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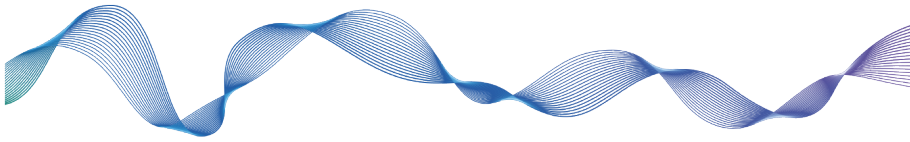
2026 Fall National Meeting
Dallas, Texas

CAPITAL ADEQUACY (E) TASK FORCE
Monday, November 16, 2026
11:30 a.m. – 12:30 p.m.
Convention Center—Texas C123—Level 3

ROLL CALL

NAIC Member	Representative	State/Territory
Julia Dreier, Chair	Ben Slutsker	Minnesota
Judith L. French, Vice Chair	Tom Botsko	Ohio
Mark Fowler	Charles Hale	Alabama
Heather Carpenter	David Phifer	Alaska
Peter M. Fuimaono	Elizabeth Perri	American Samoa
Ricardo Lara	Thomas Reedy	California
Michael Conway	Rolf Kaumann	Colorado
Joshua Hershman	Wanchin Chou	Connecticut
Karima M. Woods	Philip Barlow	District of Columbia
Michael Yaworsky	Bradley Trim	Florida
Ann Gillespie	Matt Cheung	Illinois
Holly W. Lambert	Roy Eft	Indiana
Doug Ommen	Mike Yanacheak	Iowa
Vicki Schmidt	Tish Becker	Kansas
Sharon P. Clark	Vicki Lloyd	Kentucky
Timothy J. Temple	Tom Travis	Louisiana
Michael T. Caljouw	John Turchi	Massachusetts
Angela L. Nelson	John F. Rehagen	Missouri
Eric Dunning	Andrea Johnson	Nebraska
Ned Gaines	Diana Branciforte	Nevada
Susan Ochs	Susan Ochs	New Jersey
Jon Godfread	Matt Fischer	North Dakota
Glen Mulready	Andy Schallhorn	Oklahoma
Michael Humphreys	Diana L. Sherman	Pennsylvania
Elizabeth Kelleher Dwyer	Liz Ammerman	Rhode Island
Michael Wise	Ryan Basnett	South Carolina
Amanda Crawford	Jamie Walker	Texas
Scott A. White	Doug Stolte/Dan Bumpus	Virginia
Patty Kuderer	Steve Drutz	Washington
Nathan Houdek	Amy Malm	Wisconsin

NAIC Committee Support: Eva Yeung/Maggie Chang



AGENDA

1. Consider Adoption of its Nov. 3 and Aug. 4 Minutes—*Ben Slutsker (MN)* — Attachment One, Attachment Two

2. Consider Adoption of the Minutes and Reports of its Working Groups —*Ben Slutsker (MN)*
   A. Reports:
      i. Risk-Based Capital Investment Risk and Evaluation (E) Working Group—*Philip Barlow (DC)* — Attachment Three, Attachment Four
      ii. Life Risk-Based Capital (E) Working Group—Ben Slutsker (MN)
   B. Minutes:
      i. Property and Casualty Risk-Based Capital (E) Working Group —*Tom Botsko (OH)* — Attachment Five
      ii. Health Risk-Based Capital (E) Working Group—*Steve Drutz (WA)* — Attachment Six

3. Hear a Presentation from the American Academy of Actuaries (Academy) Titled "Risk-Based Capital Ratios and Impairment Risk: Are They Related and, If So, When?"—*Kim Ferrero (Academy)* — Attachment Seven

4. Discuss a Referral Regarding Insurance Company-Owned Life Insurance (ICOLI)—*Ben Slutsker (MN)* — Attachment Eight

5. Discuss Any Other Matters Brought Before the Task Force —*Ben Slutsker (MN)*

6. Adjournment

Draft: 11/11/26

Capital Adequacy (E) Task Force
Virtual Meeting
November 3, 2026

The Capital Adequacy (E) Task Force met Nov. 3, 2026. The following Task Force members participated: Julia Dreier, Chair, represented by Ben Slutsker (MN); Judith L. French, Vice Chair, represented by Tom Botsko (OH); Mark Fowler represented by Charles Hale (AL); Heather Carpenter represented by David Phifer (AK), Ricardo Lara represented by Kim Hudson (CA); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Mike Yanacheak and Kevin Clark (IA); Ann Gillespie represented by Matt Cheung (IL); 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 represented by John Turchi (MA); Angela L. Nelson represented by John F. Rehagen and William Leung (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Susan Ochs represented by David Wolf (NJ); Glen Mulready represented by Andy Schallhorn (OK); Elizabeth Kelleher Dwyer represented by Liz Ammerman (RI); Michael Wise represented by Hinal Patel (SC); Amanda Crawford represented by Rachel Hemphill (TX); Scott A. White represented by Doug Stolte (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted Proposal 2026-04-CR (Jan. 1 – Sept. 30 Catastrophe Event Lists)

Chou said that he, Botsko, and NAIC committee support reviewed and compiled the 2026 catastrophe event lists, which consolidate events for the major perils of hurricane, earthquake, wildfire, and severe convective storm. He stated that the initial version of the lists, covering events from January through September, was exposed via email on Oct. 20 for a seven-day public comment period and was adopted by the Property and Casualty Risk-Based Capital (E) Working Group during its Oct. 28 interim meeting. Events occurring from October through December will be exposed in early January. He explained that this is a routine review and publication of the lists, intended to assist the industry in compiling its own catastrophe event information, including for use in financial software.

Hale noted that "Connecticut" and "Taiwan" were misspelled in the lists. Chou thanked him for identifying the errors and stated that NAIC committee support will correct them before the lists are posted to the Working Group's web page.

Chou made a motion, seconded by Drutz, to adopt proposal 2026-04-CR, including the editorial corrections noted above (Attachment XXX). The motion passed unanimously.

2. Adopted Proposal 2026-13-CR (Severe Convective Storm Implementation)

Chou stated that severe convective storm data has been reported for informational purposes only for the past two years and that a second impact analysis was completed earlier this year. The analysis indicated that only two companies moved from the no-action level to the trend test in 2024, and only one in 2025. He noted that the Catastrophe Risk (E) Subgroup adopted proposal 2026-13-CR on Oct. 28 to include the severe convective storm charge in the risk-based capital (RBC) calculation beginning with 2027 reporting. He added that the Subgroup will continue to work with the American Academy of Actuaries (Academy) and interested parties on technical enhancements and to monitor developments in catastrophe modeling.

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Chou made a motion, seconded by Botsko, to adopt proposal 2026-13-CR (Attachment XXX). The motion passed unanimously.

3. Adopted Task Force and its Working Groups' Working Agenda

Slutsker stated that the Health Risk-Based Capital (E) Working Group, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, the Life Risk-Based Capital (E) Working Group, and the Property and Casualty Risk-Based Capital (E) Working Group each reviewed its working agenda during its October virtual meeting. The Task Force's working agenda was also presented for review.

For the Health Risk-Based Capital (E) Working Group, Slutsker highlighted the adoption of proposal 2026-03-CA for year-end 2026 reporting (Item 1); the restructuring of pages XR013, PR020, and LR020 to align with the lines of business on the Analysis of Operations page (Item 4); and the formation of a Managed Care Credit Drafting Group to address the expansion of Exhibit 7 (Item 5).

For the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, Items 2 and 3 (Schedule D, Part 2, Section 2 investments) were marked as completed, and proposal 2025-12-IRE (SVO Funds Alignment) was withdrawn. Milestones were logged for Items 4 and 5 (asset-backed securities and residual tranches) to record the adoption of the collateralized loan obligation (CLO) structures and factors for year-end 2026.

For the Life Risk-Based Capital (E) Working Group, the Variable Annuities Capital and Reserve (E/A) Subgroup was disbanded, and Item 8 (collateral loans) was marked as completed following the adoption of proposal 2025-16-L. A new priority item, Item 10, was added in response to a Financial Condition (E) Committee referral containing two directives on reinsurance RBC charges: 1) a recapture charge for transactions with counterparties in non-reciprocal jurisdictions; and 2) a counterparty risk charge based on credit ratings.

For the Property and Casualty Risk-Based Capital (E) Working Group, Botsko stated that the expected completion dates were extended for Item P1 to 2028 or later and for Item P6 (quantifying the catastrophe scenario [Rcat] factors for the wildfire peril) to the 2027 Summer National Meeting. Items P8, P9, and P10 were marked as completed following the Task Force's adoption of proposals 2025-20-P (adding the wildfire peril to the Rcat component), 2025-19-CR (separating earthquake and hurricane loss experience in PR100), and 2025-21-P (updating the loss and premium concentration factors in PR017 and PR018). Items D13 and D14 were also marked as completed following the adoption of proposal 2026-21-P. Three new priority items were added earlier this year: Item P11, evaluating the addition of the severe convective storm peril to the Rcat component, which is expected to be completed by the Fall National Meeting and for which proposal 2026-13-CR was exposed for a 60-day public comment period ending Sept. 8; Item P12, updating the loss and premium concentration factors; and Item P13, eliminating the Rcat interrogatory questions.

For the Task Force's working agenda, Slutsker stated that Item 5 (RBC preamble review) was marked as completed, and Item 7 (consistent labeling of company action levels across RBC schedules) was removed upon completion. NAIC committee support adjusted the expected completion dates for Item 4 (collateral loans for property/casualty [P/C] and health) and Item 6 (tax credit investments). Two new priority items were added based on referrals from the Statutory Accounting Principles (E) Working Group: Item 7, addressing corporate-owned life insurance (COLI); and Item 8, evaluating potential changes to the RBC instructions to align with the revised annual statement securities lending disclosures.

Botsko made a motion, seconded by Drutz, to adopt its Task Force and Working Groups' working agenda (Attachment XXX). The motion passed unanimously.

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4. Adopted the Revised RBC Procedures

Slutsker stated that the proposed 2027 revisions to the *Procedures of the Financial Condition (E) Committee's Capital Adequacy (E) Task Force in Connection with Proposed Amendments to Risk-Based Capital Blanks and Instructions* include three changes. First, the sentence in Item 2 stating that "the two-thirds consent applies only in the instance of a Task Force vote that is outside of the standard RBC adoption deadlines (May 15 and June 30)" is proposed for deletion. NAIC committee support were made aware that this sentence could be interpreted as allowing structural changes to be adopted as late as July 30, which was not the original intent; therefore, the sentence is proposed for removal to avoid confusion and duplicative language. Second, the review process language is revised so that the Task Force and its Working Groups will consider comments received on each proposal at "future meeting(s)" rather than only at the "next" meeting. Third, Item 7 is expanded to allow the Task Force or a Working Group to appoint an "Ad Hoc Group/Drafting Group" to study proposals and/or specific issues, reflecting current practice, such as the C-3 Alignment Field Test Drafting Group and the Managed Care Credit Drafting Group. He stated that the proposed revisions were exposed via email for a 30-day public comment period ending Oct. 28, and no comments were received.

Yanacheak made a motion, seconded by Botsko, to adopt the revised RBC procedures (Attachment XXX). The motion passed unanimously.

