss this further, but he recommended holding the webinar toward the end of February 2026.

Jenson stated that NAIC committee support would begin developing slides for an ongoing webinar and then work with Nickelson and Osborn to identify presenters and schedule the session.

3. Discussed Audit Procedures for Private Credit Assets

Stolte stated that state insurance regulators have identified a trend of increased holdings of private assets in insurer company portfolios, which can be more challenging for the company and its external auditor to value and evaluate for other-than-temporary impairment (OTTI). Stolte stated that it could be helpful for regulators to hear from AICPA members on the procedures they use during their annual statutory audits to evaluate these assets, whose value is often based on Level 3 (unobservable) inputs. Stolte asked whether the certified public accountant (CPA) firm representatives could put together a presentation on their audit approach in this area for state insurance regulators in 2026.

Osborn stated that the firm representatives can discuss this topic at their upcoming meeting and get back to the Working Group on this issue. Osborn stated that the timing for a presentation on this topic might work better after the 2026 Spring National Meeting.

Stolte thanked the firm representatives for considering this topic and indicated that there are other NAIC groups with an interest in this topic that could be invited to the presentation when it is scheduled.

Having no further business, the NAIC/AICPA (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E Committee/2025_3Fall/AICPA/12-1-25 AICPAWGmin

TO: Robert Wake (ME), Chair, Mutual Recognition of Jurisdictions (E) Working Group
Monica Macaluso (CA), Vice Chair Mutual Recognition of Jurisdictions (E) Working Group

FROM: Jake Stultz, Manager II – Accounting Policy
Daniel Schelp, Chief Counsel, Regulatory Affairs

RE: 2025 Due Diligence Review of Qualified Jurisdictions & Reciprocal Jurisdictions

DATE: October 21, 2025

Executive Summary & Recommendation

The Mutual Recognition of Jurisdictions (E) Working Group will perform a yearly review of Qualified Jurisdictions to determine whether there have been any significant changes over the prior year that might affect their status as Qualified Jurisdictions. The Working Group will also perform a yearly review with respect to non-Covered Agreement Reciprocal Jurisdictions. In this regard, NAIC legal and financial regulatory services staff has performed a due diligence review of these jurisdictions, and has the following recommendations for the Working Group's consideration:

1. The following Qualified Jurisdictions should retain their status on the *NAIC List of Qualified Jurisdictions*:
 - Bermuda, Bermuda Monetary Authority (BMA)
 - France, Autorité de Contrôle Prudentiel et de Résolution (ACPR)
 - Germany, Federal Financial Supervisory Authority (BaFin)
 - Ireland, Central Bank of Ireland (Central Bank)
 - Japan, Financial Services Agency (FSA)
 - Switzerland, Financial Market Supervisory Authority (FINMA)
 - United Kingdom, Prudential Regulation Authority of the Bank of England (PRA)
2. The following non-Covered Agreement Reciprocal Jurisdictions should retain their status on the *NAIC List of Reciprocal Jurisdictions*:
 - Bermuda, Bermuda Monetary Authority (BMA)
 - Japan, Financial Services Agency (FSA)
 - Switzerland, Financial Market Supervisory Authority (FINMA)

Process for Periodic Evaluation after Initial Approval

The *Process for Evaluating Qualified and Reciprocal Jurisdictions* ("Process") provides a process for evaluating both Qualified and Reciprocal Jurisdictions after their initial approval. Pursuant to NAIC policy and procedure, the Working Group, with the assistance of NAIC staff, will perform a yearly review of Qualified Jurisdictions to assess whether there have been any significant changes over the prior year that might affect their status as Qualified Jurisdictions, and that this yearly review shall follow such abbreviated process as may be determined by the Working Group to be appropriate.

For this review, NAIC legal and financial regulatory services (NAIC staff) staff searched for any publicly available information that would potentially impact the jurisdictions' status as a Qualified Jurisdiction or as a Reciprocal Jurisdiction, including any changes to existing insurance and reinsurance laws and regulations in the jurisdictions. Next, NAIC staff researched whether a new Financial Sector Assessment Program (FSAP) Report prepared by the International Monetary Fund (IMF), or any other externally produced documentation was available, including the Technical Note on Insurance Sector Supervision, and any other information regarding the laws, regulations, practices, and procedures applicable to the jurisdiction's reinsurance supervisory system. This research also included any public reports from ratings agencies and any other public information that was deemed to be relevant.

