OUR MEETING WILL BEGIN SHORTLY

Invested Assets (E) Task Force

August 13, 2026

Virtual Attendees

- Audio will be muted upon entry.
- To request to speak, use the "Raise Hand" feature. The chair will be alerted.
- Video optional.
- Use the “Chat” feature for questions, comments, or assistance.
- If joining by phone, press *6 to mute/unmute.

Webex help or other technical issues: (816) 783-8960

Connect access or other questions: (816) 783-8961

OUR MEETING WILL BEGIN SHORTLY

Invested Assets (E) Task Force

August 13, 2026

In-person Attendees

Wi-Fi Network: NAIC2026

Password (case sensitive): StrongFuture26

AUGUST 11-14

NAIC®

2026 SUMMER NATIONAL MEETING
COLUMBUS, OH

1. Consider Adoption of its Spring National Meeting Minutes —*Carrie Mears (IA)* — Attachment One

2. Consider Adoption of the Reports of its Working Groups—*Carrie Mears (IA)*
   A. Investment Designation Analysis (E) Working Group—*Ken Cotrone (CT)* — Attachment Two
   B. Credit Rating Provider (E) Working Group—*Jake Garn (UT)* — Attachment Three

3. Receive a Report from the Investment Analysis (E) Working Group —*Carrie Mears (IA)* — Attachment Four, Attachment Five, Attachment Six

4. Hear a Presentation on Private Credit and Auditing Fair Value Estimations for Certain Investments (Specifically Assets with a Fair Value Hierarchy of Level 3)—*Dave Osborn (Ernst & Young—EY), Olga Roberts (KPMG), Jim Garner (Forvis Mazars), and Josh Martin (Deloitte)*

Auditing Considerations for Private Credit

Invested Assets (E) Task Force (IATF)

August 13, 2026

Agenda

- What is private credit?
- Overview of applicable Generally Accepted Auditing Standards (GAAS)
- Considerations for auditing fair value estimation of private credit investments

What is private credit?

What is Private Credit?

- Not a universally defined term
- NAIC Definition https://content.naic.org/insurance-topics/private-credit
    - Private credit is debt or debt-like financing that is not issued or traded in public markets, but instead negotiated directly between borrowers and investors. The direct nature of the transaction allows for terms and conditions to be negotiated to meet the specific needs and objectives of the individual borrower as well as the lender.

SSAP 21—Other Admitted Assets

SSAP 26—Bonds

SSAP 43—Asset-Backed Securities

SSAP 48—Joint Ventures, Partnerships and Limited Liability Companies

Applicability of Auditing Standards

GAAS

- NAIC Statutory Audit
- US GAAP Audit

Public Company Accounting Oversight Board (PCAOB) Auditing Standards

- US GAAP Audit

Overview of Applicable GAAS

Overview of Applicable GAAS

Risk Assessment

AU-C Section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

Materiality

AU-C Section 320, *Materiality in Planning and Performing an Audit*

Accounting Estimates

AU-C Section 540, *Auditing Accounting Estimates and Related Disclosures*

What is an Audit?

- The auditor obtains reasonable assurance about whether the financial statements as a whole are free from **material misstatement**
- Reasonable assurance is a **high, but not absolute**, level of assurance

The purpose of an audit of an insurance entity's financial statements is to provide financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework.

Overview of Risk Assessment

AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

Importance of Risk Assessment

- Identifies where **risks of material misstatements** may occur
- Provides the basis for assessing risks at the financial statement and assertion levels
- Drives the nature, timing, and extent of audit procedures
- Supports a tailored audit approach based on the entity's facts and circumstances
- Helps auditors focus effort on areas with **higher risk of material misstatement**

The Auditor’s Risk Assessment Process

- Obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level

- Risk assessment procedures identify and assess risks based on **likelihood and magnitude**
  - Understanding the Entity and Its Environment
  - Understanding the Components of the Entity’s System of Internal Control
- Risk assessment is iterative and may be revised as new audit evidence is obtained

Risk Assessment Procedures and Related Activities

- Purpose is to obtain audit evidence to identify and assess **risks of material misstatement**
- Supports risk assessment at both the financial statement and assertion levels
- Provides the basis for designing further audit procedures (including tests of controls, when appropriate) under AU-C Section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*

Overview of Materiality

AU-C Section 320, *Materiality in Planning and Performing an Audit*

Materiality

- Determine materiality for the **financial statements as a whole**, when establishing the overall audit strategy
- Revise materiality if new audit information would have changed the initial determination

Risks of Material Misstatement

- Identifying Risks of Material Misstatement
- Assessing Risks of Material Misstatement
- Evaluating the Audit Evidence Obtained From the Risk Assessment Procedures

Overview of Auditing Accounting Estimates

AU-C Section 540, *Auditing Accounting Estimates and Related Disclosures*

Auditing Accounting Estimates

- Obtain an understanding of the entity’s accounting estimates
- Understand transactions, events, conditions, and regulatory factors that give rise to estimates or changes in estimates and management’s process for developing estimates
- Consider oversight, governance, specialized skills, management specialists, and relevant controls over the estimate process
- Review outcomes of previous estimates and determine whether specialized skills or knowledge are needed
- Identify and assess risks of material misstatement by considering estimation uncertainty, complexity, subjectivity, and other inherent risk factors
- Determine whether any estimate-related risks are significant risks and, if so, identify and evaluate related controls

Auditing Accounting Estimates

- Further procedures should respond to the assessed risks at the relevant assertion level
- Higher assessed risk requires more persuasive audit evidence
- Procedures should address methods, significant assumptions, data, point estimates, and related disclosures
- Further audit procedures include one or more of the following approaches:
    - Obtaining audit evidence from subsequent events
    - Testing how management made the estimate
    - Developing an auditor's point estimate or range

Auditing Accounting Estimates

- Determine whether accounting estimates and related disclosures are reasonable or misstated
- Evaluate the estimate in the context of the applicable financial reporting framework
- Assess both recognition and measurement conclusions and the adequacy of related disclosures

Key Takeaways

Key Takeaways

- Private credit is not one product; audit conclusions depend on the underlying structure, accounting framework, and evidence available.
- As risk, complexity, judgment, and opacity increase, that creates additional risk of material misstatement to the financial statements, the audit response should become more targeted and more skeptical.
- Audits provide an important line of defense, but they are not a substitute for prudential oversight, investment governance, or regulatory monitoring.
- The auditor obtains reasonable assurance about the **financial statements as a whole being free of material misstatement**

Thank you

5. Discuss Any Other Matters Brought Before the Task Force
   —*Carrie Mears (IA)*

6. Adjournment

Thank you for attending.