Draft date: 7/30/26

2026 Summer National Meeting
Columbus, Ohio

JOINT MEETING OF THE FINANCIAL STABILITY (E) TASK FORCE
AND THE MACROPRUDENTIAL (E) WORKING GROUP
Wednesday, August 12, 2026
11:45 a.m. – 12:45p.m.
Hilton Tower 402—Robinson Ballroom AB—Level 5

ROLL CALL

FINANCIAL STABILITY (E) TASK FORCE

NAIC Member	Representative	State/Territory
Susan Ochs, Chair	Susan Ochs	New Jersey
Kaitlin Asrow, Vice Chair	Avani Shah/Bob Kasinow	New York
Mark Fowler	Richard (Hamp) Russell	Alabama
Heather Carpenter	David Phifer	Alaska
Peter M. Fuimaono	Elizabeth Perri	American Samoa
Michael Conway	Rolf Kaumann	Colorado
Joshua Hershman	William Arfanis	Connecticut
Michael Yaworsky	Bradley Trim	Florida
Holly W. Lambert	Roy Eft	Indiana
Doug Ommen	Kim Cross	Iowa
Vicki Schmidt	Tish Becker	Kansas
Marie Grant	Dmitriy Valekha	Maryland
Michael T. Caljouw	John Turchi	Massachusetts
Grace Arnold	Ben Slutsker	Minnesota
Angela L. Nelson	John F. Rehagen	Missouri
Eric Dunning	Anthony Quandt	Nebraska
Alice T. Kane	Alice T. Kane	New Mexico
Jon Godfread	Matt Fischer	North Dakota
Remedio C. Mafnas	Maryann Borja-Arriola	Northern Mariana Islands
Judith L. French	Tracy Snow	Ohio
Glen Mulready	Eli Snowbarger	Oklahoma
TK Keen	Paul Throckmorton	Oregon
Michael Humphreys	Diana L. Sherman	Pennsylvania
Suzette M. Del Valle	Glorimar Santiago	Puerto Rico
Elizabeth Kelleher Dwyer	Elizabeth Kelleher Dwyer	Rhode Island
Michael Wise	Ryan Basnett	South Carolina
Amanda Crawford	Jamie Walker	Texas

Scott A. White	Dan Bumpus	Virginia
Nathan Houdek	Rebecca Easland	Wisconsin

NAIC Committee Support: Tim Nauheimer

MACROPRUDENTIAL (E) WORKING GROUP

Bob Kasinow, Chair	New York	Fred Andersen	Minnesota
Anthony Quandt, Vice Chair	Nebraska	John F. Rehagen	Missouri
William Arfanis/Ken Cotrone	Connecticut	Jennifer Li	New Hampshire
Tom Hudson	Delaware	David Wolf	New Jersey
Carolyn Morgan	Florida	Diana L. Sherman	Pennsylvania
Roy Eft	Indiana	Liz Ammerman	Rhode Island
Carrie Mears	Iowa	Rachel Hemphill/ Jamie Walker	Texas
Dmitriy Valekha	Maryland		
John Turchi	Massachusetts	Greg Chew/Dan Bumpus	Virginia
Steve Mayhew	Michigan	Amy Malm	Wisconsin

NAIC Committee Support: Tim Nauheimer

AGENDA

1. Hear Opening Remarks—*Acting Commissioner Susan Ochs (NJ)*

2. Consider Adoption of its Spring National Meeting Minutes and interim June 15, 2026 meeting —*Acting Commissioner Susan Ochs (NJ)* — Attachment One, Attachment Two

3. Hear an Update on Financial Stability Oversight Council (FSOC) Developments—*Director Elizabeth Kelleher Dwyer (RI)*

4. Consider Adoption of the Report of the Macroprudential (E) Working Group—*Bob Kasinow (NY)* — Attachment Three, Attachment Four

5. Consider Exposure of the Macroprudential Risk Dashboard Summary Report—*Acting Commissioner Susan Ochs (NJ)* — Attachment Five

6. Hear an Overview of the Mid-Year *Global Insurance Monitoring Report* (GIMAR)—*Anthony Quandt (NE)* — Attachment Six

7. Receive an Update from the Valuation Analysis (E) Working Group —*Fred Andersen (MN)* — Attachment Seven

8. Hear an International Macroprudential Update—*Jan Bauer (NAIC)*

9. Discuss Any Other Matters Brought Before the Task Force
—*Acting Commissioner Susan Ochs (NJ)*

10. Adjournment

Date prepared: 3/20/26

Joint Meeting of the Financial Stability (E) Task Force
and the Macroprudential (E) Working Group
Virtual Meeting
March 16, 2026

The Financial Stability (E) Task Force met March 16, 2026, in joint session with the Macroprudential (E) Working Group of the Financial Stability (E) Task Force. The following Task Force members participated: Susan Ochs, Chair (NJ); Kaitlin Asrow, Vice Chair, represented by Avani Shah (NY); Mark Fowler represented by Lori Brock (AL); Michael Conway represented by Rolf Kaumann (CO); Joshua Hershman represented by Ken Cotrone (CT); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Kim Cross (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Patrick Olsen (KS); Marie Grant represented by Gilbert Mendoza (MD); Grace Arnold represented by Fred Andersen (MN); Angela L. Nelson represented by John F. Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); Judith L. French represented by Tracy Snow (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Ryan Basnett (SC); Amanda Crawford represented by Jamie Walker (TX); Scott A. White represented by Dan Bumpus (VA); and Nathan Houdek (WI). The following Working Group members participated: Bob Kasinow, Chair (NY); William Arfanis and Ken Cotrone (CT); Tom Hudson (DE); Carolyn Morgan (FL); Kevin Clark (IA); Roy Eft (IN); Gilbert Mendoza (MD); Steve Mayhew (MI); Fred Andersen (MN); John F. Rehagen (MO); Andrea Johnson (NE); Jennifer Li (NH); David Wolf (NJ); Diana Sherman (PA); Liz Ammerman (RI); Jamie Walker (TX); Greg Chew (VA); and Amy Malm (WI).

1. <u>Heard Opening Remarks</u>

Acting Commissioner Ochs said materials for consideration and discussion for this meeting were emailed to Task Force members and are available on the NAIC website in the Committees section under the Financial Condition (E) Committee. Materials are also available on NAIC Connect (formerly Member Connect SharePoint).

2. <u>Adopted its 2025 Fall National Meeting Minutes</u>

Eft made a motion, seconded by Sherman, to adopt the Task Force's Dec. 10, 2025, minutes (*see NAIC Proceedings – Fall 2025, Financial Stability (E) Task Force*). The motion passed unanimously.

3. <u>Heard an Update on the FSOC</u>

Ethan Sonnichsen (NAIC) reported that the Financial Stability Oversight Council (FSOC) met Dec. 11, 2025. During the meeting, U.S. Department of the Treasury (Treasury) staff provided updates on several FSOC priorities, including the Artificial Intelligence Working Group, the newly established Household Resilience and Market Resilience Working Groups, and the Crisis Preparedness Workstream. The FSOC also received a briefing on potential revisions to its Interpretive Guidance on Nonbank Financial Company Designations and its Analytical Framework for Financial Stability Risk Identification, Assessment, and Response, both of which were last updated in 2024.

Sonnichsen noted that the FSOC unanimously approved the 2025 FSOC Annual Report, which features an introductory letter from Secretary Janet Yellen highlighting the formation of the new working groups and the dissolution of prior climate-related groups. The letter also emphasized the link between economic growth, economic security, and financial stability, noting the FSOC's intent to work with member agencies to review whether aspects of the financial regulatory framework impose undue burdens on growth.

Sonnichsen stated that the Annual Report reflects key initiatives by state insurance regulators over the past year, including updates to the risk-based capital (RBC) and investment frameworks, and continued work to address property insurance market resilience and mitigation issues.

In closing, Sonnichsen noted that the NAIC continues to support the McCarran-Ferguson Restoration Act (H.R. 7130), which would grant the state insurance commissioner voting membership on the FSOC.

4. Adopted the Report of the Macroprudential (E) Working Group and Made a Referral from the Working Group to the Receivership and Insolvency (E) Task Force

Kasinow reported that the Macroprudential (E) Working Group conducted an e-vote on Feb. 11, 2026 to make a referral to the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group to implement enhanced disclosures for funding agreements that back funding agreement-backed notes (FABNs) and other similar structures. The Working Group will continue to monitor implementations and provide assistance to the Blanks (E) Working Group and Statutory Accounting Principles (E) Working Group as needed.

Kasinow stated that, in addition to FABNs, the Working Group reviewed other funding agreement-backed structures identified while researching the topic, including funding agreement-backed loans (FABLs) and funding agreement-backed municipal prepaid structures. Kasinow then turned the discussion to Tim Nauheimer (NAIC) to provide an overview of these structures.

Nauheimer described the basic structure of an FABN, in which an insurer issues a funding agreement to a special purpose vehicle (SPV) that is part of the insurer's holding company system. The SPV issues notes to investors, and the proceeds flow back through the SPV to the insurer for investment to generate a spread.

The next item discussed was FABLs, which operate similarly to FABNs but often involve unaffiliated SPV entities established to facilitate the loan arrangements. In these transactions, proceeds are provided to the insurer through a loan agreement, and collateral may be pledged to support the transaction.

Nauheimer also described funding agreement-backed municipal prepay bonds. In these structures, a municipality issues tax-exempt bonds and allocates a portion of the proceeds to prepay utility expenses. Another portion of the proceeds supports a funding agreement issued by an insurer to a non-affiliated SPV, which in turn provides backing for the municipal bonds. These structures can become complex and may warrant additional educational discussions for regulators.

Nauheimer concluded that these structures were included in the enhanced disclosure proposal submitted to the Blanks (E) Working Group and Statutory Accounting Principles (E) Working to improve transparency around funding agreement-related activities.

Kasinow noted an additional item regarding FABNs and their treatment in insurer insolvencies. FABNs generally rank pari passu (i.e., on equal footing) with other unsecured and unsubordinated obligations of the insurer. However, in certain states, insurance contract policyholders, including funding agreement holders, may not have priority over general creditors. Questions also remain regarding the treatment of foreign bondholders and foreign-currency-denominated FABNs in an insolvency.

To address these issues, Kasinow stated that a referral has been made to the Receivership and Insolvency (E) Task Force for further review. The referral is included in the meeting materials as Attachment Four. Kasinow also reminded members that this was a joint meeting of the Financial Stability (E) Task Force and the Macroprudential (E) Working Group.

Bumpus made a motion, seconded by Mayhew, to make the pari passu referral to the Receivership and Insolvency (E) Task Force. The motion passed unanimously.

Kasinow then moved on to the final 2025 Liquidity Stress Testing LST Framework (LST Framework), including lead state guidance, which has been completed and posted to the Task Force's web page. The framework is now final. Kasinow noted that a working group initiative will begin in the third quarter of 2026 to review liability assumptions insurers use as part of the ongoing LST process.

Turning to macroprudential risk assessment, Kasinow stated that staff have updated all key risk indicators for the Macroprudential Risk Dashboard using year-end 2024 data. The next step is to schedule a Working Group call to review and adjust the risk assessment levels based on the updated data. This call is expected to occur in mid-April, after which the revised dashboard will be finalized for regulator-only use. Concurrently, NAIC staff will begin updating the dashboard with 2025 year-end data.

The Working Group plans to meet in June to review and approve the 2025 dashboard. A public summary report will be issued following approval.

Kasinow also noted that the Natural Catastrophe Risk Dashboard was approved by the Climate and Resiliency (EX) Task Force, and the public portion of the report has been released. This work initially originated within the Working Group before being transitioned to the Climate and Resiliency (EX) Task Force. The results from the Natural Catastrophe Dashboard are incorporated into the broader Macroprudential Risk Dashboard to provide a comprehensive view of systemic exposures and interconnected risk factors.

Finally, Kasinow provided an update on the 13 considerations developed by the Working Group related to private equity ownership of insurers. Tracking of these items has been updated and posted to the Macroprudential (E) Working Group's webpage as of the 2025 Fall National Meeting. The group continues to focus on heightened monitoring of the thirteenth consideration regarding cross-border reinsurance. Once the 2025 year-end data becomes available, the Working Group will reassess exposures by reinsurance type, assuming jurisdiction, product type, and affiliated transaction level.

Sherman made a motion, seconded by Arfanis, to adopt the report of the Macroprudential (E) Working Group. The motion passed unanimously.

5. <u>Received an Update from the Valuation Analysis (E) Working Group</u>

Andersen reported that the Valuation Analysis (E) Working Group addresses issues related to principle-based reserving (PBR) and asset adequacy analysis. Its recent work has focused on the development and implementation of *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) and *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55), which were adopted to strengthen oversight in specific areas of emerging risk.

AG 53 addresses complex assets held by life insurers. Andersen explained that certain companies have been projecting relatively high investment returns from these assets to support future policyholder claims. The Working Group's reviews have emphasized the importance of assessing the risk that such returns may not be realized and ensuring that reserve projections are not overly reliant on optimistic performance assumptions. Over the past three years, this effort has led to the identification and remediation of several instances where companies were assuming outlier-high returns for specific asset types. The initiative has also fostered constructive dialogue among regulators, insurers, and actuarial and investment professionals, improving coordination and understanding of complex asset risk dynamics.

Andersen noted the formation of the new Investment Analysis (E) Working Group, which will provide further opportunities for collaboration between actuaries and investment specialists. The Valuation Analysis (E) Working Group and Investment Analysis (E) Working Group will coordinate on topics that intersect both actuarial modeling and investment risk. One emerging area of focus involves identifying potential unmodeled risks contributing to elevated gross return assumptions. Andersen explained that traditional actuarial models typically address cash flow behavior across interest rate scenarios with relatively simple treatment of defaults, and additional drivers of asset underperformance may not be fully captured. The Valuation Analysis (E) Working Group plans to present findings from this deeper risk review at a future meeting.

Andersen then provided an update on AG 55, which was developed after identifying a potential gap in the assessment of reserve adequacy for business ceded through certain reinsurance transactions. The guideline was adopted in 2025, and the first required reports are due April 1, 2026. A review team is prepared to begin prioritizing submissions once received, with the goal of presenting initial general findings at the 2026 Summer National Meeting.

6. Heard an International Update

Jan Bauer (NAIC) reported that the International Association of Insurance Supervisors (IAIS) has implemented its new committee-level structure announced last year. Working groups relevant to macroprudential supervision remain the same; the Macroprudential Monitoring Working Group (MMWG) and the Macroprudential Supervision Working Group (MSWG) now report to the Monitoring and Risk Assessment Committee (MRC) and the Standards and Supervisory Practices Committee (SSC), co-chaired by Director French.

The MMWG has launched the 2026 Global Monitoring Exercise (GME), which will culminate in the year-end *Global Insurance Market Report* (GIMAR). The group has met virtually to plan this year's work and expects to meet in person in May to advance analysis of both the individual insurer and sector-wide monitoring components.

Bauer noted that the MSWG is developing its 2026–2027 work plan, following publication of the 2025 Issues Paper on Structural Shifts in the Life Insurance Sector. Upcoming work will include enhanced monitoring of alternative assets and asset-intensive reinsurance, further systemic risk analysis using new data, and development of supervisory guidance.

Bauer also provided an update on the IAIS Climate Risk Steering Group (CRSG), which has developed two member-only reports: one focused on climate-related metrics for supervisory reporting, and one focused on the integration of climate change into catastrophe modeling. Updated climate-related data questions for the 2026 GME will feed into this year's GIMAR.

Having no further business, the Financial Stability (E) Task Force and Macroprudential (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/FSTF/2025/National Meetings/2026 2 Summer/FSTF Summer NM Minutes Aug 12

Draft: 7/27/26

Financial Stability (E) Task Force
Virtual Meeting
June 15, 2026

The Financial Stability (E) Task Force met June 15, 2026. The following Task Force members participated: Susan Ochs, Chair (NJ); Kaitlin Asrow represented by Avani Shah, Vice Chair (NY); Mark Fowler represented by Richard Russell (AL); Heather Carpenter represented by David Phifer (AK); Michael Conway represented by Rolff Kaumann (CO); Joshua Hershman represented by William Arfanis (CT); Michael Yaworsky represented by Bradley Trim (FL); Holly W. Lambert represented by Roy Eft (IN); Doug Ommen represented by Kim Cross (IA); Vicki Schmidt represented by Tish Becker (KS); Michael T. Caljouw represented by John Turchi (MA); Grace Arnold represented by Ben Slutsker (MN); Angela L. Nelson represented by Laurie Pleus (MO); Eric Dunning represented by Anthony Quandt (NE); Jon Godfread represented by Matt Fischer (ND); Judith L. French represented by Dale Bruggerman (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Tom Baldwin (SC); Amanda Crawford represented by Rachel Hemphill (TX).

1. Heard Opening Remarks

Ochs introduced Standard & Poor’s (S&P) to hear a presentation on their research and stress testing work on insurers’ private credit holdings.

2. Heard a Presentation from S&P

Carmi Margalit (S&P) begins by going over the structure of the analysis, which focuses on how private credit exposures behave under stressed conditions and how this behavior translates into regulatory capital implications for insurers.

Margalit explains that in the stress testing, you typically need to assume “severe” or “unprecedented” default rates in the underlying assets before you see meaningful default risk in the investment-grade tranches insurers hold. Most modeled scenarios show the equity and mezzanine tranches taking the hit, while senior tranches remain performing.

Margalit emphasizes that what S&P sees in the stress work is not the bonds that are being held defaulting, but the bonds being downgraded. Downgrades alone are enough to eat into capital buffers because insurers must hold more capital against lower rated assets.

Margalit goes on to say that insurers agree the results of the stress testing match their own experience and peer conversations, fixed-income investors have shown strong interest in understanding these risks, and other observers engage with the work from a financial-stability perspective. This closes the loop by showing that the earlier analytical takeaways resonate with market and industry participants.

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MEMORANDUM

TO: Members, Interested Regulators, and Interested Parties of the Financial Stability (E) Task Force

FROM: Robert Kasinow, Chair, Macroprudential (E) Working Group

DATE: August 12, 2026

RE: MWG Report to FSTF

MRA Update
MWG met in regulator only session on April 14, 2026, to review the Macroprudential Risk Dashboard Summary Report also known as the MRA Report. The report was exposed to regulators only for 3 weeks. Today we are seeking MWG member approval to expose the report publicly for a 30-day comment period.

Liquidity Stress Testing
We want to announce the opening of the LST framework to review the appropriateness of the prescribed assumptions and the adequacy of the overall framework. We will be looking for volunteers comprised of industry and state regulators to participate in a drafting group to revisit the framework We used the same collaborative structure when we initially established the framework and it worked well. Please contact me or Tim Nauheimer with your interest in participating.

Interconnectedness and contagion
Today we also want to announce our initiative to enhance our risk assessment methodology around insurance industry interconnectedness and contagion risk. We currently have interconnectedness as a key risk category in the MRA Report. We would like to develop additional key risk indicators within the category to identify all significant transmission channels of risk and the potential build up of those risks.

13 Considerations
The List of 13 MWG Considerations has been updated and is included in the meeting materials as Attachment Four. The MWG will continue its heightened monitoring of the 13th point regarding cross-border reinsurance in subsequent meetings this year.

This concludes my update, and I am happy to answer any questions.

Color Legend
Consideration addressed and closed
Significant progress, a few open items to be addressed.
Consideration is open-progress has been made, but work continues.