5. Received Referrals from the Statutory Accounting Principles (E) Working Group

A. ICOLI

Clark stated that the Statutory Accounting Principles (E) Working Group exposed an agenda item on insurance company-owned life insurance (ICOLI), which insurers commonly purchase on the lives of employees to manage key-person risk or to fund employee benefit plans. He explained that ICOLI products may be fully guaranteed general account products or variable products supported by a separate account, sometimes with stable value wrappers. Under *Statement of Statutory Accounting Principles (SSAP) No. 21—Other Admitted Assets*, qualifying policies may be admitted at their current realizable value and are typically reported as a write-in for other than invested assets. As a result, there is no RBC charge for life insurers, and only a small charge applies to other insurer types. Clark noted that since the Working Group last addressed ICOLI in 2018, the use of these products has grown substantially, particularly variable products backed by alternative investments. Some companies hold ICOLI allocations ranging from more than 50% to 100% of surplus, and some marketing materials present ICOLI as a way to invest in private markets without holding RBC. He stated that the Working Group exposed the item to reassess whether classifying ICOLI as an other-than-invested asset remains appropriate and referred the matter to the Task Force to assess whether an RBC requirement should be established for the investment risk in these products. Slutsker stated that the Working Group plans to discuss the comments received during its Nov. 15 meeting at the Fall National Meeting, and the Task Force plans to devote a significant portion of its Nov. 16 meeting to the topic. He encouraged interested parties to attend both sessions.

B. Securities Lending

Clark stated that the Statutory Accounting Principles (E) Working Group adopted terminology revisions related to the reporting of securities-lending transactions. Previous restricted asset reporting guidance identified collateral held under securities-lending agreements as the restricted asset to be reported in the disclosures; however, a separate reporting category exists for collateral held with a recognized liability to return it. This overlap led to questions from insurers about whether securities-lending collateral should be captured twice. To resolve this, the Working Group clarified that the restricted asset category for securities lending should reflect the asset lent under

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the agreement, which remains on the insurer's investment schedules. When collateral received is recognized on the balance sheet because the insurer can pledge or resell it, the insurer should also recognize a liability to return the collateral and report it in the separate collateral category. Clark noted that a review by NAIC committee support found that most references in the RBC formula instructions already align with these clarifications, and the referral asks the Task Force to update the few remaining instances identified. Slutsker stated that NAIC committee support has prepared a draft incorporating these changes, which the Task Force will discuss under agenda item 7. He stated that the Task Force acknowledged receipt of both referrals (Attachment XXX and Attachment XXX) and will follow up with the Working Group.

6. Exposed Proposal 2026-14-CA (Security Identifier Update)

Slutsker stated that the Blanks (E) Working Group adopted 2026-15BWG, which updated the "CUSIP" column on investment schedules in the annual and quarterly statements to be "Security Identifier." The update also added a "Security ID Type" column to the schedules and a hierarchy for security identifier type reporting to the annual statement instructions. This proposal updates annual statement references for schedule D, DL, DB, E, and BA.

The Task Force agreed to expose proposal 2026-14-CA (Attachment XXX) for a 30-day public comment period ending Dec. 3.

7. Exposed Proposal 2026-16-CA (Non-Controlled Assets)

Slutsker stated that this proposal incorporates changes to the RBC blanks and instructions for pages LR017, LR018, PR014, PR015, XR005, and XR006 resulting from the adoption of Statutory Accounting Principles (E) Working Group agenda item 2026-05 (Securities Lending Restricted Asset Reporting) and Blanks (E) Working Group agenda item 2026-17BWG. With these adoptions, Annual Statement General Interrogatories 25.04 and 25.05 were revised to refer to "assets lent" rather than the "amount of collateral" under securities lending agreements, and this proposal aligns the RBC terminology accordingly. In addition, NAIC committee support reviewed these pages and identified the following items for revision or discussion: 1) the footnote "#" on the LR017 blank needs to be updated to reflect the adoption of proposal 2017-03-L MOD; 2) off-balance sheet collateral received in connection with securities lending transactions is reported in Column (1) of LR018, PR015, and XR006, but there is currently no direct tie-out to the annual statement because footnote 5E(6) is not data-capturable and/or discloses the fair value, rather than the book/adjusted carrying value (BACV), of off-balance sheet collateral; 3) feedback is requested on whether the PR015 instructions provide sufficient guidance on the bond size factor adjustment; and 4) other minor editorial updates.

The Task Force agreed to expose proposal 2026-16-CA (Attachment XXX) for a 30-day public comment period ending Dec. 3.

8. Adopted the RBC Publication Editorial Changes Listing

Maggie Chang (NAIC) said NAIC committee support have historically captured editorial updates to the RBC publications through the newsletter process. This year, however, additional editorial updates were identified in late summer, after the newsletter was released. As a result, committees support used an editorial listing format to capture these updates. She said all items on the listing were identified either by software vendors or through internal committee support review, and all have been communicated to vendors. Because the RBC publications are widely available, committee support requested the Task Force's approval to post the listing on the Task Force web page to reach a wider audience.

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Travis made a motion, seconded by Yanacheak, to adopt the RBC publication editorial changes listing (Attachment XXX). The motion passed unanimously.

9. Discussed Other Matters

Slutsker said the Capital Adequacy (E) Task Force will hold its next meeting in person in Dallas. At that meeting, the Task Force will continue its discussion of ICOLI, including the Statutory Accounting Principles (E) Working Group's referral received under agenda item 5 regarding the reporting of ICOLI and the potential RBC treatment of the investment risk in ICOLI products. The Task Force will also hear a presentation from the Academy titled "Risk-Based Capital Ratios and Impairment Risk: Are They Related and, If So, When?" This topic relates to the Academy's Phase 1 research, presented on March 22, 2026, on the relationship between authorized control level (ACL) RBC ratios and impairment probability across insurance sectors. Slutsker encouraged Task Force members and interested parties to review the meeting materials in advance and to be prepared to provide feedback.

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

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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. Adopted its June 30, June 18, May 14, and Spring National Meeting Minutes

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.

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Draft Pending Adoption

A majority of the Task Force members voted in favor of adopting its June 30 (Attachment One), June 18 (*see NAIC Proceedings – Summer 2026, Risk-Based Capital Model Governance (EX) Task Force*), 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.

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2026 Fall National Meeting
Dallas, Texas

RISK-BASED CAPITAL INVESTMENT RISK AND EVALUATION (E) WORKING GROUP
Monday, November 16, 2026
9:00 – 10:00 a.m.

Meeting Summary Report

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met Nov. 16, 2026. During this meeting, the Working Group:

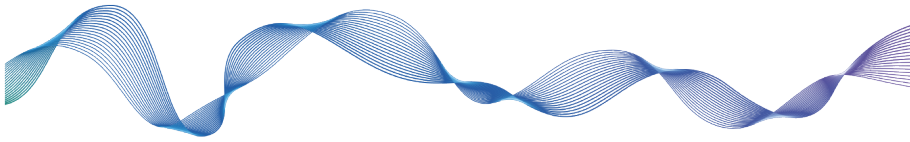
1. Adopted its Oct. 5 minutes. During this meeting, the Working Group took the following action:
   A. Received comments on a presentation by the American Academy of Actuaries (Academy) on the collateralized loan obligation (CLO) risk-based capital (RBC) project, focusing on residual tranches.
   B. Received comments on the Academy's excerpts from its Dec. 15, 2025, C-1 Subcommittee presentation.
   C. Reviewed asset-backed securities (ABS) reported in the *2025 Annual Statement* filings. The summary of ABS titled "Asset-Backed Securities Reported in 2025 Statutory Filings - Schedule D, Part 1, Section 2 - For All Types of Businesses," along with cover questions, was exposed for a 30-day public comment period ending Nov. 5.
   D. Adopted its working agenda.
   E. Discussed broadly syndicated loan (BSL) CLOs thin tranche list.

2. Adopted its June 23 (*see NAIC Proceedings – Summer 2026, Capital Adequacy (E) Task Force, Attachment Five*) minutes.

3. Received the Academy's model document titled *Model Construction and Development of RBC C-1 CLO Factors*. The Working Group directed that the model document be posted to the Working Group's web page.

4. Received an update from the Investment Designation Analysis (E) Working Group on its recent exposures, including: 1) a proposed amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to publish the List of Broadly Syndicated Loan CLOs Impacted by the Tranche Thickness RBC Guidance; 2) an amendment to the P&P Manual to update the filing exempt treatment of CLOs; 3) a technical amendment to the P&P Manual to expand eligibility for the NAIC U.S. Government Money Market Fund List to include master/feeder fund structures; 4) an amendment to the P&P Manual to update the eligible security identifiers to file a security; and 5) an amendment to the P&P Manual to update the reporting guidance for the Securities Valuation Office (SVO) Analytical Department Symbol "ER."

5. Received an update from the Statutory Accounting Principles (E) Working Group on a few investment-related exposures/topics: 1) revised CLO definition; 2) embedded ALM risk; and 3) a referral from the Investment Analysis (E) Working Group regarding the reporting of structured investments and underlying collateral and other reporting enhancements project.



6. Received comments on the summary titled "Asset-Backed Securities Reported in 2025 Statutory Filings - Schedule D, Part 1, Section 2 - For All Types of Businesses." The Academy provided a refresher on the C-1 modeling flowchart, which captures guiding principles in reviewing C-1 factors for structured securities.

7. Heard an update from the Academy on the CLO RBC modeling refinement project. The Academy reported progress to date, focusing on future runs involving model assumptions such as systemic correlation, collateral repurchase price and prepayment.

Draft date: 11/13/26

2026 Fall National Meeting
Dallas, Texas

LIFE RISK-BASED CAPITAL (E) WORKING GROUP
Sunday, November 15, 2026
11:00 a.m. – 12:00 p.m.

Meeting Summary Report

The Life Risk-Based Capital (E) Working Group met Nov. 15, 2026. During this meeting, the Working Group:

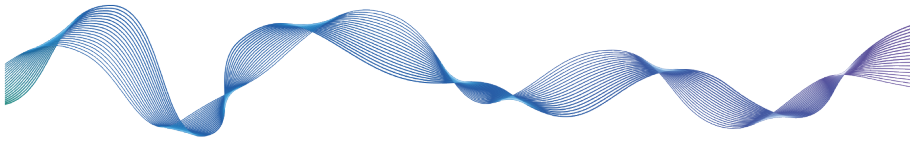
1. Adopted its Oct. 28, Oct. 13, Oct. 6, Aug. 26, and July 16 (*see NAIC Proceedings – Summer 2026, Capital Adequacy (E) Task Force, Attachment Four*) minutes. During these meetings, the Working Group took the following action:
   A. Heard a presentation from Bridgeway Analytics on reinsurance recapture and counterparty risk.
   B. Adopted its 2027 working agenda.
   C. Received comments on the reinsurance recapture charge from the Financial Condition (E) Committee referral.
   D. Discussed questions on the reinsurance recapture charge from the Financial Condition (E) Committee referral.
   E. Received notification from the Statutory Accounting Principles (E) Working Group's intention to sponsor a proposal on a referral on asset value reserve (AVR)-affiliated common stock.
   F. Exposed the Financial Condition (E) Committee referral on reinsurance recapture and counterparty risk.

