Draft date: 11/5/26

2026 Fall National Meeting
Dallas, Texas

FINANCIAL CONDITION (E) COMMITTEE
Tuesday, November 17, 2026
8:00 – 9:00 a.m.
Convention Center—Texas AB—Level 3

ROLL CALL

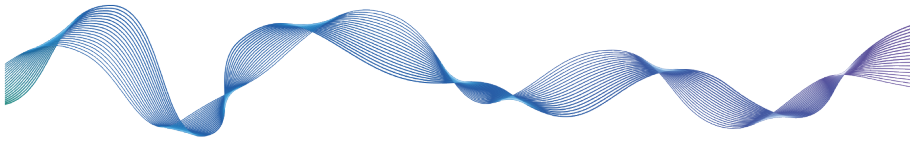
Nathan Houdek, Chair	Wisconsin	Mike Causey	North Carolina
Michael T. Caljouw, Vice Chair	Massachusetts	Judith L. French	Ohio
Michael Yaworsky	Florida	Michael Wise	South Carolina
Doug Ommen	Iowa	Amanda Crawford	Texas
Vicki Schmidt	Kansas	Kaj Samsom	Vermont
Julia Dreier	Minnesota	Scott A. White	Virginia
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 Oct. 29 and Summer National Meeting Minutes — Pending
   —*Commissioner Nathan Houdek (WI)*

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 — Pending
   - B. Capital Adequacy (E) Task Force — Pending
   - C. Financial Stability (E) Task Force — Pending
   - D. Examination Oversight (E) Task Force — Pending
   - E. Invested Assets (E) Task Force — Pending
   - F. Receivership and Insolvency (E) Task Force — Attachment Seven
   - G. Reinsurance (E) Task Force — Pending
   - H. Reciprocal Exchanges (E) Working Group — Pending
   - I. Risk-Focused Surveillance (E) Working Group — Attachment Ten
   - J. Group Capital Calculation (E) Working Group — Pending



3. Consider Adoption of the Request for NAIC Model Law Development on the *Insurance Holding Company System Regulatory Act & Regulation (#440 & #450)—Commissioner Nathan Houdek (WI)* — Attachment Twelve

4. Consider Adoption of Proposed Changes to *Statement of Statutory Accounting Principles (SSAP) No. 7—Asset Valuation Reserve and Interest Maintenance Reserve—Kevin Clark (IA)* — Pending

5. Consider Adoption of the Credit Rating Provider (E) Working Group Due Diligence Framework—*Laura Clements (CA)* — Pending

6. Receive Comments if Applicable and Discuss and Consider the Referral from the Natural Catastrophe Risk and Resilience (EX) Task Force on Catastrophe Scenario (RCAT) Analysis—*Commissioner Nathan Houdek (WI)* — Attachment Fifteen

7. Consider Adoption of the List of Qualified Jurisdictions and Reciprocal Jurisdictions—*John Rehagen* (MO) — Attachment Sixteen

8. Consider Adoption of the List of Jurisdictions that Recognize and Accept the Group Capital Calculation (GCC)—*John Rehagen* (MO) — Attachment Seventeen

9. Receive an Update from the Life Risk-Based Capital (E) Working Group —*Ben Slutsker (MN)*

10. Receive Comments if Applicable & Consider Adoption of an Additional Letter to the Life Risk-Based Capital (E) Working Group—*Commissioner Nathan Houdek (WI)* — Attachment Eighteen

11. Receive a Presentation from the Macroprudential (E) Working Group on the Macroprudential Risk Dashboard—*Bob Kasinow (NY)* — Attachment Nineteen

12. Receive an Update from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group—*Philip Barlow (DC)*

13. Receive Background and an Update from the Statutory Accounting Principles (E) Working Group on Insurance Company-Owned Life Insurance (ICOLI)—*Kevin Clark (IA)* — Attachment Twenty

14. Discuss Any Other Matters Brought Before the Committee —*Commissioner Nathan Houdek (WI)*

15. Adjournment

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meeting

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE
October 27, 2026

Summary Report

The Receivership and Insolvency (E) Task Force met Oct. 27, 2026. During this meeting, the Task Force:

1. Adopted its Sept. 17 and Aug. 5 minutes. During these meetings, the Task Force took the following actions:
   A. Adopted its April 20 minutes.
   B. Received the report of the Receivership Financial Analysis (E) Working Group.
   C. Adopted the report of the Receivership Law (E) Working Group.
   D. Exposed its 2027 proposed charges for a 30-day public comment period ending Oct. 16.
   E. Exposed a memorandum on the treatment of funding agreement-backed notes (FABNs) in receivership for a 30-day public comment period ending Oct. 16.

