Draft date: 8/11/26

2026 Summer National Meeting
Columbus, Ohio

FINANCIAL CONDITION (E) COMMITTEE
Friday, August 14, 2026
8:00 – 9:00 a.m.
Greater Columbus Convention Center—Battelle Grand Ballroom—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 July 8 and Spring 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. Invested Assets (E) Task Force Attachment Six
   F. Receivership and Insolvency (E) Task Force Attachment Seven
   G. Reinsurance (E) Task Force Attachment Eight
   H. Group Solvency Issues (E) Working Group Attachment Nine
   I. NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group Attachment Ten
   J. National Treatment and Coordination (E) Working Group Attachment Eleven
   K. Reciprocal Exchanges (E) Working Group Attachment Twelve

3. Receive an Update from the Mutual Recognition of Jurisdictions (E) Working Group—*John Rehagen (MO)*

4. Consider Adoption of a Referral to the Life Risk-Based Capital (E) Working Group—*Commissioner Nathan Houdek (WI)* Attachment Thirteen

5. Consider Exposure of a Memorandum Regarding the *Disclosure of Material Transactions Model Act* (#285)—*Commissioner Nathan Houdek (WI)* Attachment Fourteen

6. Consider a Referral from the Natural Catastrophe Risk and Resilience (EX) Task Force Related to Catastrophe Scenario (Rcat) Analysis —*Mike Peterson (CA)* Attachment Fifteen

7. Receive an Update on the Future Work Plan of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group—*Philip Barlow (DC)*

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

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

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

11. Adjournment

Draft: 7/16/26

Financial Condition (E) Committee
Virtual Meeting
July 8, 2026

The Financial Condition (E) Committee met July 8, 2026. The following Committee members participated: Nathan Houdek, Chair (WI); Michael T. Caljouw, Vice Chair (MA); Michael Yaworsky represented by Carolyn Morgan (FL); Doug Ommen and Kevin Clark (IA); Vicki Schmidt represented by Tish Becker (KS); Grace Arnold and Ben Slutsker (MN); Mike Chaney represented by Mark Cooley (MS); Mike Causey represented by Jacqueline Obusek (NC); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French and Dale Bruggeman (OH); Michael Wise (SC); Amanda Crawford and Jamie Walker (TX); Scott A. White represented by Doug Stolte (VA); Kaj Samsom represented by Christine Brown (VT); and Jeff Rude (WY). Also participating were: Ken Cotrone (CT) and Philip Barlow (DC).

1. Heard Opening Comments

Commissioner Houdek noted that the Capital Adequacy (E) Task Force has procedures that require changes to risk-based capital (RBC) to be adopted by the end of June before the forthcoming year-end Dec. 31. He stated that the Committee typically adopts any significant changes that have been adopted by the Capital Adequacy (E) Task Force in early July, and this is the purpose of the meeting.

2. Adopted Proposed Changes to the RBC Preamble

Commissioner Houdek reminded the Committee that approximately two years ago, the Capital Adequacy (E) Task Force recommended revisions to the preamble to clarify the role of RBC. He noted that in 2025, the Risk-Based Capital Model Governance (EX) Task Force engaged in work that also impacted the preamble, namely, the adoption of the RBC principles at the 2025 Fall National Meeting. In June 2026, both the Risk-Based Capital Model Governance (EX) Task Force and the Capital Adequacy (E) Task Force unanimously adopted the revised preamble. Therefore, it is now ready for the Committee to adopt.

Commissioner Ommen made a motion, seconded by Commissioner Caljouw, to adopt the revised preamble (Attachment A). The motion passed unanimously.

3. Adopted RBC Proposal 2026-12-IRE-MOD

Barlow noted that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met on June 23 to consider RBC Proposal 2026-12-IRE-MOD and six comment letters received on the proposal. A significant amount of time was spent discussing numerous options for addressing the comments, but in the end, the Working Group adopted the original proposal from the American Academy of Actuaries (Academy) with a couple of modifications.

The first modification was that the Academy proposed applying the factors to both middle-market collateralized loan obligations (CLOs) and broadly syndicated CLOs. The Working Group also chose to include collateralized bond obligations (CBOs) and collateralized debt obligations (CDOs) to maintain consistency with annual statement reporting. The second modification to the Academy's proposal concerned the portfolio adjustment factor. The Academy proposed two options for the portfolio adjustment factor, and the Working Group opted for the approach that kept the factor and, for 2026, continued to allow insurance companies to count CLOs in the traditional bond portfolio adjustment.

Joe Engelhard (Alternative Investment Management Association—AIMA) summarized AIMA's comments (Attachment B). He emphasized that for years, it has sought a rigorous economic analysis to ensure that the capital charges for CLOs reflect the actual level of economic risk. He noted that the Academy proposal and its work used a comparable-attributes approach that empirically validates that the structural protections and broadly syndicated CLOs produce a meaningfully different level of actual economic risk than comparably rated corporate bonds. He said they also appreciated the Working Group's decision not to impose a corporate bond floor, which would have undermined the data-driven integrity of the framework, and this process shows the model of governance principles working as intended.

Engelhard asked whether the Committee could direct the Academy to complete the same data-driven asset-specific analysis for middle-market CLOs targeting year-end 2027 implementation for two reasons. First, AIMA believes this is the most consistent way to comply with the model governance risk principles. Second, there are some particularly important differences between broadly syndicated loans (BSLs) and middle-market CLOs that relate to how the RBC calibration was made. There are key differences, including collateral composition, default recovery dynamics, structural protections, and tranche thickness.

Marc Altschull (American Council of Life Insurers—ACLI) stated that the ACLI appreciates the significant work that has gone into the Academy's CLO modeling effort and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group's review. The ACLI understands that the broader objective is to preserve regulatory certainty, maintain confidence in the RBC framework, and continue the disciplined modernization of structured security's capital requirements. The question was how the Committee would pair year-end 2026 with a clear, transparent, and timely commitment to model enhancements for year-end 2027. The ACLI recognizes the practical value of moving forward with a consistent approach in 2026 and is prepared to support the Academy-derived factors to both BSLs and middle-market CLOs, while also encouraging a clear commitment to continued analysis and model enhancements for year-end 2027. The ACLI is suggesting that the model enhancements are a request to establish a defined next phase of work that allows the framework to continue evolving as additional data analysis is completed and validated. Altschull said that distinction is important.

The ACLI is not claiming that the Academy model is not applicable to middle-market CLOs. The point is more precise. The Academy's analysis focused on a subset of the CLO market, principally BSL CLOs, and therefore, has not yet completed a middle-market-focused validation exercise. Applying the same factors to middle-market CLOs for 2026 may be a practical implementation decision, but the analytical work should continue to confirm whether that treatment remains appropriate over time. A separate middle-market focus workstream would allow regulators, NAIC committee support, and the Academy to determine whether the same factors remain appropriate for middle-market CLOs or whether adjustments are warranted based on the data. The objective should not be to assume different treatments. The objective should be to validate through analysis whether a different treatment is warranted. This is especially important because RBC is intended to reflect tail risk. If certain structural collateral features affect tail loss behavior, the model should be able to evaluate those features directly. If the analysis ultimately supports using the same factors for BSL and middle-market CLOs, that conclusion would bring confidence in the framework. If the analysis supports a different calibration, that conclusion would also strengthen the framework by ensuring capital remains aligned with validated risk characteristics.

The ACLI also believes this work aligns with the Working Group's discussion regarding when an asset class segment reaches sufficient scale or represents a significant industry allocation to justify more focused analysis. As structured security markets evolve, regulators will need a disciplined way to determine when additional data analysis is warranted to validate the appropriateness of CLO factors being applied. The defined 2027 roadmap for CLO model enhancements would be a practical and constructive example of that approach. The most immediate next phase on the structured products roadmap.

Altschull said that this work should include middle-market-focused validation, review of key sensitivity drivers, and further evaluation of tranche-level calibration. There is also a practical benefit to acting now. The Academy's familiarity with the data assumptions and modeling framework is highest while this work remains active. Authorizing the next phase now will help preserve continuity, reduce implementation risk, and avoid the inefficiency of restarting the effort after institutional knowledge has dissipated. This is not limited to CLOs, as the ACLI understands that the CLO project is part of a broader, structured security modernization initiative. Decisions made in the CLO context will set an important precedent for how model-based capital is applied to other structured assets.

For these reasons, Altschull said if the Committee moves forward with year-end 2026 adoption, the ACLI encourages it to do so with an explicit commitment to the 2027 enhancement roadmap, including middle-market focus validation, exposure of any proposed refinements for comment, and timely execution of validated improvement. He said that the ACLI supports moving forward in 2026 with regulatory certainty to advance the modernization of structured security. The ACLI also believes the Committee can strengthen confidence in the framework by making clear that 2026 adoption is the foundation for the next phase of model development, not the end of the analytical process. The defined 2027 roadmap would allow regulators, NAIC committee support, and the Academy to maintain momentum, preserve continuity, validate the model's application to middle-market CLOs, and establish a disciplined precedent for future structured securities work under the committee's oversight.

Commissioner Houdek stated that adopting the proposal does not mean the end of the Committee’s work on CLO RBC modeling. The Risk-Based Capital Investment Risk and Evaluation (E) Working Group is planning to develop a work plan for further data collection and potential further refinement of the CLO modeling. However, the Working Group also has to balance the continued work on CLO modeling with other priority projects for the coming year. Commissioner Houdek noted that he anticipates hearing from Philip Barlow, chair of the Working Group, on further plans for the CLO RBC modeling work at the Summer National Meeting next month.

Commissioner Caljouw made a motion, seconded by Director Wise, to adopt RBC Proposal 2026-12-IRE-MOD (Attachment C). The motion passed unanimously.

4. <u>Adopted RBC Proposal 2025-16-L-MOD</u>

Slutsker said that historically, collateral loans were subject to a flat RBC charge equal to 6.8% of the asset value. The collateral backing of some of these loans can be fairly risky, so a good portion could be illiquid, sourced by an affiliate, not have an observable market value, and may otherwise incur a 30% or 45% RBC charge, instead of the 6.8%. Therefore, the proposal is to use a look-through approach, meaning that the charges are based on the risk of the underlying collateral rather than the loan itself.

He said that the Life Risk-Based Capital (E) Working Group also agreed that there should be a percentage reduction in the capital charge to reflect what is referred to as overcollateralization, given that the value of the collateral exceeds the loan amount, providing a cushion in the event of non-payment. In addition, RBC Proposal 2025-16-L-MOD has a few safeguards. The first is that a third party must independently verify the asset value to receive that reduction in the RBC charge. Second, upper and lower bounds must be provided for the possible range of that asset value. Third, a floor is set such that the reduction to the RBC charge cannot exceed 50%. For example, on a collateralized loan, a 30% charge applies; even with extensive overcollateralization, the charge will never drop below 15%. This outcome was reached through multiple public calls, in collaboration with various interested parties, and was ultimately voted on unanimously by the Capital Adequacy (E) Task Force. Slutsker noted that this change would not become effective until 2027.

Director French made a motion, seconded by Commissioner Arnold, to adopt RBC Proposal 2025-16-L-MOD (Attachment D). The motion passed unanimously.

5. Discussed NAIC Designations Update

Cotrone, chair of the Investment Designation Analysis (E) Working Group, reported that the NAIC designations assigned through the filing exemption (FE) process were fully adopted on Nov. 19, 2024. He added that implementation of this process depended on the development of the necessary technology enhancements to comply with the adopted process, and further that the basic required functionality for the FE Discretion process is now operational.

He also reported that the NAIC previously reported publicly that several credit rating agencies have paused their data feeds to the NAIC, and consequently, the NAIC temporarily suspended assigning NAIC designations to insurer investments that are based upon a public or private credit rating provider (CRP) rating (i.e., NAIC designations assigned through the FE/private letter rating [PLR] process). NAIC designations assigned by the Securities Valuation Office (SVO) or Structured Securities Group (SSG) are not impacted. He noted that insurers are allowed to use CRP-based FE/PLR NAIC designations from AVS+ as of June 17, 2026, the last date prior to suspension, for purposes of their filings with state insurance regulators and the NAIC for June 30, 2026, reporting until the CRP rating feed suspension impacting FE/PLR NAIC designations has been lifted and regular publication of all NAIC designations has resumed.