2. Received an update from the Generator of Economic Scenarios (GOES) (E/A) Subgroup. During its session of the Fall National Meeting, the Life Actuarial (A) Task Force adopted the latest revisions to the GOES Model Governance Framework, which will be exposed each year to receive comments from interested parties on whether updates or enhancements need to be made.

3. Received an update from the Longevity Risk (E/A) Subgroup. The Longevity Risk (E/A) Subgroup has not met since the Summer National Meeting.

4. Adopted GOES Model Governance Framework revisions. The key revisions include the addition of:
   A. An overview section that clarifies objectives of the model governance framework and sets metrics for operational performance.
   B. A scenario file retention policy that states that scenario files and associated data will remain on the GOES website unless removed after a public exposure process.
   C. A hashing process that will help with the auditability of the scenario files stored on the website.

5. Exposed proposal 2026-17-L (Recapture Risk Non-Reciprocal Jurisdiction), along with a cover letter question on retrocessions, for a 30-day public comment period ending Dec. 15.



6. Received an update on C-3 alignment field and model office testing. The American Academy of Actuaries (Academy) proposed modernizing the C3 framework, and an industry field test began in October. As part of the field test, participants will share their results directly with regulators. These calls are scheduled to begin after the Fall National Meeting concludes. Participants will also provide results via a standardized template. NAIC committee support will work to analyze and share aggregated field test results at the beginning of next year. Additionally, the Academy, the American Council of Life Insurers (ACLI), and the NAIC have hired Ernst & Young as a consultant to produce field test model office results for public discussion. The Academy proposes that the changes to the framework take effect at year-end 2027.

Draft: 11/3/26

Property and Casualty Risk-Based Capital (E) Working Group
and the Catastrophe Risk (E) Subgroup
Virtual Meeting
October 28, 2026

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Oct. 28, 2026, in joint session with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group. The following Working Group members participated: Tom Botsko, Chair (OH); Wanchin Chou, Vice Chair (CT); Charles Hale (AL); Rolf Kaumann and Eric Unger (CO); Jane Nelson (FL); Sandra Darby (ME); Will Davis (NC); Melissa Robertson (NM); Ni Qin (NY); Rebecca Armon (TX); and Adrian Jaramillo (WI). The following Subgroup members participated: Wanchin Chou, Chair (CT); Jane Nelson, Vice Chair (FL); Rolf Kaumann and Eric Unger (CO); Travis Grassel (IA); Sandra Darby (ME); Melissa Robertson (NM); Ni Qin (NY); Tom Botsko (OH); and Rebecca Armon (TX).

1. Adopted the Working Group and Subgroup's Sept. 28 and July 9 Minutes

Botsko said the Working Group and Subgroup met Sept. 28 and July 9. During these meetings, they took the following action: 1) discussed comments regarding proposal 2026-13-CR (Severe Convective Storm Implementation); 2) discussed severe convective storm implementation impact analysis; and 3) discussed the Working Group and Subgroup working agenda.

Chou made a motion, seconded by Armon, to adopt the Working Group and Subgroup's Sept. 28 (Attachment XXX) and July 9 (*see NAIC Proceedings – Summer 2026, Capital Adequacy (E) Task Force, Attachment Six*) minutes. The motion passed unanimously.

2. Adopted Proposal 2026-13-CR (Severe Convective Storm Implementation)

Chou stated that proposal 2026-13-CR (Severe Convective Storm Implementation) had been discussed at prior meetings, including the September meeting. He noted that severe convective storm data has been reported for informational purposes only for the past two years, that a second impact analysis was completed earlier this year, and that the 61-day public comment period ended Sept. 8. The most substantive comments were received from the National Association of Mutual Insurance Companies (NAMIC).

Jon Rodgers (NAMIC) stated that NAMIC supports the inclusion of severe convective storm risk in the risk-based capital (RBC) framework; however, it would have preferred additional time for the models to mature and for calibration and implementation issues to be resolved. He encouraged further evaluation of aggregate losses, expected losses, and potential duplication with underwriting risk charges. He also noted that smaller companies may continue to rely on their reinsurance brokers to calculate the charge.

Chou referred Rodgers to Actuarial Standard of Practice (ASOP) No. 39 regarding the technical issues raised. He emphasized that RBC is a minimum capital requirement, that companies are expected to manage their own catastrophe risk, and that the NAIC and state insurance regulators do not intend to impose additional capital constraints on small carriers. Botsko thanked NAMIC for its participation.

Hearing no further comments, Chou stated that the Subgroup would adopt proposal 2026-13-CR for inclusion in the RBC calculation, beginning with the 2027 reporting period. He added that the Subgroup will continue to work

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with the American Academy of Actuaries (Academy) and interested parties on technical enhancements and will continue to monitor developments in catastrophe modeling.

Armon made a motion, seconded by Kaumann, to adopt proposal 2026-13-CR (Attachment XXX). The motion passed unanimously.

3. Adopted Proposal 2026-04-CR (Jan. 1 – Sept. 30 Cat Event List)

Chou stated that he, Botsko, and NAIC committee support reviewed and compiled the 2026 catastrophe event lists. The consolidated list includes events for the major perils: hurricanes, earthquakes, wildfires, and severe convective storms. Chou stated that the initial version of the 2026 catastrophe event lists, covering events from January through September, was exposed via email on Oct. 20 for a seven-day public comment period. He noted that the updated event lists will be exposed for an additional public comment period in early January 2027. Chou explained that this is a routine review and publication of the catastrophe event lists, intended to assist the industry in preparing its own catastrophe event information, including for use in financial software.

Derek Noe (NAIC) stated that several pre-2026 events had been incorrectly classified as "winter storm" rather than "severe convective storm," and that those entries have been corrected. He added that several events listed as "tornado" were also reclassified as "severe convective storm" for consistency with the rest of the document. Chou stated that the event lists will be updated again following the hurricane season, once year-end data becomes available, and reposted in early January 2027.

Grassel made a motion, seconded by Armon, to adopt proposal 2026-04-CR (Attachment XXX). The motion passed unanimously.

4. Discussed Climate Impact Disclosures

Chou stated that the RBC climate impact disclosures for 2040 and 2050 were adopted for informational purposes only two to three years ago and that, after two years of reporting, the Working Group and Subgroup should consider what has been observed. Farrell stated that climate scenarios for hurricane and wildfire were added to the current-climate catastrophe data, that related training is available to regulators on Compass, and that analytics have been added to iSite+. He noted that the scenarios are scheduled to sunset after year-end 2026; however, the Natural Catastrophe Risk and Resilience (EX) Task Force has referred a recommendation to the Financial Condition (E) Committee to consider extending them through year-end 2030.

Farrell reported positive trends in the year-end 2025 data, including: 1) improved data quality and corrections to earlier reporting errors; 2) increased engagement by modeling vendors and companies and more submissions; 3) a shift by several companies from the prescribed frequency approach to the modeled approach; and 4) results for 2040 ranging from increases of up to 60% to slight decreases, with decreases mainly among smaller regional companies. He said risk generally increases through 2040 and further by 2050, consistently for hurricanes and wildfires, and that remaining outliers provide opportunities for regulators to engage with those companies. He concluded that the information continues to provide value and that data quality would likely improve if the requirements remain in place.

Chou thanked Farrell and noted the improvements in data quality, engagement, and educational resources. He stated that the extension would not be discussed at this meeting, as the Financial Condition (E) Committee would address the referral the following day, and he encouraged interested parties to comment or speak at that meeting. He noted that for 2025 reporting, approximately 30% to 40% of companies used the modeled approach for

hurricane and approximately 60% used the frequency approach, while the corresponding figure for wildfire was approximately 75%.

Chad Wilson (Travelers) stated that Travelers selected the frequency approach because it is less costly and does not require licensing climate vendor models. He said the analysis has provided no additional internal benefit but requires significant resources, approximately two to four employees for about four weeks across multiple reporting entities. Matthew Vece (American Property Casualty Insurance Association—APCIA) supported Wilson's concerns and stated that APCIA, NAMIC, and the Reinsurance Association of America (RAA) submitted a joint comment letter to the Financial Condition (E) Committee requesting that the requirements sunset after 2026 reporting as originally planned, noting that they are inconsistent with the purpose of RBC and costly without a corresponding regulatory benefit. Rodgers supported these comments.

Chou stated that scenario analysis should provide real benefit and that its value is limited if results rely primarily on frequency adjustments rather than actual models. He reiterated that the sunset question would be discussed at the Financial Condition (E) Committee meeting the following day. He encouraged interested parties to review the referral, participate in the Committee's meeting, and submit any comments or feedback regarding the referral so that their perspectives may be considered as part of the Committee's deliberations.

5. Heard Consideration from the Academy for Future Analysis of Correlation Between Perils in the Rcat Component

Ron Wilkins (American Academy of Actuaries—Academy), chair of the Academy Property and Casualty Risk-Based Capital (P&C RBC) Committee, shared preliminary thoughts on correlation. He noted that, with the addition of severe convective storms, the catastrophe risk charge (Rcat) will include four perils, and he suggested initially focusing on a single correlation coefficient between hurricanes and severe convective storms. Because Academy volunteers cannot access the confidential PR100 historical catastrophe data, he suggested that NAIC committee support conduct the analysis with Academy guidance and review of aggregate results. He also suggested that NAIC committee support use PR027 modeled data to perform a sensitivity analysis with a few simple correlation values, such as 25%. He stated that the Academy has no view on the appropriate value, noting that overall RBC may not be very sensitive to the value selected if hurricane risk is much larger than severe convective storm risk for most companies. He said the Academy hopes to present a work product in the coming months.

Botsko stated that NAIC committee support look forward to working with the Academy on this project. Chou stated that the correlation coefficient is a key component of the formula as new perils are added and suggested that Wilkins coordinate with the Academy Extreme Events Committee, which has developed an extensive database that could support the study. Wilkins agreed that this could become a joint effort between the two Academy committees.

6. Discussed Editorial Changes in the 2026 P/C RBC Publications

Botsko stated that, following the adoption of the 2026 proposals, NAIC committee support identified several editorial changes necessary to ensure consistency and accuracy within the property and casualty (P/C) RBC formula and instructions. Specifically: 1) PR027D, Item 11 was deleted, as PR027INT Items D13 and D14 were eliminated as a result of adopted proposal 2026-08-CR; 2) the annual statement source for PR019, Line 36, Column 2 was added to clarify that the Column 2 RBC requirement should include all lines; and 3) the affiliate type in the tables under Item 5, "Indirectly Owned Alien Insurance Affiliates/Subsidiaries," was changed from 6c to 5c as a result of adopted proposal 2026-05-CA. Botsko noted that these editorial updates do not change the intent of the

adopted proposals and will be reflected in the *2026 Property and Casualty Risk-Based Capital Forecasting and Instructions*.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup adjourned.

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Draft: 11/3/26

Health Risk-Based Capital (E) Working Group
Virtual Meeting
October 28, 2026

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Oct. 28, 2026. The following Working Group members participated: Steve Drutz, Chair (WA); Danielle Smith, Vice Chair (MO); Wanchin Chou (CT); Tish Becker (KS); Diana L. Sherman (PA); and Bing Wu (TX).