Tracking for the List of 13 MWG Considerations – PE Related and Other

Original exposure of 13 considerations: March 16, 2022

Consideration	2026 Summer Update	2025 Fall Update	2025 Spring Update	2024 Summer National Meeting Update	2024 Spring National Meeting Update	Update Date	Update Date	Update Date	Update Date	Update Date	Update Date
						12/11/2023	7/12/2023	6/15/2023	3/22/2023	3/22/2023	8/4/2022
1. Holding Company Structures:											
Regulators may not be obtaining clear pictures of risk due to holding companies structuring contractual agreements in a manner to avoid regulatory disclosures and requirements. Additionally, affiliated/related party agreements impacting the insurer's risks may be structured to avoid disclosure (for example, by not including the insurer as a party to the agreement).	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.	**RFSWG Update: 04-04-25 Closed** Additional guidance for use in reviewing Change of Control (Form A) and Disclaimer of Affiliation filings for complex organizational structures and transactions was adopted into the 12/31/24 Financial Analysis Handbook.	**RFSWG Update:** *7-16-24* The RFSWG held an open call on 7/17/24 to discuss proposed guidance for use in reviewing investment advisory services provided by an affiliate, which was then exposed for a 45-day public comment period ending Aug. 30.	**RFSWG Update:** *1-29-24* The RFSWG finalized updated guidance on regulator review and monitoring of affiliated services at the NAIC's 2023 Summer National Meeting. This guidance was subsequently adopted for inclusion in the 2024 publications of the NAIC's Financial Analysis Handbook and Financial Condition Examiners Handbook. At that same meeting, the RFSWG formed an Affiliated Investment Management Agreement drafting group to develop more specific guidance for use in reviewing investment advisory services provided by an affiliate. The Drafting Group plans to present proposed handbook guidance to the RFSWG for review at the NAIC's Spring 2024 National Meeting.	**GSIWG Update:** *B. Jenson 12-11-23* In November 2023, the GSIWG adopted regulator-only sound practice guidance for use in reviewing complex ownership structures of insurers (see attached PDF). The Sound Practices document has been posted to StateNet for regulator review and use. In addition, the GSIWG referred proposed additions to the NAIC's Financial Analysis Handbook to the Financial Analysis Solvency Tools (E) Working Group for further consideration in 2024. These edits include additional Form A (Change of Control) review procedures, as well as new guidance for use by regulators in evaluating Disclaimer of Control/Affiliation filings. See the attached Word docs for the referral to FASTWG, as well as the proposed Handbook edits. These documents will be exposed for public comment by FASTWG in 2024 and then adopted for inclusion in the 2025 FAH. Finally, the Risk-Focused Surveillance (E) Working Group has formed an Affiliated IMA Drafting Group to discuss the development of additional guidance related to regulator review of affiliated investment management agreements and related services. The Drafting Group is currently developing additional guidance for consideration in both the NAIC's Financial Analysis Handbook and the Financial Condition Examiners Handbook that should be		**GSIWG Update:** The GSIWG formed a drafting group to develop best practices for regulatory review in this area. The drafting group has met multiple times and continues to work on the development of written best practices. After the best practices are developed, the drafting group will consider whether any should be proposed for inclusion in NAIC Handbooks or other action should be considered.		***GSIWG Update:*** *The GSIWG plans to discuss this issue at its Dec. 14 meeting to determine next steps in addressing the referral.*	Sent a referral for new work to the Group Solvency Issues (E) Working Group.
2. Ownership and Control:											
Control is presumed to exist where ownership is >=10%, but control and conflict of interest considerations may exist with less than 10% ownership. For example, a party may exercise a controlling influence over an insurer through Board and management representation or contractual arrangements, including non-customary minority shareholder rights or covenants, investment management agreement (IMA) provisions such as onerous or costly IMA termination provisions, or excessive control or discretion given over the investment strategy and its implementation. Asset-management services may need to be distinguished from ownership when assessing and considering controls and conflicts.	Closed-item considered and addressed.	Closed-item considered and addressed.	RFSWG Update: 04-04-25 Closed Additional guidance for use in reviewing Change of Control (Form A) and Disclaimer of Affiliation filings for complex organizational structures and transactions was adopted into the 12/31/24 Financial Analysis Handbook. Additional guidance for use in reviewing and monitoring affiliated/related-party investment management services was adopted into both the 12/31/24 Financial Analysis Handbook and the 12/31/24 Financial Condition Examiners Handbook.	**RFSWG Update:** *7-17-24* The RFSWG held an open call on 7/17/24 to discuss proposed guidance for use in reviewing investment advisory services provided by an affiliate, which was then exposed for a 45-day public comment period ending Aug. 30.	See update on #1 above that covers this topic as well.	See update above that covers this topic as well.		GSIWG Update: The GSIWG formed a drafting group to develop best practices for regulatory review in this area. The drafting group has met multiple times and continues to work on the development of written best practices. After the best practices are developed, the drafting group will consider whether any should be proposed for inclusion in NAIC Handbooks or other action should be considered.		***GSIWG Update:*** *The GSIWG plans to discuss this issue at its Dec. 14 meeting to determine next steps in addressing the referral.*	Sent a referral for new work to the Group Solvency Issues (E) Working Group.
3. Investment Management Agreements (IMAs):											
The material terms of the IMA and whether they are arm's length or include conflicts of interest —including the amount and types of investment management fees paid by the insurer, the termination provisions (how difficult or costly it would be for the insurer to terminate the IMA) and the degree of discretion or control of the investment manager over investment guidelines, allocation, and decisions.	Closed-item considered and addressed.	Closed-item considered and addressed.	RFSWG Update: 04-04-25 Closed Additional guidance for use in reviewing and monitoring affiliated/related-party investment management services was adopted into both the 12/31/24 Financial Analysis Handbook and the 12/31/24 Financial Condition Examiners Handbook.	**RFSWG Update:** *7-16-24* The RFSWG held an open call on 7/17/24 to discuss proposed guidance for use in reviewing investment advisory services provided by an affiliate, which was then exposed for a 45-day public comment period ending Aug. 30.	**RFSWG Update:** *1-29-24* The RFSWG formed an Affiliated Investment Management Agreement drafting group to develop more specific guidance for use in reviewing investment advisory services provided by an affiliate. The Drafting Group plans to present proposed handbook guidance to the RFSWG for review at the NAIC's Spring 2024 National Meeting.			**RFSWG Update:** The RFSWG is nearing the completion of its project to update general guidance in NAIC handbooks related to affiliated service agreements, which is expected to be completed by the 2023 Summer National Meeting. After the general guidance is completed, the Working Group plans to begin work on more targeted guidance related to affiliated investment management agreements.		***RFSWG Update:*** The RFSWG received and discussed this referral during its Nov. 1 interim meeting. During the meeting, the RFSWG agreed to defer further work on this issue until its ongoing project to update general guidance in NAIC handbooks related to affiliated service agreements is completed in early 2023. **VOSTF:** discussed the referral and decided RFSWG was in the best position to address this concern.	Sent a referral to the **Risk-Focused Surveillance (E) Working Group** to add this consideration to existing work involving affiliated agreements and Form D filings. Also sent a referral to the **Valuation of Securities (E) Task Force (VOSTF)** to highlight the regulatory discussion involving topics it administers.
4. Owners of Insurers with Short-Term Focus and/or Unwilling to Support a Troubled Insurer:											
Owners of insurers, regardless of type and structure, may be focused on short-term results which may not be in alignment with the long-term nature of liabilities in life products. For example, investment management fees, when not fair and reasonable, paid to an affiliate of the owner of an insurer may effectively act as a form of unauthorized dividend in addition to reducing the insurer's overall investment returns. Similarly, owners of insurers may not be willing to transfer capital to a troubled insurer.	Closed-item considered and addressed. **LATF/VAWG Update: 07-22-26** Reviews of AG 53 reports are in progress. To ensure that reserve adequacy associated with long-term liabilities is achieved, efforts will continue to focus on high net yield assumptions, attribution analysis of net yield assumptions, investment expense assumptions, reinsurance collectability, projected portfolio allocations, structured assets by tranche, payment in kind which may impact availability of future cash flows to support claims payments, and internally-determined fair values.	Closed-item considered and addressed. **LATF/VAWG Update: 10-14-25** Reviews of AG 53 reports for year-end 2024 are in progress. To ensure that reserve adequacy associated with long-term liabilities is achieved, efforts will continue to focus on high net yield assumptions, attribution analysis of net yield assumptions, investment expense assumptions, reinsurance collectability, projected portfolio allocations, structured assets by tranche, payment in kind which may impact availability of future cash flows to support claims payments, and internally-determined fair values.	**RFSWG and FASTWG Updates: 04-04-25 Closed** Additional guidance for use in reviewing surplus notes and capital maintenance agreements was adopted into the 12/31/24 Financial Analysis Handbook. **LATF/VAWG Update: 05-06-25** Reviews of AG 53 reports for year-end 2024 are in progress. To ensure that reserve adequacy associated with long-term liabilities is achieved, efforts will continue to focus on high net yield assumptions, attribution analysis of net yield assumptions, investment expense assumptions, reinsurance collectability, projected portfolio allocations, structured assets by tranche, payment in kind which may impact availability of future cash flows to support claims payments, and internally-determined fair values.	**RFSWG Update:** *7-16-24* The RFSWG held an open call on 7/17/24 to discuss proposed guidance for use in reviewing investment advisory services provided by an affiliate, which was then exposed for a 45-day public comment period ending Aug. 30. In addition, the RFSWG referred issues related to surplus notes and capital maintentance agreements to the Financial Analysis Solvency Tools (E) Working Group. **FASTWG Update:** *7-16-24* The FASTWG held an open call on 7/16/24 to discuss the development of additional guidance for regulator use in reviewing surplus notes and capital maintenance agreements. As a result of the call, the Working Group agreed to form a drafting group to assist NAIC with the development of additional guidance in this area. **LATF/VAWG Update: 7-22-24** Reviews of AG 53 reports for year-end 2023 are in progress. As an expansion to the 4 areas that were in focus last year (high net yield assumptions, attribution analysis of net yield assumptions, investment expense assumptions, and reinsurance collectability) to ensure reserve adequacy associated with long-term liabilities is achieved, more refined information is being reviewed. This includes information related to projected portfolio allocations, structured assets by tranche, and payment in kind which may impact	**RFSWG Update:** *1-29-24* The RFSWG formed an Affiliated Investment Management Agreement drafting group to develop guidance related to the reasonableness of investment management fees. Proposed guidance on this topic is expected to be discussed at the Spring 2024 National Meeting. In addition, the RFSWG referred the considerations related to capital maintenance agreements over to the Financial Analysis Solvency Tools Working Group. **LATF/VAWG Update:** *12-1-23* AG 53 reviews are in progress and focus on 4 areas related to this consideration of a potential conflict of interest of ST owners and an insurance co. The 4 areas are: -high net yield assumptions -attribution analysis of net yield assumptions -investment expense assumptions -reinsurance collectability			**LATF Update 6/23:** Actuarial Guideline 53 – Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves (AG 53) became effective for year-end 2022. AG 53 requires additional disclosures related to life insurance and annuity company investment return assumptions for complex and high yielding assets. Regulators are conducting targeted reviews of the AG 53 disclosures to ensure that company investment returns for complex and high-yielding assets are not overly optimistic.	***LATF Update:*** *Asset adequacy analysis requirements in NAIC Model #820 and VM-30 require that company Appointed Actuaries perform testing to ensure that the reserves held for the company's liabilities are adequate in light of the assets supporting the business. Regulators review associated company Statements of Actuarial Opinion periodically.*	***RFSWG Update:*** *The RFSWG received and discussed this referral during its Nov. 1 interim meeting. During the meeting, the RFSWG agreed to defer further work on this issue until its ongoing project to update general guidance in NAIC handbooks related to affiliated service agreements is completed in early 2023.*	Sent a referral to the Risk-Focused Surveillance (E) Working Group to add this consideration to existing work involving affiliated agreements and fees. Also sent a referral to the Life Actuarial (A) Task Force recognizing its existing work to ensure the long-term life liabilities (reserves) and future fees to be paid out of the insurer are supported by appropriately modeled assets.
5. Operational, Governance and Market Conduct Practices:											
Operational, governance and market conduct practices being impacted by the different priorities and level of insurance experience possessed by entrants into the insurance market without prior insurance experience, including, but not limited to, PE owners. For example, a reliance on TPAs due to the acquiring firm's lack of expertise may not be sufficient to administer the business. Such practices could lead to lapse, early surrender, and/or exchanges of contracts with in-the-money guarantees and other important policyholder coverage and benefits.	**MWG Update: 07-28-26** Began discovery phase on potential macroprudential or financial stability concerns or connections regarding entrant behavior or certain increasing line of business trends	**MWG Update:** No new action has occurred for this consideration as the regulators have focused on the reinsurance consideration.	**MWG Update:** No new action has occurred for this consideration as the regulators have focused on the reinsurance consideration.	**MWG Update:** No new action has occurred for this consideration as the regulators have focused on the reinsurance consideration.	**MWG Update:** No new action has occurred for this consideration as the regulators have focused on the reinsurance consideration.			**MWG Update:** No new action has occurred for this consideration as the regulators have focused on the reinsurance consideration.		***MWG Update:*** *No new action has occurred for this consideration as the regulators have focused on the reinsurance consideration.*	The MWG will keep developing more specific suggestions before likely referring this consideration to the Risk-Focused Surveillance (E) Working Group.
6. Definition of Private Equity (PE):											
No uniform or widely accepted definition of PE and challenges in maintaining a complete list of insurers' material relationships with PE firms. (UCAA (National Treatment WG) dealt with some items related to PE.) This definition may not be required as the considerations included in this document are applicable across insurance ownership types.	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.						The MWG determined it was not feasible to determine a definition. Therefore, no further work on this consolidation shall be conducted and is considered closed or resolved.
7. Identifying Related Party-Originated Investments (Including Structured Securities):											
The lack of identification of related party-originated investments (including structured securities). This may create potential conflicts of interests and excessive and/or hidden fees in the portfolio structure, as assets created and managed by affiliates may include fees at different levels of the value chain. For example, a CLO which is managed or structured by a related party. (An agenda item and blanks proposal are being developed by SAPWG.)	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.	**Closed**-item considered and addressed.	**Closed-item considered and addressed.**	**SAPWG Update: Closed** No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral and objective are complete.		**SAPWG Completed Actions:** Ref #2022-15, included revisions to clarify that any invested asset held by a reporting entity which is issued by an affiliated entity, or which includes the obligations of an affiliated entity, is an affiliated investment. (Adopted March 2023)			**SAPWG Completed Actions:** Ref #2021-21 included revisions that clarified guidance for related parties and developed a blanks proposal which provided new investment schedule column with reporting codes to identify investments that involve related parties. (Adopted May 2022) Ref #2021-22BWG added six related party reporting codes effective for year-end 2022. The investment schedule disclosures include codes that identify the role of the related party in the investment, e.g., a code to identify direct credit exposure as well as codes for relationships in securitizations or similar investments. (Adopted May 2022)	Sent a referral to the Statutory Accounting Principles (E) Working (SAPWG) Group recognizing its existing work regarding disclosures for related-party issuance/acquisition. Once MWG regulators work with these SAPWG disclosures and regulatory enhancements from referrals to other groups, further regulatory guidance may be considered as needed.
8. Identifying Underlying Affiliated/Related Party Investments and/or Collateral in Structured Securities:											
Though the blanks include affiliated investment disclosures, it is not easy to identify underlying affiliated investments and/or collateral within structured security investments. Additionally, transactions may be excluded from affiliated reporting due to nuanced technicalities. Regulatory disclosures may be required to identify underlying related party investments and/or collateral within structured security investments. This would include, for example, loans in a CLO issued by a corporation owned by a related party. (An agenda item and blanks proposal are being developed by SAPWG.)	**Closed**-item considered and addressed. **EOTF/VAWG Update: 07-22-26** The AG 53 reports collected information relating to affiliated investments. Review of this information is in progress.	**Closed**-item considered and addressed. **EOTF/VAWG Update: 10-14-25** The AG 53 reports collected information relating to affiliated investments. Review of this information is in progress.	**Closed**-item considered and addressed. **EOTF/VAWG Update: 05-06-25** The AG 53 reports collected information relating to affiliated investments. Review of this information is in progress.	**SAPWG Update:** No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral objective and are complete. **EOTF/VAWG Update: 7-22-24** The AG 53 reports collected information relating to affiliated investments. Review of this information is in progress.	**SAPWG Update: Closed** No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral objective and are complete. **EOTF/VAWG Update: 12-1-23** AG 53 Guidance Document – more refined information to be attained for year-end 2023 e.g., structured asset information by tranche		**SAPWG Completed Actions:** *See above descriptions (Ref # 2021-21, Ref #2022-15 and Ref #2021-22 BWG)*		**EOTF/VAWG Update:** The EOTF delegated work on this referral to its Financial Analysis Solvency Tools (E) Working Group and its Financial Examiners Handbook (E) Technical Group. Both groups developed new guidance for inclusion in 2023 NAIC handbooks related to the new related party investment disclosures developed by SAPWG and the AG 53 standards developed by LATF that will be in place for 12/31/22 reporting. The groups may develop additional guidance for NAIC handbooks, as well as supporting regulatory reports and tools, as work proceeds in this area.	**SAPWG Completed Actions:** See above descriptions (Ref # 2021-21 and Ref #2021-22 BWG) on investment reporting codes for year end 2022 reporting. Ref #2019-34 included revisions that clarify: 1) identification of related parties; 2) a non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or affiliation; 3) a disclaimer of control or affiliation does not eliminate the classification as a "related party" and the disclosure of material transactions. This agenda item also resulted in the creation of a new Schedule Y Part 3, which was effective for year-end 2021. This schedule identifies all entities with greater than 10% ownership – regardless of any disclaimer of affiliation - and whether there is a disclaimer of control/disclaimer of affiliation and identifies the ultimate controlling party. (Ref #2019-34 and Ref #2020-37BWG, both adopted	Sent a referral to the Statutory Accounting Principles (E) Working Group in recognition of existing work to develop disclosures to identify the role of the related party in the investment and codes for relationships in securitizations or similar investment. Also sent a referral for new work to the Examination Oversight (E) Task Force for the CLO/structured security considerations.