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

Draft Pending Adoption

Draft: 4/1/26

Financial Condition (E) Committee
San Diego, California
March 25, 2026

The Financial Condition (E) Committee met in San Diego, CA, March 25, 2026. The following Committee members participated: Nathan Houdek, Chair (WI); Michael T. Caljouw, Vice-Chair (MA); Michael Yaworsky represented by Jane Nelson (FL); Doug Ommen, Kevin Clark, and Carrie Mears (IA); Vicki Schmidt represented by Steven A. Karrer (KS); Grace Arnold, Kathleen Orth, and Ben Slutsker (MN); Mike Chaney represented by David Browning (MS); Mike Causey represented by Jacqueline Obusek (NC); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French and Tom Botsko (OH); Michael Wise represented by Diane Cooper (SC); Amanda Crawford represented by Jamie Walker (TX); Scott A. White, Doug Stolte, and Dan Bumpus (VA); Kaj Samsom (VT); and Jeff Rude (WY).

1. Adopted its 2025 Fall National Meeting Minutes

Director French made a motion, seconded by Commissioner Arnold, to adopt the Committee's Dec. 11, 2025, minutes (*see NAIC Proceedings – Fall 2025, Financial Condition (E) Committee*). 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 Meeting as part of the 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 March 22, Feb. 19, and Jan. 22 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 March 22 and March 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 valuation items related to specific companies.

Commissioner Ommen made a motion, seconded by Commissioner Caljouw, to adopt the reports of its task forces and working groups, including: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Financial Stability (E) Task Force; Invested Assets (E) Task Force; and Reinsurance (E) Task Force. The motion passed unanimously.

Draft Pending Adoption

3. Received an Update on the AI Systems Evaluation Tool

Commissioner Samsom described how, earlier in 2026, the Big Data and Artificial Intelligence (H) Working Group finalized an initial draft of the artificial intelligence (AI) systems evaluation tool. This tool represents the latest step at the NAIC to adapt its examination or related processes for insurance company use of AI. The tool gives regulators an optional resource to assist in evaluating a company's use of AI systems. He stated that the pilot of the tool officially started earlier this month, meaning that regulators were cleared to send inquiries related to the tool. The pilot group of regulators is now holding weekly calls to coordinate company selection, share insights on anticipated responses, and receive training on the tool and the related data science, compliance, and governance concepts it reflects.

Commissioner Samsom stated that a common question is who will receive the tool. He said that it is a domestic regulator decision, but the pilot regulators are generally engaging their domestic companies to ensure the use of the tool is explained and understood. It is also worth noting that where a company is part of a group, the pilot regulators are coordinating among pilot group members or reaching out to non-pilot states to ensure all domestic states are aware of the inclusion of the company in the pilot. Commissioner Samsom noted that each domestic regulator has sent inquiries to a range of companies, but the pilot group will not be releasing specifics on company selections. He did, however, offer some general insights, noting that although there is a mix, more property/casualty (P/C) and life companies have been selected for the pilot. He said it is also worth noting that most of the pilot states selected between one and 10 insurers, with two states sending inquiries to more than 10. Commissioner Samsom also noted that regulators are using the tool to support a mix of regulatory processes, including a market conduct exam, financial exam, financial analysis, and as part of a more general regulatory inquiry.

Commissioner Samsom stated that communication throughout the pilot process is key, so the pilot state regulators are collaborating and sharing information to create a feedback loop and learn from each other. Throughout the pilot, the leadership has stressed open lines of communication between participating companies and regulators. Those leaders also anticipate creating a coordinated mechanism to solicit feedback on the tool for participating companies. Commissioner Samsom concluded by noting that the Working Group recognizes the broad interest at the NAIC, so updates on this initiative will be provided at future NAIC meetings and at multiple groups, including actuarial task force meetings, the Working Group's meetings, and several committee meetings.

4. Received an Update on the Work of the Invested Assets (E) Task Force

Mears summarized the activities of the Invested Assets (E) Task Force since its formation effective Jan. 1, 2026. She noted the new Task Force's subsidiary working groups, including the Investment Designation (E) Working Group, which met immediately before the Task Force. Included in that Working Group's report was an announcement of the increase in the number of private letter ratings rationale reports that have been received, which highlights the strain being put on the resources of the Securities Valuation Office (SVO) to meet its regulatory objectives in terms of the review of both the substance and actual analysis of the information in those reports. She emphasized this activity, noting that while no action was necessary at this time, she anticipated that the Task Force would return to the Committee with ways to move forward on the resource issues.

The update also included a summary of the activities of the Credit Rating Provider (E) Working Group, which is planning to meet in late April. During this meeting, a substantive update from the Credit Rating Provider Due Diligence project, PricewaterhouseCoopers (PWC), is expected.

The report also included an update on the work of the Investment Analysis (E) Working Group. The Working Group met once in regulatory-to-regulator session to establish a detailed six-month plan, which includes, among other things, a review of residential mortgage loans, level 3 assets, and an analysis of the new Schedule D reporting lines.

The Task Force itself spent most of its meeting receiving a presentation from Neuberger Berman on residential mortgage loans. Mears noted that the expectation is that analysis of the topic would continue, which may ultimately result in reporting back to the Committee on possible referrals to other groups for changes in reporting or disclosure. She also noted that the Task Force would continue to welcome outreach for specific topics where education and insight into other investment areas would be helpful.

Commissioner Houdek asked for clarification on two items: 1) the actual increase in private letter rationale reports; and 2) the timing of the release of the PWC report on due diligence. It was noted that, at a high level, the rationale reports increased from approximately 8,000 at the end of 2024 to more than 12,000 at the end of 2025. Mears responded that the PWC report is expected to be released for comment at the Credit Rating Provider (E) Working Group's meeting at the end of April. Commissioner Houdek added that he expected the Task Force to continue to provide updates to the Committee for the rest of 2026 as it evaluates whether the new Task Force is achieving its objectives set in 2025.

5. Received an Update from the Statutory Accounting Principles (E) Working Group on a Coinsurance/YRT Referral

Clark summarized that in connection with the referral the Statutory Accounting Principles (E) Working Group received from the Committee after the 2025 Fall National Meeting discussion regarding combination coinsurance/yearly renewable term (YRT) reinsurance agreements, the Working Group followed up on two items. The first was whether further training on permitted practices could be used to address the transition issues associated with existing contracts for this particular item. The second was to consider whether any tools were needed to accommodate states or jurisdictions that do not allow permitted practices as a matter of policy, since that was a topic of discussion at the 2025 Fall National Meeting.

To address these matters, an example permitted practice was distributed to all chief financial regulators to provide them guidance on how states could consider designing a permitted practice that allows for an orderly transition of existing contracts while addressing potential solvency concerns. Additionally, a survey was included asking whether any state needed further flexibility to be considered other than that provided through the permitted practice process. Clark noted that 47 responses were received and that all 47 states noted that no further flexibility was needed. During the Working Group's most recent meeting, it received a referral from the Committee and approved the response to the Committee (Attachment One) to inform it of the actions taken.

6. Adopted Proposal 2025-20-CR (Wildfire Rcat Implementation)

Botsko explained that proposal 2025-20-CR adds wildfire information to the current hurricane and earthquake information in the Rcat portion of the P/C risk-based capital (RBC) formula. While catastrophe risk was considered when the RBC formula was first implemented in the mid-1990s, hurricane and earthquake risk were not formally added to the P/C RBC formula until 2017. This implementation was after several years of collecting data on an informational-only basis. He noted that in the late 2010s, wildfire frequency increased significantly. In 2021, the Climate and Resiliency (EX) Task Force sent a referral to the Catastrophe Risk (E) Subgroup to expand the catastrophe perils in the P/C RBC formula, specifically including the wildfire peril. Since that time, the Subgroup has been in discussions with industry and regulators to evaluate the wildfire data reported in the RBC annual statement pages as informational-only since 2022. Botsko explained that NAIC staff recently evaluated the wildfire impact on RBC with 2024 and 2025 information.

Draft Pending Adoption

Botsko stated that the 2024 data showed that two companies worsened in their RBC action level, while the 2025 data showed no shifts in action levels. While there are impacts on RBC, the impact on the action levels is minimal. More importantly, the reflection of this risk in the RBC formula is important for the reflection of catastrophe risk. It is worth noting that the Subgroup is currently evaluating severe convective storms as another potential catastrophic risk peril to be considered using the same procedure as wildfires. This information has been collected since 2024, and it is expected that the Subgroup will move forward with this peril in the next two years. Botsko noted that this proposal was exposed through the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophic Risk (E) Subgroup for a public comment that ended Jan. 11, 2026. No comments were received. The Working Group, Subgroup, and Capital Adequacy (E) Task Force adopted this proposal March 24.

Commissioner White made a motion, seconded by Commissioner Caljouw, to adopt proposal 2025-20-CR (Wildcat Rcat Implementation) (Attachment Two). The motion passed unanimously.

7. Received an Update on Proposed Changes to Collateral Loan RBC for Life Insurers

Slutsker began his summary of this issue (Attachment Three) with the point that when considering collateral loans, it is helpful to think about loans that are secured by admissible assets. For example, in a mortgage, if the loan cannot be paid, the collateral normally collected is the home. However, in the case of collateral loans, other types of assets, such as bonds, shares of stock, or mortgage loans, are all collected as collateral. Therefore, the basic concern is that these loans are receiving a flat capital charge equal to 6.8% of the asset value, but in some of these cases, the collateral backing these loans can be fairly risky assets themselves. A good portion of these may be sourced from an affiliate or have no observable market value and may otherwise receive a 30% or 45% capital charge, or much larger than the 6.8% currently received. So, instead of holding the assets directly for RBC, they are held in a loan structure and receive a more favorable RBC charge.

Slutsker stated that the proposal is to use a look-through approach, meaning the charges are based on the risk of the collateral rather than the loan itself. Slutsker noted that additional background on this issue is that this project started before 2024, when an RBC proposal from the American Council of Life Insurers (ACLI) used a look-through approach for collateral loans backed by mortgage loans, in which case a favorable RBC impact proposal was adopted. At that time, however, there was general agreement that, as a next step, the look-through approach should be applied more broadly to all types of collateral loans, which led to the current situation. Since then, there has been ongoing work, and there is general agreement on two items. The first is to use a look-through approach with a percentage reduction to reflect what is called overcollateralization, or the fact that the value of the collateral exceeds the loan amount itself. The second is to make this proposed change effective for year-end 2027 to allow more companies to prepare.

Slutsker stated that two proposals have been developed to address this item. One is a constant percentage reduction for the look-through approach, and the other, which was just exposed, is from the ACLI and proposes a varying percentage reduction based on different levels of overcollateralization for each asset. The advantage of the first proposal is that it does not require verifying the fair value of the assets that cannot be observed in the market. The advantage of the second proposal is that the risk change better captures the overcollateralization.

Commissioner Houdek thanked Slutsker for the summary and update and noted that since the Committee is not taking any action, this was for awareness only.

Commissioner Samsom asked whether this topic included loans where the collateral is solar installations. Slutsker responded that it did not and noted that the most common collateral is a limited partnership investment secured by admitted assets. Clark clarified that this project should not be confused with the project regarding collateralized loan obligations (CLOs), which are an entirely different asset class.

Draft Pending Adoption

Director French asked for clarification on the timing of this topic. Slutsker noted that Life Risk-Based Capital (E) Working Group has agreed via a straw poll to an effective 2027 date, which would allow plenty of time to work through the final details before adoption is needed in early 2027. He said, however, that he expected the discussions to be concluded by the end of 2026. Karrer stated that Kansas appreciated the Working Group's position on the timing, which considered comments received from various parties, including Kansas's.

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

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2026 Summer National Meeting
Columbus, Ohio

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE
Thursday, August 13, 2026
8:00 – 8:30 a.m.

Meeting Summary Report

The Accounting Practices and Procedures (E) Task Force met Aug. 13, 2026. During this meeting, the Task Force:

1. Adopted its Spring National Meeting minutes (*see NAIC Proceedings – Spring 2026, Accounting Practices and Procedures (E) Task Force*).