1. Adopted its July 15 Minutes

The Working Group met July 15, 2026. During this meeting, the Working Group took the following action: 1) adopted its May 7 minutes; 2) discussed the 2025 health risk-based capital (RBC) statistics; 3) adopted the 2026 health newsletter; 4) received comments on the request for additional data analysis ideas; 5) discussed time horizon in factor development; and 6) discussed state-directed payments and Medicaid pass-through.

Sherman made a motion, seconded by Smith, to adopt the Working Group's July 15 minutes (*see NAIC Proceedings – Summer 2026, Capital Adequacy (E) Task Force, Attachment Three*). The motion passed unanimously.

2. Adopted its Working Agenda

Drutz said there were no new items added to its working agenda this year and that the dates for items X3, X4, X7, and X8 were updated.

Sherman made a motion, seconded by Smith, to adopt its working agenda.

3. Received a Referral from the Statutory Accounting Principles (E) Working Group

Robin Marcotte (NAIC) said the referral notified the Health Risk-Based Capital (E) Working Group of the exposure by the Statutory Accounting Principles (E) Working Group for industry comment guidance on state-directed payments and separate payment terms in Medicaid managed care arrangements. The Medicaid program has identified these capitated payments as being at risk and included them in the numerator and denominator of the medical loss ratio (MLR). The exposure also noted that these payments were considered at risk. The comment deadline was Oct. 2, and comments from various parties were received, including from AHIP and American Healthcare Plans.

Marcotte said the Statutory Accounting Principles (E) Working Group plans to re-expose the item during the Fall National Meeting with more information and nuance, particularly to differentiate between plans with and without utilization risk. She said that plans without utilization risk would be recommended to be excluded from insured plans. The Statutory Accounting Principles (E) Working Group is aware that many of the changes will become effective in July 2027, so it hopes to have guidance adopted in the first quarter of 2027. Industry stated the risk for these programs was low and that any changes to the RBC formula would be up to the Health Risk-Based Capital (E) Working Group.

Drutz asked interested parties if they would like the referral exposed for comment. Ray Nelson (AHIP) said that when the new statutory accounting item is exposed, industry would like to comment on it. Marcotte said the Statutory Accounting Principles (E) Working Group plans to expose it during the Fall National Meeting and that a new notice would be sent after any guidance is adopted.

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4. Received a Report From the Managed Care Credit Drafting Group

Drutz said the Managed Care Credit Drafting Group met Sept. 21 and Aug. 3. The Drafting Group discussed the general framework of Exhibit 7 reporting and how it flows into the RBC on page XR018. The Drafting Group then discussed the Health Care Payment Learning & Action Network's *Alternate Payment Model APM Framework* whitepaper and what could be used in the expansion and clarification of Exhibit 7 and XR018. Currently, a discussion proposal is being drafted for the next meeting based on input from Drafting Group members and discussion during previous meetings. Individuals interested in joining the drafting group were asked to email Derek Noe (NAIC).

5. Discussed the Forecasting Tool for the H2 Report Factors

Noe said the Working Group members received the tool for review in September. He said the tool is not part of the RBC publication, and the results should not be considered representative of 2026 or 2027 health RBC filings. The file is based on the forecasting file released annually with the RBC publications and has been updated with the 2026 adoptions. The file has two XR013 pages, and numbers only need to be entered into the original XR013 tab because the "XR013 Factors" tab will pull the numbers from it. The "XR013 Factors" tab allows selection of the factor set, phase-in years, year of phase-in, and the premium tiers from the American Academy of Actuaries (Academy) H2 report for analysis purposes. Pages that use the XR013 values for additional calculations have red numbers that show values based on the new factors selected next to black numbers that are the original values. The file also includes a comparison tab that compares the original values to the values selected on "XR013 Factors."

Nelson asked which factor sets were included. Noe said all six factor sets from the report: the one-year, three-year, and five-year time horizon set at both the 87.5% and 95% risk percentile. The premium tier selector allows for the choice of phasing in the premium tiers in conjunction with the factors.

Drutz said that there are still many unknowns with the premium tiers, and that the working group is still focused on an 87.5% risk level and a three-year phase-in. He noted that the tool could help the industry assess the potential impact of the changes and asked if the Working Group had any objections to posting the tool. Sherman said that the tool should be posted and would be a good reference while the factors are still being considered. Drutz asked NAIC committee support to post it to the web page and send out a notice of the posting.

6. Discussed Other Matters

Drutz said the Capital Adequacy (E) Task Force plans to meet Nov. 3 to consider editorial changes, one of which affected the instructions for page XR002 of the health RBC report.

Having no further business, the Health Risk-Based Capital (E) Working Group adjourned.

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Risk Based Capital Ratios and Impairment Risk: Are They Related and, If So, When?

Kim Ferrero, Ph.D. M.Sc.
Assistant Director, Research (Public Policy)

NAIC Fall National Meeting
Nov. 15, 2026

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Agenda

- Background
- Assumptions and Methodology
- Results (updated)
- Takeaways



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Key Highlights from Previous Research

Author	Year	Title	Main Drivers of Impairment
Academy	2010	*Property/Casualty Insurance Company Insolvencies*	Inadequate loss reserves; inadequate pricing; rapid growth; mismanagement
CAS	2012	*A Review of Historical Insurance Company Impairments*	Middle-sized companies show highest impairment rates
SOA/CAS/CIA	2018	*Actuarial Review of Insurer Insolvencies and Future Preventions*	Premium growth; profitability; liquidity; investment mix; leverage; RBC ratio

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Definition of Impairment

"[S]ituations in which a company has been placed, via court order, into conservation, rehabilitation, or insolvent liquidation.

Supervisory actions undertaken by state insurance department regulators without court order are not considered impairments, unless there are clear indications that policyholder payments may be delayed or otherwise limited in some manner through the regulatory oversight process."

AM Best, *2023 US Property/Casualty Impairments Update*, Jan. 31, 2025, page 1.

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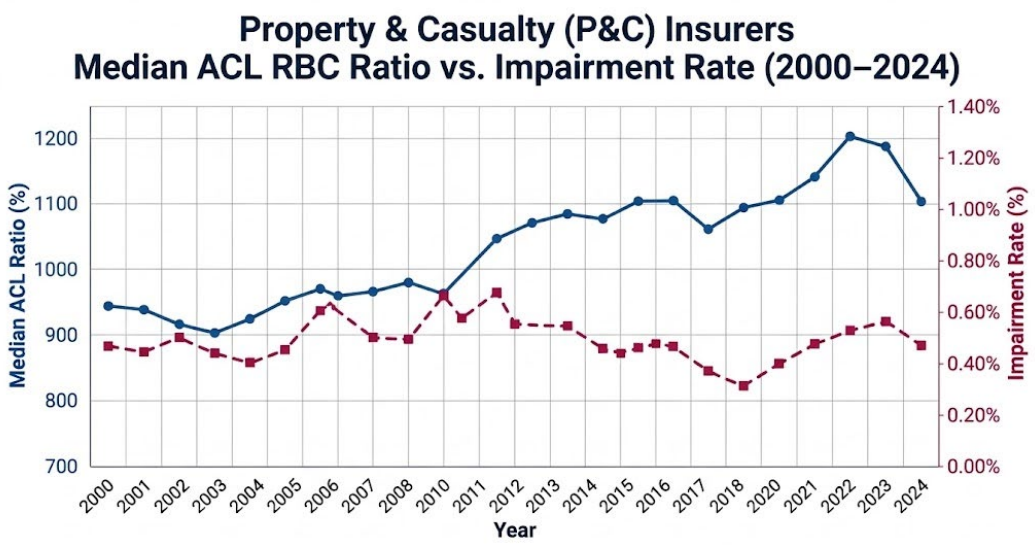
Data: Background, Acquisition, Validation, and Filters

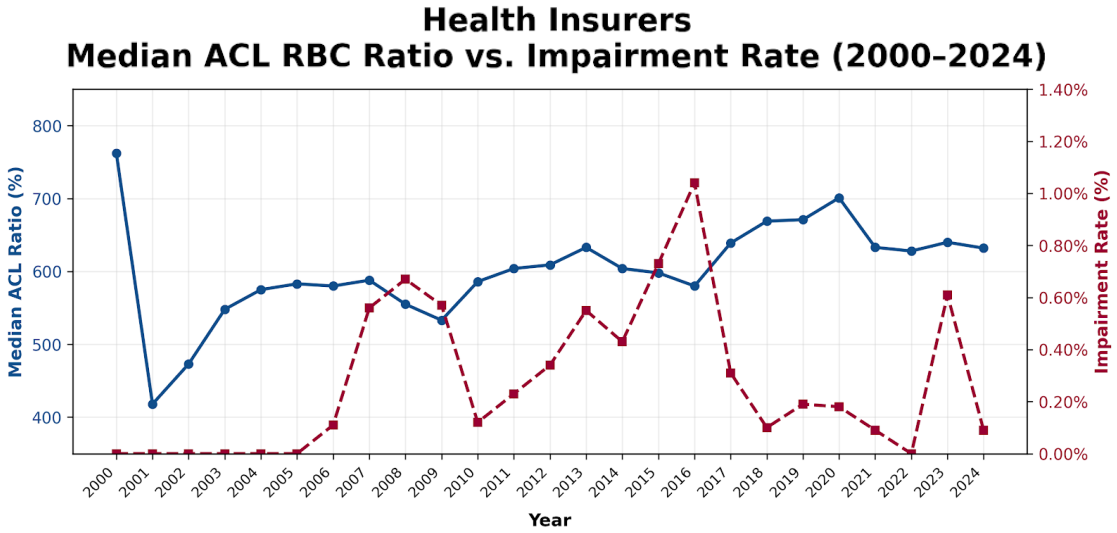
Results of matching impairment data with RBC ratio data				
	Companies with RBC data (S&P)	**Companies with impairment data (AM Best)**	**% Matched**	**% Impaired (total)**
P&C	4218	433	87%	10%
Health	2147	105	82%	5%
Life	1805	88	82%	5%
Total	**8170**	**626**	**86%**	**8%**

Data for years 2000 - 2024

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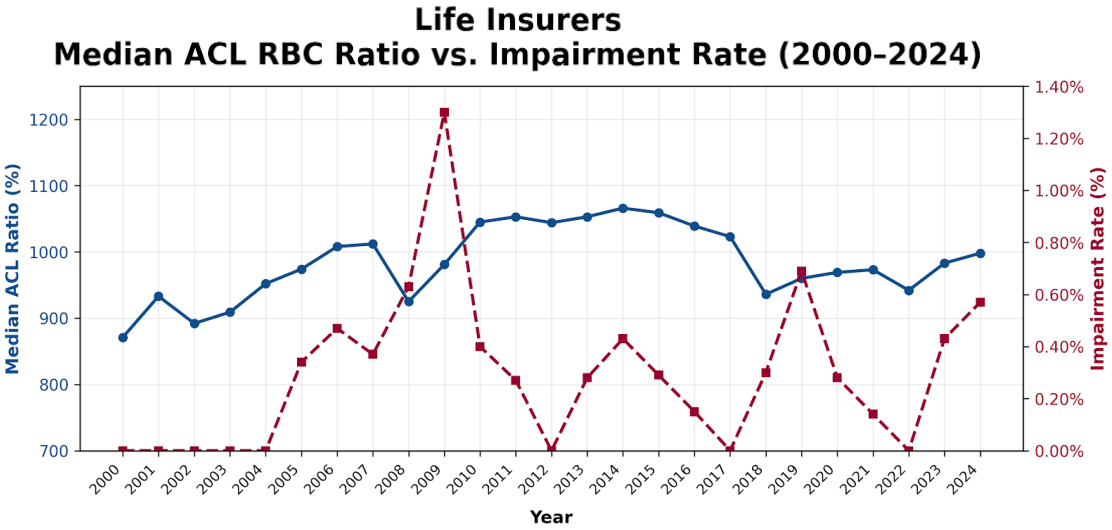
Trends in Impairment and ACL Ratios

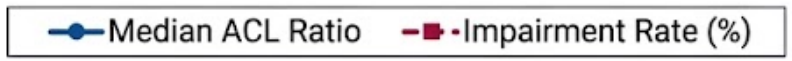




Question:

Is there a relationship between a company's probability of impairment and its Authorized Control Level (ACL) ratio?