Consideration	2026 Summer Update	2025 Fall Update	2025 Spring Update	2024 Summer National Meeting Update	2024 Spring National Meeting Update	Update Date	Update Date	Update Date	Update Date	Update Date	Update Date
9. Asset Manager Affiliates and Disclaimers of Affiliation:											
Broader considerations exist around asset manager affiliates (not just PE owners) and disclaimers of affiliation avoiding current affiliate investment disclosures. (A new Sc Y, Pt 3, has been adopted and will be in effect for year-end 2021. This schedule will identify all entities with greater than 10% ownership – regardless of any disclaimer of affiliation - and whether there is a disclaimer of control/disclaimer of affiliation. It will also identify the ultimate controlling party. Additionally, SAPWG is developing a proposal to revamp Schedule D reporting, with primary concepts to determine what reflects a qualifying bond and to identify different types of investments more clearly, including asset-backed securities.)	**Closed**-item considered and adressed	**Closed**-item considered and adressed	**Closed**-item considered and adressed	**SAPWG Update: Closed** No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral objective and are complete. The bond proposal and the reporting changes have been approved and will become effective January 1, 2025.	**SAPWG Update: Closed** No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral objective and are complete. The bond proposal and the reporting changes have been approved and will become effective January 1, 2025.		**SAPWG Completed Actions:** *See above descriptions Ref # 2021-21, Ref #2022-15 and Ref #2021-22 BWG; Ref #2022-17, incorporated revisions to data-capture interest income disclosures, and established new disclosures for aggregate paid-in-kind interest and deferred interest. (Adopted March 2023). SAPWG Ongoing Work: Reporting changes to reflect the Schedule D-1 proposed changes were exposed by the Blanks (E) Working Group on March 7, 2023, and updated revisions are anticipated for exposure shortly after the 2023 Summer National Meeting. The statutory accounting revisions to incorporate a new principles-based bond definition in SSAP No. 26R—Bonds and SSAP No. 43R—Asset Backed Securities will be presented for adoption at the 2023 Summer National Meeting.*		***SAPWG Ongoing Work:*** Ref #2022-15, which clarifies affiliated investment reporting, is planned for adoption consideration at the 2023 Spring National Meeting . It adds guidance on reporting of affiliated investments. As part of a project known as the bond project, the SAPWG is developing a proposal to revise Schedule D reporting, which intends to determine what is considered a qualifying bond and to identify different types of investments more clearly. For example, the current bond proposal would divide Schedule D-1 into a Schedule D-1-1 for issuer credit obligations and a Schedule D-1-2 for asset-backed securities. The proposal includes more detailed reporting lines to provide more granularity on the actual types of investments held. The effective date of the bond proposal, and the reporting changes, is anticipated for January 1, 2025. Reporting changes to reflect the Schedule D-1 proposed changes were exposed by the Blanks (E) Working Group on March 7, 2023. Updated revisions to the statutory accounting guidance are planned for exposure by the Statutory Accounting Principles (E) Working Group at the 2023 Spring National Meeting. · Ref #2022-17, which clarifies interest income disclosures, is planned for adoption consideration at the 2023 Spring National Meeting.	***SAPWG Completed Actions:*** See above descriptions of Schedule Y Part 3. (Ref #2019-34 and Ref #2020-37BWG).	MWG regulators are comfortable waiting to realize the benefits of the recently implemented Schedule Y, Part 3, along with the changes other NAIC committee groups will make for several of the previously listed referrals, before determining if additional work is needed. Also, a referral was sent to the Statutory Accounting Principles (E) Working Group recognizing its existing work to revamp Schedule D reporting along with the previously mentioned code disclosures will assist with this consideration.
10. Privately Structured Securities:											
The material increases in privately structured securities (both by affiliated and non-affiliated asset managers), which introduce other sources of risk or increase traditional credit risk, such as complexity risk and illiquidity risk, and involve a lack of transparency. (The NAIC Capital Markets Bureau continues to monitor this and issue regular reports, but much of the work is complex and time-intensive with a lot of manual research required. The NAIC Securities Valuation Office will begin receiving private rating rationale reports in 2022; these will offer some transparency into these private securities.) In parallel, the Invested Assets (E) Task Force (IATF) and the Investment Analysis (E) Working Group (INVAWG) have devoted significant attention to evaluating the risks associated with evolving investment structures. Recent efforts have included enhanced regulatory discussions surrounding Level 3 fair value investments and the adequacy of existing Note 20C fair value hierarchy disclosures under SSAP No. 100—Fair Value, ongoing oversight of private structured securities and collateralized loan obligations (CLOs), coordination with other NAIC working groups on mortgage loans and other invested asset issues, and educational sessions focused on emerging investment trends and insurer portfolio risk. Together, these efforts are intended to improve regulators' understanding of increasingly complex investments and ensure that existing reporting and analytical tools continue to provide meaningful regulatory insight.	**RBCIREWG Update 07-08-26 Closed** The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met September 8, 2025, to receive updates from the American Academy of Actuaries (Academy) on its structured securities risk-based capital (RBC) project. Specifically, the Academy reported its progress on Collateralized Loan Obligations (CLO) C-1 factors modeling and solicited the Working Group's input to prioritize potential refinements to key model assumptions. Revised CLOs factors were adopted by the Financial Condition (E) Committee on July 8, 2026, and will be in effect for year-end 2026 Life company RBC filings.	**RBCIREWG Update 10-09-25** The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met September 8, 2025, to receive updates from the American Academy of Actuaries (Academy) on its structured securities risk-based capital (RBC) project. Specifically, the Academy reported its progress on Collateralized Loan Obligations (CLO) C-1 factors modeling and solicited the Working Group's input to prioritize potential refinements to key model assumptions. According to the Academy's anticipated project timeline, final CLOs factors will be available for exposure by April 30, 2026. This timeline enables 2026 adoption in Life RBC framework. Future update from the Academy is planned to happen in Dec 2025/early 2026.	**RBCIREWG Update 04-07-25** The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met Oct 22, 2024 , Feb 11 and Mar 24, 2025, to receive updates from the American Academy of Actuaries (Academy) on its structured securities risk-based capital (RBC) project. With the help of Academy, the Working Group is working to evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk, which is not addressed in reserves (Working Agenda #IR5).	**RBCIREWG Update: 8-2-24** The Risk-Based Capital Investment Risk and Evaluation (E) Working Group met June 21, May 22, and April 12 to discuss residual tranches and the 45% risk-based capital (RBC) factor in place for year-end 2024. After consideration of comments, as well as a review of alternative proposals to bifurcate residual tranches between 30% and 45% RBC categories, the Working Group adopted a motion to retain the 45% RBC factor for all residual tranches for year-end 2024.	**RBCIREWG Update:** *1-30-24* The Academy finalized their principles for structured securities with input from the working group at the 2023 Fall NM. As previously indicated, this work may inform the work the Working Group does on the MWG item but it is still pending discussion by the group.			***RBCIREWG Update:*** *The Risk-Based Capital Investment Risk and Evaluation (E) Working Group added this item to its working agenda. While not specifically addressing privately structured securities, the Working Group's current work on collateralized loan obligations may contribute to addressing this item.* ***SAPWG Ongoing Work:*** • *As discussed above, the Schedule D bond proposal is planned for 2025 reporting.*	***VOSTF Update:*** The VOSTF sent referrals to the Financial Condition (E) Committee, Financial Stability (E) Task Force, Macroprudential (E) Working Group, Capital Adequacy (E) Task Force, Risk-Based Capital Investment Risk and Evaluation (E) Working Group, Life Actuarial (A) Task Force, Financial Analysis (E) Working Group, Statutory Accounting Principles (E) Working Group and Valuation Analysis (E) Working Group requesting feedback on a proposal to have the NAIC's SVO develop the analytical capability to produce risk metrics for bond investments, and model measures of interest rate sensitivity and project investment cash flows and estimated losses for any given interest rate or economic scenario for regulator use. These groups were asked if they support the proposal and to describe different ways they envision being able to take advantage of such a capability within the NAIC.	***LATF Update:*** *Actuarial Guideline 53 (AG 53) has been adopted by the NAIC's Executive (EX) Committee and Plenary and was effective for year-end 2022 reporting. Starting in Spring 2023, regulators on the Valuation Analysis (E) Working Group will be conducting AG 53 reviews. This will involve a targeted review of asset adequacy analysis related to modeling of business supported with projected high net yield assets.*	Sent a referral to the Life Actuarial (A) Task Force recognizing its existing work on an Actuarial Guideline including disclosure requirements for the risks of privately structured securities and how the insurer is modeling the risks. Sent a referral to the VOSTF highlighting the MWG regulators' support for the blanks proposal to add market data fields for private securities being considered by the Valuation of Securities (E) Task Force (VOSTF). MWG regulators will wait on any further work or referrals until they have an opportunity to work with the results of the VOSTF proposal and the SAPWG Schedule D revamp project. Sent a referral for new work to the RBC Investment Risk and Evaluation (E) Working Group to address the tail risk concerns not captured by reserves.
	IDAWG Update: 07-31-26 Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below. The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold but could be revived under Financial Condition (E) Committee's Framework for Regulation of Insurer Investments – A Holistic Review.	**VOSTF Update: 10-10-25** Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below. The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold but could be revived under Financial Condition (E) Committee's Framework for Regulation of Insurer Investments – A Holistic Review.	**VOSTF Update: 04-09-25** Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below. The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold but could be revived under Financial Condition (E) Committee's Framework for Regulation of Insurer Investments – A Holistic Review.	**VOSTF Update:** *7-17-24* Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below. The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold.	**VOSTF Update:** *2-6-24* In 2023 the Securities Valuation Office (SVO) proposed an amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to make all Structured Equity and Funds, which captures a subset of the privately structured securities market, ineligible for filing exemption. The Task Force deferred action on that proposal and instructed the SVO to instead draft a new proposal that was more limited in scope and which would enable the targeting of individual securities with material risk assessment differences. Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below. The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold.						
	Closed -item considered and adressed	**Closed** -item considered and adressed	**Closed** -item considered and adressed	***SAPWG Update:*** No further work deemed necessary. Previous initiatives have addressed the PE concern and the referral objective is complete. The bond proposal and the reporting changes have been approved and will become effective January 1, 2025.	***SAPWG Update:*** No further work deemed necessary. Previous initiatives have addressed the PE concern and the referral objective is complete. The bond proposal and the reporting changes have been approved and will become effective January 1, 2025.						
11. Reliance on Rating Agencies:											
The level of reliance on rating agency ratings and their appropriateness for regulatory purposes (e.g., accuracy, consistency, comparability, applicability, interchangeability, and transparency). (VOSTF has previously addressed and will continue to address this issue.)	**CRPWG Update: 07-31-26** In August 2024, the Securities Valuation Office (SVO) adopted an amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to authorize procedures for the SVO's and state regulator's discretion over NAIC Designations assigned through the Filing Exemption (FE) process. The amendment grants the SVO staff and state regulators some level of discretion over the FE process to address the NAIC's current blind reliance on credit ratings. It also addresses the Financial Condition (E) Committee's charge to the Task Force to: Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives. The discretion process includes: • A materiality threshold required to flag a CRP rating. In order to limit the SVO's use of this process to only what would be considered truly material differences of opinion, the SVO and state regulators would only be able to change an NAIC Designation assigned through the FE process if they determine it is 3 or more notches different than the SVO's assessment. • Final decisions will be made by the CRPWG in the review process before any rating would be removed from the FE process. The procedures permit participation by the domiciliary supervisor, impacted insurers and other parties with a sub-group of US supervisors vested with the authority to disregard a rating on a security. • Procedural steps were implemented to ensure insurers are given due process: ample notification to insurer, an opportunity for the insurer to provide full documentation to the SVO and explain its analysis of the investment, an opportunity to get an alternate CRP rating, and sufficient time to file the security, if needed. The basic required functionality for the FE discretion process is now operational, though further infrastructure for implementation developments may be made in the future. The discretion process is intended to complement the Financial Condition (E) Committee's Framework for Regulation of Insurer Investments – A Holistic Review. Among other initiatives, the Holistic Framework calls for the implementation of a Credit Rating Provider (CRP) due diligence framework to enable the NAIC to better assess and evaluate credit rating agencies for acceptance as NAIC CRPs. The NAIC has engaged PwC as a third-party consultant to design and guide the implementation of this framework. The NAIC is currently working with CRPs to facilitate a data request by PwC which it needs to begin its analysis. A draft of the Framework was exposed for comment at a May 4, 2026 meeting of the Credit Rating Provider (E) Working Group. The CRPWG, NAIC staff and PwC are currently reviewing the comments received and incorporating them into a revised version of the	**VOSTF Update: 10-10-25** In August 2024, the Securities Valuation Office (SVO) adopted an amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to authorize procedures for the SVO's and state regulator's discretion over NAIC Designations assigned through the Filing Exemption (FE) process. The amendment grants the SVO staff and state regulators some level of discretion over the FE process to address the NAIC's current blind reliance on credit ratings. It also addresses the Financial Condition (E) Committee's charge to the Task Force to: Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives. The discretion process includes: • A materiality threshold required to flag a CRP rating. In order to limit the SVO's use of this process to only what would be considered truly material differences of opinion, the SVO and state regulators would only be able to change an NAIC Designation assigned through the FE process if they determine it is 3 or more notches different than the SVO's assessment. • Final decisions will be made by a subgroup of the Task Force in the review process before any rating would be removed from the FE process. The procedures permit participation by the domiciliary supervisor, impacted insurers and other parties with a sub-group of US supervisors vested with the authority to disregard a rating on a security. • Procedural steps were implemented to ensure insurers are given due process: ample notification to insurer, an opportunity for the insurer to provide full documentation to the SVO and explain its analysis of the investment, an opportunity to get an alternate CRP rating, and sufficient time to file the security, if needed. While authority for such challenges has been granted, the infrastructure for implementation is still in development. The discretion process is intended to complement the Financial Condition (E) Committee's Framework for Regulation of Insurer Investments – A Holistic Review. Among other initiatives, the Holistic Framework calls for the implementation of a Credit Rating Provider (CRP) due diligence framework to enable the NAIC to better assess and evaluate credit rating agencies for acceptance as NAIC CRPs. The NAIC has engaged PwC as a third-party consultant to design and guide the implementation of this framework. The NAIC is currently working with CRPs to facilitate a data request by PwC which it needs to begin its analysis.	**VOSTF Update: 04-09-25** In August 2024, the Securities Valuation Office (SVO) adopted an amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to authorize procedures for the SVO's and state regulator's discretion over NAIC Designations assigned through the Filing Exemption (FE) process. The amendment grants the SVO staff and state regulators some level of discretion over the FE process to address the NAIC's current blind reliance on credit ratings. It also addresses the Financial Condition (E) Committee's charge to the Task Force to: Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives. The proposal is intended to complement the Financial Condition (E) Committee's Framework for Regulation of Insurer Investments – A Holistic Review. Among other initiatives, the Holistic Framework calls for the implementation of a Credit Rating Provider (CRP) due diligence framework to enable the NAIC to better assess and evaluate credit rating agencies for acceptance as NAIC CRPs. The NAIC is near to signing an engagement letter with a third-party consultant to help design and implement this framework. The proposed process includes: • A materiality threshold required to flag a CRP rating. In order to limit the SVO's use of this process to only what would be considered truly material differences of opinion, the SVO and state regulators would only be able to change an NAIC Designation assigned through the FE process if they determine it is 3 or more notches different than the SVO's assessment. • Final decisions will be made by a subgroup of the Task Force in the review process before any rating would be removed from the FE process. The procedures permit participation by the domiciliary supervisor, impacted insurers and other parties with a sub-group of US supervisors vested with the authority to disregard a rating on a security. • Procedural steps were implemented to ensure insurers are given due process: ample notification to insurer, an opportunity for the insurer to provide full documentation to the SVO and explain its analysis of the investment, an opportunity to get an alternate CRP rating, and sufficient time to file the security, if needed. While authority for such challenges has been granted, the infrastructure for implementation is still in development.	**VOSTF Update:** *7-17-24* The Securities Valuation Office (SVO) has proposed an amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to authorize procedures for the SVO's discretion over NAIC Designations assigned through the Filing Exemption (FE) process. The amendment would grant the SVO staff some level of discretion over the FE process to address the NAIC's current blind reliance on credit ratings. It also addresses the Financial Condition (E) Committee's charge to the Task Force to: Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives. The proposal is intended to complement E-Committee's Framework for Regulation of Insurer Investments – A Holistic Review. The proposed process would include: •Establishment of a materiality threshold required to flag a CRP rating. In order to limit the SVO's use of this process to only what would be considered truly material differences of opinion, the SVO would only be able to change a Designation assigned through the FE process if it were 3 or more notches different than the SVO's assessment. •Final decisions would be made by a subgroup of the Task Force ~~in the review process~~ before any rating would be removed. •Procedural steps to ensure insurers are given due process: ample notification to insurer, an opportunity for the insurer to provide full documentation to the SVO and explain its analysis of the investment, an opportunity to get an alternate CRP rating, and sufficient time to file the security, if needed. VOSTF is currently reviewing comments from interested parties and discussion is ongoing.	**VOSTF Update:** *2-6-24* The Securities Valuation Office (SVO) has proposed an amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to authorize procedures for the SVO's discretion over NAIC Designations assigned through the Filing Exemption (FE) process. The amendment would grant the SVO staff some level of discretion over the FE process to address the NAIC's current blind reliance on credit ratings. It also addresses the Financial Condition (E) Committee's charge to the Task Force to: Establish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives. The proposed process would include: •Establishment of a materiality threshold required to flag a CRP rating. In order to limit the SVO's use of this process to only what would be considered truly material differences of opinion, the SVO would only be able to change a Designation assigned through the FE process if it were 3 or more notches different than the SVO's assessment. •Inclusion of a subgroup of the Task Force in the review process before any rating would be removed. •Procedural steps to ensure insurers are given due process: ample notification to insurer, an opportunity for the insurer to provide full documentation to the SVO and explain its analysis of the investment, an opportunity to get an alternate CRP rating, and sufficient time to file the security, if needed. VOSTF is currently reviewing comments from interested parties and discussion is ongoing.	*VOSTF has drafted a list of questions to discuss with each rating agency in future regulator-only meetings. The SVO has received comments from certain rating agencies and is incorporating those comments into a final list of questions to be agreed to by the Task Force. At the 2023 Spring National, during the discussion of the proposed amendment on Structured Equity and Funds, the Task Force deferred action on the Structured Equity and Funds amendment and directed the SVO staff to draft a distinct process on how it would recommend challenging an NAIC Designation assigned from a credit rating provider ("CRP") rating pursuant to the Filing Exemption ("FE") process which the SVO thinks is not a reasonable assessment of risk for regulatory purposes. The SVO subsequently proposed an amendment which would grant the SVO staff a limited amount of discretion over the FE process to address the NAIC's current blind reliance on credit ratings. The amendment would establish strict due process requirements before the SVO could over-ride a CRP rating including a materiality threshold of a 3-notch difference in order to flag a CRP rating and sufficient notice to insurers to provide time for insurers to appeal SVO assessments. This amendment will continue to be discussed by the Task Force and interested parties.*	VOSTF received referral responses from the Financial Condition (E) Committee, the Life Actuarial (A) Task Force, the Financial Analysis (E) Working Group and the Valuation Analysis (E) Working Group. The Life Actuarial Task Force and Valuation Analysis Working Group supported the proposal and provided examples of risk metrics which would be useful to their groups. The Financial Analysis Working Group supported the VOSTF investigating various products because it said the risk metrics could be more effective in helping financial analysts and examiners to fully evaluate and assess investment risks. The Financial Condition Committee said it was worthwhile for the VOSTF to continue to investigate the various products which could be made available to the SVO staff and state regulators that provide some of the alternative investment risk measures as they could obviate the need for the NAIC to collect that information form NAIC Annual Statements. However, the E Committee said that before it could sponsor the proposal it would need more information to fully understand the costs and benefits of such products. This is an ongoing initiative.			***VOSTF Update:*** • The Task Force adopted an amendment at it Feb. 21 meeting that effective Jan. 1, 2024, financially modeled collateralized loan obligations (CLO) will not be eligible to use credit rating provider ratings to determine an NAIC Designation. • The Task Force has drafted a list of questions to discuss with each rating agency in future regulatory-only meetings. The questions are in the materials for the Spring National Meeting and will likely being exposed for public comment. • The Securities Valuation Office (SVO) has proposed an amendment to remove Structured Equity and Funds transactions from being eligible to use credit rating provider (CRP) ratings to assign an NAIC Designation. The SVO has proposed defining Structured Equity and Funds investments as investments which, through the insertion of an intervening entity such as a special purpose vehicle (SPV) or limited partnership, enable underlying assets that may not qualify as 'bonds' or be eligible to receive an NAIC Designation under the current regulatory guidance, to be reported as 'bonds' because the intervening entity issues notes and those notes receive a credit rating provider rating. The SVO identified multiple regulatory reporting arbitrage opportunities with these investments that circumvent regulatory guidance using a CRP rating to accomplish that result. • The Task Force adopted a new charge for 2023 to stablish criteria to permit staff's discretion over the assignment of NAIC designations for securities subject to the FE process (the use of CRP ratings to determine an NAIC designation) to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives. The criteria have not yet been proposed.	Sent a referral to the VOSTF indicating the MWG regulators' agreement to monitor the work of its ad hoc group addressing various rating agency considerations.
12. Pension Risk Transfer (PRT) Business Supported by Complex Investments.											
The trend of life insurers in pension risk transfer (PRT) business and supporting such business with the more complex investments outlined above (**LATF has exposed questions aimed at determining if an Actuarial Guideline** is needed to achieve a primary goal of ensuring claims-paying ability even if the complex assets (often private equity-related) did not perform as the company expects, and a secondary goal to require stress testing and best practices related to valuation of non-publicly traded assets (note – LATF's considerations are not limited to PRT). Additionally, enhanced reporting in 2021 Separate Accounts blank will specifically identify assets backing PRT liabilities.) Considerations have also been raised regarding the RBC treatment of PRT business. a.	**Closed**-item considered and addressed	**Closed**-item considered and addressed	**SAPWG update: 06-24-25** Reivew of 2024 was completed by NAIC staff in 2025 and shared with regulators. This item is closed unless further regulator direction is provided	**SAPWG Update: 7-25-24** The data collected provides overall detail of PRT product balances in the separate accounts. Continued regulator discussion is anticipated to see if further granularity is necessary for regulator review.	**SAPWG Update:** *1-30-24* Review of 2022 data was completed by NAIC staff in 2023 and continued data and reporting issues were identified. Review of 2023 YE data will be completed in the second quarter of 2024. This will allow for regulator review and input in determining if addition instruction or other follow-up is needed.		**LATF Update:** July 12, 2023, per Scott O'Neal; The PRT drafting group hasn't met since January 2023, and the Longevity Risk Subgroup is holding off on meeting until the VM-22 Subgroup finalizes the VM-22 methodology	**LATF Update:** June 27, 2023, per Scott O'Neal; The VM-22 Subgroup of LATF is currently developing a new reserving framework for non-variable annuities. As part of this effort, there is a distinct methodology being developed for longevity reinsurance/PRT. This has been the most controversial aspect of the VM-22 project. VM-22 is expected to go live no sooner than 2026. There is also a separate Longevity Risk (E/A) Subgroup of LATF that will work to develop a longevity reinsurance/PRT related capital charge. This work is on hiatus until the VM-22 reserving framework is adopted	**SAPWG Completed Actions:** Ref #2020-37: Separate Account – Product Identifiers and Ref #2020-38: Pension Risk Transfer - Separate Account Disclosure, which did not result in statutory accounting revisions but instead resulted in modifications to the reporting of PRT transactions in the annual financial statements, was adopted by the SAPWG May 2021. Ref #2021-03BWG was adopted by Blanks (E) Working Group in 2021. Comment – The 2022 review of the initial 2021 disclosures noted that although the instructions were clarified to require by product reporting including the use of a distinct disaggregated product identifier for each product represented; most entities are still broadly grouping PRT activity in the disclosures. Review of 2022 data is planned to be completed in the first half of 2023.	***LATF Update:*** *The PRT Drafting Group of the VM-22 SG is considering the development of PRT/longevity risk mortality factors. The DG hopes to share data with the Longevity Risk Subgroup of LATF that the Subgroup could consider for C-2 RBC for PRT products and longevity risk transactions.*	LATF's Actuarial Guideline Sent a referral to the LATF recognizing its work on an Actuarial Guideline which should address the reserve considerations of pension risk transfer (PRT) business. Sent a referral to the SAPWG to address the related disclosure considerations as the goal was to have them in the Notes to Financial Statements.
a. Review state guaranty associations' coverage for group annuity certificate holders (pension beneficiaries) in receivership compared to Pension Benefit Guaranty Corporation (PBGC) protection.	**LATF Update: 07-22-26** The VM-22 Subgroup made the initial VM-22 reserving methodology recommendation to LATF in May 2025. Companies may adopt the methodology for contracts issued on or after January 1, 2026, and must do so for contracts issued on or after January 1, 2029. The VM-22 Subgroup continues to address outstanding issues, including retrospective applicability for contracts before January 1, 2026. The Longevity Risk (E/A) Subgroup has resumed progress on charges.	**LATF Update 10-13-25** The VM-22 Subgroup made the initial VM-22 reserving methodology recommendation to LATF in May. Companies may start using starting the methodology for contracts issued starting 1/1/26, and must start using the new methodology for contracts issued starting 1/1/2029. The VM-22 Subgroup is now discussing topics that were tabled during the initial implementation, including a potential retrospective applicability for contracts issued prior to 1/1/2026. The Longevity Risk (E/A) Subgroup has resumed progress on charges.	**LATF Update 04-14-25** The VM-22 Subgroup is addressing framework and assumption decisions that were awaiting results from the VM-22 field test. The Subgroup plans to make the VM-22 reserving methodology recommendation to LATF in May and is expected to be effective for 1/1/26. The Longevity Risk (E/A) Subgroup plans to reconvene after the VM-22 framework has been adopted by LATF.	**LATF Update: 7/16/24** An industry field test of the draft VM-22 methodology will begin 7/31/24 and go through 9/30/24. After results are reviewed and any necessary revisions are made, the VM-22 reserving methodology is expected to be effective for 1/1/26. The Longevity Risk (E/A) Subgroup will meet after the VM-22 framework is finalized.	**LATF Update: 2-5-24** Confirmed no change in status since July 12, 2023 due to the VM-22 methodology not being final.						
b. Department of Labor Protections:	**Closed**-item considered and addressed	**Closed**-item considered and addressed	**Closed**-item considered and addressed	**MWG update: Closed** DOL revised their fiduciary standards (95-1) and duties to evaluate an insurance company prior to approving a PRT.	**MWG update: Closed** DOL revised their fiduciary standards (95-1) and duties to evaluate an insurance company prior to approving a PRT.		***MWG Update:*** Discussions with DoL continue. DoL is in the process of updating their fiduciary requirements under 95-1, which require due diligence in assessing an insurer prior to a PRT transaction.				***MWG Update:*** *NAIC staff are continuing to hold discussions with Department of Labor representatives.*
c. State Guaranty Funds Compared to PBGC Protection – NOLHGA 2016 Study:	**Closed**-item considered and addressed	**Closed**-item considered and addressed	**Closed**-item considered and addressed	**Closed** It appears state guaranty funds provide adequate protections for PRT business according to NOLHGA study and other research.. No further action was deemed necessary	**Closed** It appears state guaranty funds provide adequate protections for PRT business according to NOLHGA study and other research.. No further action was deemed necessary						No further action was deemed necessary ***MWG Update:*** *However, NAIC staff have contacted PBGC representatives to inquire if they have any items they wish to address with the MWG.*
d. RBC Treatment of PRT Business:	**LATF Update: 07-22-26** In April 2026, the Life Risk-Based Capital (E) Working Group adopted the Longevity Risk (E/A) Subgroup's initial recommended changes to LR025-A. The changes established a blanks structure for the C-2 longevity risk capital charge and instructed companies to report zero for the 2026 longevity risk capital requirement for longevity reinsurance. The Subgroup continues to evaluate methodologies for determining an appropriate longevity risk capital amount for longevity reinsurance and is targeting application in 2027 risk-based capital.	**LATF Update10-13-25** The VM-22 principle-based framework has been adopted. The work of the Longevity Risk (E/A) Subgroup has resumed with a focus on addressing the C2 requirements for longevity reinsurance contracts in consideration of the new framework.	**LATF Update 04-14-25** The VM-22 Subgroup is finalizing the framework to recommend to LATF. With that, the work of the Longevity Risk (E/A) Subgroup is pending this outcome.	**LATF Update: 7-22-24** The VM-22 Subgroup is still working on assumptions and other aspects, so the work on the framework continues. With that, the work of the Longevity Risk (E/A) Subgroup is pending this outcome	**LATF Update:** *1-30-24* The VM-22 Subgroup is still working on assumptions and other aspects, so the work on the framework continues. With that, the work of the Longevity Risk (E/A) Subgroup is pending this outcome		***LATF Update***: July 12, 2023, per D. Flemming; No change in this item as the VM-22 framework is not final yet.			***LATF Update:*** *The Longevity Risk (E/A) Subgroup will review the currently exposed VM-22 PBR methodology once it is finalized and adopted. The Subgroup will consider whether to develop and recommend longevity risk factor(s) for the product(s) that were excluded from the application of the current longevity risk factors.*	Sent a referral to the Longevity Risk (E/A) Subgroup recognizing its work will also address PRT business and indicating the MWG regulators will monitor this work.
13. Offshore/Complex Reinsurance:							**July 11, 2023**				
Insurers' use of offshore reinsurers (including captives) and complex affiliated sidecar vehicles to maximize capital efficiency, reduce reserves, increase investment risk, and introduce complexities into the group structure.	**MWG Update: 07-28-26** Continue to monitor complex offshore reinsurance trend, e.g., via dashboard or member updates	**MWG Update:** The following SAP projects related to Modco and offshore reinsurance are effective December 31, 2025: 1. Reporting of Funds Withheld and Modco Assets - Adds a new part to Life/Fraternal Annual Statement Blank reinsurance Schedule S and Instructions to better match RBC (RBC in process). 2. Reinsurer Affiliated Assets - Expands the restricted asset disclosure to include, by investment schedule, funds withheld related to/affiliated with the reinsurer. 3. Restricted Asset Clarification -Updates the restricted asset note 5L on including funds withheld/modco, aggregating all restricted assets in a single table.	**MWG Update:** Continue to monitor cross-border reinsurance market and continue dialogue with other jurisdictions. The MWG met July 8 to receive a report of crossborder reinsurance activitiy and trends. State regulators requested NAIC run additional metrics. Continue to monitor and asses ceded reserves offshore by transaction type, i.e., ModCo, Coinsurance, Funds WH and asset intensive reinsurance.	**MWG Update:** Continue to monitor cross-border reinsurance market and continue dialogue with other jurisdictions. The MWG met July 8 to receive a report of crossborder reinsurance activitiy and trends. State regulators requested NAIC run additional metrics. Continue to monitor and asses ceded reserves offshore by transaction type, i.e., ModCo, Coinsurance, Funds WH and asset intensive reinsurance. **LATF Update:** *7/16/24* Discussions are continuing on a potential proposal to require Asset Adequacy Testing for certain reinsurance transactions. Comments on the potential proposal will be heard at a 7/25/24 meeting of LATF with additional discussions expected to take place at the LATF session of the Summer National Meeting.	**MWG Update:** Continue to monitor offshore reinsurance market, meet with BMA and enhance ReWS. Monitor and asses ceded reserves offshore by transaction type, i.e., ModCo, Coinsurance, Funds WH and asset intensive reinsurance. **LATF Update:** *2-8-24* Proposal being considered to require Asset Adequacy Testing for Reinsurance transactions.		***MWG Update:*** The Reinsurance Worksheet was adopted on a joint FSTF/MWG virtual meeting on June 20, 2023.			At the Spring NM 2023 The Working Group released for comment the reinsurance comparison worksheet designed for regulators to assess cross-border reinsurance treaties where there are different regulatory systems involved. We believe the cross-border reinsurance worksheet will enhance state insurance regulators' ability to monitor these transactions. The comment period ended Apr 28 and the MWG is in the process of addressing comments received.	***MWG Update:*** *MWG regulators are wrapping up the confidential discussions with industry participants and other jurisdictions regarding the use of offshore reinsurers and complex affiliated reinsurance vehicles. They are continuing discussions to identify the best mechanism to ensure reviewing/approving regulators can identify the true economic impacts of the reinsurance transaction. MWG regulators will consider further work and/or referrals once they have concluded these discussions.*
	LATF Update: 07-22-26 A coordinated review of Actuarial Guideline LV, Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties (AG 55) reports is being performed by the NAIC's Valuation Analysis (E) Working Group and follow-ups with companies are being sent as needed. Additional guidance for the 2026 year-end filings is being prepared that builds on regulator reviews of the 2025 reports.	**LATF Update 10-13-25** Actuarial Guideline LV, Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties (AG 55), was adopted by the NAIC's Executive Committee and Plenary at the 2025 Summer National Meeting. AG 55 is effective for year-end 2025 reporting, and will give state insurance regulators greater transparency into approximately 100 asset-intensive reinsurance transactions. Additional discussions are taking place at LATF to develop an optional reporting template that will set consistent expectations for companies and allow for streamlined regulatory review.	**LATF Update 04-14-25** Discussions are continuing on a potential proposal to require Asset Adequacy Testing for certain reinsurance transactions. Comments on the latest draft of the proposed actuarial guideline are due Thursday, April 24th. Additional discussions and revisions to the guideline will begin May 1st, 2025. The proposed actuarial guideline is planned to be implemented for year-end 2025 asset adequacy testing.								