2. Reported that it met Aug. 24 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) and paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings.

3. Adopted its 2027 proposed charges, which include disbanding the Receivership Law (E) Working Group as of Dec. 31, 2026.

4. Adopted a memorandum to the Macroprudential (E) Working Group on the treatment of FABNs in receivership.

5. Received the report of the Receivership Law (E) Working Group. The Working Group exposed draft guidance on Medicare secondary payer issues for the *Receiver's Handbook for Insurance Company Insolvencies* (Receiver's Handbook) for a 30-day public comment period ending Nov. 23.

6. Received the report of the Receivership Financial Analysis (E) Working Group, which met Aug. 12 and plans to meet Nov. 16 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.

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Draft: 10/6/2026

Risk-Focused Surveillance (E) Working Group
Virtual Meeting
October 5, 2026

The Risk-Focused Surveillance (E) Working Group of the Financial Condition (E) Committee met Oct. 5, 2026. The following Working Group members participated: Amy Malm, Chair (WI); Johanna Nickelson, Vice Chair (SD); Michele Lo (CA); Jack Broccoli and William Arfanis (CT); Carolyn Morgan (FL); Daniel Mathis (IA); Cindy Andersen (IL); Roy Eft (IN); Tom Travis (LA); Vanessa Sullivan (ME); Kristin Hynes (MI); John F. Rehagen and Shannon Schmoeger (MO); Jessica Price and Monique D. Smith (NC); Tadd Wegner (NE); Paul Lupo (NJ); Tracy Snow and Zach Wheatley (OH); Eli Snowbarger (OK); John Tudino (RI); Amy Garcia (TX); Jake Garn (UT); Jennifer Blizzard (VA); Dan Petterson (VT); and Tarik Subbagh (WA).

1. Adopted Updated Salary Guidance for NAIC Handbooks

Malm stated that the primary agenda item for the meeting is to consider adoption of updated examiner salary recommendations for inclusion in the NAIC *Financial Condition Examiners Handbook* (Handbook). The Working Group has received a charge to "continually maintain and update standardized job descriptions/requirements and salary range recommendations for common solvency monitoring positions to assist insurance departments in attracting and maintaining suitable staff."

Newly recommended salary ranges for analysts and examiners were first added to NAIC handbooks in 2020 based on the research and work of the Working Group. At that time, the Working Group committed to reviewing and updating the recommended salary ranges as needed, with a minimum review period of every other year. As the ranges were reviewed and updated in 2025, they are not expected to be reviewed again until 2027. However, in addition to updating the recommended salary ranges every other year, the Working Group has also been tasked with reviewing and updating the legacy per diem examiner rates published in the Handbook, which require annual review and updates. The rates are generally updated in accordance with movements in the Consumer Price Index (CPI). As such, NAIC committee support are recommending an increase to the legacy per diem rates published in the Handbook of 3.4% for the 2026 publication.

Subbagh made a motion, seconded by Snowbarger, to adopt the proposed 2027 examiner per diem rates for publication in the Financial Condition Examiners Handbook. The motion passed unanimously, with Ohio abstaining.

2. Received an Update on the Peer Review Project

Nickelson stated that three peer-review sessions have been held so far in 2026. The first session was a special information technology (IT) examination session in February. The goal of that session was to support the Information Technology (IT) Examination (E) Working Group in its project to update and enhance the IT review process conducted during each financial examination. Five different states participated in that session, some of which sent contract IT examiners on their behalf.

The second session was a more traditional financial exam session, held in May with another five states participating, all represented by state employees. Participants were well prepared, and the session produced positive results.

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The third session was an Own Risk and Solvency Assessment (ORSA) analysis session held in August, in which seven states participated. This session focused reviewing and using information in an ORSA filing to guide ongoing financial analysis efforts. Several new sound practices were identified, which have been documented and posted to NAIC Connect for regulators' use.