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Methodology

Assumption: The RBC ratio may be related to impairment probability for some but not necessarily all companies

- Examined the relationship with 1- to 5-year lags between the ratio and impairment
- Examined the relationship for two time periods: 2011–2024 and 2000–2010
- Utilized logistic regressions with a binary dependent variable (Impaired or Not) with the lone independent variable (ACL Ratio)
  - Lagged the appropriate number of years for impaired companies

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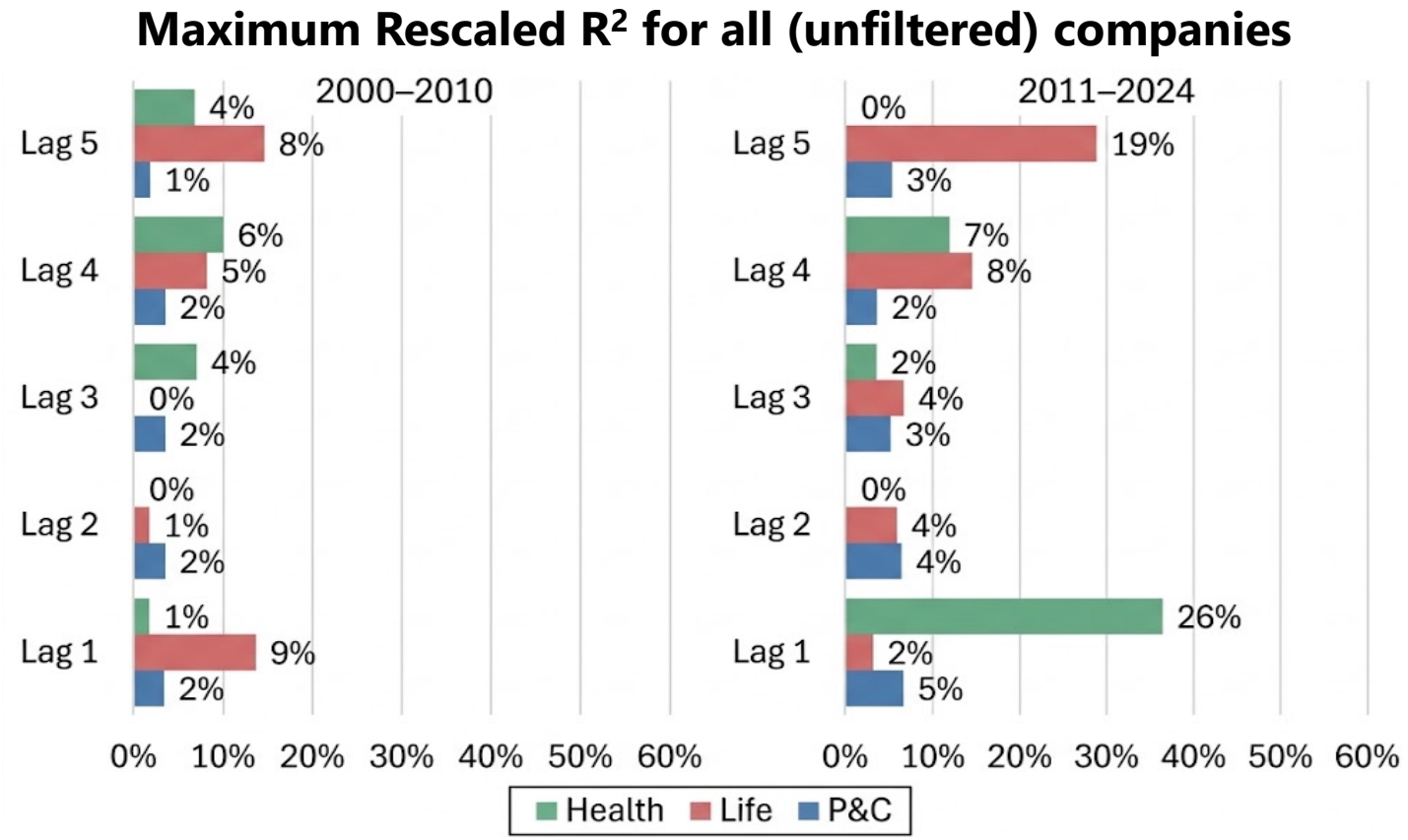
Methodology (cont'd.)

For each time period and each lag, we tested the following possible exclusion criteria:

- **Size of Company:** Excluding top 10th and/or bottom 10th percentiles vs. all companies regardless of size
- **Measurement of Size:** Net Total Assets (NTA) or Direct Premiums Written (DPW)
- **Maximum RBC ratio:** Is the ratio less than one of 31 levels, ranging from 200,000 to 100?

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Results: Extent of Variation in Impairments for All Companies by ACL RBC Ratios (R^2), by Lag



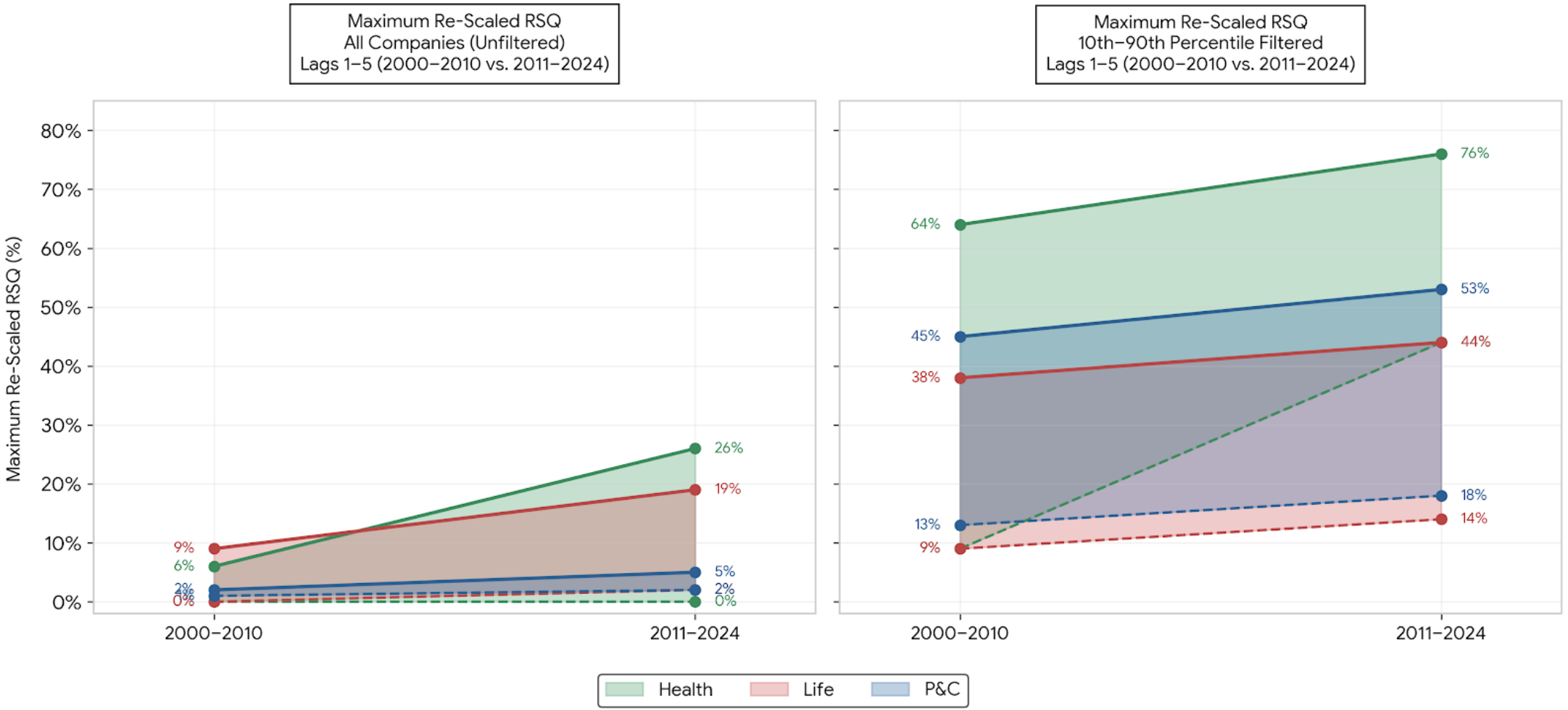
Average re-scaled R^2 across all lines rose notably after 2010

- Health rose from 3.0% to 7.0%
- Life from 4.6% to 7.4%
- P&C from 1.8%to 3.4%

Post-crisis regulatory enhancements, tightened ORSA practices, and higher baseline capitalization made RBC ratios more informative relative to actual distress.