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Attachment Five
Financial Stability (E) Task Force
8/12/26

U.S. Insurance Industry

MACROPRUDENTIAL RISK DASHBOARD Summary Report

As of December 31, 2025

DRAFT

Published: August, 2026

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Macroprudential Risk Dashboard Summary

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

Risk Assessment Scale/Legend

	High
	Moderate-High
	Moderate-Low
	Low

Trend Scale (Trend of the risk)

Significant Increase	↑
Increase	↗
Stable	→
Decrease	↘
Significant Decrease	↓

Executive Summary

Overall, the U.S. insurance industry continues its well-established pattern of adapting to a dynamic risk landscape and playing a key role in the financial sector by helping policyholders manage risk. Aggregate capital levels continue to increase overall and provide a significant buffer above regulatory capital requirements to absorb risk. Liquidity risk is deemed low as overall industry allocation to cash and short-term investments and U.S. Government securities is at the highest levels in the last five years.

Regulator Use

This report was derived from a detailed regulator only comprehensive risk dashboard. Each of the eight risk categories summarized in this report contains a set of key risk indicators that provide the basis for the assessment. Key risk indicators that have significantly changed or are key drivers of the risk assessment are highlighted in this report. State regulators may wish to review these industry-wide risk drivers to determine if the same or similar risks are impacting their individual regulated entities. The risks identified in this report may assist with the risk assessment components of financial analysis and completion of risk matrices during examinations.

Key Highlights:

Health Sector

Several risk indicators within the underwriting, Capital Adequacy and liquidity risk categories indicate increased level of risk in the Health sector. Specifically, capital has deteriorated, loss and combined ratios are elevated, cash flow decreased and some rating agencies have a negative outlook on the sector.

Private Credit

Private credit funds have experienced substantial growth in recent years, with assets under management (AUM) now comparable in size to the U.S. high yield corporate bond and leveraged loan markets, which has led to some increase in insurance company holdings in this area. Limited available information on borrower fundamentals and a lack of secondary market trading can make timely valuations challenging and result in limited transparency into the sector. These factors also make quantification of the exposure for the insurance industry a challenge.

Level 3 Assets

Level 3 asset exposure continues modest growth, currently at 17% of cash and invested assets, which is significant. Level 3 concentration may contribute to valuation and liquidity risk. Note many private credit investments are also considered level 3 assets. This is a new risk indicator in the market risk category, and the exposure will continue to be monitored. The Invested Assets (E) Task Force will be analyzing, researching, and discussing the exposure in more detail throughout 2026.

Natural Catastrophe Risk

The overall exposure of the U.S. insurance industry to Natural Catastrophe Risk, primarily impacting property insurers, continues to be a concern. Meteorological Factors, insured losses, rate increases and residual market activity drive the elevated level of concern.

Macroeconomic Trends

The more significant macroeconomic trends state insurance regulators closely monitor are inflation and interest rate trends. Recent higher levels of inflation pose risk to various property insurance coverages, where the rising costs of materials and labor has the potential to impact underwriting results.

Significant Shifts in Life Sector

There has been a noted trend of changing strategies and ownership structures to improve the performance and profitability of life insurance operations. Some of these trends have been in response to the previous prolonged low-interest rate environment and other market conditions. In many cases, these trends have been associated with new entrants attempting to utilize their experience in other areas of asset management to enhance returns. Other monitored trends include an increase in complex investment structures, pension risk transfer activity, asset intensive reinsurance, affiliated asset managers, and cross-border reinsurance structures, which are some of the key factors driving the assessment.

Significant increases in the level of Funding Agreement issuance backing Funding Agreement Backed Notes (FABN) and Federal Home Loan Bank (FHLB) advances, along with Securities Lending and Repurchase Agreement activity, have significantly increased the Life industry operating leverage to enhance returns. This risk is tempered by asset liability management practices and the predictability of these types of liabilities.

Recommendations

State regulators and NAIC staff have raised the following recommendations for further consideration either by the Financial Stability (E) Task Force (FSTF, or the "Task Force") or the Macroprudential (E) Working Group.

Interconnectedness

Several of the key issues and topics highlighted in this document have the potential to increase or obscure the level of financial interconnectedness between U.S. insurers and other financial institutions and other jurisdictions.

This includes increasing complexity in investment practices, increased use of asset-intensive offshore reinsurance, and increased use of off-balance sheet special purpose vehicles, all of which can lead to less transparent types of interconnectivities among insurers and other financial institutions.
Therefore, we recommend the Task Force, in collaboration with other Financial Condition (E) Committee groups, continue to discuss ways to improve the identification and assessment of industry and group interconnectedness.

Life Reinsurance Counterparty Risk

This report highlights an increased level of cross-border life reinsurance, which exposes U.S. insurers to additional credit and potentially recapture risk, if the ceded business does not perform up to expectations. While some regulatory enhancements are already underway (i.e., AG 55, enhanced disclosures, enhanced monitoring), the significance of this trend could warrant additional policy considerations, including capital and reserve considerations.

Private Credit

The quantification of the private credit exposure of insurers is limited due to challenges in identifying and understanding the nature of all private credit investments. While several initiatives around additional disclosures and identifiers in the Annual Statement have been implemented or will be implemented in 2026 to assist in identifying private credit investments, there might still be room for additional enhancement in this area. As such, we recommend that enhanced disclosure requirements aimed at improving regulator identification and understanding of private credit exposures continue to be pursued and implemented.

Operating leverage

FHLB and FABN activity represent significant operating leverage in non-traditional insurance products for industry, which may also have interconnectedness and liquidity risk associated with the activity. Given the continued growth in this activity, state insurance regulators (via the FSTF, MWG, SAPWG and Blanks WK) have implemented enhanced disclosures planned for the 2026 Annual Statement in this area. The new disclosures will enable regulators to more accurately quantify the funding agreements that back FABNs and measure the extent of operating leverage. As such, we recommend that the implementation of the new disclosures, including the accuracy and utility of the information received, continue to be monitored and closely reviewed by regulators.

Macroprudential Assessment

Macroprudential policies and practices are intended to provide regulatory oversight to the overall financial system. The financial crisis of 2008 demonstrated that substantial consequences can arise from insufficient capital, liquidity, and transparency in the financial sector during times of stress. In response to the financial crisis, state insurance regulators have increased their focus on the stability of the insurance industry within the overall financial system. The primary aim of our domestic macroprudential policy is to identify potential financial stability threats to and from (inward and outward risks) the U.S. insurance industry. The U.S. Insurance Industry Macroprudential Risk Assessment shall serve as our primary tool to identify, measure and monitor risks to the insurance industry.

Financial Stability Oversight Council (FSOC)
The state insurance commissioner member of the U.S. Financial Stability Oversight Council (FSOC) has traditionally been the Chair or a member of the NAIC Financial Stability Task Force. The state insurance commissioner member of FSOC provides regular updates to the FSTF on matters of financial stability and macroprudential topics that may impact the U.S. insurance industry. Additionally, several NAIC staff are members of FSOC committees and working groups in support of the state insurance commissioner FSOC member.

This structure provides a formal mechanism for state insurance regulators to incorporate U.S. Financial Stability risks into its state-based system of insurance regulation and its Macroprudential Supervision of the insurance industry. Additionally, the structure provides a mechanism for state-based insurance regulation to communicate potential financial stability risk within the insurance industry to other federal FSOC member regulatory agencies. This process may also be referred to as inward and outward view of risks, to and from the insurance industry.

International Association of Insurance Supervisors (IAIS) and Other International Bodies
The NAIC and a few of its members are members of the IAIS and their macroprudential monitoring process. The NAIC and a few state regulators are members of various IAIS committees and working groups whereby they contribute to and benefit from global financial stability and macroprudential risk monitoring processes. The IAIS Global Monitoring Exercise (GME)[1], is the formal process the IAIS has in place to monitor global insurance risks. A couple of IAIS key risk monitoring deliverables include the Global Insurance Monitoring Report (GIMAR) and a global risk dashboard.

The NAIC and state regulator members of the IAIS are also the support personnel and members of the NAIC FSTF and MWG. This structure is the formal mechanism in place to exchange information on matters of potential financial stability risks between the global insurance industry and the U.S. insurance industry. This U.S. Macroprudential Risk Dashboard Report may include global risks if the risk is also deemed a risk in the U.S.
In addition, the IAIS provides the Financial Stability Board (FSB) outcomes of the annual GME and the insurance sector perspective on the FSB cross-sectoral analysis of financial stability.

[1] For more information on the IAIS GME, as an integral element of the IAIS Holistic Framework, please visit iais.org.

Macroeconomic Risk: Summary

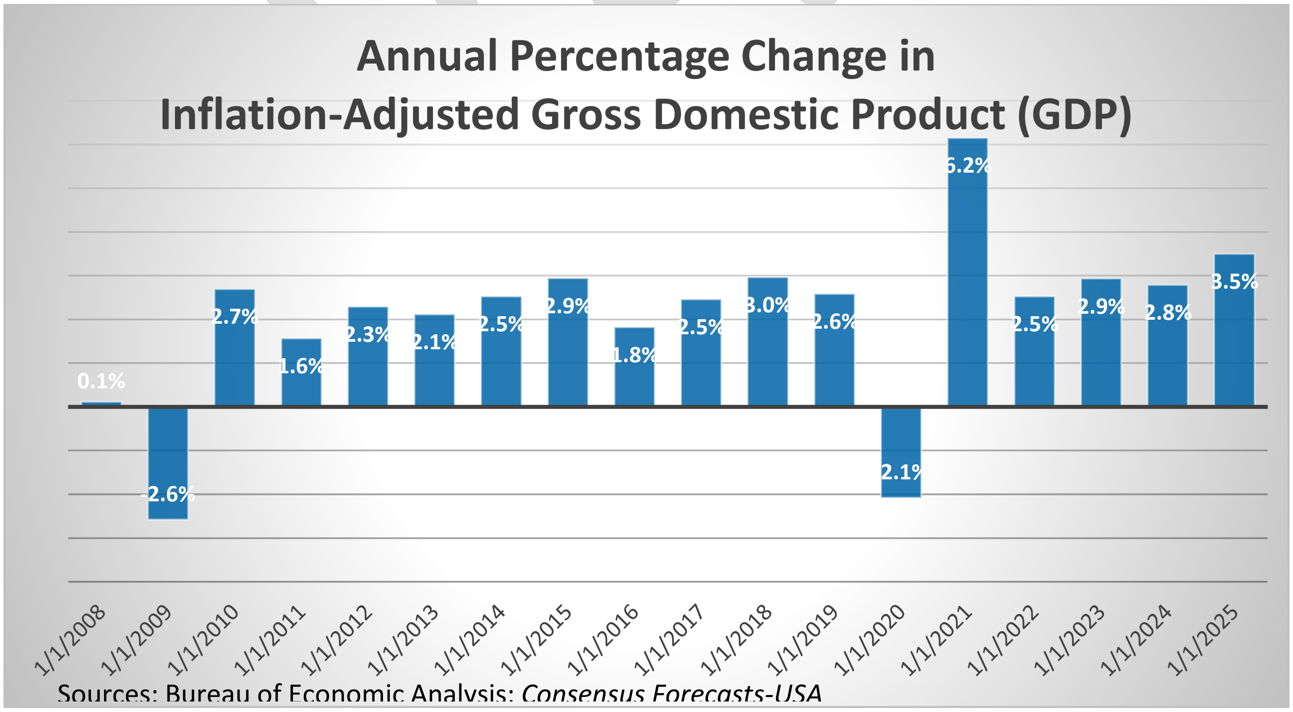
The U.S. economy is generally robust, with above-trend growth in 2024 and 2025. However, global trade tensions, financial market volatility, inflation, and geo-political tensions persist. Economic growth accelerated in 2025, pushing further above trend growth. The unemployment rate slightly increased through 2025. But, from a historical perspective, the unemployment rate remains relatively low. Total employment increased 2.8 percent in 2025 but has since levelled off. The labor force participation rate has remained steady over the past three years, meaning millions of able-bodied men and women are neither working nor looking for work, which limits economic growth. But the long-term decline in the labor force participation rate in recent years is part of a secular trend rather than a cyclical trend. Internationally, the highly valued dollar has continued to stifle exports, but has put downward pressure on inflation.

Assessment Level: **Moderate-Low**	Trend: Increasing

Macroeconomic: Overarching Observations

The macroeconomic environment is foundational to the health and stability of the financial sector. Historically, the performance of financial markets has been closely tied to macroeconomic performance. The returns in the equity market as measured by the S&P 500 Index have been at historically high levels the last three years.

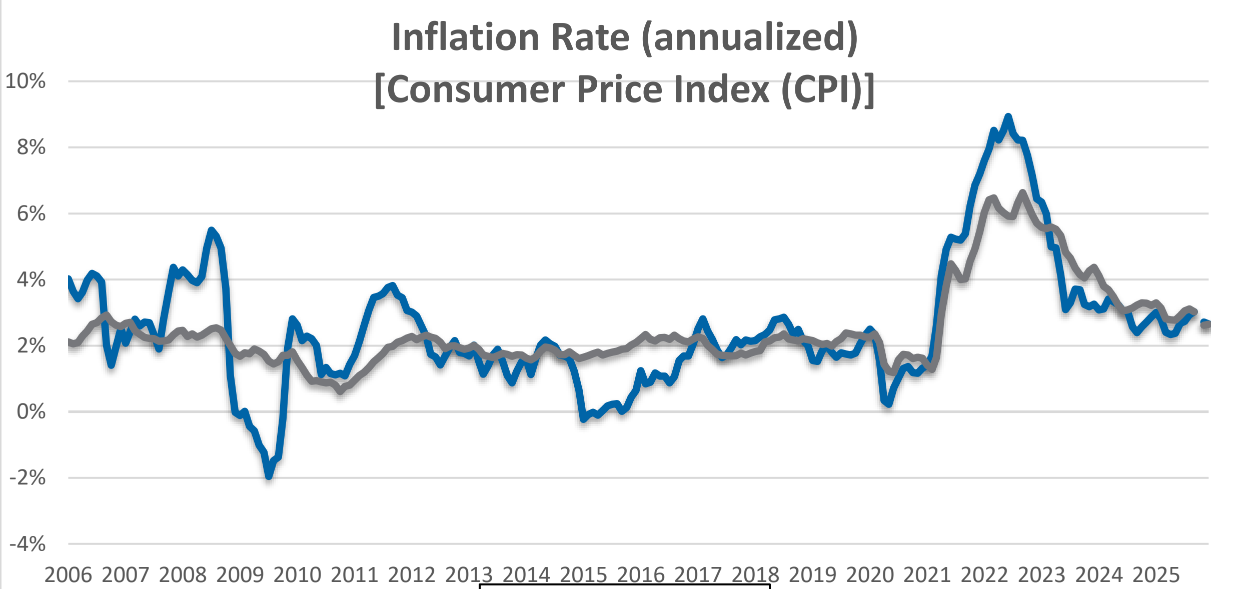
The broadest measure of economic output is gross domestic product (GDP), the sum total value of annual output. Adjusted for inflation (real GDP), economic output experienced growth in 2025, well above the historical average over the past few decades.



Sources: Bureau of Economic Analysis; *Consensus Forecasts-USA*

Macroeconomic: General Economic Trends

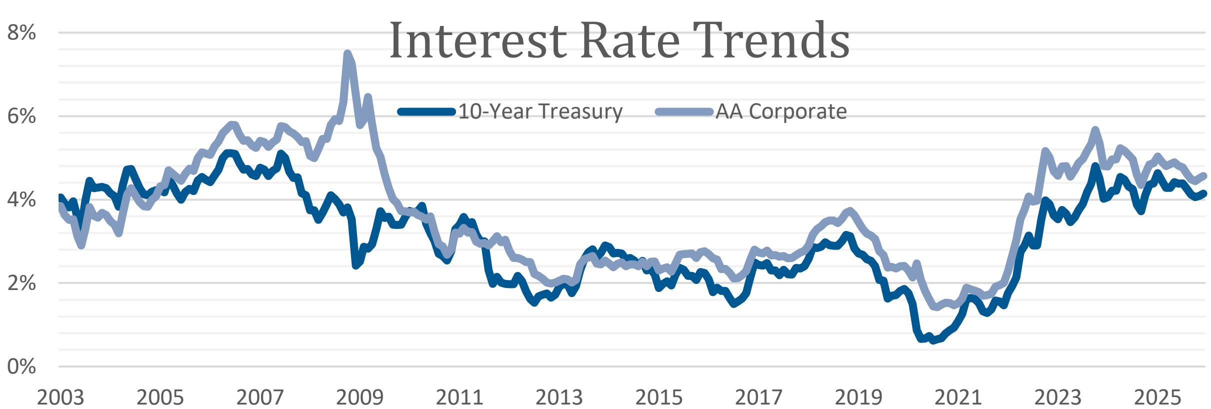
Inflation spiked in 2021 following many years of historically low levels. In its April 2021 policy statement, the Federal Reserve cited “transitory factors,” ostensibly supply chain disruptions and other pandemic-related causes. Unchecked, inflation erodes the real return on fixed income assets, which make up the largest share of insurance industry assets. Inflation in earnings can be a harbinger of future consumer prices and is also elevated. Inflation remains at a meaningfully higher level than pre-2021 levels. In its January 2026 policy statement, the Federal Reserve stated that the inflation rate "remains somewhat elevated."