2. Adopted its 2027 proposed charges.

3. Adopted the report of the Statutory Accounting Principles (E) Working Group, which met Aug. 12. During this meeting, the Working Group took the following action:
   A. Adopted its May 18 minutes. During this meeting, the Working Group took the following action:
      i. Adopted the following statutory accounting principle (SAP) concepts and clarifications:
         a. Adopted revisions that add restricted asset categories for: 1) collateral assets received and on the balance sheet; 2) assets under modified coinsurance (modco) reinsurance agreements; and 3) assets held under funds withheld reinsurance agreements. (Ref #2025-27)
         b. Adopted Issue Paper No. 172 Qualifying Statutory Trusts. (Ref #2025-13)
         c. Adopted disclosures for funding agreement-backed notes (FABNs) and other similar structures, as well as a glossary to define the different structures. (Ref #2026-01)
         d. Editorial revisions to multiple Statements of Statutory Accounting Principles (SSAPs), including removing the word "funding" from the beginning of the paragraph that describes Federal Home Loan Bank (FHLB) agreements, replacing the term "CUSIP" with "Security Identifier," and adding "U.S." before "GAAP" as appropriate. (Ref #2026-03EP)
      ii. Exposed the following SAP concepts and clarifications to statutory accounting guidance:
         a. Exposed revisions to clarify that the restricted asset reporting for securities lending transactions shall reflect the asset lent by the reporting entity still reflected on the reporting entity's financial statements and not collateral received. (Ref #2026-05)
         b. Exposed revisions to reject *Accounting Standards Update* (*ASU) 2025-10, Accounting for Government Grants Received by Business Entities,* incorporate terminology changes, and clarify that government grants are to be recorded as gain contingencies. (Ref #2026-04)
         c. Exposed revisions to clarify how funds withheld liabilities are recorded. (Ref #2026-02)

d. Exposed revisions to remove the disclosure exclusion for "investments accounted for under the equity method" from the fair value financial instrument disclosure. (Ref #2026-06)
e. Exposed revisions to the Life, Accident and Health/Fraternal Annual Statement Blank and Instructions to clarify what are reported as "Subsidiary, Controlled or Affiliated (SCA)-Certain Other" and "SCA-All Other." (Ref #2026-07)
f. Re-exposed *SSAP No. 109—Asset Liability Management (ALM) Derivatives* and the corresponding issue paper. (Ref #2024-15)

B. Adopted its April 22 minutes. During this meeting, the Working Group took the following action:
   i. Exposed revisions to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* and related issue paper, revisions to other SSAPs, and proposed reporting revisions to incorporate new guidance for the interest maintenance reserve (IMR). (Ref #2023-14)

C. Adopted its Spring National Meeting minutes (*see NAIC Proceedings – Spring 2026, Accounting Practices and Procedures (E) Task Force, Attachment One*).

D. Adopted the following SAP clarifications:
   i. Adopted revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to clarify that the security lending restricted asset reporting category shall reflect the security lent, which is reported in the insurer's investment schedules, not collateral received. (Ref #2026-05)
   ii. Adopted revisions to S*SAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* to clarify that derecognized net positive IMR shall increase reinsurer collateral requirements, but that net negative IMR shall not decrease collateral reinsurer requirements (asymmetrical method). Received the response from the Reinsurance (E) Task Force. (Ref #2025-22)
   iii. Adopted revisions to *Interpretation* (*INT) 23-01: Net Negative (Disallowed) Interest Maintenance Reserve*: Extend the effective date to Dec. 31, 2027, with nullification on Jan. 1, 2028.
   iv. Adopted an agenda item supporting revisions to the Life, Accident and Health/Fraternal Annual Statement asset valuation reserve (AVR) schedule and instructions, including to clarify what shall be reported as "Subsidiary, Controlled or Affiliated (SCA)-Certain Other" and "SCA-All Other." The Working Group directed the notice of adoption to the Life Risk-Based Capital (E) Working Group. (Ref #2026-07)

E. Exposed the following new SAP concepts and clarifications for a public comment period ending Oct. 2:
   i. SSAP No. 7: Exposed the revised SSAP, the issue paper, revisions to other SSAPs, and proposed reporting revisions reflecting edits presented during the meeting, with a revised Jan. 1, 2028, effective date. The net negative IMR admittance limit was discussed, with industry requested to develop a plan to ensure compliance and accuracy of reporting for subsequent consideration. (Ref #2023-14)

ii. Exposed an agenda item that requested comments on whether amounts realizable under insurer company-owned life insurance (ICOLI) policies should be reported on Schedule BA to capture investment risk. A referral to the Capital Adequacy (E) Task Force was directed to inform of the exposure and assess the risk-based capital (RBC). (Ref #2026-08)
iii. Exposed revisions to *SSAP No. 23—Foreign Currency Transactions and Translations* to remove the Canadian exception for foreign currency translation, requiring translation within each financial statement reporting line. (Ref #2026-15)
iv. Exposed terminology revisions and new guidance to clarify that government grants are accounted for as gain contingencies. (Ref #2026-04)
v. Exposed revisions to expand requirements for asset-backed security (ABS) structures to qualify as bonds under the principles-based bond definition. With the revisions, non-self-liquidating ABS structures will need to qualify under the equity-backed criteria, and self-liquidating ABS with significant embedded asset-liability management risk will not qualify as bonds. (Ref #2026-10)
vi. Received a referral from the Investment Analysis (E) Working Group and exposed an agenda item to clarify the definition of a residential mortgage loan and assess characteristics and risk components of residential mortgage loans for more granular reporting and accounting guidance. (Ref #2026-11)
vii. Exposed revisions to specify that Medicaid contract payments classified as capitated payments are included in insured plans. The Working Group directed a notice of the exposure to the Health Risk-Based Capital (E) Working Group. (Ref #2026-13)
viii. Exposed revisions to SSAP No. 61 and annual statement instructions and blanks to clarify how funds withheld assets and liabilities shall be recorded. (Ref #2026-02)
ix. Exposed revisions to *SSAP No. 62—Property and Casualty Reinsurance* to add a new disclosure and request conceptual comments regarding the exception to retroactive accounting involving transactions with insurers 100% owned by a common parent. (Ref #2026-12)
x. Exposed an agenda item detailing concept changes to the accounting and reporting of replication synthetic asset transactions (RSATs). (Ref #2026-09)
xi. Received a referral from the Investment Analysis (E) Working Group and re-exposed the revisions to *SSAP No. 100—Fair Value* item with an industry request to propose guidance to differentiate equity investments between “operating entities” and structures that hold investments. (Ref #2026-06)
xii. Exposed revisions to *SSAP No. 101—Income Taxes* and *INT 18-03: Additional Elements Under the Tax Cuts and Jobs Act (TCJA)* to nullify INT 18-03, effective Jan. 1, 2027, and to incorporate guidance in SSAP No. 101. (Ref #2026-14)
xiii. Exposed a revised *SSAP No. 109 —Asset Liability Management (ALM) Derivatives* and corresponding issue paper, with a revised effective date of Jan. 1, 2028. The Working Group directed a referral to the Life Actuarial (A) Task Force requesting consideration of a pilot program and a sponsored blanks proposal to incorporate new reporting lines on Schedule DB. (Ref #2024-15)

F. Received updates on the following:

i. Received information regarding reporting errors and noncompliance in statutory financial statements, highlighting an excessive number (57%) of items reported with Securities Valuation Office (SVO)-assigned designations on Schedule BA for improved RBC, items that did not have an SVO-assigned designation, and items that were misreported with a more favorable designation.
ii. Received a referral from the Life Risk-Based Capital (E) Working Group on collateral loans. This referral informs of actions taken to incorporate RBC for certain loans based on overcollateralization and requests that the Statutory Accounting Principles (E) Working Group incorporate additional disclosures on the independent verification of collateral fair value, details of the verification (including date and entity providing verification), and the range of the valuations.
iii. Received an update on *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* project discussions.
iv. Received an update on the commitments and contingencies disclosures discussions.
v. Received details on current U.S. generally accepted accounting principles (GAAP) exposures, noting that comments are not recommended and that the review of issued standards will occur under the normal maintenance process.
vi. Received a Life Actuarial (A) Task Force coordination memo and directed NAIC committee support to research coordination on one item.
vii. Received notice that the next International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group (AAWG) meeting is Sept. 16–17.

4. Adopted the report of the Blanks (E) Working Group, which conducted an e-vote that concluded July 29 to adopt its May 28 minutes. During its May 28 meeting, the Working Group took the following action:

   A. Adopted its March 5 minutes (*see NAIC Proceedings Spring 2026 –, Accounting Practices and Procedures (E) Task Force, Attachment Two*).

   B. Adopted 16 proposals:
      i. 2025-23BWG Modified – Update the Separate Account Assets page by adding "Nonadmitted Assets" and "Net Admitted General Account Assets." Add a new line on the Separate Account Summary of Operations for "Change in Nonadmitted Assets" within the surplus account. Insert a new page "Exhibit of Nonadmitted Assets" that will detail the current and prior total nonadmitted assets and the change in nonadmitted assets.
      ii. 2025-24BWG – Update Notes to Financial Statements Note 18B – ASC Plans for the disclosure clarifications in *SSAP No. 47—Uninsured Plans*.
      iii. 2025-25BWG – Update Notes to Financial Statements Note #2 – Accounting Changes and Corrections of Errors, by adding the reference to *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Products.

iv. 2025-26BWG Modified – Update the annual statement expense categories and instructions to remove outdated expense terminology and update to reflect the current types of expenses that exist for companies.
v. 2025-27BWG Modified – Add a section to life/fraternal AVR to report collateralized loan obligations (CLOs). Add a footnote to Schedule D, Part 1, Section 2, to report the book/adjusted carrying value (BACV) by NAIC designation for CLOs.
vi. 2026-01BWG – Update Notes to Financial Statements Note #26 – Intercompany Pooling Arrangements to add instructions for modifications to an existing intercompany pooling arrangement that involved the transfer of assets with fair value that differ from statement value.
vii. 2026-02BWG Modified – Update Notes to Financial Statements Note #11 – Debt to add a cross-check between Note #11B – FHLB Agreements and General Interrogatory #26.
viii. 2026-03BWG Modified – Update the Life/Fraternal Annual and Quarterly Blanks and Instructions, Exhibit 5, General Interrogatory lines 27.6 and 27.7, Supplemental Exhibits and Schedules, Variable Annuities Supplement, to clarify how companies should report valuation standards for VM-22, Requirements for Principles-Based Reserves for Non-Variable Annuities, business. Add an annual supplement for VM-22 reserve reporting.
ix. 2026-04BWG Modified – Add a section to Notes to Financial Statements Note #11 – Debt to disclose funding agreements backing special purpose vehicles (SPV) issuances. Add a footnote to Life Statement Exhibit 7 to report the amount of total funding agreements backed by SPV issuances.
x. 2026-05BWG – Update the instructions to require explicit identification of instances where net asset value (NAV) is used by requiring direct reporting, rather than inference through omission, in the Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code column in Schedules D and BA. The updates require completion of this column for all reported items and restrict reporting to indicators expressly permitted in the annual statement instructions.
xi. 2026-06BWG – Update Notes to Financial Statements Note #5L(1) to add a reconciling adjustment line to the illustration to identify the assets pledged under multiple arrangements.
xii. 2026-07BWG – Add clarifying instruction to Schedule D, Part 1, Sections 1 and 2, for the payment due at maturity column and to specify what reporting categories should be included in this column. Add clarifying instructions to the origination balloon payment percentage column on Schedule D, Part 1, Section 2. For Schedule BA, Parts 1, 2, and 3, add clarification to the maturity date column to complete the column if the investment has a contractual stated maturity date.
xiii. 2026-08BWG Modified – Add a code “O – Other” to the active status column on Schedule T for reporting entities that have a unique, restricted license type that does not fit into one of the other existing categories. Add a field to provide a description of the other license type (for example, captive insurers or international insurers). The proposal changes the “N – None of the Above” status code to “N – None,” since instances where the existing codes do not apply will now be reported under the “O – Other” status code.

xiv. 2026-09BWG – Update the Five-Year Historical to add a line reporting short-term and cash equivalent affiliated investments**.**
xv. 2026-11BWG – Update Notes to Financial Statements Note #5A – Mortgage Loans by adding a paragraph to disclose mortgage loans acquired through a qualifying investment in a qualifying statutory trust.
xvi. 2026-12BWG – Update the AVR factors to zero in columns 7 and 9 for the Collateral Loan section.