Except as otherwise noted in this memorandum, NAIC staff did not engage directly with the Qualified Jurisdictions or Reciprocal Jurisdictions and relied solely on publicly available information. Additionally, NAIC staff considered any information received (if any had been received) directly from state insurance regulators, interested parties or affected U.S. insurance companies that could potentially impact the status of the Qualified Jurisdictions or Reciprocal Jurisdictions.

Life Reinsurance Placed in Qualified or Reciprocal Jurisdictions

There have been several regulator-only discussions regarding the regulatory practices of insurance supervisors and systems from jurisdictions outside of the U.S. focusing on private equity owned life insurers' offshore reinsurance over the past several years. There have been ongoing discussions at the Macroprudential (E) Working Group, as well as other NAIC groups regarding the use of offshore reinsurance. NAIC staff does not believe that these activities rise to a level that would impact the status of any Qualified or Reciprocal Jurisdictions, but that it is appropriate that this issue be included in this discussion. NAIC staff will continue to closely monitor this issue and will provide any added information to the Working Group, as appropriate.

Additionally, the following projects have been completed or are in progress right now to further address these issues:

- Actuarial Guideline 55 (AG 55) introduced new considerations for managing asset-intensive reinsurance arrangements, requiring asset adequacy testing and reporting to ensure reserves remain sufficient under stress.
- AG 53 aims to enhance transparency and ensure the solvency and stability of insurers by increasing the understanding of risk, structures, and underlying economics of privately structured investments. It requires increased disclosures and sensitivity tests for High Net Yield (PHNY) assets, focusing on complex risks that are more difficult to model and quantify.

- Statutory Accounting Principles (E) Working Group has adopted several agenda items that intend to clarify the reporting of assets associated with modified coinsurance and funds withheld arrangements, which are common for offshore reinsurance.
- During the Summer of 2025, the Reinsurance (E) Task Force held two regulator-only educational sessions designed to enhance regulatory awareness regarding offshore reinsurance practices.

Jurisdictions with Ongoing Regulatory Changes

Bermuda

In early 2024, the Bermuda Monetary Authority implemented several enhancements to their regulatory regime. The changes have three main areas of focus: 1) updates to the calculation of the Bermuda Solvency Capital Requirement (BSCR), 2) the calculation of technical provisions (risk margin and scenario-based approach), and 3) updates to their supervisory regime (transaction approvals, liquidity risk management, supervision, reporting and disclosure). The reasons that the enhancements were implemented were to:

1. Respond to the shifts and trends observed in the long-term sector e.g., entry of private equity firms and alternative asset managers.
2. Enhance resilience of Bermuda (re)insurers e.g., through increased emphasis on stress testing considering the increasingly fluid operating and interest rate environment.
3. Tailor supervisory intensity to align with evolving risk profiles of long-term insurers e.g., increased appetite for non-traditional assets.
4. Enhance transparency through increased disclosures and cross-border bi-lateral engagements between the BMA and cedant regulators
5. Ensure the level of policyholder protection in Bermuda continues to be comparable with that in other competent jurisdictions e.g., the US and Europe.

NAIC staff are continuing to monitor the implementation of these changes. Feedback so far from the BMA has been positive, but NAIC staff has requested data on the impact of these revisions, and we plan to provide that to the members of the Working Group once we have it. In addition, Fitch Ratings noted that the reforms have strengthened capital requirements, supervision, and risk assessment, supporting market stability and transparency. The changes have led to increased pricing, fees, and higher required capital, which may influence some insurers' preferences for regulatory regimes. However, the majority are expected to remain in Bermuda due to its robust regulatory framework and continued Solvency II equivalence and NAIC Reciprocal Jurisdiction status.