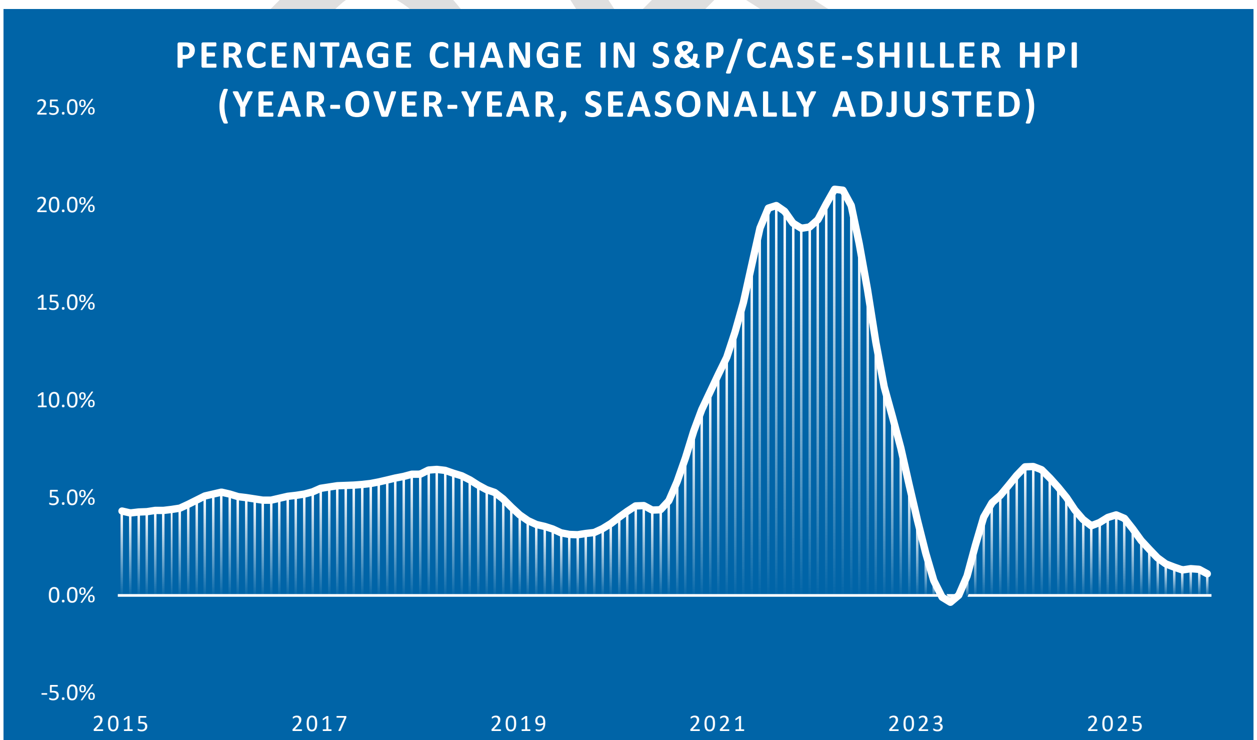
Source: U.S. Bureau of Labor Statistics

Macroeconomic: Asset Prices/Interest Rates/Home Prices

Many economists feel financial asset prices are highly over-valued. The price-earnings ratio (P/E) for the S&P 500 has been as high as 35 in the last three years. The historical average (since 2000) is 26.8, while the long-term historical average is 15-16. A value around 15-18 is generally considered neutral. Moreover, both the stock market, as measured by the S&P 500 Index, and the bond market, as measured by a price index for AA-rated corporate bonds, are more than double their values from 10 years ago (150% for bonds). Bond prices, which are inversely proportional to interest rates, have climbed consistently over the last two decades. Home prices rose modestly in 2025 following a relatively brisk 4.0 percent increase in 2024.



Notes: 10-Year Treasury is the Constant Maturity Rate

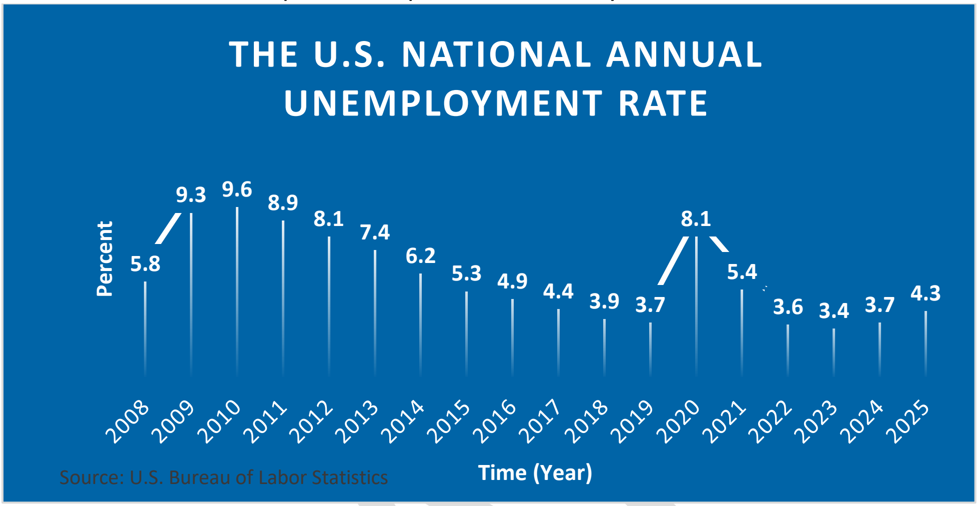


Source: S&P/Case-Shiller U.S. National Home Price

Macroeconomic: Labor/Tariffs/USD

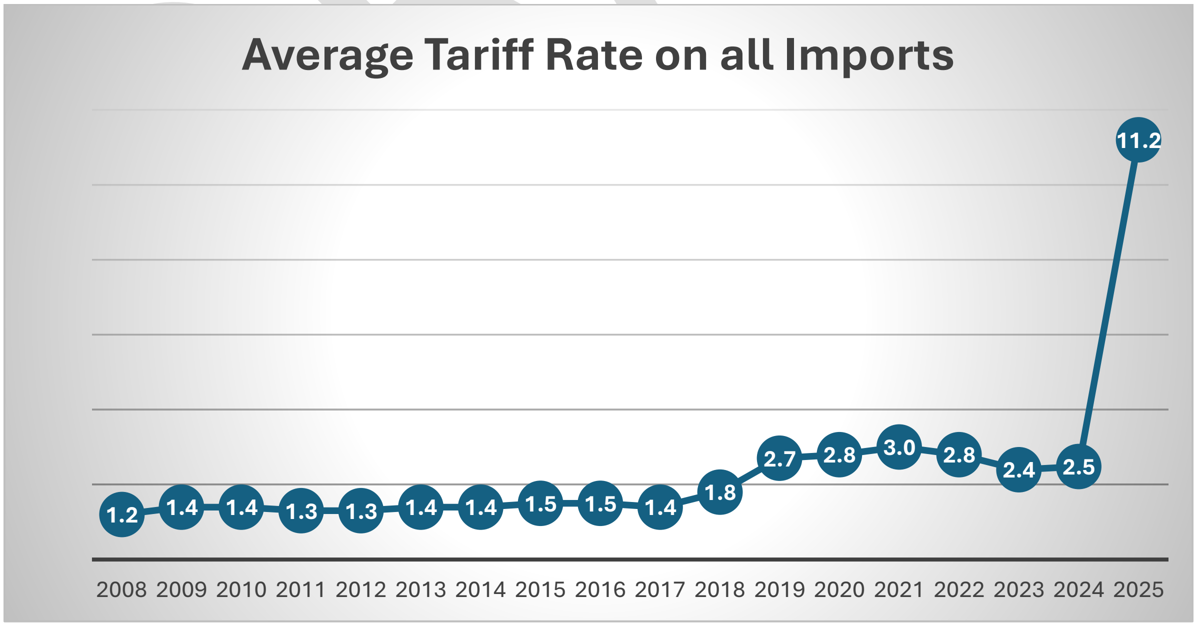
Unemployment

One of the primary reasons the unemployment rate is used as a risk indicator is that workers compensation insurance is tied to payrolls and unemployment levels. High unemployment and lower payrolls could reduce workers compensation premium industry wide.



Tariffs

Tariffs could have a significant impact on insurers in terms of increased cost of auto parts or building supplies that were not priced into policies at their inception . Significant increases in Tariff rates and volatility in Tariff policy were evident in 2025 but appears to have tempered in 2026.



The US Dollar and Foreign Currency Exchange Rates

The value of the U.S. dollar declined about 4.5% in 2025, which is the fourth largest decline since 2006 using the FRED Nominal Broad U.S. Dollar Index. U.S. imports of foreign goods and services become relatively more expensive in the U.S when the U.S. dollar depreciates. This results in less price competition or pressure for lower prices, leading to increased inflation for goods purchased in the U.S. including some PC claim costs for auto parts as an example. Insurers could see higher expenses and pass it along to consumers through increased premiums when the U.S. dollar declines.

Interconnectedness Risk: Summary

The rising levels of interconnection between the U.S. insurance industry and other financial sectors across the globe (i.e., banking, capital markets, etc.) drove the Moderate-low assessment. Additionally, increasing levels of cross border reinsurance activity by private equity owned insurers and investment management of insurers investments by affiliated asset managers pose another point of interconnectedness.

Assessment Level: **Moderate-Low**	Trend: Increasing

When evaluating interconnectedness, state insurance regulators are mindful that risk can accumulate across activities and thus, typically focus on significant counterparty exposure.

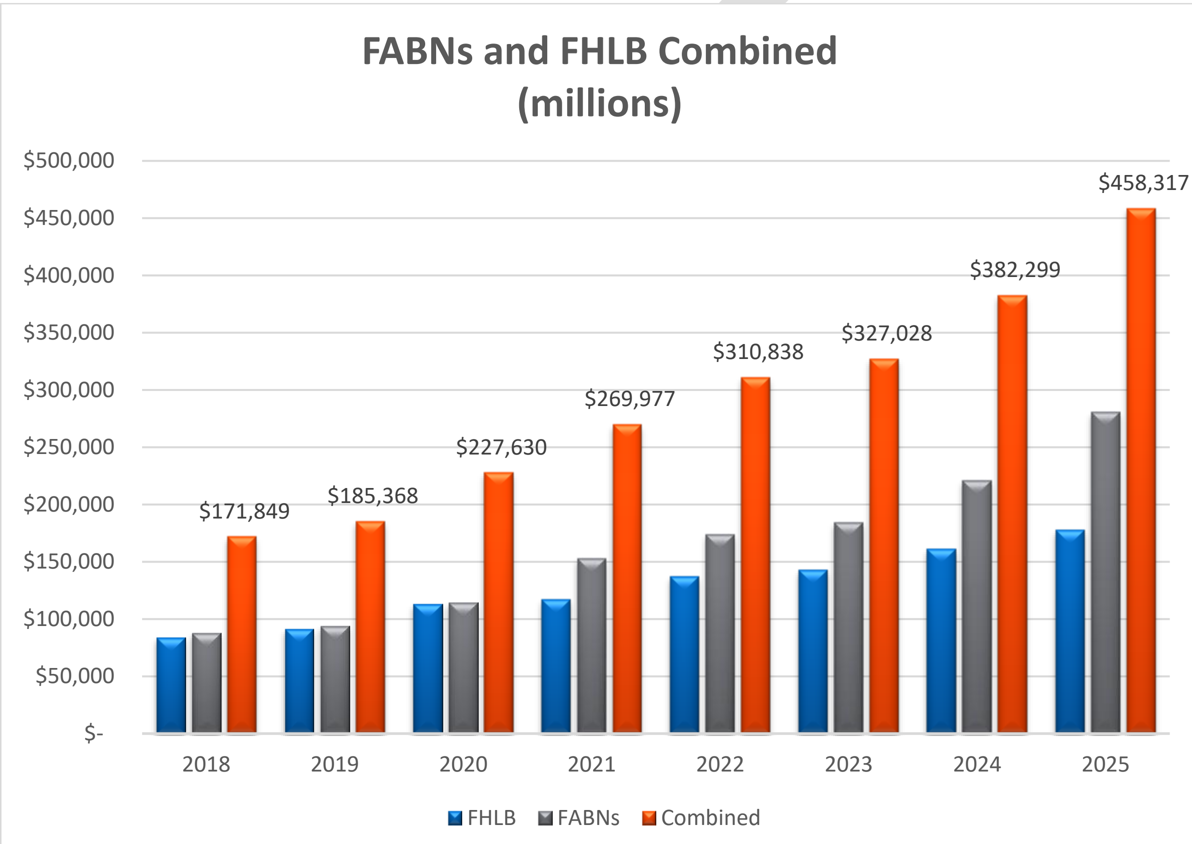
Highlights include:

Financial Institution Exposure
Investments in financial institutions, although significant, have been decreasing slightly. Insurer investments in financial institutions (i.e., banks, non-affiliated insurers, etc.) within the stock and bond classes remained relatively stable from 2021 to 2025. As a percentage of C&IA, insurer investments in financial institutions totaled were 5.4% in 2025.

Derivatives are generally viewed as a risk mitigation tool as evidenced by 96% of derivative activity being held for hedging purposes. The connection to bank counterparties is the primary risk for this category. This is mitigated by the use of well capitalized banks that are highly rated by rating agencies.

Derivative Exposure
96% of derivatives are held for hedging purposes which is consistent with prior year use of derivatives. Additional risks of derivatives are noted in the Market risk section. Hedges are mostly interest rate hedges, and the majority of market risk is the margin calls that may result if interest rates move against insurers position.

FHLB/FABN Exposure
Another connection or transmission channel to the banking system and capital markets is FHLB loans and Funding Agreement Backed Notes (FABNs). The issuance of finding agreements that back FABNs by the Life industry has a clear connection to the fixed income capital markets. That connection has increased as both FHLB and FABNs grew at a significant pace over the past few years. This exposure also represents significant operating leverage in non-traditional insurance products for the industry, which may also have liquidity implications. At year-end 2025, FABN exposure is approximately 5% of the invested assets of the Life industry. The key risks introduced by FABN programs are leverage, credit risk, and rollover/liquidity risk. These risks are typically mitigated by asset liability management programs, predictability of these liabilities and the absence of put features in FABNs.

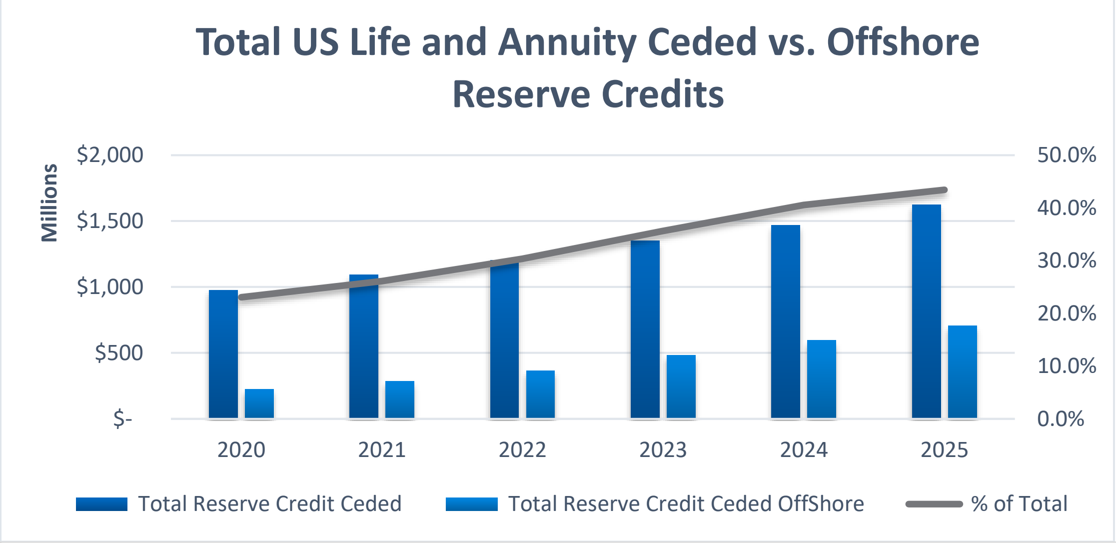


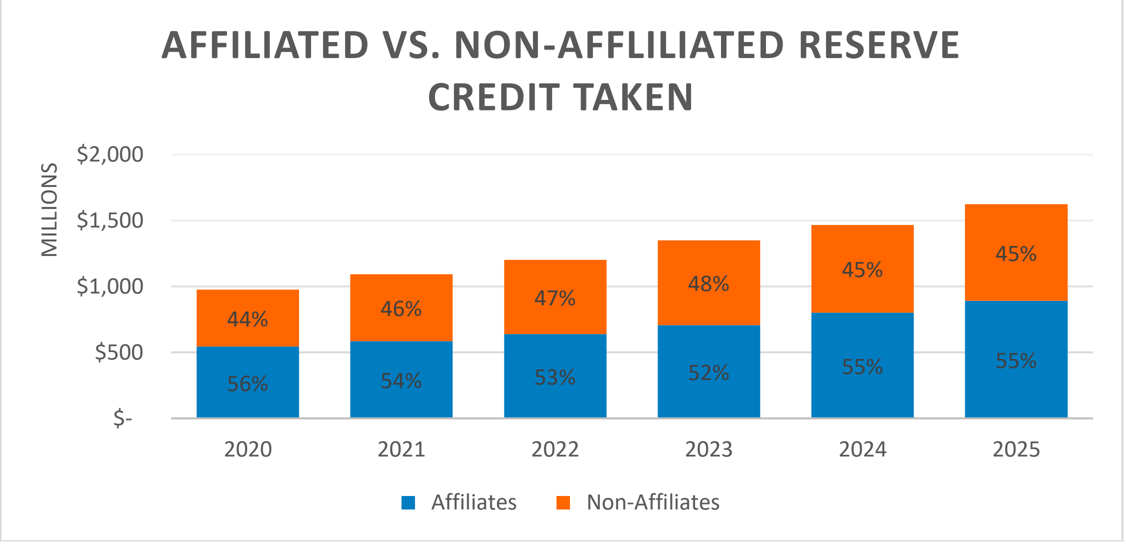
Source: FHLB Combined Financial Report and The Federal Reserve Bank of NY

Reinsurance Interconnection

Reinsurance represents another significant interconnection to alien insurers and sovereign nations. Total ceded offshore reserves increased by 16% or $110 billion. Total ceded premium increased 32.8% ($143.4 billion). The annuities line of business increased 28.3% ($61.4 billion) to $278.1 billion, and the A&H insurance line of business increased 42.1% ($32.4 billion) to $109 billion. Life insurance ceded premium increased 32.2% ($39.5 billion) to $162.3 billion. Most of the change in ceded premium was concentrated in 13 companies with increases or decreases or more than $5 billion. Of the 719 companies that reported ceded premiums, 88 companies with more than $100 million in ceded premiums reported changes of more than 25% from 2024.

Offshore reinsurance sidecars and captives have been commonly used in the property and casualty space to help mitigate risk, but they have become more prevalent in the life insurance industry in recent years. Captives and sidecars can provide additional risk capital, enhance earnings, increase underwriting capacity, and reduce risk exposure. Conversely, these reinsurance vehicles, if not adequately capitalized and supported, can increase counterparty credit risk, thus opening the potential to negatively affect an insurer's financial stability if the sidecar performs poorly.





Private Equity Interconnections

State insurance regulators continue to closely monitor the activities of insurers owned or affiliated with private equity firms and asset managers, due in part to the heightened potential for interconnection with capital markets, and other (re)-insurance companies and jurisdictions. PE owned insurers' total cash and invested assets increased to approximately $704 billion at year end 2025, up from $487 billion at year-end 2020.

At year-end 2025, the number of private equity (PE)-owned U.S. insurers identified by the NAIC Capital Markets Bureau was 231 an increase from 137 in 2024. Total cash and invested assets for the 137 PE-owned insurers at year-end 2024 was approximately 16% based on year-end 2024 NAIC annual statement filings to $704.3 billion, representing 12.2% of all U.S. Life insurers' total cash and invested assets.

Private Equity owned insurers continue to invest more heavily in structured securities, private credit, and other non-traditional insurance assets.

Securities Lending and Repurchase Agreement Exposure

Other transmission channels to bank counterparties and the capital markets include securities lending and repurchase agreement activity. Securities lent for U.S insurers continue to be consistent with historical averages, with life insurers continuing to comprise the bulk of the activity. Exposure to repos and reverse repos have traditionally been less than 1% of C&IA, and this trend continues.

Underwriting & Profitability Risk: Summary

Although the insurance industry generally demonstrates resilience in underwriting and profitability, specific trends related to long-term care insurance, natural catastrophe exposure, and health sector performance contributed to the overall moderate-low assessment. The risk is tempered by record performance in certain P&C lines and strong performance in certain Life segments.

Assessment Level: **Moderate-Low**	Trend: Stable →

Underwriting & Profitability: Life Sector

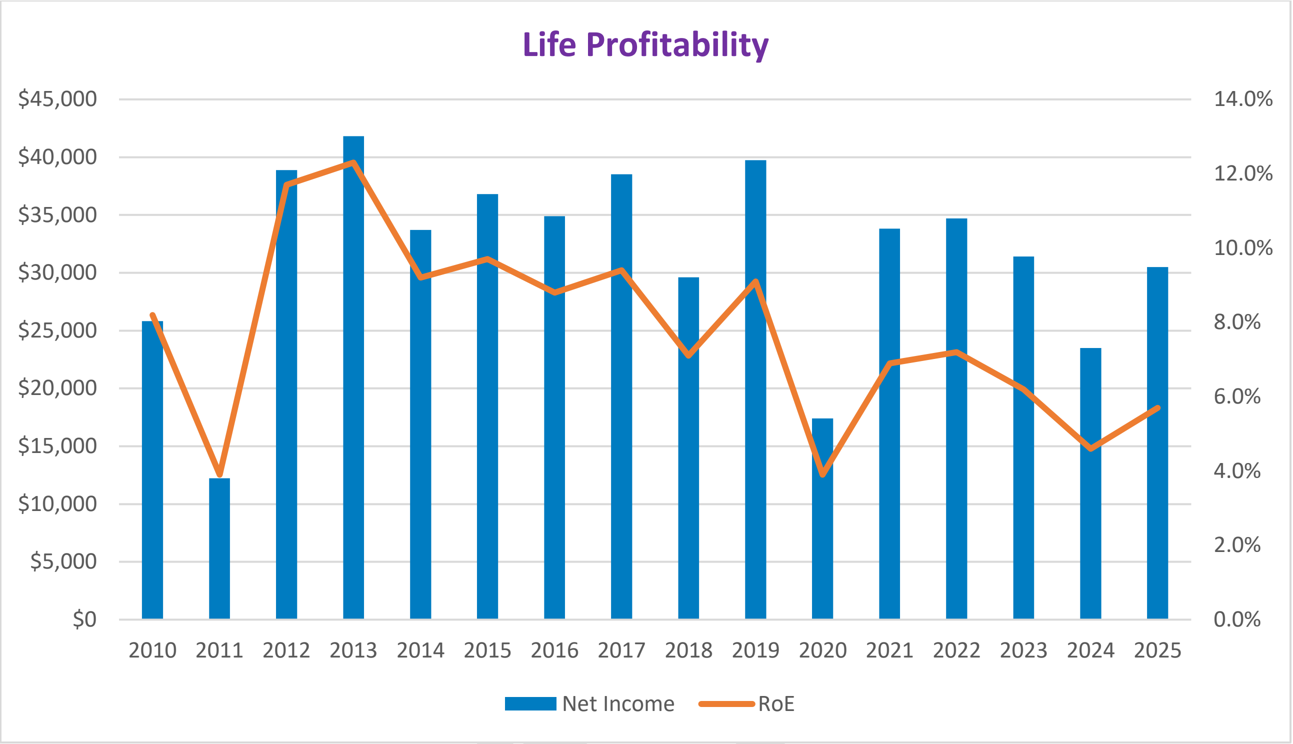
The life insurance industry reported a 30.7% increase in overall profitability from year-end 2024 to $30.6 billion in 2025. The life industry reported a 6.0% ($86.2 billion) increase in total direct written premiums and deposits to $1.5 trillion in 2025. Total net written premiums and deposits increased 2.7% ($31.3 billion) to $1.2 trillion. On a net earned basis, the industry reported a 3.7% ($30.5 billion) decrease in net earned premiums to $792.9 billion. Total net annuity considerations increased 2.0% ($8.5 billion) to $442.9 billion for 2025. The increase was primarily driven by a 23.4% ($17.1 billion), increase in indexed annuities, a 4.8% ($5.3 billion), increase in fixed annuities, partially offset by a 31.3% ($16.7 billion), decrease in life contingent payout. Variable annuities with and without guarantees accounted for 39.1% of total annuity considerations.