The final session planned for 2026 is a traditional analysis peer review session scheduled for the week of Oct. 19. Due to high demand, the session will have 15 states participating, which is a new record for an individual session. The Working Group is looking forward to meeting and learning from so many different states at the upcoming session.

3. Discussed its Charges and Future

Malm stated that the NAIC's Financial Condition (E) Committee has been asked to reduce its footprint and consolidate some of its work due to its high number of existing groups, some of which have overlapping responsibilities. The Examination Oversight (E) Task Force is a standing NAIC group responsible for overseeing financial examination and analysis activities. At the time risk-based supervision was developed by insurance regulators in the mid-2000s, a new Working Group, at the time known as the Risk Assessment (E) Working Group, was formed to oversee the project. Since that time, the group's name and responsibilities have changed somewhat, but it has continued to oversee the implementation of risk-based supervision. However, now that a risk-focused approach to financial analysis has been in place for more than five years and risk-focused exams in place for more than 15 years, Malm stated it is time to turn full responsibility for overseeing exam and analysis activities back over to the Examination Oversight (E) Task Force, which is proposed to be renamed the Solvency Oversight (E) Task Force in 2027. As such, it is proposed that the Risk-Focused Surveillance (E) Working Group be disbanded at the end of 2026, with its charges being distributed to the Solvency Monitoring (E) Task Force and its supporting groups.

However, given that this Working Group developed and has overseen the Peer Review Project since its inception and the fact that it represents an education and training initiative that is not directly related to the Task Force's functions, Nickelson and Malm were asked to continue to oversee the Peer Review Project as a separate and stand-alone initiative, and they have accepted that assignment. The Peer Review will continue to support state insurance regulators by allowing an opportunity to learn from one another and identify sound practices in conducting solvency monitoring activities.

Malm thanked the members of the Working Group for their support and service over the years and encouraged them to continue to support the work on these charges through the Solvency Oversight (E) Task Force in 2027 and beyond.

Having no further business, the Risk-Focused Surveillance (E) Working Group adjourned.

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REQUEST FOR NAIC MODEL LAW DEVELOPMENT

This form is intended to gather information to support the development of a new model law or amendment to an existing model law. Prior to development of a new or amended model law, approval of the respective Parent Committee and the NAIC's Executive Committee is required. The NAIC's Executive Committee will consider whether the request fits the criteria for model law development. Please complete all questions and provide as much detail as necessary to help in this determination.

Please check whether this is: ☐ **New Model Law** **or** ☒ **Amendment to Existing Model**

1. **Name of group to be responsible for drafting the model:**

   Invested Assets (E) Task Force

2. **NAIC staff support contact information:**

   Jim Pinegar - jpinegar@naic.org

3. **Please provide a brief description of the proposed new model or the amendment(s) to the existing model. If you are proposing a new model, please also provide a proposed title. If an existing model law, please provide the title, attach a current version to this form and reference the section(s) proposed to be amended.**

   Insurance Holding Company System Regulatory Act (#440)
   Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)

   Clarifying changes to the Insurance Holding Company System Regulatory Act, including the definitions section, specifically the definition of control and Section 5 governing the Form D filing process and the exemption for investments that do not exceed 3% of the insurer's admitted assets.

Anticipated Scope of the Proposed Revisions to Models 440 and 450

The revisions outlined below reflect the anticipated scope of the proposed amendments and are intended to identify the primary areas under consideration. The scope may be refined as the work progresses, including additional clarifying or conforming changes to Models 440 and 450 as necessary to support the proposed revisions.

Model 440:

1) Section 1. Definitions
   Edits to the definition of control to include a presumption of control related to board representation – or – voting interest – or – economic interest thresholds.
2) Section 5. Standards and Management of an Insurer Within an Insurance Holding Company System
   A. Transactions Within an Insurance Holding Company System
      Paragraph (2)
         Subparagraph (a)
            New item to clarify that initial or additional Investments with an affiliate, whether a direct loan or investment, or a securitization or similar vehicle such as mutual funds, limited partnerships and limited liability companies with an affiliate as sponsor, originator, manager, servicer or other similar influential role that in aggregate would equal or exceed XX% of admitted assets.
         Subparagraph (f)
            Clarification edits to reflect proposed edits in subparagraph (a)

Model 450: Consistency with any revisions to Model 440, if applicable.

