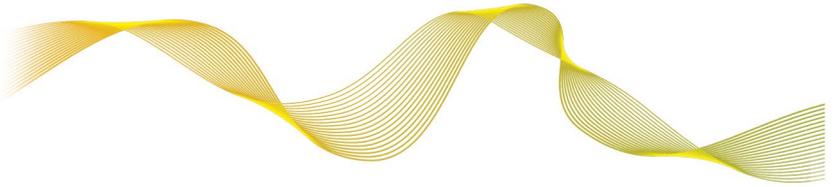




2026 SPRING NATIONAL MEETING
SAN DIEGO, CA



Draft date: 3/4/26

*2026 Spring National Meeting
San Diego, California*

FINANCIAL CONDITION (E) COMMITTEE

Wednesday, March 25, 2026

8:00 – 9:00 a.m.

Manchester Grand Hyatt—Seaport Ballroom—Level 2

ROLL CALL

Nathan Houdek, Chair	Wisconsin	Mike Causey	North Carolina
Michael T. Caljouw, Vice Chair	Massachusetts	Judith L. French	Ohio
Michael Yaworsky	Florida	Michael Wise	South Carolina
Doug Ommen	Iowa	Amanda Crawford	Texas
Vicki Schmidt	Kansas	Kaj Samsom	Vermont
Grace Arnold	Minnesota	Scott A. White	Virginia
Mike Chaney	Mississippi	Jeff Rude	Wyoming
Kaitlin Asrow	New York		

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

AGENDA

1. Consider Adoption of its 2025 Fall National Meeting Minutes Attachment One
—*Commissioner Nathan Houdek (WI)*

2. Consider Adoption of the Reports of its Task Forces Pending
—*Commissioner Nathan Houdek (WI)*
 - A. Accounting Practices and Procedures (E) Task Force Pending
 - B. Capital Adequacy (E) Task Force Pending
 - C. Financial Stability (E) Task Force Pending
 - D. Invested Assets (E) Task Force Pending
 - E. Receivership and Insolvency (E) Task Force Pending
 - F. Reinsurance (E) Task Force Pending

3. Receive an Update on the Artificial Intelligence (AI) Systems Evaluation Tool and Pilot—*Commissioner Kaj Samsom (VT)*

4. Receive an Update on the Work of the Invested Assets (E) Task Force—*Carrie Mears (IA)*



5. Receive an Update from the Statutory Accounting Principles (E) Working Group Regarding a Coinsurance/Yearly Renewable Term (YRT) Referral —*Kevin Clark (IA)* Pending
6. Consider Adoption of Proposal 2025-20-CR (Wildfire Rcat Implementation)—*Tom Botsko (OH)* Pending
7. Receive Background and an Update on Proposed Changes to Collateral Loan Risk-Based Capital (RBC) for Life Insurers—*Ben Slutsker (MN)* Attachment Ten
8. Discuss Any Other Matters Brought Before the Committee —*Commissioner Nathan Houdek (WI)*
9. Adjournment

Draft Pending Adoption

Draft: 12/17/25

Financial Condition (E) Committee
Hollywood, Florida
December 11, 2025

The Financial Condition (E) Committee met in Hollywood, FL, Dec. 11, 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 Bafofsky (FL); Doug Ommen and Carrie Mears (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Eric Turek (KS); Michael T. Caljouw (MA); Mike Chaney represented by David Browning (MS); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French (OH); Cassie Brown and Jamie Walker (TX); and Scott A. White, Doug Stolte, and Dan Bumpus (VA). Also participating were: Philip Barlow (DC); Robert Wake (ME); Glenn Mulready (OK); and Elizabeth Kelleher Dwyer (RI).

1. Adopted its Nov. 20, Nov. 5, Oct. 7, and Summer National Meeting Minutes

Commissioner Houdek said the Committee met Nov. 20, Nov. 5, and Oct. 7. During these meetings, the Committee took the following action: 1) discussed the previously received Statutory Accounting 2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts; and 2) adopted its 2026 proposed charges.

Director Wise made a motion, seconded by Commissioner Conway, to adopt its Nov. 20 (Attachment One), Nov. 5 (Attachment Two), Oct. 7 (Attachment Three), and Aug. 11 (*see NAIC Proceedings – Summer 2025, Financial Condition (E) Committee*) minutes. The motion passed unanimously.

2. Adopted the Reports of its Task Forces and Working Groups

Commissioner Houdek stated that the Committee typically adopts one motion to approve its task force and working group reports, which are considered technical, noncontroversial, and not significant by NAIC standards (i.e., they do not include model laws, model regulations, model guidelines, or items deemed 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 Dec. 8, Oct. 23, and Oct. 2 in regulator-to-regulator session, 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 Dec. 8 and Oct. 9 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.