C. Deferred two proposals and exposed five new proposals for a 60-day public comment period ending July 27.

D. Received an NAIC Securities Valuation Office (SVO) memo referral for the combining of security identifiers and adding a security identifier type field to the financial statements.

E. Adopted its editorial listing.

F. Noted the following points on the Blanks (E) Working Group timeline:
   i. The Working Group plans to meet Aug. 26. Proposals with an effective date of the first quarter of 2027 should have been submitted to NAIC committee support by July 27 to be considered for adoption during this meeting.
   ii. Any new blanks changes having an effective date of annual 2027 or beyond need to be submitted, 30 days prior to meetings and within policy statement timelines.

Draft Pending Adoption

Draft: 8/6/26

Capital Adequacy (E) Task Force
E-Vote
August 4, 2026

The Capital Adequacy (E) Task Force conducted an e-vote that concluded on Aug. 4, 2026. The following Task Force members participated: Grace Arnold, Chair, represented by Ben Slutsker (MN); Judith L. French, Vice Chair, represented by Tom Botsko (OH); Heather Carpenter represented by David Phifer (AK); Ricardo Lara represented by Thomas Reedy (CA); Michael Conway represented by Rolf Kaumann (CO) Joshua Hershman represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Doug Ommen represented by Mike Yanacheak (IA); Ann Gillespie represented by Matt Cheung (IL); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw (MA); Angela L. Nelson represented by John F. Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Susan Ochs represented by David Wolf (NJ); Ned Gaines represented by Diana Branciforte (NV); Glen Mulready represented by Andy Schallhorn (OK); Michael Humphreys represented by Diana Sherman (PA); Michael Wise (SC); Scott A. White represented by Doug Stolte (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. <u>Adopted its June 30, June 18, May 14, and Spring National Meeting Minutes</u>

The Task Force considered adoption of its June 30, June 18, May 14, and March 24 minutes. During its June 30 meeting, the Task Force took the following action: 1) adopted proposal 2026-03-CA (Underwriting Risk Investment Income Update); 2) adopted Proposal 2026-11-P (Underwriting Risk Line 1 Factors; 3) adopted proposal 2025-21-P (Premium Loss Concentration Factors); 4) adopted proposal 2026-09-L MOD (LR008 Schedule BA Collateral Loans Annual Statement Source 2026 Update); 5) adopted proposal 2026-10-CA (Collateral Loan Source Update P/C and Health); 6) adopted Proposal 2026-01-L (AVR Changes); 7) adopted proposal 2026-06-L MOD (LR027 Annual Statement Source); 8) adopted proposal 2026-02-L (BA Residential Mortgages); 9) adopted proposal 2026-12-IRE MOD (CLO RBC Factors); 10) re-exposed its 2027 proposed charges for a 14-day public comment period ending July 14; 11) adopted proposal 2025-16-L MOD Version 3 (Collateral Loans); and 12) advised interested parties that the Health Risk-Based Capital (E) Working Group is undertaking a project to update the health underwriting risk charges.

During its June 18 meeting, the Task Force met in joint session with the Risk-Based Capital Model Governance (EX) Task Force and took the following action: 1) heard a background on the exposed revised Risk-Based Capital (RBC) Preamble; 2) considered additional comments on possible compromised language; and 3) adopted the revised Preamble.

During its May 14 meeting, the Task Force took the following action: 1) exposed proposal 2026-03-CA (Underwriting Risk Investment Income Update); 2) adopted proposal 2025-15-CA (A&H Underwriting Risk Structure Change); 3) adopted proposal 2026-08-CR (PR027 INT Item D Modification); 4) adopted proposal 2025-22-IRE MOD Version 2 (CLO RBC Structure); 5) adopted proposal 2025-14-L MOD (C-3 GOES Implementation); 6) adopted Proposal 2026-07-L (Longevity Reinsurance); 7) adopted proposal 2026-05-CA (Remove Investment Affiliate Code 4); 8) exposed 10) discussed the Investment Designation Analysis (E) Working Group's investment security identifier (SID) summary referral.

Draft Pending Adoption

A majority of the Task Force members voted in favor of adopting its June 30 (Attachment One), June 18 (Attachment Two), May 14 (Attachment Three), and March 24 (*see NAIC Proceedings – Spring 2026, Capital Adequacy (E) Task Force*) minutes. The motion passed.

2. Adopted the Reports of its Working Groups

The Task Force considered adoption of the reports of its working groups.

A majority of the Task Force members voted in favor of adopting the reports of the Health Risk-Based Capital (E) Working Group (Attachment Four), the Life Risk-Based Capital (E) Working Group (Attachment Five), the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup (Attachment Six), and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (Attachment Seven). The motion passed.

3. Adopted its 2027 Proposed Charges

The Task Force consider adoption of its 2027 proposed charges. Non-substantive changes were made. "Pursued" was changed to "pursues" in line two, and item 1.G. was removed, as it was duplicative of item 1. E.

A majority of the Task Force members voted in favor of adopting its 2027 proposed charges (Attachment Eight). The motion passed.

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

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

JOINT MEETING OF THE FINANCIAL STABILITY (E) TASK FORCE
AND THE MACROPRUDENTIAL (E) WORKING GROUP
Wednesday, August 12, 2026

Summary Report

The Financial Stability (E) Task Force met August 12, 2026, in joint session with the Macroprudential (E) Working Group. During this meeting, the Task Force and Working Group:

1. Adopted its 2026 Spring National Meeting minutes and interim June 15, 2026 meeting.

2. Heard an update on recent activities of the Financial Stability Oversight Council (FSOC), including preparation of the 2026 Annual Report.

3. Adopted the report of the Macroprudential (E) Working Group including updates on the Macro prudential Risk Dashboard, Liquidity Stress Testing framework review, interconnectedness and contagion as well as the 13 considerations.

4. Exposed the Macroprudential Risk Dashboard Summary report for a 30-day comment period comments are due by September 14, 2026.

5. Received an overview of the mid-year Global Insurance Monitoring Report (GIMAR), including the different themes such as macroeconomic risks, transmission channels of geopolitical risk in non-life insurance and the impact of advancements in AI and technology.

6. Received an update from the Valuation Analysis (E) Working Group regarding AG 55.This included issues updates on the findings from AG 55 as well as next steps to continue reaching out to companies to gain more understanding of macro and company specific analysis.

7. Heard on an international update that included the continued work of the Macroprudential Monitoring Working Group (MMWG) under the IAIS as well as the Climate Risk Steering Group (CRSG).

8. An additional matter that was brought before the Task Force was private credit exposure and its potential financial stability impact on the insurance industry. The FSTF has organized a few individual insurer meetings over the past few months to hear insurer presentations on private credit. The meetings were regulator only and there was good discussion with strong insight from “a boots on the ground perspective”

Draft: 8/6/2026

Examination Oversight (E) Task Force
E-Vote
August 7, 2026

The Examination Oversight (E) Task Force conducted an e-vote that concluded Aug. 7, 2026. 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); Peter M. Fuimaono (AS); Ricardo Lara represented by Laura Clements (CA); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by William Arfanis (CT); Trinidad Navarro represented by Rylynn Brown (DE); Vicki Schmidt represented by Levi Nwasoria (KS); Sharon P. Clark (KY); Michael T. Caljouw represented by John Turchi (MA); Anita G. Fox represented by Kirstin Hynes (MI); Grace Arnold represented by Kathleen Orth (MN); Mike Chaney represented by Mark Cooley (MS); Eric Dunning represented by Tadd Wegner (NE); Susan Ochs represented by Nancy Lee Chice (NJ); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Scott A. White represented by Doug Stolte (VA); Patty Kuderer represented by Tarik Subbagh (WA); Nathan Houdek represented by Amy Malm (WI); and Erin K. Hunter represented by Justin E. Parr (WV); .

1. Adopted its 2025 Fall National Meeting Minutes

The Task Force's considered adoption of its 2025 Fall National Meeting minutes (*see NAIC Proceedings – Fall 2025, Examination Oversight (E) Task Force*). The motion passed.

2. Adopted the Reports of its Working Groups

Task Force considered adoption of the reports of its working groups, including the Financial Examiners Handbook (E) Technical Group (Attachment XX), the Financial Examiners Coordination (E) Working Group, the Financial Analysis Solvency Tools (E) Working Group (Attachment XX), the Information Technology (IT) Examination (E) Working Group, and the Electronic Workpaper (E) Working Group. The motion passed.

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

2026 Summer National Meeting
Columbus, Ohio

INVESTED ASSETS (E) TASK FORCE
Thursday, August 13, 2026
12:30 – 1:30 p.m.

Meeting Summary Report

The Invested Assets (E) Task Force met Aug. 13, 2026. During this meeting, the Task Force:

1. Adopted the report of the Investment Designation Analysis (E) Working Group, which met Aug. 13. During this meeting, the Working Group took the following action:
   A. Adopted its Spring National Meeting minutes.
   B. Adopted its 2027 proposed charges.
   C. Adopted the following amendments to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual):
      i. Updated the list of NAIC credit rating providers (CRPs).
      ii. Revised guidance for the analysis of parent-subsidiary situations.
   D. Exposed a proposed amendment to the P&P Manual to update the filing exempt (FE) treatment of collateralized loan obligations (CLOs) for a 30-day public comment period ending Sept. 14.
   E. Directed NAIC committee support to refer to the Credit Rating Provider (E) Working Group a request from a rating agency to become an approved CRP.
   F. Heard a presentation from NAIC committee support regarding a request to add a nationally recognized statistical rating organization (NRSRO) to the NAIC's list of NRSROs to be used to administer the NAIC's list of qualified U.S. financial institutions.
   G. Heard a report from the Chair that the NAIC's ability to implement discretion over NAIC Designations assigned through the Filing Exemption Process is operational.
   H. Moved to permit the SVO to temporarily extend the private rating filing deadlines for a period equivalent to the outage period that began on Jun. 17, 2026.

2. Adopted the report of the Credit Rating Provider (E) Working Group, which met Aug. 12. During this meeting, the Working Group took the following action:
   A. Adopted its May 4 minutes. During this meeting, the Working Group took the following action:
      i. Exposed the proposed CRP Due Diligence Framework for a 60-day public comment period ending July 3.
   B. Discussed comments received on the proposed CRP Due Diligence Framework, which was exposed for a 60-day public comment period ending July 3. The Framework will introduce quantitative and qualitative processes to assess CRPs' ratings for use in NAIC processes, ensuring the reasonableness of investment risk assessments.
   C. Directed NAIC committee support to work with PricewaterhouseCoopers (PwC) to prepare a revised version of the Framework.

3. Received the report of the Investment Analysis (E) Working Group, which met June 29 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. During these meetings, the Working Group took the following action:
   A. Heard a presentation from NAIC committee support on mortgage loans, specifically the growth of residential mortgage loan portfolios with life companies. The presentation noted the rapid growth of residential mortgage loan exposure since 2021, increasing concentration levels among certain insurers, and limitations in current reporting that restrict regulators' ability to evaluate the underlying risk characteristics of these investments.
   B. Discussed *Statement of Statutory Accounting Principles (SSAP) No. 37—Mortgage Loans* and how it provides limited guidance regarding the distinction between traditional residential mortgage loans and certain larger or more complex mortgage loan structures that may exhibit risk characteristics more commonly associated with commercial real estate lending.
   C. Issued a referral to the Statutory Accounting Principles (E) Working Group and the Life Risk-Based Capital (E) Working Group, seeking evaluation of whether existing statutory accounting guidance, reporting requirements, and risk-based capital (RBC) treatment continue to appropriately reflect the evolving composition of residential mortgage loan investments held by insurers.
   D. Heard a presentation from NAIC committee support on investments categorized as level 3 under *SSAP No. 100—Fair Value*, with a particular focus on Note 20C fair value hierarchy disclosures. The Working Group observed that current Note 20C reporting exhibits significant variability in structure, granularity, and presentation across reporting entities, limiting comparability and regulatory analysis. The Working Group also noted that Note 20C is currently a free-form disclosure that does not require standardized alignment with statutory investment schedules. This current reporting practice introduces inconsistencies in data quality, including variations in security descriptions and naming conventions across reporting periods. Additionally, the lack of a standardized mapping between Note 20C and existing statutory investment schedules limits regulators' ability to efficiently trace fair value hierarchy disclosures back to underlying reported investments.
   E. Issued a referral to the Statutory Accounting Principles (E) Working Group seeking evaluation of whether existing disclosure requirements continue to provide the consistency, transparency, and comparability needed to effectively assess fair value measurements, particularly for investments classified within level 3 of the fair value hierarchy.
   F. Released an updated six-to-nine-month agenda.