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4. Does the model law meet the Model Law Criteria? ☒ **Yes** **or** ☐ **No** **(Check one)**

(If answering no to any of these questions, please reevaluate charge and proceed accordingly to address issues).

a. Does the subject of the model law necessitate a national standard and require uniformity amongst all states? ☒ **Yes** **or** ☐ **No** **(Check one)**

If yes, please explain why

The life insurance sector has seen a growing complexity in its investments over the last decade with an increasing number of affiliated investments, which were always intended to be subject to regulatory approval.

b. Does Committee believe NAIC members should devote significant regulator and Association resources to educate, communicate and support this model law?

☒ **Yes** **or** ☐ **No** **(Check one)**

5. What is the likelihood that your Committee will be able to draft and adopt the model law within one year from the date of Executive Committee approval?

☒ **1** ☐ **2** ☐ **3** ☐ **4** ☐ **5** **(Check one)**

High Likelihood **Low Likelihood**

Explanation, if necessary:

While the model 440 contains numerous sections, these clarifications to the initial intent are not expected to be significant**.**

6. What is the likelihood that a minimum two-thirds majority of NAIC members would ultimately vote to adopt the proposed model law?

☒ **1** ☐ **2** ☐ **3** ☐ **4** ☐ **5** **(Check one)**

High Likelihood **Low Likelihood**

Explanation, if necessary:

As noted, the life sector has changed over the last decade, necessitating changes in this area, for all states.

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7. What is the likelihood that state legislatures will adopt the model law in a uniform manner within three years of adoption by the NAIC?

☒ **1** ☐ **2** ☐ **3** ☐ **4** ☐ **5** **(Check one)**

High Likelihood **Low Likelihood**

Explanation, if necessary:

Since most of these changes do not change the original intent and are needed to keep pace with the changing industry, likelihood is high.

8. Is this model law referenced in the NAIC Accreditation Standards? If so, does the standard require the model law to be adopted in a substantially similar manner?

Yes

9. Is this model law in response to or impacted by federal laws or regulations? If yes, please explain.

No

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To: NAIC Financial Condition (E) Committee

From: NAIC Natural Catastrophe Risk and Resilience Task Force

Re: Recommendation to continue the existing forward-looking Scenario Analysis RCAT forms and more closely coordinate information with the concurrent Reinsurance interrogatory

Date: 07/24/2026

Recommendation: The NAIC Natural Catastrophe Risk and Resilience Task Force is currently working on issues related to catastrophe risk models, risk mitigation programs, and catastrophe Property and Casualty Reinsurance, generation of real-time data and forward-looking scenarios for estimating the scope of probable maximum losses, and in doing so is finding ongoing value from collaborations with E Committee on solvency related data. The Natural Catastrophe Risk and Resilience Task Force recommends that the Financial Condition (E) Committee coordinate the interrogatories for catastrophe Reinsurance and forward-looking Scenario Analysis within the Risk Based Capital (RBC) RCAT forms, and extend the existing sunset until YE2030 for the Scenario Analysis in the RCAT to enable better integration into catastrophe Reinsurance information, and because the Scenario Analysis data are being utilized for current technical trainings, data analysis, and state-specific applications.

Summary of reasons to continue collection of forward-looking scenario analysis:

- State Insurance Regulators are actively using the data collected for Reinsurance training and discussions within Financial Examinations. The NAIC Center of Excellence (COE) is analyzing and integrating the Probable Maximum Loss information for use in P&C Reinsurance training, as well as financial analysis training.

- These scenarios are providing regulators with additional scope of maximum loss scenarios and for beginning to understand future catastrophe reinsurance capacity and for gauging how that capacity may react to wildfire and hurricane scenarios. In some cases, state regulators are using combinations of catastrophe reinsurance information and catastrophe risk scenarios in exams.

- These scenarios are also helping regulators to understand the models and approaches that companies are taking towards understanding medium and long-term catastrophe risks, including the ability to compare frequency and probabilistic approaches and metrics.