Draft Pending Adoption

Commissioner Caljouw made a motion, seconded by Director Wise, 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; Mutual Recognition (E) Working Group; NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group (Attachment Four); the Restructuring Mechanisms (E) Working Group (Attachment Five) and Risk Focused Surveillance (E) Working Group (Attachment Six). The motion passed unanimously.

3. Adopted the Listing of Qualified Jurisdictions and Reciprocal Jurisdictions

Wake reported that the Mutual Recognition of Jurisdictions (E) Working Group met Oct. 21 in regulator-to-regulator session, pursuant to paragraph 6 of the NAIC Policy Statement on Open Meetings, to discuss the ongoing topics at the Working Group and perform the annual review of the qualified and reciprocal jurisdictions.

During the meeting, the Working Group reapproved the status of the seven existing qualified and reciprocal jurisdictions, including Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom (UK), and the three reciprocal jurisdictions that are not subject to an in-force “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement)—Bermuda, Japan, and Switzerland.

By law, the other four reciprocal jurisdictions of France, Germany, Ireland, and the UK automatically remain reciprocal jurisdictions so long as they are parties to covered agreements. These decisions followed committee support’s review of the due diligence they had performed.

Additionally, at the meeting, the Working Group approved the Canadian Office of the Superintendent of Financial Institutions (OSFI) as a jurisdiction that recognizes and accepts the U.S. approach to group capital.

Eft made a motion, seconded by Director Wise, to adopt the listing of qualified jurisdictions and reciprocal jurisdictions (Attachment Seven). The motion passed unanimously.

4. Adopted the Listing of Jurisdictions that Recognize and Accept the GCC

Wake reported that during the same meeting of the Mutual Recognition of Jurisdictions (E) Working Group as previously noted, the Working Group also adopted a listing of jurisdictions that recognize and accept the NAIC group capital calculation (GCC), including approval of the Canadian OSFI as a jurisdiction that recognizes and accepts the U.S. approach to group capital.

Commissioner Conway made a motion, seconded by Walker, to adopt the listing of jurisdictions that recognize and accept the NAIC GCC (Attachment Eight). The motion passed unanimously.

5. Received Informal Oral Comments on the CLO Timeline

Commissioner Houdek directed the Committee to the collateralized loan obligations (CLOs) timeline (Attachment Nine) of possible actions that may be taken in 2026 by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group and the Invested Assets (E) Task Force, which was renamed through its 2026 charges as previously announced during the Committee’s Nov. 20 call. Barlow noted that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group would hold a meeting next week to hear an update from the American Academy of Actuaries (Academy) on its work on this project. There were no further comments or questions from interested regulators or parties.

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6. Adopted the Restructuring Mechanisms White Paper

Commissioner Houdek reported that the Restructuring Mechanisms (E) Working Group had completed a white paper that outlines various issues related to the use of restructuring mechanisms, such as insurance business transfers (IBTs) and corporate divisions (CDs), which have gained increased attention in some states in recent years. He noted that the paper had been a work in progress for a number of years and ultimately was adopted by the working group without opposition on Dec. 1. Commissioner Houdek noted that, given there was no opposition for adoption at the Working Group level, he would consider a motion to adopt.

Wake said that the proposed white paper included editorial changes he made subsequent to its adoption by the Working Group. He noted that the editorial changes are intended to clarify the use of the term “personal lines,” as regulators are interested in protecting all consumers. Director Dwyer and Commissioner Mulready, co-chairs of the Restructuring Mechanisms (E) Working Group, expressed their appreciation for the work done by regulators including Wake, Matt Gendron (RI), Jack Broccoli (CT), and numerous other parties that assisted in completing the Working Group's work.

Commissioner Houdek thanked Director Dwyer and Commissioner Mulready for their leadership and hard work, stating that he saw no reason the Committee should not consider adopting the paper, given that it had been unanimously adopted by the Working Group and the edits from Wake were clarifying.

Commissioner Caljouw made a motion, seconded by Director Wise, to adopt the *Restructuring Mechanisms White Paper* (Attachment Ten). The motion passed unanimously.

7. Adopted Statutory Accounting 2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts as Modified by the Committee

Commissioner Houdek explained that this topic has been discussed extensively by the Committee since the Summer National Meeting, and as reported during the Committee's Nov. 20 meeting, he expected a vote to be taken.