United Kingdom

In November 2022, the UK announced that they are moving away from Solvency II to a similar framework to be called Solvency UK. During 2023, there were two consultation papers issued by the Bank of England, each of which further details the upcoming changes. The expected changes are wide ranging and include matching adjustment reform (MA is a mechanism that allows insurers to recognize, upfront as capital resources, a proportion of the investment return, in excess of the risk-free rate, that they project to earn over the future lifetime on the assets matching their MA liabilities), changes to the way stress testing is performed, and a number of other minor changes that are intended to promote economic growth. The UK is subject to a covered agreement, so there is no

action that needs to be taken at this time, but NAIC staff will monitor the changes and implementation of these reforms over the next year.

Japan

In June 2022, the Japan Financial Services Agency (FSA) announced its intention to reform its solvency regulation framework, effective April 1, 2025. The overall intent of these reforms is to make Japan's regulatory regime more similar to the Insurance Capital Standards of the International Association of Insurance Supervisors (IAIS) and Solvency II. The primary change will be to the methodology for calculating the solvency margin ratio for Japanese insurers, moving from a factor-based approach to one that assesses assets and liabilities on an economic value basis. NAIC staff will monitor the changes and implementation of these reforms over the next year.

NAIC Staff Overall Findings

Upon review of all publicly available information, NAIC staff has reached the conclusion that the reinsurance supervisory systems of the seven Qualified Jurisdictions listed above continue to achieve a level of effectiveness in financial solvency and reinsurance regulation for purposes of reinsurance collateral reduction, that their demonstrated practices and procedures with respect to reinsurance supervision continue to be consistent with their respective reinsurance supervisory systems, and that their laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Model Law and Regulation. NAIC staff have reached similar conclusions with respect to the three Reciprocal Jurisdictions listed above that are not subject to an in-force Covered Agreement.

Therefore, it is the recommendation of NAIC staff that the above listed jurisdictions continue to qualify for inclusion on the *NAIC List of Qualified Jurisdictions* and the *NAIC List of Reciprocal Jurisdictions*.

TO: Robert Wake (ME), Chair, Mutual Recognition of Jurisdictions (E) Working Group
Monica Macaluso (CA), Vice Chair Mutual Recognition of Jurisdictions (E) Working Group

FROM: Jake Stultz, Manager II – Accounting Policy
Daniel Schelp, Chief Counsel, Regulatory Affairs

RE: 2025 Due Diligence Review of GCC Recognize and Accept Jurisdictions

DATE: October 21, 2025

Executive Summary & Recommendation

The Mutual Recognition of Jurisdictions (E) Working Group will perform a yearly review of the *NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation ("GCC")* to determine whether there have been any significant changes over the prior year that might affect inclusion on the List. In this regard, NAIC legal and financial regulatory services staff have performed a due diligence review of these jurisdictions, and have the following recommendations for the Working Group's consideration:

1. Effective December 18, 2024, the NAIC determined that the Canadian Office of the Superintendent of Financial Institutions (OSFI) (i.e., all Canadian Provinces except for Quebec) met the criteria set forth for inclusion on the List under the *NAIC Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation*. The OSFI joined those Reciprocal Jurisdictions on the List as identified under Section 4L(2)(c) of the *NAIC Insurance Holding Company System Regulatory Act (#440)*; i.e., European Union member states, United Kingdom, Bermuda, Japan, and Switzerland.
2. For this due diligence review, NAIC legal and financial regulatory services staff searched for any publicly available information that would potentially impact the jurisdictions' status as a GCC Recognize and Accept Jurisdiction, including any changes to existing insurance laws and regulations in the jurisdictions. Additionally, NAIC staff considered any information received (if any had been received) directly from state insurance regulators, interested parties or affected U.S. insurance companies that could potentially impact the status of GCC Recognize and Accept Jurisdictions.
3. Upon review of all available information, NAIC staff has reached the conclusion that the above listed jurisdictions continue to meet the criteria to be included on the *NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation*, and further recommend that they retain their status on this List.

Structural Proposal – Life RBC Only

Late 2025/Early 2026

Identification of comparable attributes completed.

Feb/Mar 2026

Structural proposal should be exposed by WG by Spring National Meeting.