- Continuing to collect this information over time will help regulators understand how the results are impacted by concentration risk, underwriting portfolios and model projections change, and leverage the COE for training and analysis that can be tailored to each individual state.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

TO: John Rehagen (MO), 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: 2026 Due Diligence Review of Qualified Jurisdictions & Reciprocal Jurisdictions

DATE: November 4, 2026

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) 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 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.

Jurisdictions with Ongoing Regulatory Changes

When Bermuda, Japan, and Switzerland were originally approved for Reciprocal Jurisdiction status, the Working Group relied heavily upon the Solvency II equivalency. Under the Solvency II Directive the European Commission may determine whether the solvency regime of a third country is equivalent to that laid down in Solvency II, including the SCR capital requirements, and the Working Group agreed that the Reinsurance (E) Task Force, Mutual Recognition of Jurisdictions (E) Working Group and the Reinsurance Financial Analysis (E) Working Group, use the Solvency II equivalency assessments in making its initial determination on the applicable capital and solvency ratios for Bermuda, Japan and Switzerland. Historically, Bermuda and Switzerland held full Solvency II equivalence, while Japan had held temporary equivalence from November 26, 2015 onward.

<u>Japan</u>

In June 2022, the Japan Financial Services Agency (FSA) announced its intention to reform its solvency regulation framework, known as Japan Insurance Capital Standard (J-ICS), effective March 31, 2026. 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. After several years of deliberation, Japan's new economic value-based solvency margin ratio (ESR) replaced the prior Solvency Margin Ratio (SMR) beginning with the fiscal years beginning after March 31, 2026 (FYE26). When Japan was approved as a Reciprocal Jurisdiction Reinsurer, their minimum solvency calculation threshold was 200% SMR, but with the new framework, it is now ESR of 100%. NAIC staff reached out to the Japanese FSA, who confirmed that ESR of 100% is the new minimum solvency or capital ratio to be used going forward.

On September 17, 2025, the EU granted Japan with provisional equivalence, which is a higher level of equivalence than the previously held temporary equivalence. This gives Japan the same level of Solvency II equivalence as the United States. While the Commission Delegated Decision recognized the change to an economic value-based solvency margin ratio that is effective on March 1, 2026, it appears that the approval of equivalency is based on the prior SMR calculation, which was the solvency ratio that was in effect prior to that date.

To substantiate the new solvency ratio, NAIC staff obtained a Milliman report on the new solvency regime, which compared the new system with Japan's prior system as well as Solvency II. Below is a table from that report that agreed with assertion that ESR of 100% is equivalent to the prior SMR at 200%. The Milliman report noted in their analysis of the new ESR calculation that it is similar to Solvency II.

	AFTER REVISION (J-ICS)	**BEFORE REVISION**
Exception from category	ESR≧100%	SMR≧200%
Category 1	100%>ESR≧70% request to submit an improvement plan and an order for its implementation. ・insurance company should achieve the level of the SMR of at least 100% within a year in principle.	200%>SMR≧100% request to submit an improvement plan and an order for its implementation. ・insurance company should achieve the level of the SMR of at least 200% within a year in principle.
Category 2	70%>ESR≧35% ・order concerning various measures that contribute to improving solvency in terms of the ability to pay insurance claims, etc. ・insurance company should achieve the level of the SMR of at least 70% within six months in principle.	100%>SMR≧0% ・order concerning various measures that contribute to improving solvency in terms of the ability to pay insurance claims, etc. ・insurance company should achieve the level of the SMR of at least 100% within a year in principle.
Category 3	35%>ESR ・order to suspend all or part of the operations for a limited term. ・insurance company should achieve the level of the SMR of at least 35% within three months in principle.	0%>SMR ・order to suspend all or part of the operations for a limited term.

Based on the evidence that NAIC staff were able to find publicly and the communication with the Japanese FSA, our recommendation is to approve the use of ESR of 100% as the minimum solvency ratio on a temporary basis, until such time as it has been confirmed that Japan has full Solvency II equivalence on an ongoing basis, using the new ESR solvency calculation.

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). NAIC staff are continuing to monitor the implementation of these changes.