Commissioner Brown stated that she appreciated the discussion and education that had taken place on this issue, as well as the regulator's and industry's commitment to further discussions and work. She noted that while she has heard that some states do not have a practice of using permitted practices for unique circumstances such as these, states will need to consider such practices to account for these transactions under this accounting. Additionally, companies will need to know how their regulator views such past transactions. For this reason, she sees value in further conversation and education regarding permitted practices including continued discussion on the most recent language presented by the industry in order to provide a way to account for these transactions when states do not normally issue permitted practices. She indicated that this is not a tool that Texas utilizes, as it supports the use of permitted practices when the domestic regulator deems such practices are appropriate, but it is supportive of the concept. She said that when, where, and how those discussions take place are at the discretion of the Committee.

Commissioner Fowler said he appreciates Commissioner Houdek's management of this situation, which allowed all parties to provide their input and consider various alternatives.

Commissioner Ommen said he echoes Commissioner Brown's comments on the possibility of additional discussion in the future. He stated that Iowa was supportive of additional guidance being discussed on permitted practices, as the NAIC has a year before this accounting is effective, but it is important to get started soon.

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Director Fox stated her appreciation for the discussions that took place but emphasized some of her past comments, that when it comes to permitted practices, it is important for proper disclosure for the non-domestic states within the insurer's financial statements.

Commissioner Houdek noted that the Committee would send direction to the Statutory Accounting Principles (E) Working Group regarding the issues highlighted by Commissioners Brown and Ommen, subsequent to the national meeting.

Director Wise made a motion, seconded by Commissioner Ommen, to adopt Statutory Accounting 2024-06: Risk Transfer Analysis of Combination Reinsurance Contracts, as modified by the Committee to clarify that this should be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors* (Attachment Eleven). The motion passed unanimously.

8. Any Other Matters

Bakofsky provided the Committee with an update on the work of the Big Data and Artificial Intelligence (H) Working Group. The Working Group is continuing its development of the Artificial Intelligence (AI) Systems Evaluation Tool. The tool aims to help regulators efficiently collect information to assess potential risks associated with insurers' use of AI and will serve as a regulatory resource for examining the effectiveness of insurer AI governance programs. The tool is intended to supplement market and financial-related handbooks, allowing regulators to progressively investigate the extent and usage of AI in insurer operations, AI governance and testing protocols, potential high-risk applications, and data sources used in the development of AI systems. Four exhibits are incorporated into the tool, and questions can be tailored by regulators as needed. The tool and its exhibits are optional and intended to supplement market conduct, financial examinations, product reviews, and analysis procedures.

Bakofsky reported that the Working Group exposed it for a 60-day public comment period that ended on Sep. 5 and has been evaluating the feedback received from stakeholders. The group recently held a meeting on Nov. 19 to explain the feedback it received and the revisions made to the tool. The Working Group met on Dec. 7 to work through comments and suggested edits from interested parties in greater depth.

Bakofsky said that in 2026, the next version of the tool will be piloted by a few states to gather feedback on their experiences administering it. Through the pilot, the Working Group expects to gain insights into the tool's effectiveness, identify needed refinements, and assess whether current laws are sufficient or if an AI model law should be considered. More opportunities for stakeholder feedback on the tool will be offered.

Implementation of the tool could lead to referrals from the Working Group to the Market Regulation and Consumer Affairs (D) Committee and the Financial Condition (E) Committee, respectively, offering input on handbook updates for consideration. As the Working Group moves forward, reporting its progress to other NAIC committees allows for additional feedback and may support the efforts of other committees.

Commissioner Houdek thanked Wake for his years of service to state regulation, with this being his last NAIC national meeting.

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

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Collateral Loans – Proposed RBC Treatment

(2025-16-L MOD Collateral Loans)

- **Collateral loans** are loans that are collateralized by any type of admissible invested asset. This proposal is an extension of an ACLI proposal adopted in 2024 that allows “look-through RBC” for collateral loans secured by mortgages.
 - Look-through RBC means applying the RBC of the underlying collateral to the loan it secures.
 - The proposal would extend the look-through RBC approach to other types of collateral loans.
- **Regulatory concern** is that assets with high RBC charges are placed within a loan structure to receive more favorable RBC treatment than its risk warrants.
 - Collateral loans currently receive a charge equal to 6.8% of asset value.
 - In many cases, the collateral backing these loans would otherwise receive a 30% or 45% charge.
 - More than 50% of the loans in scope consist of collateral comprised of affiliated investments and are highly concentrated in a small number of companies.
 - While most fixed income investments have objective risk assessments (e.g. credit ratings) to determine capital requirements, this does not exist for collateral loans.
- **Current proposal** is to use a “look-through approach”
 - Collateral loans will receive a charge based on the underlying collateral backing the loan, extending the 2024 ACLI proposed approach for mortgage-backed collateral loans to other types of collateral loans.
 - Latest proposal includes a reduction to these charges to give credit for collateral in excess of the loan value
 - Discussion on whether to adopt effective for 12/31/2026 or 12/31/2027.