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Extent of Variation in Impairments for P&C Companies Accounted For by ACL RBC Ratios: 2000-2010 vs. 2011-2024



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Characteristics of Best Fitting Regressions

P & C

Lag	NTA/DPW	Min/Max	Max RBC
-1	DPW	0.1/0.9	2500
-2	NTA	0.1/0.9	2500
-3	DPW	0.1/0.9	2500
-4	DPW	0.1/0.9	1500
-5	DPW	0.1/0.9	2500

Lag	NTA/DPW	Min/Max	Max RBC
-1	NTA	0.0/0.9	1000
-2	NTA	0.1/0.9	1400
-3	NTA	0.1/0.9	1400
-4	NTA	0.0/0.9	1500
-5	NTA	0.1/0.9	1500

Life

Lag	NTA/DPW	Min/Max	Max RBC
-1	DPW	0.1/0.9	200000
-2	DPW	0.1/0.9	200000
-3	DPW	0.1/0.9	200000
-4	DPW	0.1/0.9	5000
-5	NTA	0.0/0.9	200000

Lag	NTA/DPW	Min/Max	Max RBC
-1	DPW	0.1/1.0	200000
-2	DPW	0.0/0.9	500
-3	NTA	0.1/1.0	1400
-4	NTA	0.1/1.0	1300
-5	DPW	0.0/0.9	400

Health

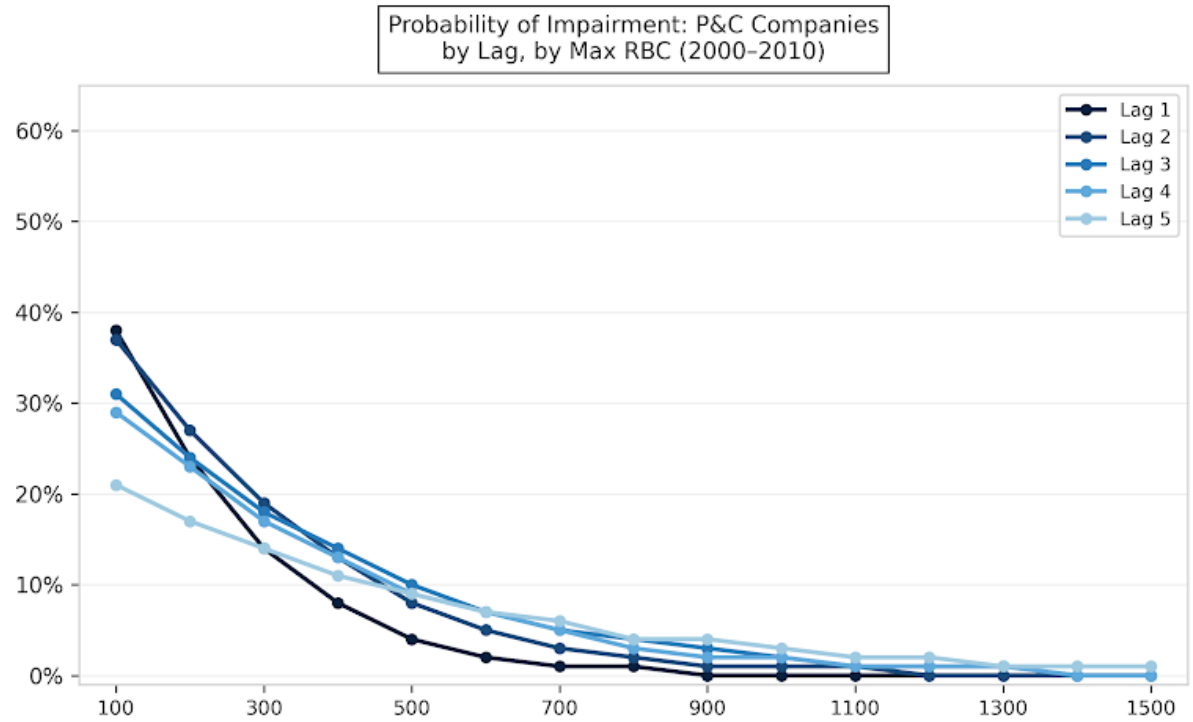
Lag	NTA/DPW	Min/Max	Max RBC
-1	DPW	0.1/1.0	600
-2	NTA	0.1/1.0	1500
-3	NTA	0.1/1.0	400
-4	NTA	0.1/1.0	900
-5	NTA	0.1/1.0	1500

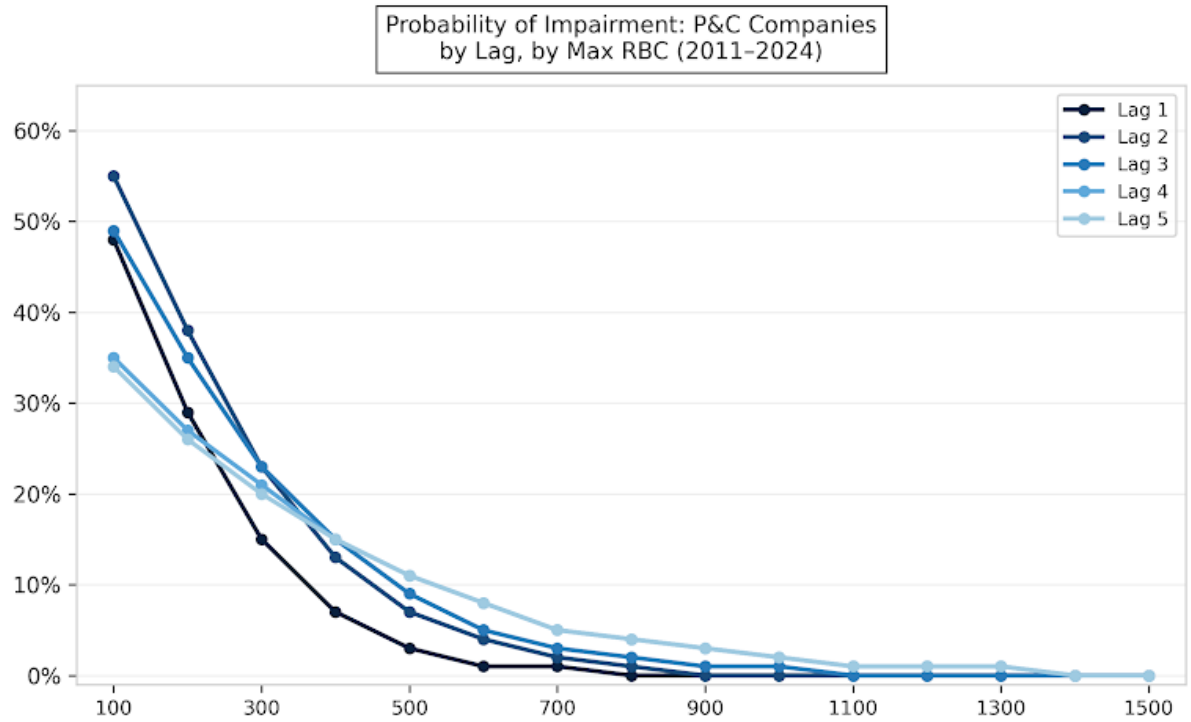
Lag	NTA/DPW	Min/Max	Max RBC
-1	NTA	0.1/1.0	300
-2	NTA	0.1/1.0	400
-3	NTA	0.1/1.0	300
-4	NTA	0.1/1.0	1500
-5	NTA	0.1/1.0	1300

2000-2010 **2011-2024**

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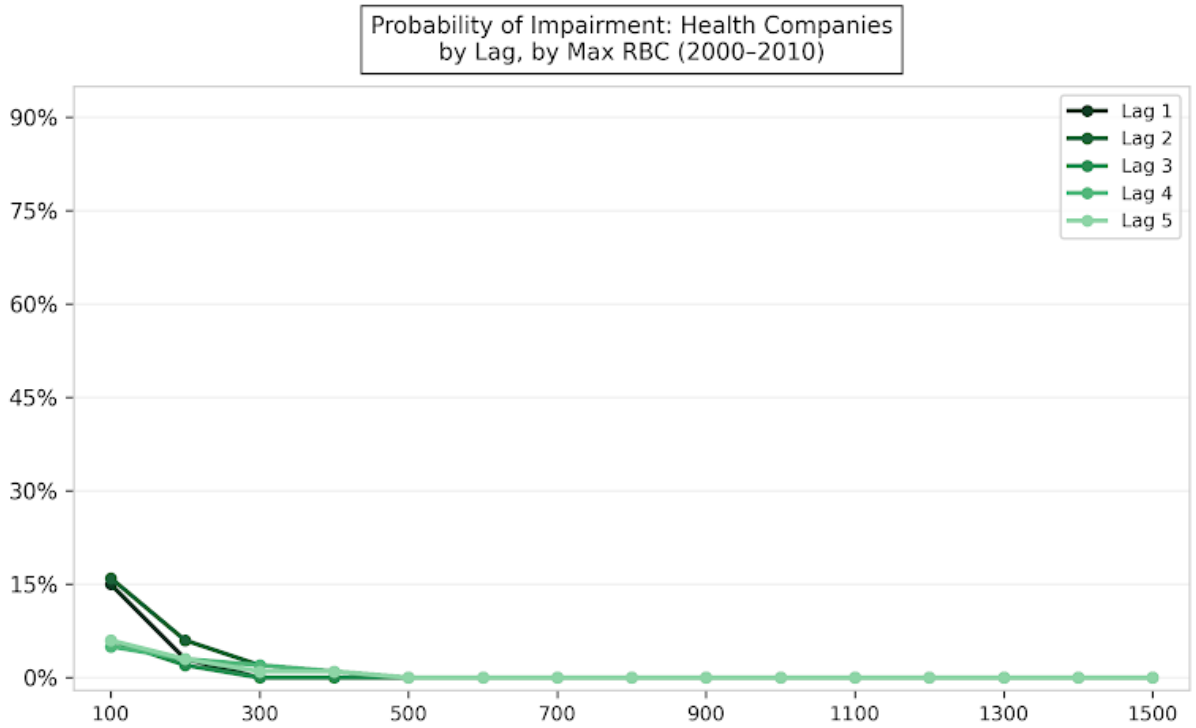
P&C Companies: Probability of Impairment