4. Heard a presentation from members of the NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group on private credit and auditing fair value estimations for certain investments, specifically assets with a fair value hierarchy of level 3 as defined in SSAP No. 100.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meeting

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE
August 5, 2026

Summary Report

The Receivership and Insolvency (E) Task Force met Aug. 5, 2026. During this meeting, the Task Force:

1. Adopted its April 20 minutes. During this meeting, the Task Force took the following action:
   A. Adopted its Dec. 1, 2025, minutes.
   B. Received the report of the Receivership Financial Analysis (E) Working Group.
   C. Received a referral from the Macroprudential (E) Working Group asking the Task Force to research the treatment of funding agreement-backed notes (FABNs) in receivership.

   The Task Force met in regulator-to-regulator session on June 1 and July 6 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.

2. Adopted the report of the Receivership Law (E) Working Group, which met May 26. During this meeting, the Working Group took the following action:
   A. Heard a presentation on Medicare secondary payer issues in receivership.
   Formed a drafting group to develop guidance on this issue for the *Receiver's Handbook for Insurance Company Insolvencies* (Receiver's Handbook). The drafting group met June 24 to develop an outline of topics and assign drafting responsibilities. The drafting group plans to meet soon to continue drafting and finalize a recommendation for the Receiver's Handbook before the end of 2026.

3. Received the report of the Receivership Financial Analysis (E) Working Group, which plans to meet Aug. 12 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.

4. Discussed responses to a survey on the treatment of FABNs in receivership. Survey responses were received from 13 state insurance departments and three interested parties.

5. Discussed next steps for developing a response to the Macroprudential (E) Working Group's referral on the treatment of FABNs in receivership. The Task Force agreed to continue research and directed NAIC committee support to begin drafting a response memorandum to be considered during a future meeting.

Draft: 7/30/26

Reinsurance (E) Task Force
Virtual Meeting
July 20, 2026

The Reinsurance (E) Task Force met July 20, 2026. The following Task Force members participated: Ricardo Lara, Chair, represented by Monica Macaluso (CA); Angela L. Nelson, Vice Chair, represented by John F. Rehagen (MO); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Sheila Travis (AL); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by Wanchin Chou (CT); Trinidad Navarro represented by Charles Santana (DE); Michael Yaworsky represented by Bradley Trim (FL); John F. King represented by Davis Camuso (GA); Doug Ommen represented by Carrie Mears (IA); Ann Gillespie represented by Eric Wisz (IL); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Rodney Hugle (KY); Timothy J. Temple represented by Stephen Kowalski (LA); Michael T. Caljouw represented by Christopher Joyce (MA); Grace Arnold represented by Fred Andersen (MN); Mike Causey represented by Jessica Price (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Susan Ochs represented by John Tirado and David Wolf (NJ); Ned Gaines represented by Diana Branciforte (NV); Kaitlin Asrow represented by Michael Campanelli (NY); Judith L. French represented by Cameron Piatt (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana L. Sherman (PA); Carter Lawrence represented by Trey Hancock (TN); Amanda Crawford represented by Jamie Walker (TX); Scott A. White represented by Kevin Shaw (VA); and Nathan Houdek represented by Mark McNabb (WI).

1. <u>Adopted its June 22 and Spring National Meeting Minutes</u>

The Task Force met June 22. During this meeting, it took the following action: 1) adopted a response to the Statutory Accounting Principles (E) Working Group regarding derecognized net negative interest maintenance reserve's (IMR's) impact on reinsurance collateral.

Walker made a motion, seconded by Sherman, to adopt the Task Force's June 22 (Attachment One) and March 2 minutes (*see NAIC Proceedings—Spring 2026, Reinsurance (E) Task Force*). The motion passed unanimously.

2. <u>Adopted the Report of the Reinsurance Financial Analysis (E) Working Group</u>

Kaumann stated that the Reinsurance Financial Analysis (E) Working Group met in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to approve several certified and reciprocal jurisdiction reinsurers for passporting.

Kaumann stated that the Working Group has now approved 110 reciprocal jurisdiction reinsurers and 40 certified reinsurers for passporting and that 49 states and two territories have passported a reciprocal jurisdiction reinsurer. He noted that the list of passported reinsurers can be found on the NAIC's certified and reciprocal jurisdiction reinsurer web page. Kaumann noted that all 50 states, as well as Washington, DC, Puerto Rico, and Guam, have passported certified and reciprocal jurisdiction reinsurers.

Kaumann made a motion, seconded by Rehagen, to adopt the report of the Working Group. The motion passed unanimously.

3. Received a Status Report on the Reinsurance Activities of the Mutual Recognition of Jurisdictions (E) Working Group

Rehagen stated that the Working Group last met Oct. 21, 2025, in regulator-to-regulator session, pursuant to paragraph 8 (international regulatory matters) of the NAIC Policy Statement on Open Meetings, to reapprove the status of Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom (UK) as qualified jurisdictions and Bermuda, Japan, and Switzerland as reciprocal jurisdictions. He noted that Bermuda, Japan, and the UK are in the process of making changes to their regulatory systems and that NAIC committee support are monitoring the implementation of these changes and will report any findings to the Working Group.

4. Received an Update on AG 55

Andersen provided an update on the results of the first year of reporting under *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55). He stated that AG 55 was adopted by the NAIC and is effective for 2025 year-end reporting. AG 55 requires disclosures regarding reserve adequacy after certain reinsurance transactions take place. These transactions are for cases where the reinsurer is not required to provide reserve asset adequacy reports to U.S. state regulators. Then the treaties are in scope. Andersen stated that this commonly occurs with offshore life and annuity reinsurance or with certain life and annuity captive reinsurance transactions.

Andersen provided a presentation that was included in the meeting materials (Attachment Two). He stated that the question of interest is whether reduced reserves resulting from these transactions are still adequate to pay future claims, whether there are reserves available to cover moderately adverse conditions, and whether there is capital available to cover more severe conditions.

Andersen stated that the first filings were received in the second quarter of 2026, and 55 filings from 80 life insurers were received. Some of those 80 life insurers had multiple transactions in scope. He noted that the work performed so far has been at a higher level and has been conducted by the Valuation Analysis (E) Working Group, and that the Working Group plans to conduct more detailed work on the files received, focusing on reviews of higher priority companies. He stated that these higher-priority companies tend to be those with a high percentage of their liabilities ceded offshore or to captives, so they have more at stake with the performance of the reinsurance business. He reiterated that these reviews are still in early stages.

Andersen stated that the Working Group has started interactions with some companies but has come to no firm conclusions yet regarding reserve adequacy, and at this point, it mainly has observations and areas to pursue a better understanding. He did note that one finding is that many annuity blocks have lower reserve amounts supporting them after offshore reinsurance or captive reinsurance. This is compared with the higher reserves held when companies calculated the reserves based on U.S. statutory reserve amounts prior to the reinsurance transaction.

Andersen stated that AG 55 tests this lower reserve amount for adequacy, and through the reviews so far, they have identified common reasons that companies have provided for the reduction in reserves from U.S. statutory amounts. One is that the company may state that it expects its asset returns to be higher than the returns reflected in the U.S. statutory discount rate, and that U.S. statutory discount rates are based on average corporate bond yields. Another reason for the reduction in reserves is that they expect policyholder behavior to be less efficient than assumed in U.S. statutory standards. He noted that a company may have a fixed index annuity with a guaranteed living withdrawal benefit, and the guaranteed living withdrawal benefit might have a higher present value than the cash value.

Andersen stated that revisions to the fixed annuity reserve standards were also adopted in 2025. He noted that this is part of the principles-based reserving (PBR) project, and this reserve change, known as *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, is part of the *Valuation Manual,* which oversees reserved standards for life insurers. He noted that one of the things the Working Group is trying to figure out is whether the dynamics change under legacy reserve standards for companies, as some companies are trying to reduce reserves from the legacy U.S. statutory standards, and now there is a new standard in place for business written in 2026 and later.

Andersen stated that another finding was that in many cases, reserves were not reduced as a result of offshore or captive reinsurance, so the company may say they are holding reserves at 100% of the U.S. statutory level. He noted that in the U.S. system, reserves are intended to cover moderately adverse conditions, but companies are expected to have excess capital to cover more severe conditions. He added that the goal is to ensure those safeguards are still in place after these offshore or captive reinsurance treaties take place. So, if a company is holding sufficient reserves, but no additional capital is dedicated to support the block, it would essentially be the equivalent, and anything close to that low level would trigger action levels or control levels. He noted that at this point, the Working Group is trying to better understand what is acting like a reserve and what is acting like excess capital so it can put the full picture together to ensure that the safeguards are in place.

Andersen stated that following the work so far in the AG 55 reviews, the regulatory group has developed an initial list of topics of regulatory interests and that these are in the categories of actuarial, asset-related, and reinsurance-related topics. He stated that the areas of interest include verifying the reasonableness of actuarial assumptions used in reserve adequacy testing and reviewing the valuation of level three assets, which do not have clear market values. For these assets, regulators are examining the likelihood of incorrect asset valuation and the potential effect on claims-paying ability if the assets are not valued correctly. He stated that regulators are also looking to the transparency of assets held by offshore reinsurers and are starting to verify balance sheets of reinsurers, in part to help ensure the reserve amount being tested for adequacy is based on the reserve amount held by the reinsurer. He added that regulators are also continuing to investigate the reasons for the use of offshore and captive reinsurance.

Andersen stated that a rather drastic change has been the adoption of the VM-22 reserving rules, and regulators want to understand the dynamics of how that might impact the reasons for offshore and captive reinsurance going forward. He noted that the Working Group will continue reaching out to companies to better understand the issues. This work will include company-specific and industry-wide analysis, and he will continue presenting the findings during future Task Force meetings.

5. Received a Status Report on Projects at the NAIC that Affect Reinsurance

Macaluso provided an update on an initiative related to offshore life reinsurance. She noted that Task Force leadership and NAIC committee support are in the process of working on possible next steps and that the Task Force may conduct more educational sessions. Additionally, they may consider bringing in regulators from different offshore jurisdictions to provide a better understanding of their regulatory regime and how they operate as regulators.

Macaluso stated that the California Department of Insurance (DOI), with the help of the NAIC, held a property/casualty (P/C) reinsurance roundtable for commissioners and senior regulators in July 2025. She stated that the current planned direction is to continue building knowledge, including investing in training, analytics, and regulatory tools to better assess the strength of reinsurance programs and their impact on solvency. She noted that the NAIC plans to strengthen collaboration through shared data on catastrophe exposure, joint modeling initiatives, and cross-state coordination on public-private solutions. Additionally, the NAIC aims to be proactive and shape the market response through policy, oversight, and engagement.

Macaluso stated that the NAIC and the Reinsurance Association of America (RAA) conducted a two-day training session for key regulators in Kansas City, MO, in May 2026. The session focused on the basics of how reinsurance programs work, including contract drafting, underwriting, pricing, claim management, and the role of capital markets in supporting the reinsurance industry. She noted that attendees had a chance to hear directly from industry about what they are seeing and were provided with some ideas on enhancements to address these issues. She said this as a solid first step in providing reinsurance education for regulators and hopes to build on this for some additional training courses. Sherman noted that the training session was helpful and provided positive feedback about the content.