April 2026

Comments received.
Proposal adopted by WG no later than April 30.

May 2026

Adoption of the proposal by CADTF no later than May 15.

2026 Summer

National Meeting
Consider adoption by E Committee.

Factor Proposal – Life RBC Only

**Late 2025/
Early 2026**

Identification
of comparable
attributes
completed.

Q1 2026

Academy to
work on Model
modifications
as requested
by regulators,
if any.

April 2026

Propose
factors to be
exposed by
WG no later
than April 30.

**May/June
2026**

Comments
received.
Adoption of
proposal by
WG no later
than June 15.

June 2026

Adoption by
CADTF no later
than June 30.*

**June/July
2026**

Expose SSG
CLO Model.ⁱ

**2026 Summer
National
Meeting**

Consider
adoption by
E Committee.

* Only the Task Force may extend the June 30th adoption deadline for previously considered proposals upon a two-thirds consent of the TF members present where such extension can be no later than July 30th of the current year.

ⁱ Will be considered if LRBC Methodology is delayed.

Non-Life RBC Consideration

1. **Early/Mid-2026 (Once Life RBC has a set path)**
 - Referral by RBCIREWG to respective WGs (PCRBCWG & HRBCWG).
 - WGs to discuss whether changes to respective non-life RBC framework is warranted.
 - Engage PC and Health Academy.
2. If changes are warranted, follow Life RBC timeline but different adoption year. (see #4 below. Can consider early adopt structural changes to facilitate impact analysis)
3. Separate discussions and proposals for Health and P/C.
4. P/C and Health RBCWG traditionally expose referrals received. Exposure of a referral for at least 30 days puts P/C and Health in a position that a 2026 adoption is not attainable, especially in view of the need to involve P/C and Health Academy for additional analysis. A 2027 effective year is more realistic.

Agenda item 2024-06 Risk Transfer Analysis of Combination Reinsurance Contracts Illustrated Revisions

The revisions adopted at the Summer National Meeting by Statutory Accounting Principles (E) Working Group and the Accounting Practices and Procedures (E) Task Force at the Summer National Meeting from agenda item 2024-06 *Risk Transfer Analysis of Combination Reinsurance Contracts* are shown below along with a minor clarification proposed for the effective date.

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

Effective Date - For SSAP No. 61, the minor shaded clarification below is recommended to the effective date paragraph in SSAP No. 61. The Working Group chose year-end 2026 to allow companies that may have existing contracts adequate time to allow for industry and regulator assessment. At the Summer Meeting, the Working Group did not support grandfathering of existing contracts due to concerns of market inconsistency, creating conflicts with current guidance or recent state actions. After the Summer Meeting, discussions with companies and certified public accountants, noted that it would be helpful to be explicit that the change for existing contracts is reflected as a **change in accounting principle**. This clarification, which is shown as shaded text below, does not change the scope of the affected contracts from what was unanimously adopted at the Working Group, and is helpful to be explicit to avoid prior year restatements. The wording is consistent with the Working Group's intended prospective treatment of existing contracts as of the Dec. 31, 2026 reporting date.

94. The disclosure for compliance with Model #787 or AG 48 shall be effective for reporting periods ending on or after December 31, 2015. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures. The disclosures captured in paragraphs 78-84 which help to identify certain reinsurance contract features are effective for reporting periods ending on or after December 31, 2020. Clarifications of existing guidance adopted in August 2025 regarding risk transfer on interdependent reinsurance agreements in paragraphs 17 and 19 are effective immediately for new/ newly amended contracts, with a December 31, 2026 effective date for other existing contracts. For existing contracts, the clarification shall be accounted for as a change in accounting principle in accordance with SSAP No. 3—Accounting Changes and Corrections of Errors, on or before December 31, 2026.