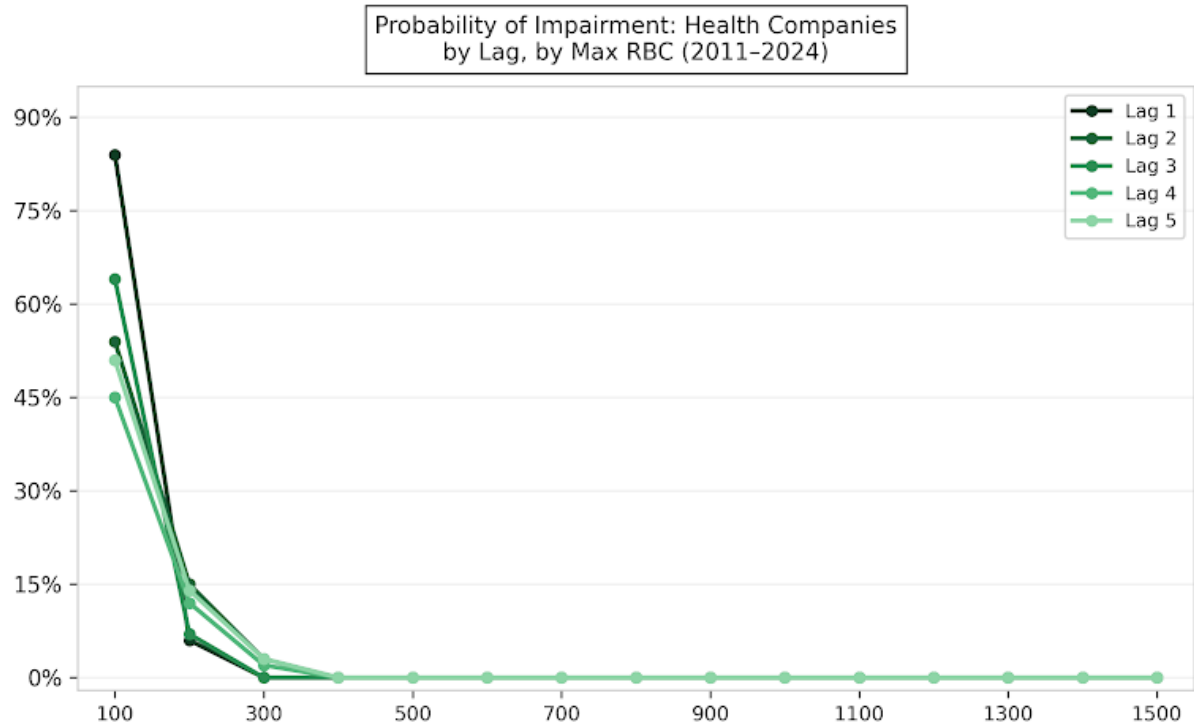




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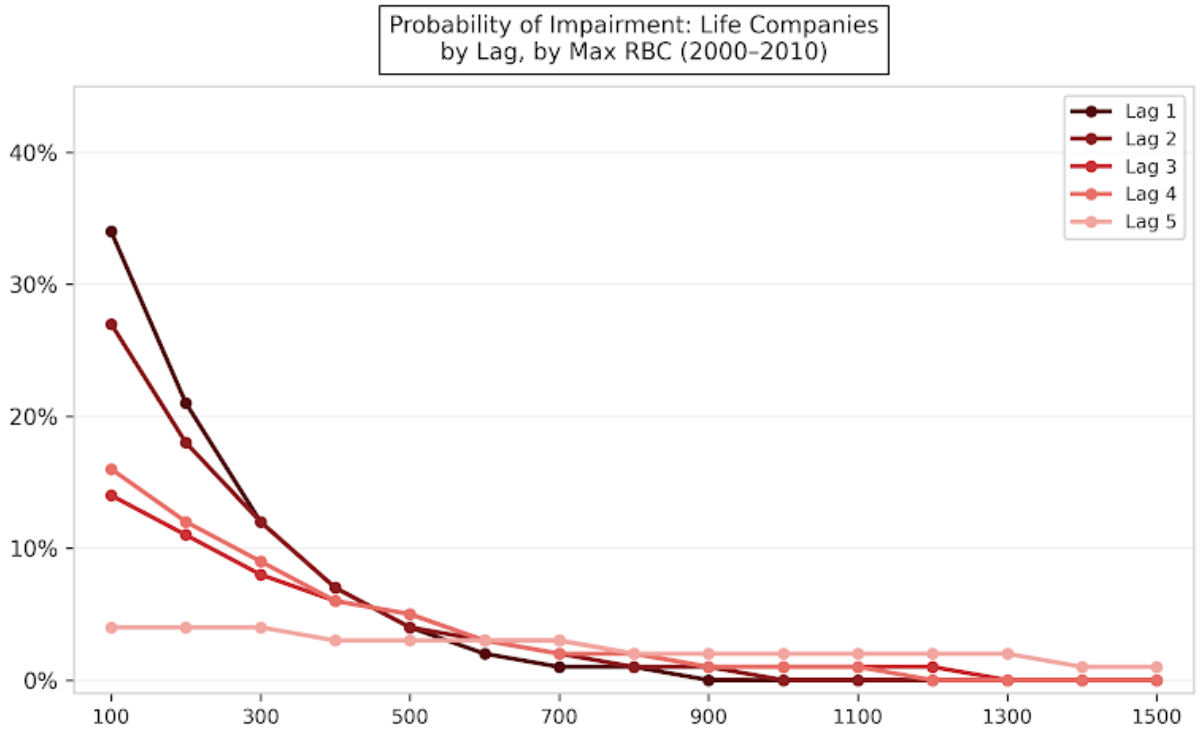
Health Companies: Probability of Impairment

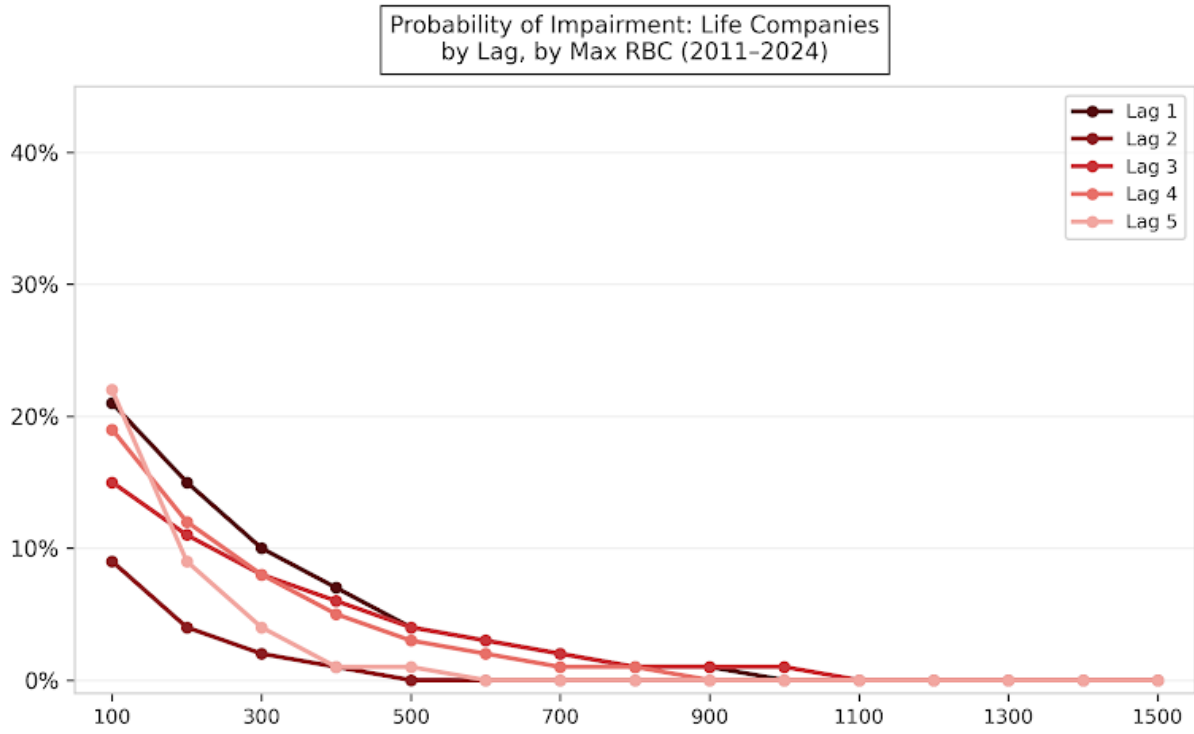




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Life Companies: Probability of Impairment





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Takeaways: Size and Outlier Effects

- Raw RBC ratios carry greater noise, are less helpful
- Size filtering to exclude very large and very small companies reveals patterns
- A predictive power multiplier exists



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Takeaways: Comparison of Time Periods

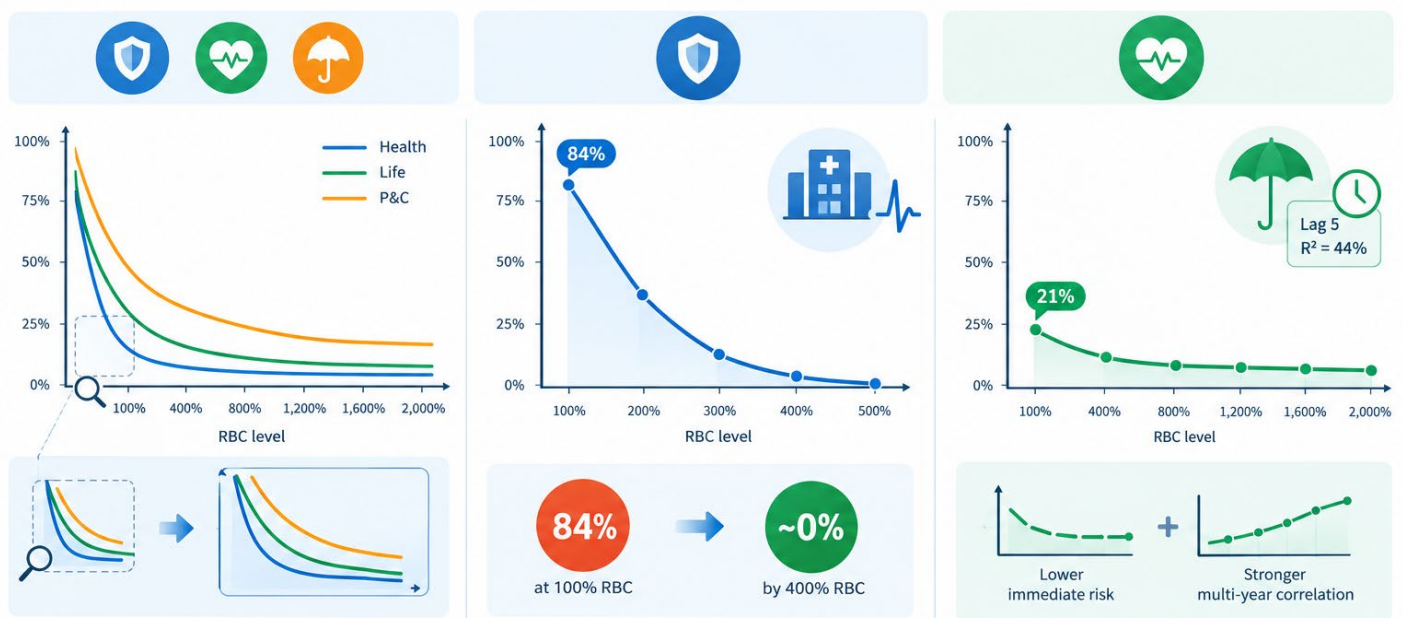
- Post-crisis correlations are more predictive
- The RBC ceiling for predictive value has lowered from ~2,500% to around %1,500
- Impairment probability drops dramatically below ~1,200%



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Takeaways: Sector-specific Impairment Dynamics

- Predicted probabilities steepened at the extremes
- Health risk is acute and immediate
- Life risk is cumulative



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Next Steps

Add 8 control variables identified by the SOA (2018) as likely related to the probability of impairment for regression analysis

- Company Size; Number of Years in Operation; Geographic Concentration; Product Concentration; Growth; Profitability; Liquidity; Investment; and Leverage

Test the final models for all five lags as predictive models

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Questions?

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To: Ben Slutsker, Chair of the Capital Adequacy (E) Task Force
Tom Botsko, Vice Chair of the Capital Adequacy (E) Task Force

From: Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group
Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group

Re: Insurance Company Owned Life Insurance (SAPWG Ref #2026-08)

Date: August 17, 2026

This referral intends to inform the Capital Adequacy (E) Task Force of an exposure by the Statutory Accounting Principles (E) Working Group regarding "the amounts that could be realized on life insurance where the reporting entity is the owner and beneficiary or otherwise has obtained rights to control the policy." These policies and amounts are often referred to as Insurance Company Owned Life Insurance (ICOLI).

Under historical guidance in *SSAP No. 21—Other Admitted Assets*, the amount that can be realized from life insurance policies in compliance with Internal Revenue Code (IRC) §7702 where the reporting owner is the owner and beneficiary or otherwise has rights to control the policy, is considered similar to a cash deposit that is realizable on demand. SSAP No. 21 indicates that these amounts shall be reported as an admitted "other than invested" asset on line 25 of the asset page as an aggregate write-in. Although reported as "other than invested assets", ICOLI products do typically contain investment risk as they are variable insurance products with the premiums allocated into underlying investments. With this reporting, the amount is excluded from RBC for life entities (which are the largest ICOLI investors) and assessed a nominal RBC charge for other types of insurers.