Jake Stultz (NAIC) provided a brief update on minor projects at the NAIC that may be of interest to Task Force members. He stated that the Task Force adopted a recommendation to the Statutory Accounting Principles (E) Working Group to use the asymmetrical approach for accounting for net negative IMR, which excludes net negative IMR from the calculation of reserves to be collateralized. He said that there will be further discussions of this and other IMR topics at the Working Group's meeting at the Summer National Meeting. He said that the Macroprudential (E) Working Group continues to focus on its 13-point plan. A major focus of its work has been on cross-border reinsurance, and Stultz recommended that Task Force members follow that Working Group. Stultz noted that the NAIC formed the Risk-Based Capital Model Governance (EX) Task Force, with a mission to develop guiding principles for the risk-based capital (RBC) framework to ensure a consistent approach to future RBC adjustments. He recommended that Task Force members follow this group, as there could be changes that impact reinsurance.

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

Draft: 7/29/26

Group Solvency Issues (E) Working Group and
Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup
Virtual Meeting
July 23, 2026

The Group Solvency Issues (E) Working Group of the Financial Condition (E) Committee and the Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup of the Group Solvency Issues (E) Working Group met in joint session July 23, 2026. The following Working Group members participated: Jamie Walker, Chair (TX); Susan Berry, Vice Chair (IL); Laura Clements and Michelle Lo (CA); William Arfanis and Jack Broccoli (CT); Charles Santana (DE); Jane Nelson and Carolyn Morgan (FL); Kim Cross (IA); John Turchi (MA); Kristin Hynes and Steve Mayhew (MI); Danielle Smith, Shannon Schmoeger, John F. Rehagen, and Julie Lederer (MO); Anthony Quandt (NE); David Wolf (NJ); Bob Kasinow (NY); Cameron Piatt and David Cook (OH); Liz Ammerman (RI); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Mark McNabb (WI). The following Subgroup members participated: William Arfanis, Co-Chair, and Jack Broccoli (CT); Mike Yanacheak, Co-Chair (IA); Laura Clements and Michelle Lo (CA); Carly Wagoner and Shalice Rivers (FL); Cindy Andersen and Susan Berry (IL); Sara McNeely, Danielle Smith, John F. Rehagen, and Julie Lederer (MO); Jennifer Rose (NE); David Wolf (NJ); Ned Cataldo (NH); Victor Agbu (NY); David Cook and Richard Morris (OH); Amy Garcia (TX); and Amy Malm (WI).

1. <u>Adopted its June 11 Minutes</u>

Yanacheak reported that the ORSA Implementation (E) Subgroup met June 11 and took the following action: 1) reported that the Subgroup met in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss the *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual); 2) exposed the proposed changes to the ORSA Guidance Manual for a 30-day comment period ending July 13; 3) discussed posting the ORSA/group capital comparison (GCC) presentation; and 4) discussed the ORSA peer review.

Malm made a motion, seconded by Cataldo, to adopt the Subgroup's June 11 minutes (Attachment XX). The motion passed unanimously.

2. <u>Discussed Comments Received on the ORSA Guidance Manual and Adopted Revisions</u>

Yanacheak stated that, under the ORSA Guidance Manual maintenance process, changes for the December 2026 edition must be adopted at the Summer National Meeting. Therefore, this joint meeting was held to advance the ORSA Guidance Manual changes forward with a vote by both the ORSA Implementation (E) Subgroup and Working Group.

Yanacheak provided background on the 2025 ORSA Guidance Manual survey, noting that it closed Nov. 21, 2025, and received 25 responses from insurers, trade associations, regulators, and NAIC committee support. Yanacheak explained that the co-chairs directed NAIC committee support to review the survey comments and categorize them into two groups: 1) straightforward revisions that could be incorporated into the ORSA Guidance Manual for near-term adoption; and 2) more substantive items requiring drafting group discussion.

Yanacheak noted that the original exposure included the ORSA Guidance Manual with edits incorporated based on survey comments that were considered straightforward. These edits were exposed during the Subgroup's June 11 meeting for a 30-day comment period that ended July 13. The edits in the original exposure addressed issues such as capital transparency, compliance with state-specific filing dates, questions the ORSA addresses, clarification of controls reporting, use of the GCC tool by U.S.-based internationally active insurance groups (IAIGs), overarching issues that pertain to the entire ORSA, and various other minor edits. One significant edit in the original exposure regards capital transparency and clarifies the expectation that insurers provide a high-level summary of how material risk categories contribute to overall capital needs. This was considered a critical improvement by regulators.

Following the exposure, comments were received by the July 13 deadline from the Missouri Department of Commerce and Insurance, UnitedHealth Group, the American Council of Life Insurers (ACLI), and the National Association of Mutual Insurance Companies (NAMIC). Yanacheak stated that the Subgroup appreciated the time and care each commenter provided in reviewing the proposed revisions. The comment letters were reviewed, and revisions were made accordingly. The revisions were made to refine or remove certain language, improve clarity, and address stakeholder concerns. Yanacheak turned the meeting over to Sherry Flippo (NAIC), who reviewed the amendments made to the exposure draft.

Yanacheak gave each party that submitted a comment letter an opportunity to speak to the group. Lederer presented Missouri's comment letter, noting that the comments would be discussed further during the drafting groups starting in September. NAIC committee support noted that the grammatical recommendations in Missouri's comment letter were made to the exposure draft.

Mollie Zito (UnitedHealth Group) presented the UnitedHealth Group's comments. Madison Ward (ACLI) presented the ACLI comment letter. Ward noted that the ACLI appreciated the edits made to the exposure in response to its comments. However, Ward expressed concerns about the language regarding the contribution of material risks to risk capital for current and prospective risks and the use of the GCC as a tool for U.S.-based IAIGs.

Yanacheak noted that the ORSA Guidance Manual changes allow insurers to use their own capital metric. He noted that capital metrics have individual risk categories that are aggregated, considering diversification between risks and possible capital add-ons for operational risk, to arrive at the overall required risk capital. Yanacheak noted that capital exists to absorb losses arising from risk exposure. Consequently, an assessment of capital adequacy is significantly more meaningful when regulators can understand which material risks are consuming capital and how those risks affect future solvency considerations.

Malm asked Ward if the issue was that life insurers did not use a capital metric with a risk breakdown. Ward responded that life insurers use advanced modeling and economic capital models in producing the ORSA.

Colleen Scheele (NAMIC) presented NAMIC's comment letter. NAIC committee support provided clarification on overarching issues and the presentation of the ORSA to the board of directors, which was already part of the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).

Rehagen made a motion, seconded by Berry, for the Subgroup to adopt the changes in the ORSA Guidance Manual, including the yellow-highlighted additions (Attachment XX). The motion passed unanimously.

3. <u>Adopted ORSA Guidance Manual Changes by the Group Solvency Issues (E) Working Group</u>

Stolte made a motion, seconded by Arfanis, for the Working Group to adopt the ORSA Guidance Manual, December 2026 edition (Attachment XX). The motion passed unanimously.

4. Discussed Other Matters

Bruce Jenson (NAIC) noted that the Aggregation Method Implementation (G) Working Group has been discussing possible modifications to the aggregation method guidance for the GCC based on feedback from the International Association of Insurance Supervisors (IAIS). He noted that the Working Group is preparing recommendations for public exposure and adoption, and the Group Solvency Issues (E) Working Group may consider those adoptions later this year. Jenson encouraged regulators to follow the G Committee work to become familiar with the issue before it is introduced to the Group Solvency Issues (E) Working Group.

Having no further business, the Group Solvency Issues (E) Working Group and the ORSA Implementation (E) Subgroup adjourned.

Draft: 7/16/26

NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group
Virtual Meeting
July 16, 2026

The NAIC/AICPA (E) Working Group of the Financial Condition (E) Committee met July 16, 2026. The following Working Group members participated: Doug Stolte, Chair (VA); Diana Sherman, Vice Chair (PA); Laura Clements (CA); Rylynn Brown (DE); Kevin Clark (IA); Kristin Hynes (MI); Shannon Schmoeger (MO); Andrea Johnson (NE); Ned Cataldo (NH); David Cook (OH); Johanna Nickelson (SD); and Jake Garn (UT).

1. Discussed the Premium Threshold

Stolte said the Working Group is responsible for reviewing the premium threshold amounts contained within the *Annual Financial Reporting Model Regulation* (#205) on an annual basis. Bruce Jenson (NAIC) gave an update on the results of the annual review, noting that as of Dec. 31, 2025, more than 94% of all direct written premiums and more than 96% of all gross written premiums are subject to internal control reporting requirements. Stolte noted that these results are within the Working Group's expectations, and no action to adjust the threshold is deemed necessary at this time.

2. Received a Presentation on the AICPA Definition of Public Interest Entities

Dave Osborn (Ernst & Young LLC) provided a presentation on how the AICPA's updated definition of Public Interest Entities (PIEs) applies to the U.S. insurance industry. Osborn stated that the AICPA Professional Ethics Committee (or PEEC) adopted a revised definition of PIEs to be included in the AICPA Code of Professional Conduct and applicable to certain audit firms. This resulted from the work of the PEEC to monitor and consider projects of the International Ethics Standards Board for Accountants' (IESBA) and evaluate whether related changes will enhance the AICPA Code and serve to better protect the public interest in the United States.

The revised definition of PIEs includes IESBA's mandatory categories, including an entity one of whose main functions is to provide insurance to the public, but defers to the relevant US regulators for purposes of the specific independence requirements. PEEC refined the insurance entity category to include insurers that:

1. are subject to the NAIC Annual Financial Reporting Model Regulation (or MAR) as adopted by the respective state insurance department; and
2. meet or exceed $500 million in direct and assumed premiums, which is the same threshold for management to file a report on internal control over financial reporting under the MAR.

The revised definition was effective for periods beginning on or after December 15, 2024. Therefore, the 2025 audit cycle was the first audit in which these additional requirements were effective for the audit firm. These auditor requirements do not conflict with any of the requirements that are applicable to the independent certified public accounting firm under the MAR. Rather, they would supplement the procedures that address the audit firm's independence under the MAR. A member who does not belong to a firm or network that voluntarily agrees to comply with IESBA will not be required to comply with any additional requirements and will only comply with the rules of the relevant regulator, where applicable. For an auditor of an insurance company, this would be the MAR. However, firms that voluntarily join the International Federation of Accountants (or IFAC) Forum of Firms may have certain commitments to comply with the Forum of Firms Constitution, including compliance with the new independence requirements.

One of the requirements that is in addition to the MAR is the communication of fee-related information for insurance companies that meet the definition of PIEs. This communication may take the form of a letter from the insurance company to relevant state insurance regulators to detail the amount of audit fees and other than audit fees for the current audit cycle, with a statement that the professional services covered by these fees are permissible services in accordance with the requirements of Section 7 of the NAIC MAR, as adopted by the rules and regulations of the domiciliary state regarding qualifications of independent certified public accountants.

While this letter to state insurance regulators would satisfy the requirement to publicly disclose fees, as regulators are widely recognized as being responsible for the oversight of insurance company operations on behalf of the public, such a letter is not required as the communication of fee-related information can take other forms (for example, posting similar information on a website that can be accessed by the public). However, the insurance company may have elected to file the letter with its domiciliary state regulator as part of the annual information reported to comply with insurance rules and regulations.

If such a communication is not made by the insurance company via a letter to state insurance regulators or otherwise, the audit firm would have to publicly disclose its fees. Osborn noted that the AICPA is not aware of this situation occurring for the 2025 audit cycle.

Jenson asked what form the letter to regulators is generally taking (i.e., standalone letter or included within other required filings) and whether it is received from the insurer or the auditor. Osborn stated that the letter is generally filed as a standalone communication from the insurer, although it may be filed at the same time as other reports associated with the annual audited financial statements.

Stolte thanked Osborn for the presentation and asked NAIC staff to prepare a communication for all states on this topic to educate them on the nature and purpose of audit fee letters that domestic regulators are now receiving from their PIEs.

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

Https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/2026/2Summer/AICPA/7-16-26 AICPAWGmin.docx

Draft: 7/12/26

National Treatment and Coordination (E) Working Group
Virtual Meeting
June 24, 2026

The National Treatment and Coordination (E) Working Group of the Financial Condition (E) Committee met June 24, 2026. The following Working Group members participated: Cameron Piatt, Co-Chair (OH); Kelly Hopper, Co-Chair (MO); Cindy Hathaway (CO); Jack Broccoli (CT); Carolyn Morgan (FL); Tangela Byrd (LA); Paul Throckmorton (OR); Ursala Almada (NM); Jason Carr (WA); and Mark McNabb (WI). Also participating was: Dana Sanders (IA).