➤ Below is remainder of the adopted language to SSAP No. 61:

Transfer of Risk

17. Reinsurance agreements must transfer risk from the ceding entity to the reinsurer in order to receive the reinsurance accounting treatment discussed in this statement.

a. If the terms of the agreement violate the risk transfer criteria contained herein, (i.e., limits or diminishes the transfer of risk by the ceding entity to the reinsurer), the agreement shall follow the guidance for Deposit Accounting. In addition, any contractual feature that delays timely reimbursement violates the conditions of reinsurance accounting.

a.b. For purposes of evaluating whether a reinsurance agreement/contract (for this paragraph “contract”) transfers risk under statutory accounting, the determination of what constitutes a contract is essentially a question of substance. It may be difficult in some circumstances to determine the boundaries of a contract. Multiple contracts, whether on one or multiple blocks of policies, must be evaluated together for risk transfer purposes where considerations to be exchanged under one contract depend on the performance

Agenda item 2024-06 Risk Transfer Analysis of Combination Reinsurance Contracts
Illustrated Revisions

of the other contract(s) whether they are entered into together, or separately, directly or indirectly, that achieve one overall planned effect.

- b.c. For contracts that contemplate reinsurance on both a YRT and coinsurance basis, where there are interdependent features such as a combined experience refund or an inability to independently recapture, each of the YRT and coinsurance reinsurance components satisfying risk transfer requirements on their respective bases is necessary but not sufficient for the contract as a whole to satisfy risk transfer. When evaluated in its entirety, such contract(s) cannot 1) potentially deprive the ceding insurer of surplus at the reinsurer's option or automatically upon the occurrence of some event; 2) potentially require payments to the reinsurer for amounts other than the income realized from the reinsured policies, nor; 3) contain any of the other conditions prohibited by Appendix A-791 related to risk transfer.

18. This paragraph applies to all life, deposit-type and accident and health reinsurance agreements except for yearly renewable term reinsurance agreements and non-proportional reinsurance agreements such as stop loss and catastrophe reinsurance. All reinsurance agreements covering products that transfer significant risk shall follow the guidance for reinsurance accounting contained in this statement. All reinsurance contracts covering products that do not provide for sufficient transfer of risk shall follow the guidance for Deposit Accounting.

19. Yearly renewable term (YRT) reinsurance agreements that transfer a proportionate share of mortality or morbidity risk inherent in the business being reinsured and do not contain any of the conditions described in Appendix A-791, paragraphs 2.b., 2.c., 2.d., 2.h., 2.i., 2.j. or 2.k., shall follow the guidance for reinsurance accounting, including paragraphs 55-57 of this statement that apply to indemnity reinsurance. Contracts that fail to meet the requirements for reinsurance accounting shall follow the guidance for Deposit Accounting. For all treaties entered into on or after January 1, 2003, the deferral guidance in paragraph 3 of A-791 shall also apply to YRT agreements. YRT agreements shall follow the requirements of A-791, paragraph 6, regarding the entire agreement and the effective date of agreements. Since YRT agreements only transfer the mortality or morbidity risks to the reinsurer, the recognition of income shall be reflected on a net of tax basis, as gains emerge based on the mortality or morbidity experience. See paragraph 17.b. for additional requirements if a YRT agreement has interdependent contract features with reinsurance on a different basis (such as coinsurance).

➤ Appendix A-791, *Life and Health Reinsurance Agreements* **adopted revisions** to the first Q&A

Q – Aside from assumption reinsurance, what other types of reinsurance are exempt from the accounting requirements?

A – Yearly renewable term (YRT) and certain nonproportional reinsurance arrangements, such as stop loss and catastrophe reinsurance are exempt because these do not normally provide significant surplus relief and therefore are outside the scope of this Appendix. If a catastrophe arrangement takes a reserve credit for actual losses beyond the attachment point or the unearned premium reserve (UPR) of the current year's premium, there will most likely be no regulatory concern.

Similarly, if a YRT treaty provides incidental reserve credits for the ceding insurer's net amount at risk for the year with no other allowance to enhance surplus, there will most likely be no regulatory concern. For purposes of this exemption, a treaty labeled as YRT does not meet the

Agenda item 2024-06 Risk Transfer Analysis of Combination Reinsurance Contracts
Illustrated Revisions

intended definition of YRT if the surplus relief in the first year is greater than that provided by a YRT treaty with zero first year reinsurance premium and no additional allowance from the reinsurer.