The industry's net investment yield increased 0.1 percentage point to 4.5%. Following significant increases in 2023 and 2024, the Federal Reserve decreased the federal funds interest rate in 2025 as follows:

- September 18—to 4.25% from 4.50%
- October 30—to 4.00% from 4.25%
- December 11—to 3.75% from 4.00%

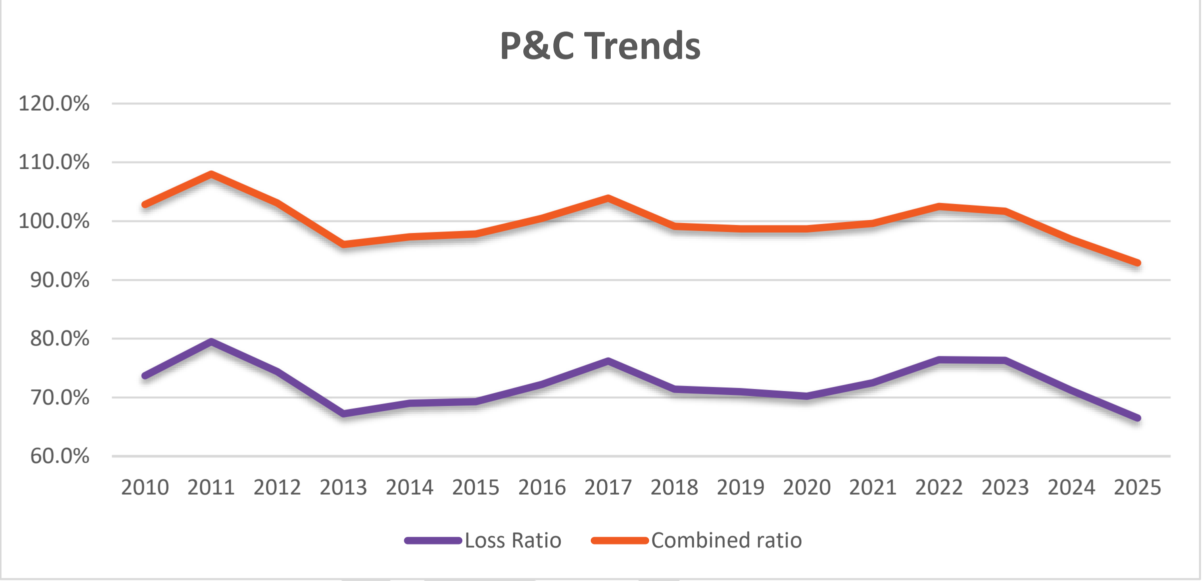
However, rates continue to be elevated above the historically low values experienced from 2008 – 2022, and demand for life and retirement products continues to be high, leading to solid underwriting performance for the life insurance industry overall.

Long-term care insurance (LTCI) continues to pose risks for many insurers, with most of the exposure concentrated within life insurers. The primary challenges for insurers and state insurance regulators in LTCI markets come from older issue year policies. These policies were initially priced when LTCI experience used to calculate rates was not fully developed. As experience developed, it became apparent that the initial pricing assumptions for the number of policyholders qualifying for LTC benefits and the length of time claimants would remain on claim were understated. Additionally, actual policy lapse rates proved to be much lower than initially assumed, resulting in higher insurer exposure to claims payments. Misestimation of initial pricing assumptions has made it necessary for insurers to increase LTCI rates to ensure their future solvency and to incorporate expectations for approval of future rate increases into reserving assumptions.


Life Profitability
$45,000
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Net Income
RoE

Underwriting & Profitability: P&C Sector

The U.S. Property & Casualty (P&C) industry's underwriting income jumped by over $40 billion in 2025 compared to 2024 due to a combination of strong premium growth and lower incurred losses, driven by a meaningful reduction in catastrophe losses, primarily in the second half of the year.
The underwriting gain was partially offset by lower investment income, driven by a significant drop in realized investment gains (generally attributed to large one-time transactions in 2024), resulting in a 10% decline in net income compared to last year. Net income and unrealized investment gains drove an increase in policyholders' surplus to a new high of $1.27 trillion at December 31, 2025.



The U.S. P&C industry had its strongest underwriting performance in over two decades, due to improved pricing and lower claims costs on property lines. Premiums grew 8-10% annually over the last four years and while premiums increased at a lesser pace this year, lower insured losses from natural disasters and favorable prior year reserve development helped boost underwriting profits. Overall, net premium earned increased 5.5% while net losses and LAE decreased 1.4%, the first decrease in well over a decade, leading to a 4.7-point improvement in the net loss ratio to 66.5%. The expense ratio remained nearly flat at 25.8% as the 4.1% increase in net premiums written was outpaced by a 6.4% increase in other underwriting expenses incurred. Overall, the combined ratio improved 4.0 points to 92.9%.

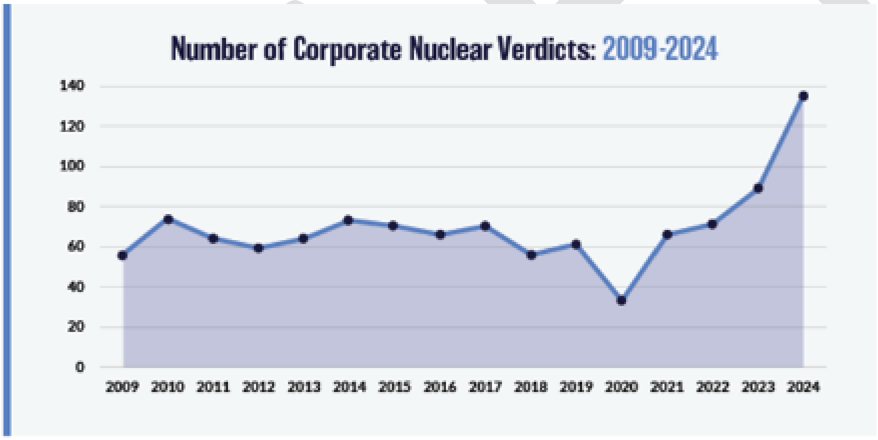
Despite the positive results in 2025, the industry faces several headwinds in 2026. Slower premium growth could begin to tighten profit margins, challenges with social inflation continue to impact reserve adequacy within commercial liability lines, and continued losses from severe convective storms remain a volatile challenge for property underwriters.

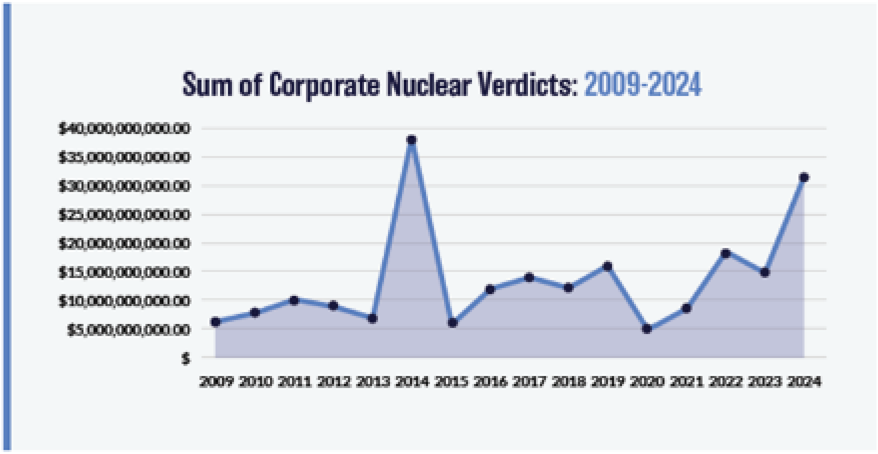
Social Inflation

In addition to the ongoing development of asbestos and environmental claims, new exposures are emerging with the potential to result in casualty catastrophes or latent catastrophes. Of particular concern in this area is "Social Inflation," which is used to describe the potential for rising costs of insurance claims resulting from increased litigation, broader definitions of liability, more plaintiff-friendly legal decisions, and larger compensatory jury awards.

Over the past decade, such factors have accounted for 57% of the increase in liability claims in the US. Since 2020, the number of nuclear verdicts (defined as awards over USD 10 million) in the U.S. have more than quadrupled, while the median verdict value has more than doubled to USD 51 million. Due in part to higher litigation awards, US liability lines exposed to bodily injury claims saw profitability deteriorate over the five years to 2024, with cumulative underwriting losses mounting to USD 43 billion. In 2024, the average award in cases against a corporate defendant in the US rose to USD 65.7 million, up from USD 41.7 million in 2023, according to data from LexisNexis, as reported by the Financial Times.

Not only does social inflation impact losses for insurers, it is also a driver of increased premiums and the high cost of insurance-auto in particular. Many states have implemented or are in the process of implementing tort reform measures in an effort to mitigate large verdicts.





Source: https://marathonstrategies.com/wp-content/uploads/2025/05/Nuclear-Verdicts-Report-2025.pdf

Natural Catastrophes

Insured losses from natural disasters in the U.S amounted to roughly $100 billion in 2025, slightly lower than the prior year. Losses in 2025 were different than prior years in that they were driven by wildfires and severe storms rather than tropical cyclone activity, as no hurricanes made landfall in the U.S. The Palisades and Eaton Wildfires in California, which occurred in the first quarter of 2025 were the costliest wildfires in world history and accounted for nearly half of all catastrophic losses incurred. Losses from severe convective storms totaled roughly $50 billion for the third year in a row, becoming the most common and destructive natural catastrophe in the U.S.

The Overall assessment of Natural Catastrophe Risk, primarily impacting property insurers, is Moderate-High. See separate Natural Catastrophe Risk Dashboard and Report for further details. The results of the Natural Catastrophe Risk Dashboard feed into this Macroprudential Risk Assessment as part of overall U.S. Insurance Macroprudential Supervision.
There is a public version of the Natural Catastrophe Risk Dashboard report, which may be found here: https://content.naic.org/sites/default/files/natural-catastrophe-risk-dashboard-report-final.pdf

There is also a detailed Natural Catastrophe Risk Dashboard, which is regulator only.

Reserves

Total Loss and LAE reserves increased 5.1% to $1.03 trillion and was comprised of $869.2 billion unpaid losses and $162.9 billion unpaid LAE. Reserve leverage improved 4.8 points to 81.5% due to the increase in policyholders' surplus.

The industry benefited significantly from prior-year reserve releases. There was a one-year redundancy of $20.0 billion, and a two-year redundancy of $13.5 billion. This followed several years of diminishing prior year reserve releases which stemmed primarily from adverse development in the commercial liability lines, driven by economic and social inflation. Workers' compensation reserves continued to develop favorably; however, most of the turnaround can be attributed to the personal lines of business which, together accounted for $15.9 billion in favorable development.

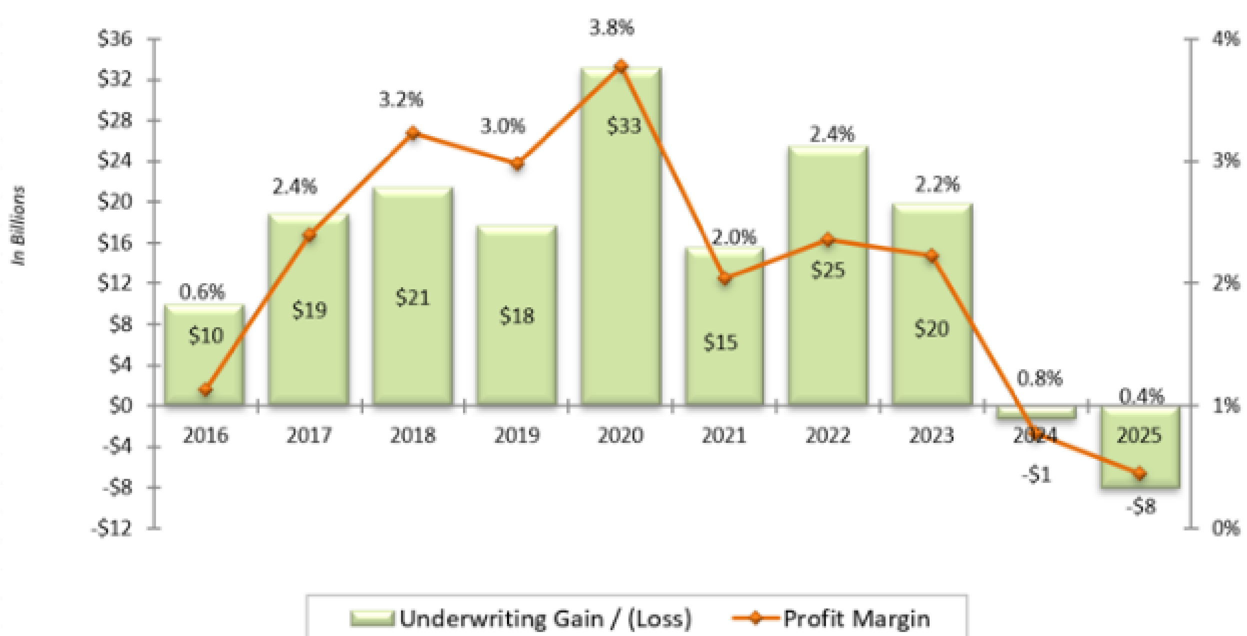
Underwriting & Profitability: Health Sector

The health insurance industry profitability dropped considerably for the second year in a row with net earnings dropping from $9.3 billion to $6 billion and a profit margin dropping from 0.8% to just 0.4%. The combined ratio increased to 100.6% in 2025 compared to 100.1 % in 2024. These negative trends drove the Moderate-low Underwriting risk assessment.

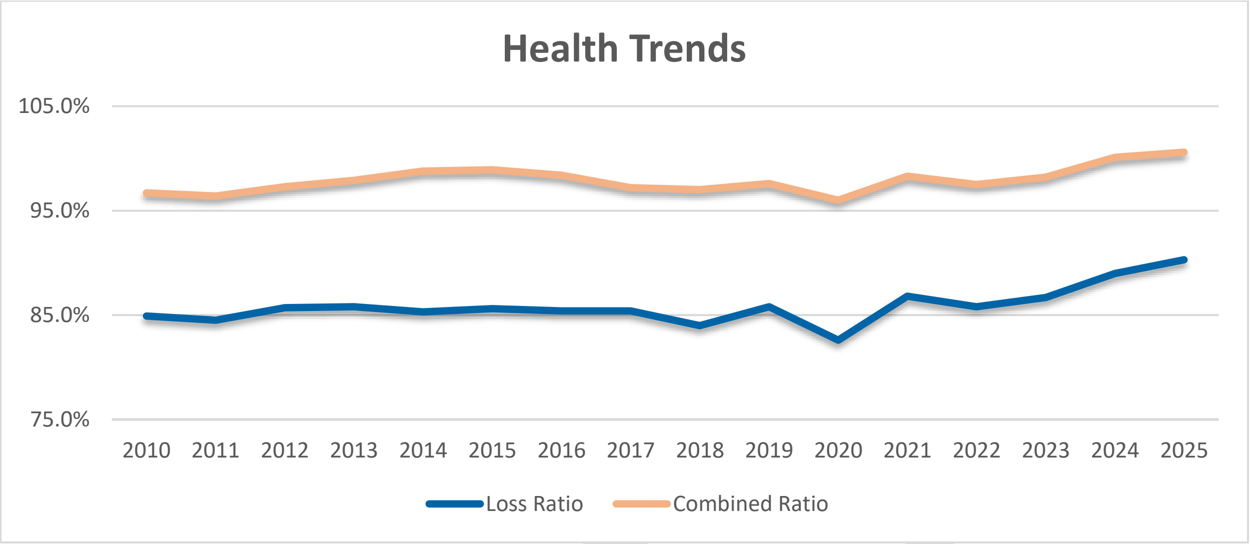
In spite of the declining performance, the industry was still profitable overall as investment income of $14.8 billion (6.6% increase year over year) helped offset an $8.1 billion net underwriting loss (negative 526.7% year-over-year). Adjusted cash flow from operations was negative $3.4 billion, a figure that marks the lowest point in at least the past decade and the second year in a row of negative adjusted cash flow from operations.

The considerable decrease in cash flow is due primarily to continued high utilization with a 14.8% ($155 billion) increase in benefits and loss-related payments, while only growing net earned premiums by 13.2% ($153 billion).

Health Underwriting Performance



Note: Aggregate results include only health entities who file annual statements with the NAIC. Figures reflect filings received as of April 6, 2026, and may change due to additional filings or amendments.


Health Trends
105.0%
95.0%
85.0%
75.0%
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025
Loss Ratio
Combined Ratio

Market Risk: Summary

Significant common stock, Level 3 assets, level 3 assets, Schedule BA assets, and derivative exposure were key drivers in determining the moderate-low assessment. level 3 assets continued growth and significant percentage of insurers investments was observed. Although equity markets continue to experience significant growth, the risk of an immediate downturn always exists and therefore could be significant risk to insurers as their allocation to equities is significant.

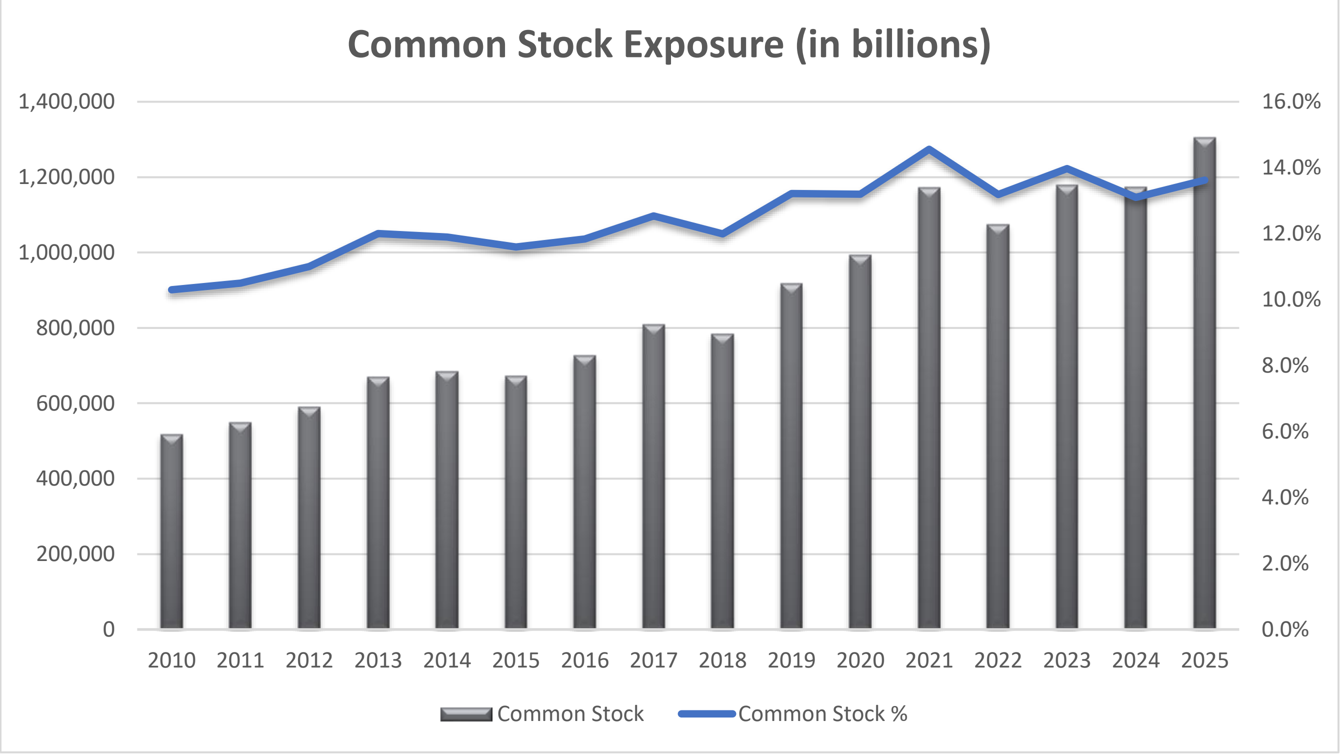
Assessment Level: **Moderate-Low**	Trend: Increasing

Market Risk: Common Stock Exposure

Common stocks remained the second-largest asset class in the U.S. insurance industry's portfolio, increasing by nearly 11% to $1.3 trillion at year-end 2025. Common stock as a percentage of total cash and invested assets increased by about 50 b.p. to 13.6% from 13.1% in 2025.