Additionally, on January 1, 2026, the Insurance (Prudential Standards) (Class C, D and E Solvency Requirement) Amendment Rules 2025, became effective. These changes amended the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 to require that all Class C, D and E insurers (other than those carrying on domestic business) prepare and file an asset and liability statement as part of the applicable year-end filing period. The relevant statement should be signed by the insurer's chief executive officer and a senior executive responsible for the actuarial, investment management, risk management, internal audit or compliance function. Copies of such statements must be kept at each insurer's principal office for a period of at least five years beginning with its filing date.

At the Working Group's meeting on October 21, 2025, NAIC staff were directed to further review the solvency ratios of the Reciprocal Jurisdictions that are not subject to an in-force covered agreement. NAIC staff reached out the BMA and they confirmed that 100% Enhanced Capital Requirement (ECR) is still the appropriate minimum solvency or capital ratio and there have been no changes since the Bermuda was approved as a Reciprocal Jurisdiction.

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. Since that time, several changes have been implemented which introduce major changes such as a reduced risk margin, more flexible matching adjustment rules, simplified reporting, relaxed third-country branch capital requirements, and a principles-based internal model framework, with phased implementation completed on December 31, 2024, and further updates continuing into 2026. The UK PRA is also working on a proposal to address funded reinsurance, which is their term for asset-intensive reinsurance. The proposal is still in the early stages, but the direction appears to be somewhat similar in outcome to Actuarial Guideline 55. 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.

NAIC Staff Overall Findings

Upon review of all publicly available information and communication with Japan and Bermuda, 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*. It is the further recommendation of NAIC staff that the minimum solvency ratio for the Japanese Financial Services Agency (FSA) be amended from its current 200% of the Solvency Margin Ratio (SMR) to 100% of the Economic-Value-Based Solvency Margin Ration (ESR), which took effect for Japanese-domiciled (re)insurers for fiscal years beginning after March 31, 2026.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

TO: John Rehagen (M), 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: 2026 Due Diligence Review of GCC Recognize and Accept Jurisdictions

DATE: November 4, 2026

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.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: Ben Slutsker (MN), Chair of the Life Risk-Based Capital (E) Working Group

From: Commissioner Nathan Houdek (WI), Chair of the Financial Condition (E) Committee

Date: October 26, 2026

Re: Reinsurance Recapture Risk for Non-Reciprocal Jurisdictions

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At the Summer National Meeting in Columbus, Ohio, the Financial Condition (E) Committee approved a referral to the Life Risk-Based Capital (E) Working Group directing the working group to take immediate action on issues of concern relating to reinsurance recapture and counterparty risk. That referral was in response to the significant increase in cross-jurisdictional reinsurance activity and the impact on numerous states with domestic companies that have been parties to those reinsurance transactions. This memorandum is specific to the issue of reinsurance recapture risk for cessions to non-reciprocal jurisdictions.

As a reminder, earlier this year, the Valuation Analysis (E) Working Group (VAWG) conducted an analysis of the initial filings required by Actuarial Guideline *LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55). From that analysis, a material number of reinsurance transactions were flagged as raising regulatory concerns which require immediate action by U.S. insurance regulators to ensure adequate policyholder protection.

The following information is being provided in response to comments and questions that have been received by the Life Risk-Based Capital (E) Working Group relating to this recent referral. Specifically, this memorandum provides additional explanation of the identified risks associated with the increase in reinsurance ceded to non-reciprocal jurisdictions and how regulators are focused on mitigating those risks. It should be noted that the AG 55 filings contain company-specific, confidential information which limits the amount of detailed information that can be shared resulting from the VAWG analysis.

Most significantly, VAWG's analysis of the AG 55 filings found that approximately 70% of life insurers ceding to non-reciprocal jurisdictions have portfolios of comparatively riskier assets supporting very generous annuity guarantees that raise significant concerns about the ability to pay future claims under reasonable economic scenarios. Furthermore, the reserves and capital supporting these annuity liabilities may fall below the newly adopted VM-22 annuity reserve standards, as well as U.S. Risk-Based Capital standards. There also continues to be notable growth in both the number of companies pursuing similar business strategies, as well as expansion in the size of existing companies through rapid annuity sales growth backed by higher-risk assets.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

The referral to the Life Risk-Based Capital (E) Working Group was predicated upon four general matters from VAWG's analysis of the AG 55 filings, as follows:

1. The potential insufficiency of reserves maintained by the assuming reinsurer to satisfy claims arising under moderately adverse conditions;
2. The potential insufficiency of excess capital to absorb claims arising under conditions more severe than those characterized as moderately adverse;
3. Questions regarding the risk profile of assets supporting the applicable reserve obligations; and
4. Potential high-risk business practices of life insurers participating in transactions involving non-reciprocal jurisdictions.