1. Discussed its 2026 Charges

Piatt provided a summary of the National Treatment and Coordination (E) Working Group charges for 2026: 1) increase utilization and implementation of the *Company Licensing Best Practices Handbook*; 2) encourage synergies between corporate changes/amendments and rate and form filing review and approval to improve efficiency; 3) continue to monitor the usage and make necessary enhancements to the Form A Database; 4) maintain educational courses in the existing NAIC Insurance Regulator Professional Designation Program for company licensing regulators; and 5) make necessary enhancements to promote electronic submission of all company licensing applications.

2. Discussed a Referral from the Financial Regulation and Accreditation (F) Committee

Hopper reviewed the referral from the Financial Regulation and Accreditation (F) Committee regarding companies with unique or restricted licenses. Hopper stated that the Committee asked the Working Group to consider potential enhancements to the NAIC *Company Licensing Best Practices Handbook* and the Uniform Certificate of Authority Application (UCAA) filing system to clearly identify these company types that have unique or restricted licenses and develop additional review guidance or considerations that may be relevant when receiving an application from one of these entities. Hopper said that the last update to the handbook was in 2021, and since then, there have been a few changes to the UCAA filing process. Hopper said he will take the lead on drafting possible edits, but would also like volunteers from the group to help.

3. Discussed a Referral from the Financial Condition (E) Committee

Hopper reviewed the referral from the Financial Condition (E) Committee regarding enhanced cybersecurity considerations for Form A best practices as they relate to both the *Company Licensing Best Practices Handbook* and the *Financial Analysis Handbook*. He stated that the Financial Analysis Solvency Tools (E) Working Group has begun updating the *Financial Analysis Handbook*, and the National Treatment and Coordination (E) Working Group will coordinate with them once the updates are complete. Hopper stated there is no action on this referral until the Financial Analysis Solvency Tools (E) Working Group finishes its updates.

4. Heard an Update on Appian and Other Updates

Bon Rector (NAIC) discussed recent updates to the UCAA portal. Updates were made to the UCAA dashboard, including separating the Corporate Amendments tabs into two tabs: one for domestic corporate amendments and one for foreign corporate amendments. Filters were added to search for active or closed applications.

Another update was the addition of a new column to the dashboard to include the change type. Rector said that, with Form 14 moved to the new portal, this is the last application type to be moved. She advised that since applications are no longer being submitted in the legacy portal, the portal will be decommissioned on Aug. 1, 2026. Rector advised that all applications still requiring approval in the legacy portal will need to be done so prior to the deadline. She also advised that if any documents from the legacy portal are needed, they will need to be downloaded by Aug. 1.

Rector advised that the current enhancement to the new portal is to separate Form 12 from corporate amendments and make it a separate tab on the dashboard. Once this is done, future enhancements will focus on reducing the steps required for jurisdictions to approve and complete an application and enhancing the email notifications sent by the system.

Rector also said it has been a while since new third-party vendors were approved, and that she would like a new subgroup to develop a process for vetting and approving them. She would like the Working Group to consider it for the next meeting.

Hopper mentioned allowing companies to change an administrative office address in the new portal as a standalone, such as the mailing address. Sanders agreed. Rector said the idea will be explored.

5. Discussed the Need for Volunteers

Piatt discussed the need for volunteers to help update the *Company Licensing Best Practices Handbook*. He said Hopper has offered to assist, but he still needs a few volunteers. If there are not enough volunteers, he will reach out to a few Members to see if they can volunteer.

6. Discussed the Upcoming Webinar and Other Form 12 Questions

Hopper reminded everyone of the upcoming webinar, "NAIC Rapid Growth Annuity Writer Webinar for Licensing and Financial Analysts," on Sept. 1 from 1:00 to 2:30 p.m. CT.

Sanders asked if the Form 12 enhancement would incur an NAIC usage fee. Rector said that no usage fee will be incurred. Almada asked if officer and director updates are still required for Form 12. Rector said no, since they are not required, it is not necessary. Rector also said there will still be a request-for-information option in the application.

Having no further business, the National Treatment and Coordination (E) Working Group adjourned.

Draft: 7/29/26

Reciprocal Exchanges (E) Working Group
Virtual Meeting
July 22, 2026

The Reciprocal Exchanges (E) Working Group met July 22, 2026. The following Task Force members participated: Bradley Trim, Chair (FL); David Wolf, Vice Chair (NJ); Dave Lathrop (AZ); Laura Clements (CA); Casey Shaw (IL); Tom Travis (LA); Kristin Hynes (MI); Kelly Hopper (MO); Tracy Snow (OH); Diana Sherman (PA); and Jamie Walker (TX).

1. Discussed its Charges

Trim noted that the Working Group met March 30 in regulator-to-regulator session, pursuant to the NAIC Open Meetings Policy paragraphs 4 and 6 (internal or administrative matters and consultations with NAIC staff).

Trim directed the Working Group to its 2026 charges. The charges are: "Modify the NAIC *Insurance Holding Company System Regulatory Act* (Model #440) and/or the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) to clarify that regardless of definitions of control and affiliation, fees charged by insurers from the attorney-in-fact are subject to fair and reasonable standards and subject to approval by the Commissioner and under no circumstances should they exceed the cost of such services plus a reasonable profit."

Trim stated that in November 2025, when the Working Group was approved for 2026 and its charges were adopted, Commissioner Houdek, chair of the Financial Condition (E) Committee, stressed that the Working Group was not being used to create a new mandate to ensure attorney-in-fact fees must be fair and reasonable, as Model #440 already has that requirement in place. The formation of the Working Group was intended to clarify this intent in Model #440 and Model #450. Additionally, *Statement of Statutory Accounting Principles (SSAP) No. 25—Affiliates and Other Related Parties* has long held that attorney-in-fact fees paid by reciprocal exchanges must be fair and reasonable.

Trim stated that the discussions prior to the formation of the Working Group and during the kick-off meeting noted the significant increase in newly formed reciprocal exchanges. The Risk-Focused Surveillance (E) Working Group has also identified some overarching issues related to the applicability of regulatory requirements to reciprocal exchange transactions. At issue was whether the attorney-in-fact of a reciprocal exchange qualifies as an affiliate, which would require regulatory review and approval of service agreements and transactions to assess compliance with fairness and reasonableness standards.

Trim stated that ensuring such service agreements comply with fair and reasonable standards is of the utmost importance, and Florida continues to advocate for transparency for all subscribers, regulators, and the public.

No questions were raised in response to Trim's inquiry regarding the Working Group's charges.

2. Exposed Amendments to Model #440 and Model #450

Trim stated that based on the regulator discussions, the chairs worked with NAIC committee support, including NAIC legal staff, to draft revisions to Model #440 and Model #450 for exposure that focus on the charges and clarifying the requirements.

A. Model #440

Robin Marcotte (NAIC) provided an overview of the proposed revisions to *Insurance Holding Company System Regulatory Act* (Model #440). She stated that the first proposed revisions were to Section 1—Definitions. She stated that the definition of control has a proposed revision to add a parenthetical of "(including attorney-in-fact contracts)" after the phrase "whether through ownership of voting securities, by contract."

She stated that two drafting notes are proposed in Section 1, and the first drafting note is below the definition of control. The drafting note provides that an attorney-in-fact is included in the definition of control if the party has the ability to direct or cause the direction of management and policies. The drafting note also provides that attorney-in-fact agreements include powers of attorney and related agreements established to provide services to a reciprocal exchange at a specific cost. She stated that the drafting note included inter insurance exchanges and other similar organizations because the names of reciprocal exchanges could vary by jurisdiction.

Marcotte stated that the second drafting note is under the definition of insurer. She stated that because Model #440 relies on references to state codes for the definition of an insurer, this drafting note indicates that reciprocal insurers, including their various names, are intended to be included in the definition of an insurer.

No questions were raised in response to Trim's inquiry regarding proposed revisions to Model #440, Section 1.

Marcotte stated that the next proposed revisions to Model #440 were in Section 5—Standards. A drafting note is proposed in Section 5A, subparagraph G regarding charges for services performed. The drafting note indicates that charges or fees for services include amounts charged by an attorney-in-fact and that measurement of attorney-in-fact fees is subject to the fair and reasonable standard. The drafting note adds wording from the Working Group's charge that under no circumstances should the amounts charged for attorney-in-fact fees exceed the cost of such services plus a reasonable profit.

Marcotte stated that the final proposed revision to Model #440, Section 5A(2)(d) is to add a parenthetical reference to "attorney-in-fact agreements" in the section on prior notices of transactions, which lists management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements.

No questions were raised in response to Trim's inquiry regarding proposed revisions to Model #440, Section 5.

B. Model #450

Trim directed the Working Group to the proposed revisions to *Insurance Holding Company System Model Regulation* (Model #450). He stated that Model #450 is the regulation with forms, etc., for Model #440, and revisions are proposed to two sections.

Marcotte stated that the first proposed revision is to add a parenthetical to reference attorney-in-fact agreements to Section 19—Transactions Subject to Prior Notice, subparagraph B. This revision also adds reference to "service agreements" to make the wording in regulation Model #450 consistent with the wording in Model #440, Section 5—Standards A(2)(d), which lists management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements (described earlier). She stated that this is a consistency revision as the regulation did not list service agreements. She stated that a drafting note to describe attorney-in-fact agreements is also proposed, including powers of attorney and related agreements established to provide services to a reciprocal exchange.

Marcotte stated the next proposed revisions are in Item 6—Management Agreements, Service Agreements and Cost-Sharing Arrangements. She stated that item 6 is part of the format for the Form D—Prior Notice of a Transaction filing. She stated that the proposed revisions add two parentheticals on including attorney-in-fact agreements. Another revision adds service agreement language that is consistent with Model #440 and also consistent with the proposed revision in item 6 in Model #450.

Marcotte stated that a drafting note is also proposed describing attorney-in-fact agreements as including powers of attorney and related agreements established to provide services to a reciprocal exchange at a specific cost.

In response to Trim's inquiry regarding questions on revisions to Model #450, Hopper inquired about item 6 in the Form D filing when service agreements were being added to both sections. He noted that previously, the form only required items (a) through (g) for cost-sharing agreements. Marcotte stated that the name of item 6 was management agreements, service agreements, and cost-sharing arrangements, and indicated that they viewed this as a consistency revision because Model #440 lists management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements. Service contracts, which are subject to these requirements in Model #440, did not seem to be as explicitly named in Model #450, item 6. Therefore, this was proposed as a consistency revision.

Trim agreed that this was viewed as a consistency revision. Hopper agreed that they had also noted this in the body of Model #450 previously and supported the revision. He stated that his question was because management and service agreements have an (a) and (b) listed, and then cost-sharing arrangements had an (a) through (g) listed. He noted that with this proposed revision, service agreements may have two separate lists of items to provide.

Marcotte stated that the drafters thought that providing (a) through (g) for service contracts was most consistent with the overall model, but will still be exposed for public comments.

Snow asked if tax-sharing agreements were considered for addition to the item 6 list. Marcotte stated that it was unclear if the regulation puts tax allocation agreements in the broad category of cost-sharing arrangements or not. Since tax allocation was not part of the focus of the charges, no revisions were recommended. In response to the question, Marcotte also noted that tax-allocation agreements were required to be described in Model #450, item 5. Therefore, no revisions were proposed on those agreements. Dan Schelp (NAIC) stated that the chairs and NAIC staff thought the proposed revisions were the most consistent with the overall model, but comments received will be considered. He also stated that this is a limited charge, and issues that are peripheral to the charge were not addressed.

Marcotte noted that the models did not appear to provide guidance specifically delineating the difference between a management agreement and a service agreement. She stated that Schelp noted that Model #450 (a regulation) seemed to have been updated less frequently than Model #440. However, in the case of difference, Model #440 would typically be higher in the hierarchy. Snow indicated that his question was sufficiently answered.