The VIX index ended the year at 14.95, indicating lower than average equity volatility.

U.S. insurers' unaffiliated publicly traded common stock holdings experienced a weighted average 12% increase in value in 2025, slightly underperforming the Standard & Poor's 500 index's (S&P 500) 17% return over the same period.

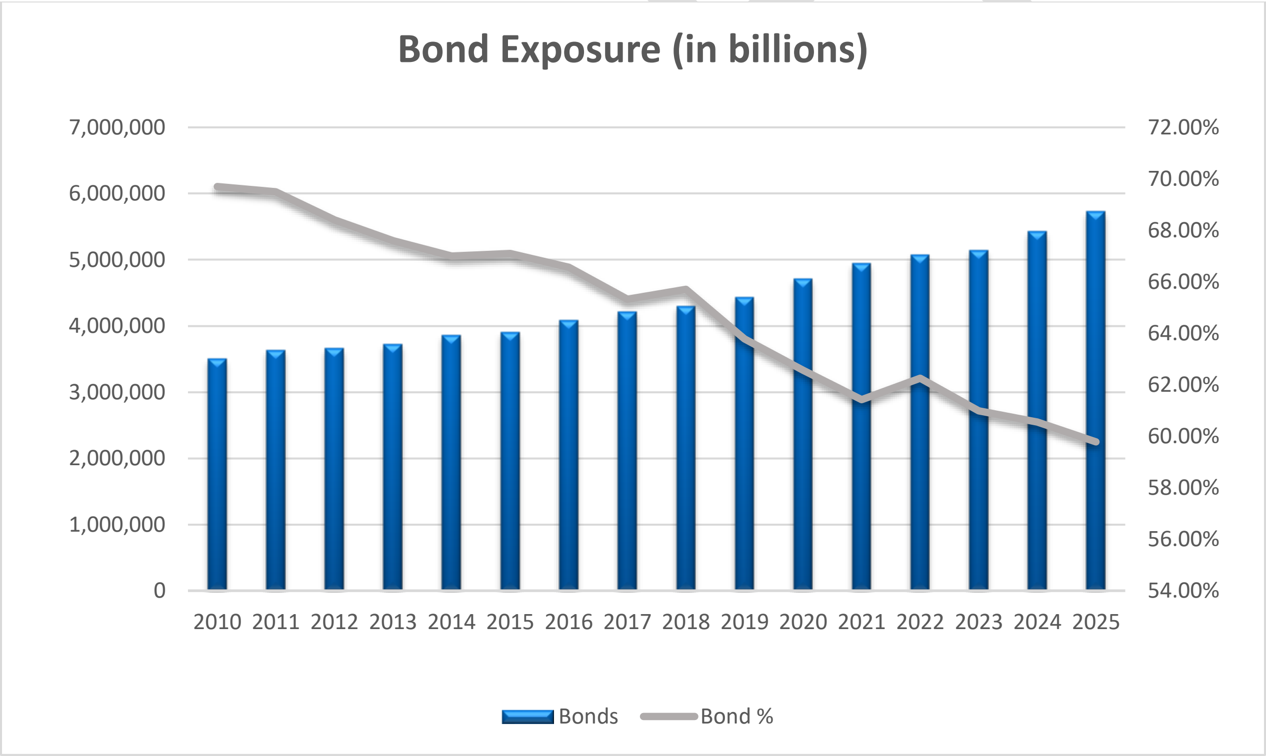


Market Risk: Bond Exposure

Bonds continued to represent the largest asset class of insurers, accounting for 60% of total cash and invested assets at year-end 2025, flat from year-end 2024. Over the longer term, insurers' bond allocations have gradually declined from around 70% at year-end 2010, most likely due to companies seeking higher returns in other asset classes amid a prolonged low-interest rate environment that existed at the time.

The YLDVOL index was approximately 64 at year end, almost half of what it was in 2022, indicating lower than average expected rate volatility.

The U.S. insurance industry's exposure to bonds totaled $5.7 trillion as of year-end 2025, an increase of 5.6% compared to the prior year. Corporate bonds remained by far the largest bond type in U.S. insurer investment portfolios. The second and third largest bond types were asset-backed securities (ABS) and other structured securities and municipal bonds.

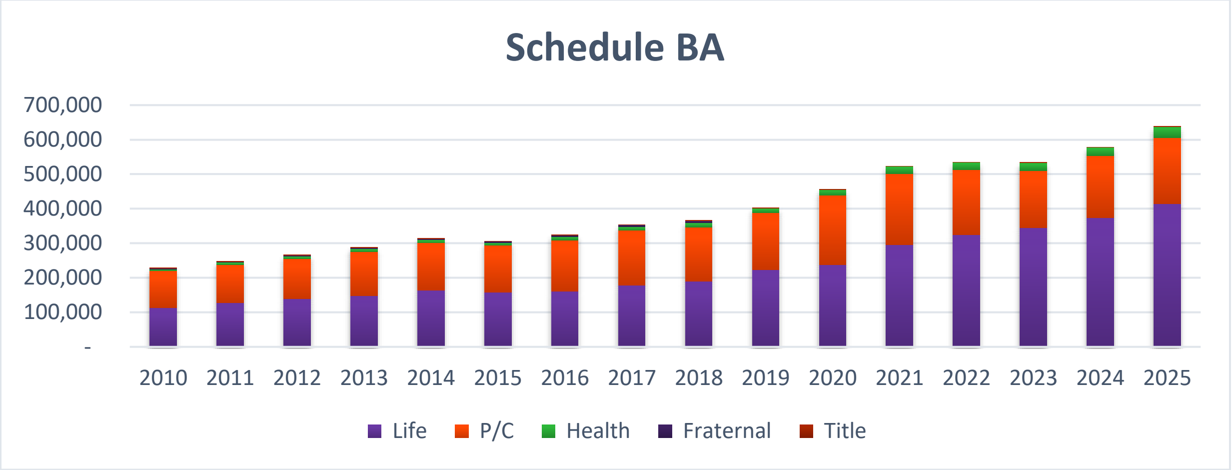


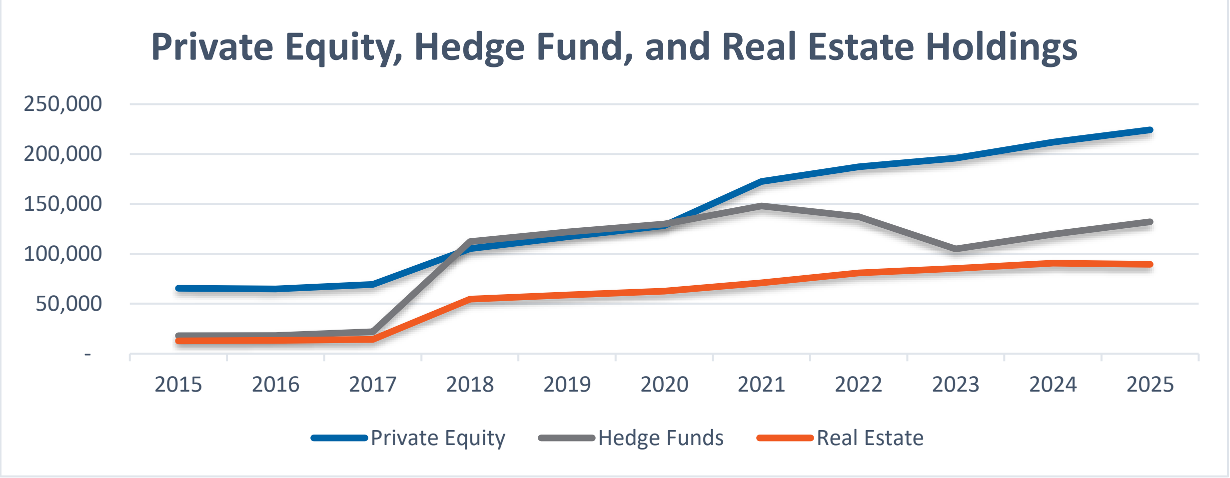
Market Risk: Derivative & Other Asset Exposures

96% of derivatives are held for hedging purposes which is consistent with prior year use of derivatives. Additional risks of derivatives is noted in the interconnectedness dashboard. Hedges are mostly interest rate hedges and the majority of market risk is the margin calls that may result if interest rates move against insurers position.

Schedule BA assets, or other long-term investments, accounted for the fourth largest asset category within the U.S. insurance industry's investment portfolio, comprising 7.1% of total cash and invested assets as of year-end 2025. Insurers held $642 billion in Schedule BA assets, a sifnificant increase of 10.4% from the prior year. Valuation and volatility in private equity and hedge fund invesments were key drivers of the market risk Mod-low assessment.

The NAIC's implementation of the principles based bond definition on January 1, 2025 possibly contributed to some of this growth as certain investments that no longer met the revised bond criteria may have been reclassified to be reported in Schedule BA instead of Schedule D. Life insurers were the largest holders of Schedule BA assets at year-end 2025, accounting for 65% of the industry's exposure.





Level 3 Assets

Level III asset exposure continues modest growth, currently at 17% of cash and invested assets, which is significant. Level III concentration may contribute to valuation and liquidity risk. This is a new risk indicator in the market risk category, and the exposure will continue to be monitored. The Invested Assets Task Force has this topic on their agenda to analyze and research the exposure later in 2026.

Credit Risk: Summary

Overall bond credit quality remains high with an average credit rating of A+. The significant allocation to private credit, structured securities and mortgages drove the Moderate-High risk assessment, along with increased exposure to reinsurance credit risk. This was tempered by the overall high credit quality bond portfolio and decreasing allocation to structured securities.

Assessment Level: **Moderate-High**	Trend: Increasing

Credit: Bond Credit Quality

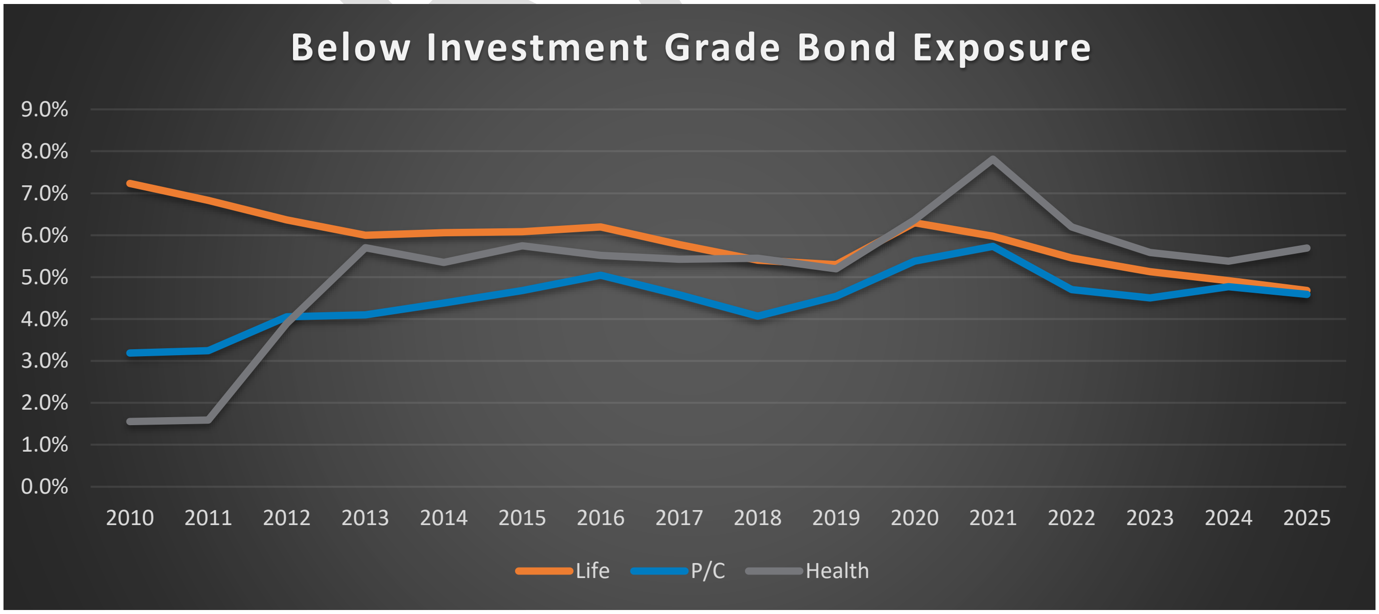
The share of bonds in the U.S. insurance industry's investment portfolio was flat at approzimately 60% at year-end 2025.

Private Credit remains at the forefront of the most significant credit risk. However, defining and measuring the expsoure remains a challenge. But no matter how you define it, it appears to be a significant risk for the insurance industry. Using private letter ratings (PLRs) as a proxy for the exposure results in an allocation of approximately 8% of bonds being supported by PLRs.

RMBS,CMBS and other LBASS, decreased in exposure from 16.5% to 14.6% of bonds in 2025. CLOs were flat at approximately 5% of bonds.

Allocation to mortagages remained flat at about 9% of cash and invested assets. However, the allocation to residential mortgages increased.

Below-investment-grade bonds, or those with reported NAIC 3-6 designations, declined to 4.7% of total bond exposure, down from a peak of 6.1% in 2020, representing a positive development in terms of credit risk.

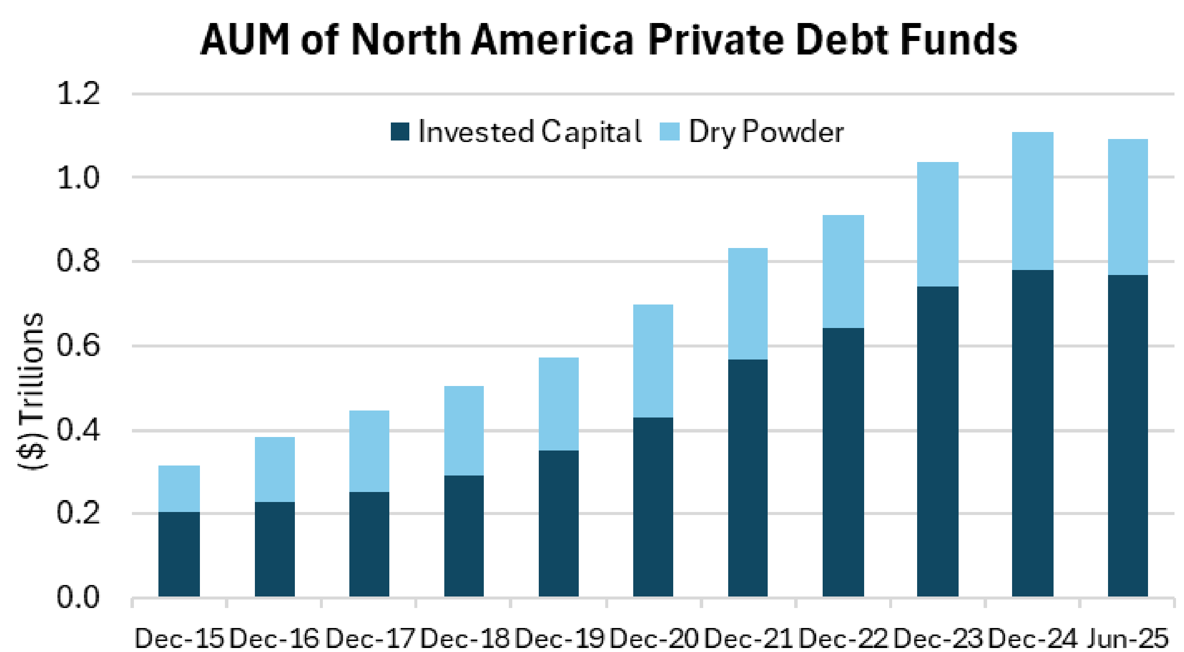


Private Credit Market

Private credit funds have experienced substantial growth in recent years, with AUM now of a comparable size to U.S. high yield corporate bond and leveraged loan markets. Insurers have significant exposure to private credit. However, lending to private credit funds is difficult to accurately measure due to limited data availability, although there have been recent efforts to improve insurers' reporting. Competition between direct lenders and broadly syndicated leveraged loans (BSL) was observed in 2025, which resulted in tighter spreads. With strong investor demand and rapid growth of private credit, there have been concerns that increased competition for deals could spur managers to offer more relaxed structural terms, including covenant-lite loans, or choose riskier deals.

Starting in the third quarter of 2025, many private credit funds, of which insurers are investors, have experienced significant redemption requests. Many of the requests exceeded the funds' 5% redemption limits. This caused some concern in the private credit fund market and the overall private credit market.

The chart below is the estimated size of the total private credit funds market in North America. Dry powder represents investors' unfunded or contingent commitments to make additional investments into the private credit funds. Insurers do report contingent commitments in the Annual Statement, however commitments to fund private credit investments is not separately identified.



Source: Preqin

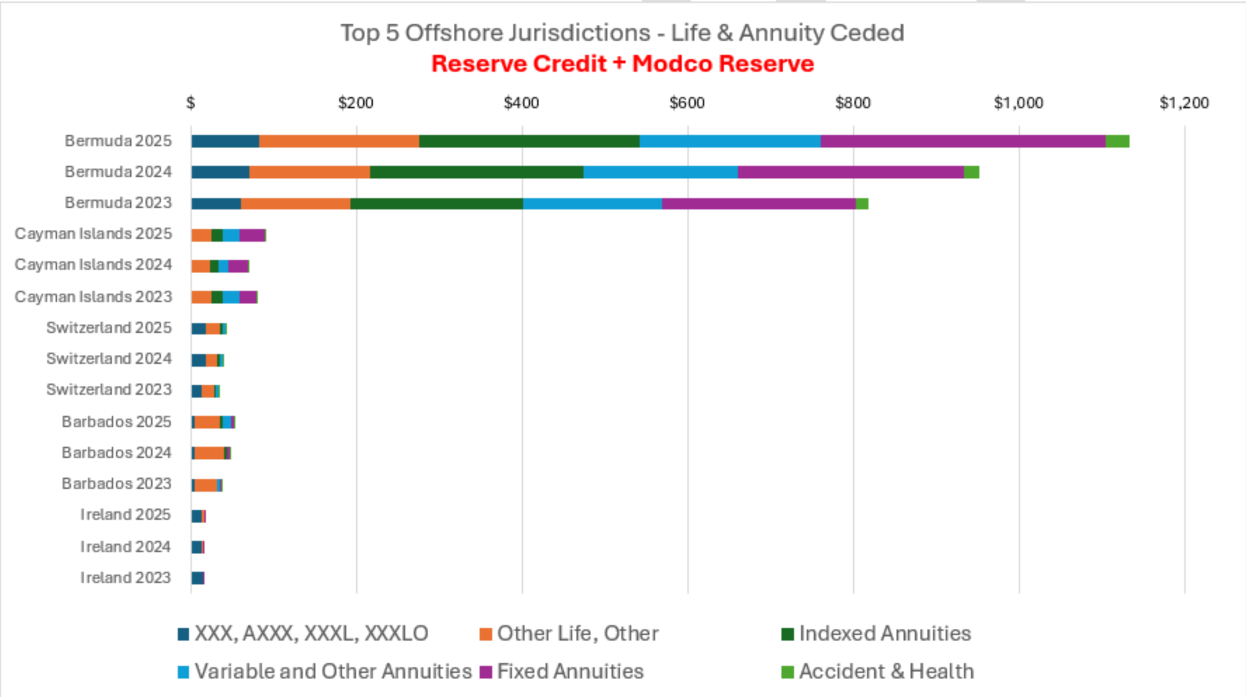
Credit: Foreign Bond Exposures

Other assets are also subject to credit risk monitoring by state insurance regulators including the subset of bonds that are either of sovereign or foreign entities. Additional observations include:

Sovereign/Foreign Bond Exposure and risk remains low, comprising only 2.3% of C&IA. Nonetheless it continues to be tracked and monitored.

Reinsurer Credit Risk

One measure of reinsurer credit risk is to assess the exposure to reinsurers located in a sovereign nation. In 2025, Life insurers, including separate accounts, ceded 48.6% offshore and 51.4% onshore Approximately 46% of reserve credit was ceded to Bermuda. Bermuda's sovereign rating is A+-LT, stable by S&P; A2, Stable by Moody's. The second highest national reserve credit was ceded to the Cayman Islands, which has an Aa3, stable sovereign rating by Moody's. Fourth is Barbados, which has a B+ Sovereign rating by S&P and a B2 from Moody's. The risk was assessed as Moderate-low due to these ratings.



P&C insurers ceded approximately 44% of all reinsurance premiums in 2025 to sovereign nations but is more diversified in terms of the amounts and the number of countries leading to a Low risk assessment.

Liquidity Risk: Summary

While industry holdings of less liquid, private and complex assets continue to increase as discussed above, overall industry allocation to cash and short-term investments is the highest it has been in the last five years at 6.6% of total industry cash and invested assets. Industry allocation to U.S. Government securities is also the highest it has been in the last five years at 4.4% of total industry cash and invested assets. Property and Life liquidity and cash flow ratios are also at their highest (favorable) levels in years. These favorable risk indicators drove the Low risk assessment.

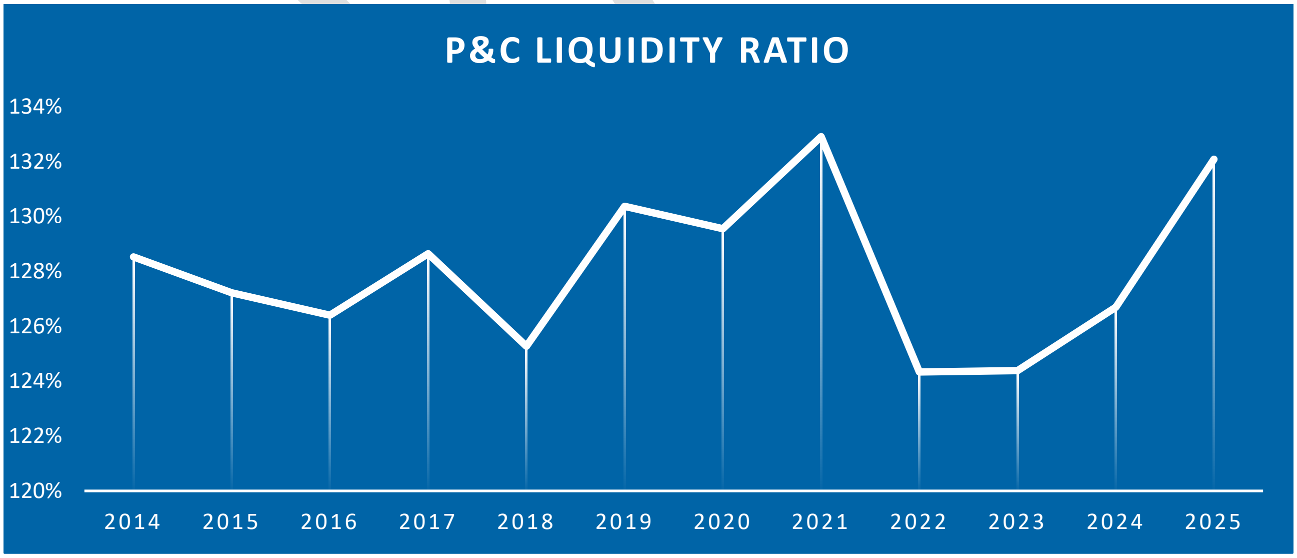
However, it should be noted that the Health industry indicators are not as favorable, as discussed in the Health section below.