With respect to matters #1 and #2, in evaluating AG 55 filings, certain transactions generally demonstrate a greater reliance on comparatively optimistic asset-return assumptions to meet capital adequacy requirements.

With respect to matter #3, life insurers participating in certain reinsurance transactions with non-reciprocal jurisdictions have generally pursued more aggressive asset strategies than insurers participating in comparable transactions that do not involve non-reciprocal jurisdictions, based on the review of the AG 55 filings.

With respect to matter #4, certain reinsurance transactions with non-reciprocal jurisdictions involve a significant percentage of life insurers that are newer market entrants or experiencing rapid growth. These insurers tend to pursue more aggressive asset strategies and assume significant liability risk, principally through the issuance of certain annuity products offering credited rates that are comparatively higher than the rest of the industry.

These findings warrant heightened concern, as comparatively generous annuity guarantees backed by higher risk assets have historically contributed to heightened financial distress for insurers. The increased availability of non-reciprocal jurisdiction reinsurance transactions may facilitate these higher-risk business strategies by enabling the issuance of products containing comparatively generous guarantees.

The concerns raised through the AG 55 observations regarding transactions involving non-reciprocal jurisdictions have been further heightened by the experiences of state regulators that have been able to gain insight into them. Among these is a concern about the use of capital and reserving practices in non-reciprocal jurisdictions that combine concepts from incompatible accounting, reserving and capital frameworks, which results in a regulatory framework that lacks coherence.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

The magnitude of the observations described in this memo constitutes a serious and urgent solvency concern that requires immediate, direct action. As a result, the Committee has directed, as confirmed by this memo, that the Working Group implement an RBC requirement that approximates the amount of capital that would be required if a ceding company had to recapture reserves ceded to non-reciprocal jurisdictions. For clarity, **this is to be done without regard to the probability of recapture**.

Thank you for the work already put into accomplishing this referral on the requested timeline. Should any further clarification be needed, please contact Dan Daveline (ddaveline@naic.org).

Macroprudential Risk Dashboard Overview

Bob Kasinow (NY), MWG Chair
Presentation to E Committee
November 17, 2026

Macroprudential Risk Dashboard

- **Provides an aggregate view of risk for the U.S. insurance industry**
  - Addresses International and Federal inquiries regarding the U.S. approach to macroprudential supervision
  - Use in IMF/FSAP reviews
  - Use in IAIS/TJA reviews, alignment with ICP 24
  - Demonstrate U.S. insurer macroprudential supervision to FSOC.

Macroprudential Risk Dashboard

- **Use by state regulators**
  - State regulators may wish to review the industry-wide risk drivers to determine if the same or similar risks are impacting their individual regulated entities
  - The risks identified in the Macroprudential Risk Summary Report may assist with the risk assessment components of financial analysis and completion of risk matrices during risk-focused examinations.

Macroprudential Risk Dashboard

- **Components**

  - The public Macroprudential Risk Summary Report
    - To be issued annually, ideally at Summer National Meetings
    - Contains 8 risk categories
    - Provides a narrative of the key risk indicators used to arrive at the overall risk assessment level of each of the eight categories.

  - Excel based risk dashboard
    - The regulator only dashboard contains the details of each of the key risk indicators
    - May be used by the states to assist in financial analysis and risk-focused exams.