Snow made a motion, seconded by Sherman, to expose the proposed amendments to Model #440 and Model #450 for a 30-day public comment period ending on Aug. 21. The motion passed unanimously.

Having no further business, the Reciprocal Exchanges (E) Working Group adjourned.

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/Reciprocal/2026/7-22-26/minutes/7-22-26 minutes Reciprocal.docx

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: July 27, 2026

Re: Reinsurance Recapture and Counterparty Risk

As you are aware, an increasing number of U.S. life and annuity insurers have ceded large portions of their business to reinsurers in non-U.S. jurisdictions in recent years. Most of this business has been ceded to reinsurers in Bermuda, which has been recognized as a reciprocal jurisdiction and has continued to make meaningful enhancements to its regulatory system in recent years. Overall, many of the regulatory changes adopted by the Bermuda Monetary Authority (BMA) have been viewed positively by U.S. regulators, and states with experience collaborating with the BMA generally report a favorable view of Bermuda as a reciprocal jurisdiction.

While reinsurance is a risk-mitigation tool that diversifies the risks borne by insurers, it also changes the nature of those risks. In life and annuity reinsurance, pricing/underwriting, reserving and market risks are transferred to the reinsurer and replaced by credit risk. As a result, the cedent's primary concern becomes the reinsurer's ability to meet its obligations and the possibility that the ceded business may need to be recaptured.

Reinsurance has long been used to stabilize life and annuity operations, support growth, and mitigate risk. Historically, however, its use in the U.S. has been relatively limited, accounting for only 6% of policy obligations in 1999.[1] After the global financial crisis (GFC), declining interest rates placed significant pressure on annuity writers, leading many U.S. insurers to sell or reinsure substantial portions of their business. Increasingly, those transactions have been executed with reinsurers domiciled outside the U.S. to take advantage of lower taxes and other regulatory benefits.[2]

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[1] See the Federal Reserve, *Accounting for Reinsurance Transactions in the Financial Accounts of the United States, Accessible Data*.

[2] The Society of Actuaries Research Institute February 2026 report, *International Reinsurance Landscape Overview for U.S. Life & Annuities*, synthesizes why and how U.S. carriers are using cross-border solutions, the structures they choose (third-party, affiliates, and sidecars), and where they domicile them.

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As more business is ceded to jurisdictions outside the U.S., recapture risk also increases. Beyond the operational complexities of recapturing previously ceded business, returning those policies to the cedent's balance sheet would increase capital requirements.

In 2025, the NAIC adopted *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves for Certain Life Reinsurance Treaties* (AG 55). Preliminary reviews that the NAIC's Valuation Analysis (E) Working Group conducted indicate that business ceded to unauthorized reinsurers generally comes from newer, relatively small annuity writers offering aggressive crediting rates. These transactions also tend to produce larger reductions in total asset requirements than comparable business ceded to Bermuda.

As a result, the ceding company may face greater capital strain if the business must be recaptured or if the reinsurer experiences solvency issues. Many state insurance regulators believe this risk warrants immediate attention given the increase in the continued growth in offshore reinsurance transactions.

Therefore, the Committee directs that the Life Risk-Based Capital (E) Working Group develops the following two changes to the life RBC formula:

- A reinsurance recapture RBC factor to be applied to ceded reserves and modified coinsurance balances for all reinsurance located outside of reciprocal jurisdictions while of course considering an overcollateralizing of the reserves in establishing the required RBC. The factor would account for the additional capital that would be required if a ceding company had to recapture those reserves.
- To account for increased credit risk for reinsurers that have lower financial strength ratings, modify the reinsurance methodology used in the life RBC formula for recoverability risk by aligning with the approach used in the property/casualty (P/C) RBC formula.

Because the NAIC already has a contract with Bridgeway Analytics, the firm is available to assist with this work. The Committee directs that these efforts be prioritized so that the changes are in place for year-end 2027.

If there are any questions regarding this referral, please contact NAIC committee support (Dan Daveline, ddaveline@naic.org) for further clarification.

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: Members, Interested Regulators and Interested Parties of the Financial Condition (E) Committee

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

Date: July 27, 2026

Re: NAIC Model 285-*Disclosure of Material Transactions Model Act* (#285)

As you are aware, there has been an emerging trend in recent years where an increasing number of U.S. life and annuity insurers have been ceding large portions of their business to other insurers, both affiliated and unaffiliated. While material affiliated reinsurance agreements are reviewed by the cedent's domestic regulator, non-affiliated agreements are not typically subject to regulatory review by the cedent's domestic regulator. This limits the ability of the domestic regulator to gain comfort of such cessions to unaffiliated reinsurers ahead of the transaction. A number of regulators have suggested the Committee should review the thresholds and requirements for reinsurance transactions in Model #285 to determine if those provisions remain appropriate.

This memorandum requests input from members, interested regulators and interested parties of the Financial Condition (E) Committee on that topic and more specifically what the more appropriate thresholds may be. Once the Committee receives such input, it will then consider whether the Committee should request approval from the NAIC Executive (EX) Committee to open up Model 285 to make such changes.

Please submit comments to NAIC staff (Dan Daveline, ddaveline@naic.org).

DISCLOSURE OF MATERIAL TRANSACTIONS MODEL ACT

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Section 1. Report

A. Every insurer domiciled in this state shall file a report with the commissioner disclosing material acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance agreements or material new ceded reinsurance agreements affecting in force life insurance business unless the acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance agreements or material new ceded reinsurance agreements affecting in force life insurance business have been submitted to the commissioner for review, approval or information purposes pursuant to other provisions of the insurance code, laws, regulations, or other requirements.

B. The report required in Subsection A is due within fifteen (15) days after the end of the calendar month in which any of the foregoing transactions occur.

C. One complete copy of the report, including any exhibits or other attachments, shall be filed with:

(1) The insurance department of the insurer's state of domicile; and

(2) The National Association of Insurance Commissioners.

Section 2. Acquisitions and Dispositions of Assets

A. Materiality.

No acquisitions or dispositions of assets need be reported pursuant to Section 1 if the acquisitions or dispositions are not material. For purposes of this Act, a material acquisition (or the aggregate of any series of related acquisitions during any thirty-day period) or disposition (or the aggregate of any series of related dispositions during any thirty-day period) is one that is non-recurring and not in the ordinary course of business and involves more than five percent (5%) of the reporting insurer's total admitted assets as reported in its most recent statutory statement filed with the insurance department of the insurer's state of domicile.

B. Scope.

(1) Asset acquisitions subject to this Act include every purchase, lease, exchange, merger, consolidation, succession or other acquisition other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for such purpose.

(2) Asset dispositions subject to this Act include every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment (whether for the benefit of creditors or otherwise), abandonment, destruction or other disposition.

C. Information to be Reported.

(1) The following information is required to be disclosed in any report of a material acquisition or disposition of assets:

(a) Date of the transaction;

(b) Manner of acquisition or disposition;

(c) Description of the assets involved;

(d) Nature and amount of the consideration given or received;

(e) Purpose of, or reason for, the transaction;

(f) Manner by which the amount of consideration was determined;

(g) Gain or loss recognized or realized as a result of the transaction; and

(h) Names of the persons from whom the assets were acquired or to whom they were disposed.

(2) Insurers are required to report material acquisitions and dispositions on a non-consolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than $1,000,000 total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than five percent (5%) of the insurer's capital and surplus.

Section 3. Nonrenewals, Cancellations or Revisions of Ceded Reinsurance Agreements

A. Materiality and Scope.

(1) No nonrenewals, cancellations or revisions of ceded reinsurance agreements or new ceded reinsurance agreements affecting in force life insurance business need be reported pursuant to Section 1 if the nonrenewals, cancellations or revisions of ceded reinsurance agreements or new ceded reinsurance agreements affecting in force life insurance business are not material. For purposes of this Act, a material nonrenewal, cancellation or revision of a ceded reinsurance agreement or a material new ceded reinsurance agreement affecting in force life insurance business is one that affects:

(a) As respects property and casualty business, including accident and health business written by a property and casualty insurer:

(i) More than fifty percent (50%) of the insurer's total ceded written premium; or

(ii) More than fifty percent (50%) of the insurer's total ceded indemnity and loss adjustment reserves.

(b) As respects life, annuity, and accident and health business: more than fifty percent (50%) of the total reserve credit taken for business ceded, on an annualized basis, as indicated in the insurer's most recent annual statement.

(c) As respects either property and casualty or life, annuity, and accident and health business, either of the following events shall constitute a material revision which must be reported:

(i) An authorized reinsurer representing more than ten percent (10%) of a total cession is replaced by one or more unauthorized reinsurers; or

(ii) Previously established collateral requirements have been reduced or waived as respects one or more unauthorized reinsurers representing collectively more than ten percent (10%) of a total cession.

(2) However, no filing shall be required if:

(a) As respects property and casualty business, including accident and health business written by a property and casualty insurer: the insurer's total ceded written premium represents, on an annualized basis, less than ten percent (10%) of its total written premium for direct and assumed business, or

(b) As respects life, annuity, and accident and health business: the total reserve credit taken for business ceded represents, on an annualized basis, less than ten percent (10%) of the statutory reserve requirement prior to any cession.

B. Information to be reported.

(1) The following information is required to be disclosed in any report of a material nonrenewal, cancellation or revision of ceded reinsurance agreements or material new ceded reinsurance agreements affecting in force life insurance business:

(a) Effective date of the nonrenewal, cancellation, revision or new agreement;

(b) The description of the transaction with an identification of the initiator thereof;

(c) Purpose of, or reason for, the transaction; and

(d) If applicable, the identity of the replacement reinsurers.

(2) Insurers are required to report all material nonrenewals, cancellations or revisions of ceded reinsurance agreements or material new ceded reinsurance agreements affecting in force life insurance business on a non-consolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than $1,000,000 total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than five percent (5%) of the insurer's capital and surplus.

Section 4. Confidentiality

A. All reports obtained by or disclosed to the commissioner pursuant to this Act in the possession or control of the Department of Insurance, shall be confidential by law and privileged, shall not be subject to [insert open records, freedom of information, sunshine or other appropriate phrase], shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action without the prior written consent of the insurer to which it pertains. However, the commissioner is authorized to use the documents, materials or other information in the furtherance of any regulatory or legal action brought as a part of the commissioner's official duties.

B. After giving the insurer who would be affected notice and an opportunity to be heard, the commissioner may determine that the interest of policyholders, shareholders or the public will be served by publication of the information subject to Subsection A, in which event the commissioner may publish all or any part in the manner the commissioner may deem appropriate.

C. Neither the commissioner nor any person who received documents, materials or other information while acting under the authority of the commissioner shall be permitted or required to testify in any private civil action concerning any confidential documents, materials or information subject to Subsection A.

D. In order to assist in the performance of the commissioner's duties, the commissioner:

(1) May share documents, materials or other information, including the confidential and privileged documents, materials or information subject to Subsection A, with other state, federal and international regulatory agencies, with the NAIC and its affiliates and subsidiaries, and with state, federal and international law enforcement authorities, provided that the recipient agrees to maintain the confidentiality and privileged status of the document, material or other information;

(2) May receive documents, materials or information, including otherwise confidential and privileged documents, materials or information, from the NAIC and its affiliates and subsidiaries, and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material or information; and

(3) [Optional provision] May enter into agreements governing sharing and use of information consistent with this subsection.

Drafting Note: The language in Subsection D(1) assumes the recipient has the authority to protect the applicable confidentiality or privilege, but does not address the verification of that authority, which would presumably occur in the context of a broader information sharing agreement.

E. No waiver of any applicable privilege or claim of confidentiality in the documents, materials or information shall occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in Subsection D.

Section 5. Effective Date

This Act shall take effect on [insert date].

Chronological Summary of Action (all references are to the Proceedings of the NAIC).

1993 Proc. I 8, 136, 276, 302, 304-306 (adopted).
1993 Proc. 2nd Quarter 12, 17, 24-26, 30, 101 (amended and reprinted).
1994 Proc. 3rd Quarter (amended and reprinted).
1999 Proc. 4th Quarter 15, 364, 369, 373-374 (amended).
2000 Proc. 4th Quarter 16, 17, 832, 965, 973-975 (amended and reprinted)

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.