For contracts that contemplate reinsurance on both a YRT and coinsurance basis, where there are interdependent features such as a combined experience refund or an inability to independently recapture, risk transfer can only occur if there is no potential for payments out of surplus at the reinsurer's option or automatically upon the occurrence of some event, meaning that in all cases there would be an established liability to absorb any possible payments. The YRT premium simply being at or below the valuation net premium does not ensure that payments from surplus are not possible.

Additional pertinent information applicable to all YRT treaties and to non-proportional reinsurance arrangements is contained in paragraphs 19 and 20 of SSAP No. 61.

Co-YRT Risk Transfer Discussion Draft

Background

The Statutory Accounting Principles (E) Working Group (SAPWG) exposed a referral received from the Valuation Analysis Working Group (VAWG) at the 2024 Spring National Meeting. The referral (2024-06) raised concerns that companies are taking too large of a reserve credit on reinsurance contracts with interdependent features that directly or indirectly compensate the reinsurer between features, thus offsetting risk transfer.

SAPWG proposed updating SSAP 61 and Appendix A-791. Of significant concern to the industry, the proposal was to be applied to existing reinsurance agreements.

The Life insurance industry has been working with SAPWG regulators since the proposal was first exposed in March 2024. We have held numerous meetings with individual regulators as well as members of both SAPWG and the Life Actuarial Task Force (LATF). In addition, we included this item in our previous SLSC talking points and in our NAIC preview.

At the NAIC Summer National meeting there was significant discussion on this item and SAPWG voted this proposal out unanimously, effective immediately for all new agreements and with a 12/31/2026 effective reporting date and retroactive applicability to all existing contracts.

It then proceeded to the Accounting Practices and Procedures Task Force (APPTF), where there was additional discussion. The proposal was approved but with two no votes at that task force, Ohio and Indiana – specifically because it was fully retroactive.

Subsequently there have been two regulator-only E Committee meetings to consider the proposal. A public meeting has been scheduled for October 7 during which the E Committee may vote to approve the proposal from APPTF/SAPWG.

Discussion Draft

Language could be included with the following conditions in SSAP 61 regarding existing Co-YRT agreements based on regulatory review and approval prior to execution:

- Effective 12/31/2026, existing agreements that have not been submitted to the domiciliary regulator will be subject to the clarifications of existing guidance adopted in August 2025 regarding risk transfer on interdependent reinsurance agreements in paragraphs 17 and 19.
- Effective 12/31/2028, existing agreements that have been reviewed but for which a response (i.e., approval or non-disapproval) has not been received from the domiciliary regulator will be subject to the clarifications of existing guidance adopted in August

2025 regarding risk transfer on interdependent reinsurance agreements in paragraphs 17 and 19.

- The reinsurance transaction has been reviewed and approved or not disapproved by the insurance regulatory authority in the ceding insurer's domiciliary state, with such approval or non-disapproval documented and retained by the ceding insurer. Such agreements will be fully exempted from the clarifications of existing guidance adopted in August 2025 regarding risk transfer on interdependent reinsurance agreements in paragraphs 17 and 19.
- A change resulting from this clarification shall be accounted for as a change in accounting principle as defined in *SSAP No. 3-Accounting Changes and Corrections of Errors*.

Furthermore, the following addition could be included in A-791 to clarify risk transfer for combination contracts:

- In the absence of other clearly defined risk transfer criteria, such as when evaluating combination contracts with interdependent features, standalone cash flow testing is one way to demonstrate that reinsurance transactions do not deprive the ceding company of surplus and thus transfer risk. An effective demonstration will include all cash flows related to the reinsurance agreement(s), in particular interdependent features such as aggregate experience refunds. Additionally, it will consider moderately conservative scenarios and assumptions that are consistent with the asset adequacy testing supporting the ceding company's actuarial memorandum. A reinsurance agreement does not deprive the ceding company of surplus if reserves are shown to be sufficient on this basis, or if the agreement is shown to reduce or limit a reserve deficiency that would otherwise exist.

Q&A

Q: Does this standalone analysis eliminate the need to include these agreements in annual cash flow testing?

A: No, material reinsurance agreements should be included in asset adequacy analysis.