Macro Risk Dashboard

- Macroprudential Risk Summary Report
- The eight risk categories
- The report provides more context around each of the categories

Risk Assessment Scale/Legend

	High
	Moderate-High
	Moderate-Low
	Low

Trend Scale (Trend of the risk**)**

Significant Increase	
Increase	
Stable	
Decrease	
Significant Decrease	

Risk Category	Trend	Summary of Assessment
Macroeconomic		The U.S. economy is strong based on traditional indicators. This is tempered by U.S. Sovereign rating agency downgrades and USD/FX volatility.
Interconnectedness		FABN issuance and Life Cross-border reinsurance activity continues an upward trend, while most other transmission channels of interconnectedness remain stable.
Capital Adequacy		Life and PC sectors remain very well capitalized with stable outlooks. However, the Health sector has experienced some capital deterioration and has a negative outlook by credit rating agencies.
Underwriting & Profitability		Life and PC sectors are profitable. However, Health experienced a significant decrease in net income and a profit margin. Nat Cat and LTC risks were also key risk drivers.
Credit		Private Credit, structured securities, and offshore life reinsurance exposure are the drivers of the Mod-high assessment.
Market		Common equity holdings increased, while private equity and other indicators remain stable. Level 3 assets are significant but remain stable.
Liquidity		PC and Life liquidity ratios and cash flows improved. Cash, ST investments and U.S. Gov allocations remain increased. Health cash flow and liquid assets have modestly declined.
Emerging/Other		Heightened monitoring of private credit, cross border reinsurance, AI and cyber continues and may overlap with other risk categories.

RE: Background Memo – Insurance Company Owned Life Insurance (ICOLI or COLI)
Date: November 5, 2026

This memo intends to provide background information on insurance company owned life insurance (ICOLI). The Statutory Accounting Principles (E) Working Group (SAPWG) exposed an agenda item at the 2026 Summer National Meeting to reassess the reporting and disclosure of ICOLI products and sent a referral to the Capital Adequacy (E) Task Force (CATF) to assess the need for an RBC charge to account for any investment risk embedded in ICOLI policies. This memo provides further background on this topic.

- ICOLI is a type of life insurance product that insurance companies purchase that is underwritten on the lives of employees of the insurer, but for which the benefits of the policy inure to the insurer. These can be written as fully guaranteed general account products or as variable life insurance with premiums allocated to various types of underlying investments. These products are used as a tax-advantaged way to fund key employee risk and certain employee benefits offered by the insurance company to its employees.

- Statutory accounting allows the realizable value to be recorded as an admitted asset but does not treat ICOLI as an invested asset, despite the investment risk contained within some of the products. With this reporting, the amount is excluded from RBC for life entities (which are the largest ICOLI investors) and assessed a nominal RBC charge for other types of insurers.

- Concerns with ICOLI treatment were previously raised in 2018, as it was identified that some policies were being structured primarily as investment products, with a minimal death benefit to qualify within the statutory definition of "life insurance." At that time, revisions were incorporated to require the internal revenue code (IRC) §7702 criteria for determining whether a product qualifies as life insurance and disclosures were added to identify the types of investments supporting ICOLI products.

- Since 2018, there has been a significant increase in the use of these products and an increase in the use of Schedule BA-type investment vehicles, such as equity funds, to support them. ICOLI assets make up a significant portion of surplus assets at individual companies (with some companies reporting over 50%, to as much as 100% of surplus). It has also been observed that the marketing of ICOLI products has featured them as a way for insurers to invest in private markets without holding RBC.

- Regulators have raised concerns dating back to 2018 that ICOLI premiums could be invested into underlying investment products that would expose the insurer to investment risk and circumvent RBC requirements that would otherwise apply.

- The new agenda item requested comments on whether ICOLI amounts should be captured as invested assets for financial reporting. A referral was also sent to the CATF to request initial feedback on the proposal and assessment of RBC factors.

- Both SAPWG and CATF are expected to discuss the ICOLI project during the Fall National Meeting, and a verbal update of those discussions will be provided to the Financial Condition (E) Committee.

Aggregate Data Increase – Amounts in Millions:

The amount of CSV in investment vehicles has more than doubled in 4 years since 2021:

	2025	2024	2023	2022	2021
Life	$29,557	$23,066	$15,152	$16,415	$14,336
Property/Casualty	$9,223	$6,508	$6,262	$8,232	$2,460
Health	$1,831	$1,731	$1,400	$1,247	$1,194
Total	**$40,611**	**$31,305**	**$22,814**	**$25,894**	**$17,990**
% Change from P/Y	29.73%	37.22%	(11.90%)	43.93%	