Concerns with this treatment were previously raised in 2018, as it was identified that some policies were being structured primarily as investment products, with a minimal death benefit to qualify within the statutory definition of "life insurance." At that time, revisions were incorporated to require the internal revenue code (IRC) §7702 criteria for determining whether a product qualifies as life insurance and disclosures were added to identify the types of investments supporting ICOLI products. Since 2018, there has been a significant increase in the use of these products and an increase in the use of Schedule BA-type investment vehicles to support them. ICOLI assets make up a significant portion of surplus assets at individual companies (with one company reporting over 100% and others over 50% of surplus). It has also been observed that the marketing of some ICOLI products has featured them as a way for insurers to invest in private markets without holding RBC. One manager of ICOLI funds noted in a recent publication that, "Capital efficiency is the core value proposition: ICOLI assets carry RBC charges of just 0–5% versus 20%+ for direct private fund holdings."

The new agenda item requests regulator comments on whether ICOLI amounts should be captured as invested assets on Schedule BA with a new reporting category for "Realizable Amounts Under ICOLI policies" with reporting lines to separate the amounts by investment category. This referral was directed by the Working Group to inform the Task Force of the exposure and request initial feedback on the assessment of RBC factors for the investment risk within ICOLI products and any operational impacts that the classification as an "Other than Invested Asset" or an "Invested Asset" may have on that assessment.

The Statutory Accounting Principles (E) Working Group appreciates your thoughts on this issue. Please contact NAIC staff Julie Gann (jgann@naic.org) if you have any questions.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr, Maggie Chang, Eva Yeung

Attachment: SAPWG Ref# 2026-08

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: SSAP No. 21 – ICOLI

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue: This agenda item has been prepared to reconsider the reporting guidance in *SSAP No. 21—Other Admitted Assets*, paragraph 9, for the amounts that could be realized on life insurance where the reporting entity is owner and beneficiary or otherwise has obtained rights to control the policy, (often referred to as Company Owned Life Insurance (COLI) or Insurance Company Owned Life Insurance (ICOLI)). Under existing guidance, the amount that can be realized from life insurance policies in compliance with Internal Revenue Code (IRC) §7702 where the reporting owner is the owner and beneficiary or otherwise has rights to control the policy, is considered similar to a cash deposit that is realizable on demand. These amounts are reported under the following provisions:

- Policies in scope of SSAP No. 21, paragraph 9, are to be acquired with the primary consideration of costs related to employee benefit obligations or the loss of a key person.
- Amounts realizable are reported as admitted "other-than-invested" assets.
- The cash surrender value (CSV), adjusted for contractual terms that limit or provide for additional amounts, is the realizable value. If the amount is realizable beyond one year, discounting is required.
- Disclosure is required of the CSV that is within an investment vehicle, by broad investment category. These categories include:
    - Cash and Short-Term Investments
    - Bonds
    - Stocks
    - Mortgages
    - Real Estate
    - Derivatives
    - Other Invested Assets (e.g., Schedule BA-type assets)

With the reporting as an "other-than-invested" asset, the amounts captured under SSAP No. 21, paragraph 9 are reported outside of the balance sheet investment categories and are reported on line 25 of the asset page as an "aggregate write-in." The description of the aggregate write-in varies by company but is often detailed as Insurance Company Owned Life Insurance (abbreviated often as ICOLI) or "Company Owned Life Insurance (abbreviated often as COLI). By reporting as an "other-than-invested" asset, the amount is excluded fully from RBC for life entities. This occurs for all amounts reported, even if the company has identified an amount that is held within an investment vehicle. For P/C and health entities, there is an existing 5% RBC charge for all amounts reported as "other-than-invested assets." This charge falls into the R3 component, which is the smallest component of the covariance calculation, so it carries considerably less weight than other asset types.

From a review of the 2025 year-end disclosure of the CSV within an investment vehicle, of the 143 entities that completed the disclosure, 59 entities reported that over 40% of the CSV was captured in an investment vehicle

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holding other-invested assets (e.g., investments that would be captured on Schedule BA if held directly). Of these 59 entities, 35 entities reported that over 70% of the investment vehicle amount was in a Schedule BA type investment, and 21 entities reported over 90%. Additionally, it has been observed that there has been a rapid increase in ICOLI holdings over the past several years. Individual companies indicate that ICOLI assets make up a significant portion of surplus assets (with one company over 100% and others over 50%). Footnote 6 of SSAP 21 effectively precludes the use of ICOLI to back policyholder reserves.

Aggregate Data Increase – Amounts in Millions:
The amount of CSV in investment vehicles has more than doubled in 4 years since 2021.

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

It has also been observed that the marketing of ICOLI products has featured them as a way for insurers to invest in private markets without holding RBC. One manager of ICOLI funds noted in a recent publication that, "Capital efficiency is the core value proposition: ICOLI assets carry RBC charges of just 0–5% versus 20%+ for direct private fund holdings."

Accounting and reporting of ICOLI products were previously raised in agenda item 2018-08, at which time the working group adopted the IRC §7702 criteria for determining whether a product qualifies to be in scope of SSAP 21. Also adopted at that time were the disclosures that were used to derive the above data. At the time of the previous working group discussion, both NAIC staff and working group members expressed concern that ICOLI premiums could be invested into underlying investment products that would expose the insurer to investment risk. Since ICOLI receives no RBC charge, this could be used to circumvent RBC requirements that would otherwise apply to such investments. The Working Group did consider whether to exclude ICOLI containing investment risk from the scope of SSAP 21. However, the working group ultimately decided against such an exclusion.

With the increase in the use of these products and the significant allocations to Schedule BA-type investment vehicles, NAIC staff have received a regulator request to reconsider the reporting of these amounts recognized under SSAP No. 21, paragraph 9. This item is not intended to revisit the scope of SSAP No. 21 as concluded upon in 2018 and it is recognized that ICOLI products are a common tool used to manage employee benefit costs and key man risk with material tax advantages. Specifically, the question is whether ICOLI products, particularly those containing investment risk, should be reported as invested assets, which would in turn result in assessment of appropriate risk-based capital requirements. Accordingly, **this agenda item requests regulator comments on whether the amounts reported under SSAP No. 21, paragraph 9, should be captured on Schedule BA with a new reporting category for "Realizable Amounts Under ICOLI Policies", with reporting lines to capture the amount outside of an investment vehicle, and the amounts within an investment vehicle, divided by investment category.** Including all amounts would capture those that were not identified to be in an investment vehicle. The Working Group could also consider only including those ICOLI that contain investment risk.

NAIC staff have completed a life-entity comparison to the data-captured disclosure to the amount reported as an aggregate "other-than invested asset" write-in and have identified that the majority of companies have amounts that agree in both reporting locations. Meaning, the full CSV reported as an aggregate write-in is reported as in an investment vehicle. For the life companies that reported amounts which did not match, in most cases, the variations between the disclosure and the amount reported on the balance sheet are not significantly different.

(As the disclosure only captured companies that use an investment vehicle for the CSV, the population of impacted companies could be greater, as they are not currently completing the disclosure.)

Existing Authoritative Literature:

SSAP No. 21—Other Admitted Assets

The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy

9. The provisions in this paragraph are for life insurance policies, which are in compliance with Internal Revenue Code (IRC) §7702[FN1], in which the reporting entity is the owner and beneficiary[FN2]. For these owned products, the amount that could be realized on life insurance policies where the reporting entity is the owner and beneficiary or has otherwise obtained the rights to control the policy, is similar to a cash deposit that is realizable on demand. As such, the amount that could be realized on a life insurance policy as of the date to which premiums have been paid shall be reported as an admitted asset. In determining the amount that could be realized, reporting entities shall consider the cash surrender value as well as other contractual terms which limit or provide for additional realizable amounts. If any of these contractual terms which limit or provide for additional realizable amounts allow the owner to pay variable premium (reducing or increasing the premium based on the increase or decrease of a variable investment vehicle of the policy), the life insurance policies must always remain compliant with IRC §7702 to be an admitted asset under this paragraph. Amounts recoverable by the reporting entity at the discretion of the issuing company shall not be included. Amounts realizable beyond one year from the surrender date shall be discounted. For group policies or a group of individual life policies, reporting entities shall assume surrender on a policy-by-policy or certificate-by-certificate basis, unless contractual terms only allow for surrender of all policies or certificates as a group, in which case the amount that could be realized shall be determined on a group basis. Disclosure is required of the amount of the cash surrender value that is within an investment vehicle by investment category (e.g., bonds, common stock, joint ventures, derivatives, etc.)

[FN1] In order to be in compliance with IRC §7702:

1. The contract must be considered "life insurance" under applicable state insurance law. This is a contractual definition that includes:
    - The contract must be filed and approved as life insurance.
    - It must be regulated as life insurance under applicable laws and regulations (such as variable life insurance regulation and non-forfeiture laws).
    - There must be an insurable interest in the continued life of the insured (federal and state law also require the consent of the insured to the coverage).
    - There must be a significant transfer of mortality risk between the policyholder and the insurance company.
2. The contract must meet one of two actuarial tests of the policy's cash value relation to its death benefit to assure that, prior to death/maturity, the policy cash value does not exceed the net single premium required to fund the death benefit.

[FN2] These life insurance products shall be acquired with the primary consideration of the costs related to employee benefit obligations or the loss of a key person.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): The Statutory Accounting Principles (E) Working Group previously considered this topic in agenda item 2018-08. Prior to the adopted revisions of 2018-08, the term "life insurance" used for company-owned policies was not limited to the IRC provisions. With the discussion of 2018-08, NAIC was made aware that products were being structured to be captured in scope with very limited death benefits as a way for companies to invest in alternative assets without RBC charges. The revisions adopted in 2018-08 included the following:

- Required policies in scope to be considered life insurance under IRC §7702. This provision requires actuary tests to verify the cash value does not exceed the net single premium required to fund the death benefit.

- Required that the life insurance policies are acquired with the primary consideration of the costs related to employee benefit obligations of the loss of a key person.

- Required disclosure of the amount of the CSV that is within an investment vehicle by investment category.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:
NAIC staff recommend that the Working Group expose this agenda item with a request for comment on whether the amounts reported under SSAP No. 21, paragraph 9, should be captured on Schedule BA with a new reporting category for "Realizable Amounts Under ICOLI Policies," with reporting lines to capture the amount outside of an investment vehicle, and the amounts within an investment vehicle, divided by investment category.

Consideration of comments is proposed before formally moving this item to the SAPWG active agenda.

With initial exposure of this agenda item, NAIC staff recommend that the Working Group send a referral to the Capital Adequacy (E) Task Force to inform them of this exposure and request initial feedback on the potential inclusion of these items as an invested asset, with assessment of RBC factors.

Staff Review Completed by: Julie Gann, April 2026.

Status:
On August 12, 2026, the Statutory Accounting Principles (E) Working Group exposed this as a concept agenda item with a request for comments on whether the amounts reported under SSAP No. 21, paragraph 9, should be captured on Schedule BA with a new reporting category for "Realizable Amounts Under ICOLI Policies," with reporting lines to capture the amount outside of an investment vehicle, and the amounts within an investment vehicle, divided by investment category. Consideration of comments will occur before formally moving this item to the SAPWG active agenda. The Working Group also directed a referral to the Capital Adequacy (E) Task Force to notify of this exposure and request initial feedback on the potential inclusion of these items as an invested asset, with assessment of RBC factors.

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2026/08-12-26 Summer National Meeting/Exposures/26-08 - SSAP No. 21 - ICOLI.docx

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