Assessment Level: **Low**	Trend: Stable →

Liquidity: P&C Sector

Net cash provided by operating activities increased 16.8% to $189.2 billion. Operating cash inflows increased by 4.0% due to a 4.3% increase in premiums collected net of reinsurance to $972.4 billion, and a 3.4% increase in net investment income (adjusted for affiliates) to $87.2 billion. Partially offsetting the increase in cash inflows was a 1.4% increase in cash outflows driven by a 6.3% increase in commissions and expenses paid, and a 0.4% increase in benefit and loss payments.

The industry liquidity ratio and the cash flow ratio both improved by 5+ % points to 132% and 19%, respectively. Liquid assets increased 7.7% due to growth in cash and invested assets, driven by a 7.0%, or $98.5 billion increase in bond holdings and an 11.3%, or $101.2 billion increase in common stocks. Adjusted liabilities grew at a lesser pace of 3.3%.

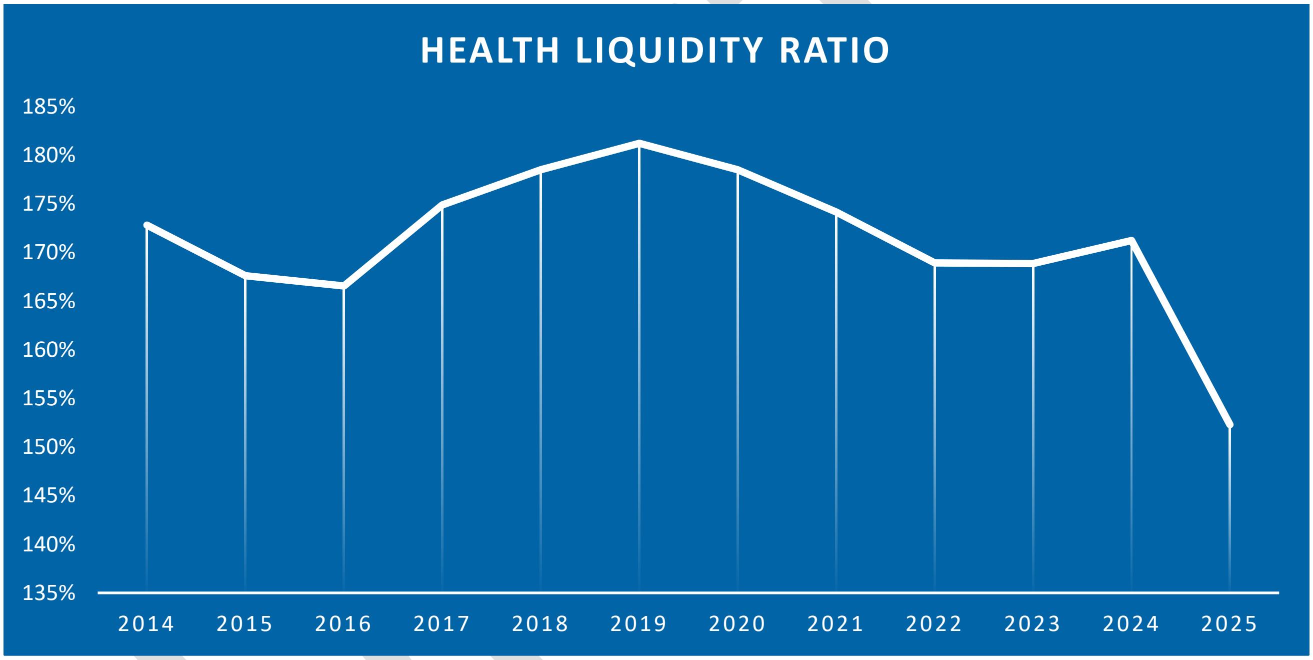


Note: some regulatory tools may present this formula with the numerator and denominator reversed.

Liquidity: Health Sector

The health insurance industry experienced back-to-back years of negative operating cash flow with a 57.6% ($1.2 billion) decrease to -$3.4 billion, which comes off the back of -$1.4 billion in 2024 and $27.4 billion in 2023. The considerable decrease in cash flow is due primarily to continued high utilization with a 14.8% ($155 billion) increase in benefits and loss-related payments, while only growing net earned premiums by 13.2% ($153 billion).

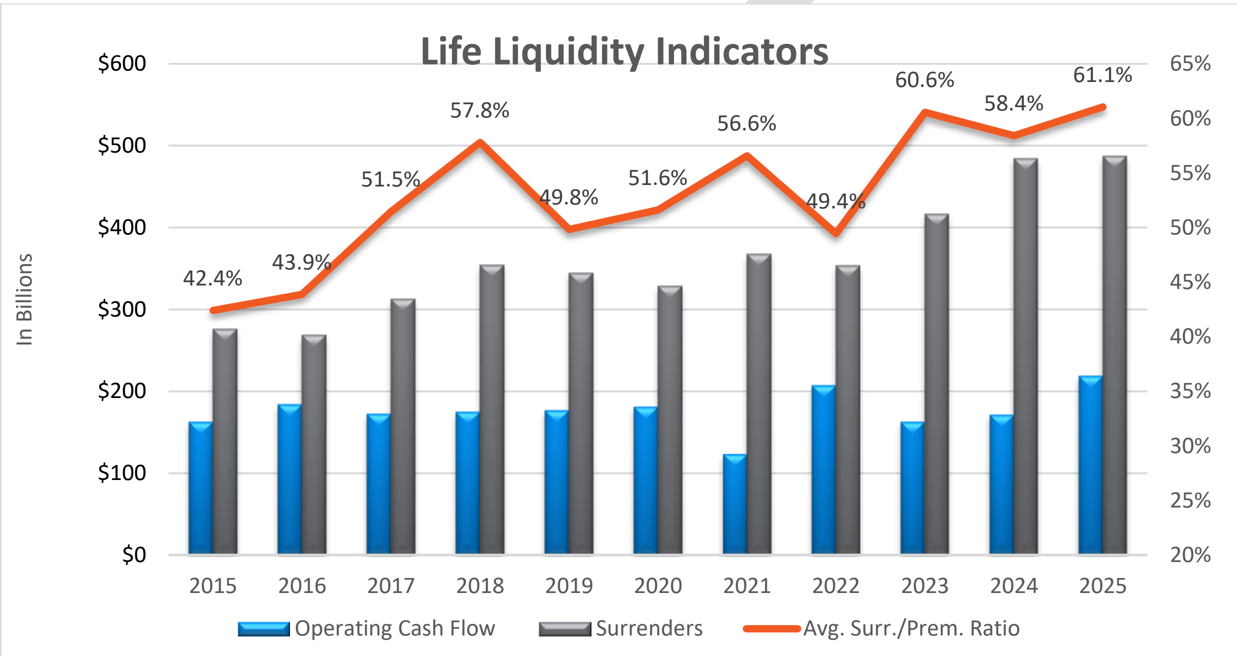
Liquid assets and receivables increased from $442.6 billion in 2024 to $477.6 billion on Dec. 31, 2025. This was offset by a 5.6% ($14.4 billion) increase in current liabilities to $272.8 billion from $258.4 billion. This resulted in an unfavorable decrease in the ratio of liquid assets and receivables to current liabilities to 152% from 171% and was the lowest recording of this ratio since at least 2009. Additionally, the cash flow to capital and surplus ratio was also at an all-time low, at -2%.



Liquidity: Life Sector

The life industry reported operating cash flow of $219.2 billion in 2025, up 28.4% ($48.5 billion) from $170.6 billion in the prior year. The increase was driven primarily by a 3.6% ($29.4 billion) increase in net premium and a 7.8% ($17.9 billion) increase in net investment income. Transfers to separate accounts were $(123.1) billion, compared with $(119.6) billion in 2024, while increases in benefits and loss payments of 0.9% ($7.7 billion) and commissions of 4.5% ($9.2 billion) partially offset the improvement in operating cash flow.

The industry experienced a modest 0.7% ($3.1 billion) increase in surrender benefits to $487.6 billion. The average surrenders-to premiums ratio increased 2.7 points to 61.1%, compared with 58.4% in 2024.



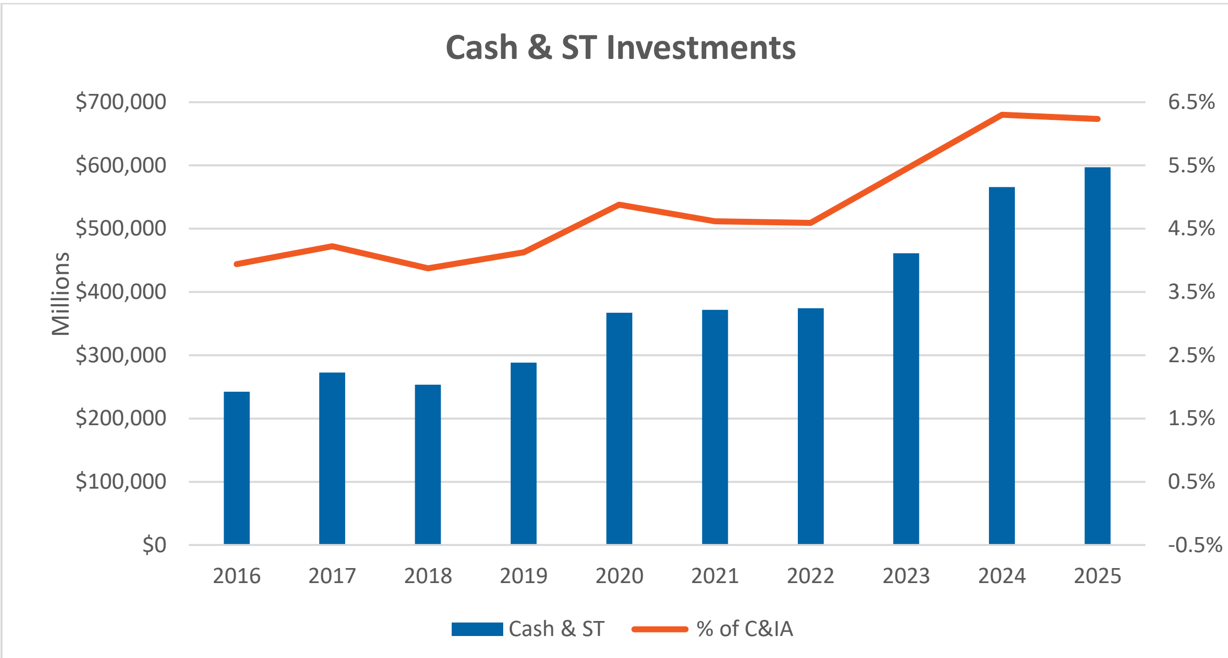
Liquidity: Additional Indicators

LST Stress Testing (LST) Results

The LST is a regulatory tool intended to aid regulators in identifying amounts of asset sales by insurers that could impact the markets under stressed environments while also providing regulators with insights on the liquidity position of insurers subject to the filing requirement. Per the most recent filings reviewed, the impact of modeled aggregate asset sales in the most severe stress scenario for the 26 large life insurers subject to the LST to the capital markets is not significant. Most insurers were able to absorb modeled cash flow deficits in stressed scenarios with cash on hand. In extreme stresses where modeled assets sales were required to satisfy cash flow deficits, the industry's aggregate corporate investment grade bond sales necessary to satisfy deficits were only 3.1% of average daily trading volumes (ADTV) and only .04% of IG Corps Outstanding. Additionally, aggregate government bond sales to satisfy deficits were only .6% of ADTV and .07% of Treasuries Outstanding.

Industry wide Cash and Short-Term Investments

The industry has a significant allocation to Cash, Short-term investments, and U.S. Government Securities as sources of liquidity. Additionally, many insurers maintain a line of credit with the FHLB and lines of credit/revolvers with commercial banks.



Capital Adequacy Risk Summary

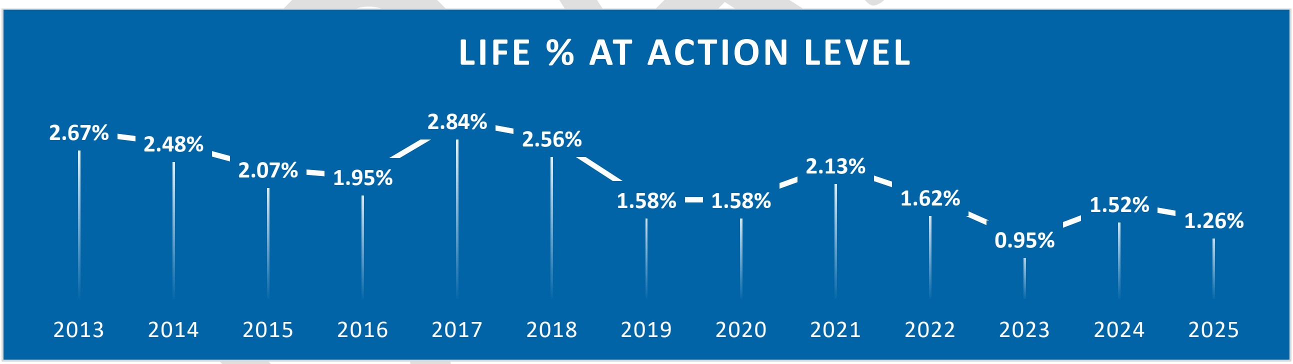
The assessment is driven by historically high capital levels even in the face of industry challenges, with P&C at an all-time high ACL ratio, and a low number of companies in receivership/liquidation proceedings:

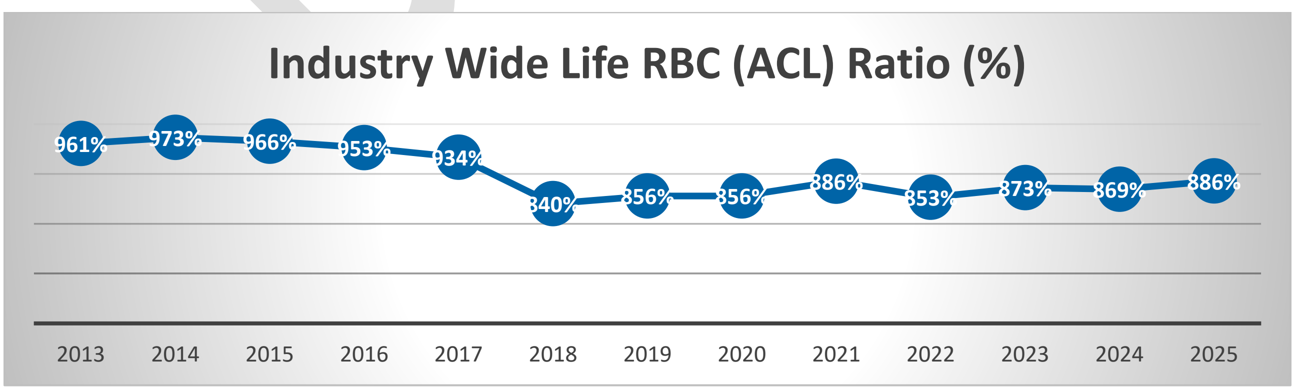
Assessment Level: **Low**	Trend: Stable

Capital Adequacy: Life Sector

The life industry's total capital and surplus increased 5.7% to $540.7 billion. The increase was driven primarily by $46.4 billion in net income, $13.6 billion in paid-in capital, and $14.3 billion in unrealized capital gains, partially offset by $35.8 billion in stockholder dividends. Additional observations include:

- Current aggregate RBC of 886% ACL continues to be well above the low point of the 2008 financial crisis (758%), and the industry continues to be very well capitalized overall as indicated by the historically low number of companies in RBC action levels (1.26%) and aggregate premium/reserve leverage positions.
- The industry wide capital levels are relatively consistent with rating agency upgrade/downgrade activity as well as industry outlooks, which generally assigned the life insurance sector a stable outlook at the end of 2025.
- RBC is a regulatory minimum capital requirement and may not reflect economic required capital risk for all activities including significant shifts of cross border reinsurance discussed in the credit risk section.



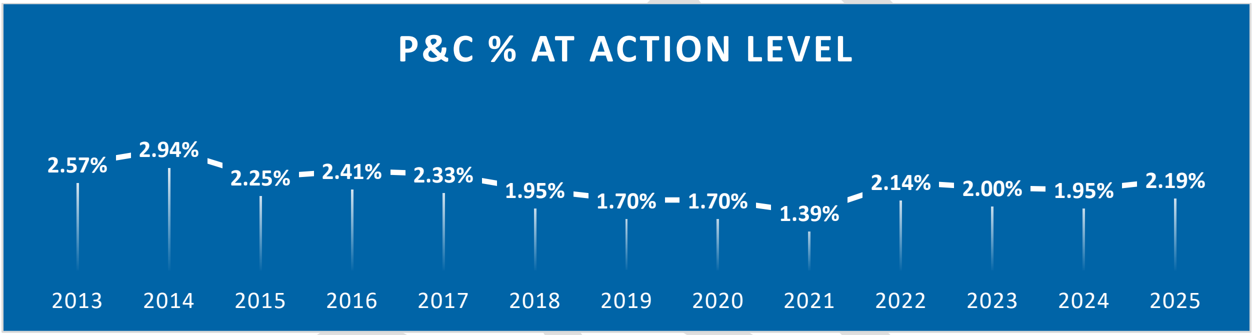


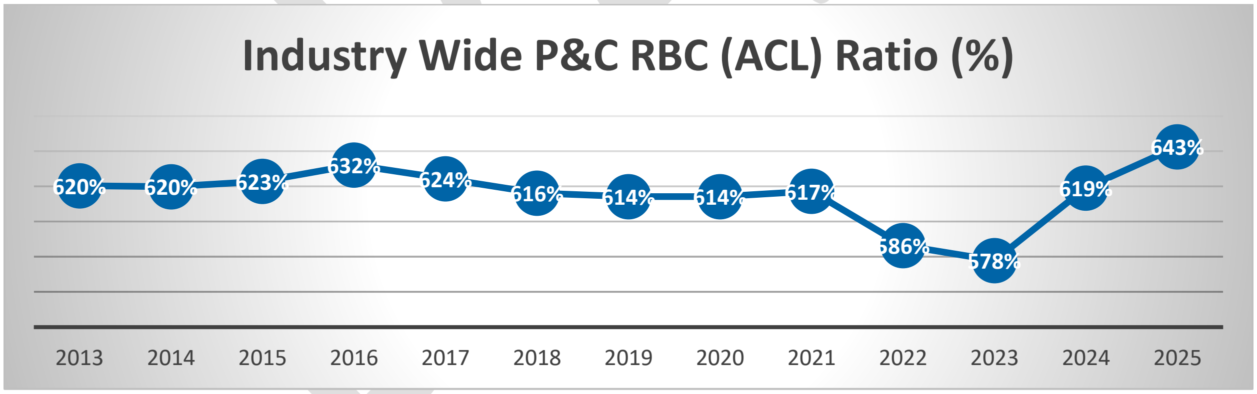
Capital Adequacy: P&C Sector

Industry aggregated policyholders' surplus (adjusted to eliminate stacking) increased 11.9% from the prior year-end to a new all-time high of $1.27 trillion at December 31, 2025. The net profits of $150.6 billion and $47.5 billion in unrealized investment gains were partially offset by $5.7 billion in policyholder dividends. While P&C insurers are well positioned for future growth, 2025 continued to present challenges from inflation/tariffs, natural disasters, and social inflation that warrant the increase in Capital Adequacy.

Additional observations include:

- Current aggregate RBC of 643% ACL remains above the low point of 2008 (599%). The industry wide capital levels are relatively consistent with rating agency upgrade/downgrade activity as well as industry outlooks which generally assigned the P&C insurance sector a stable outlook at the end of 2025.



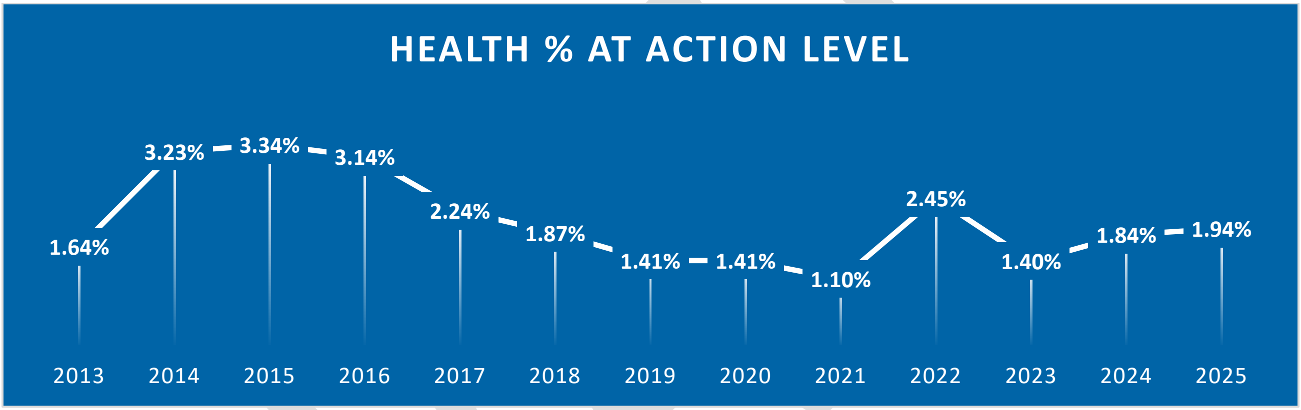


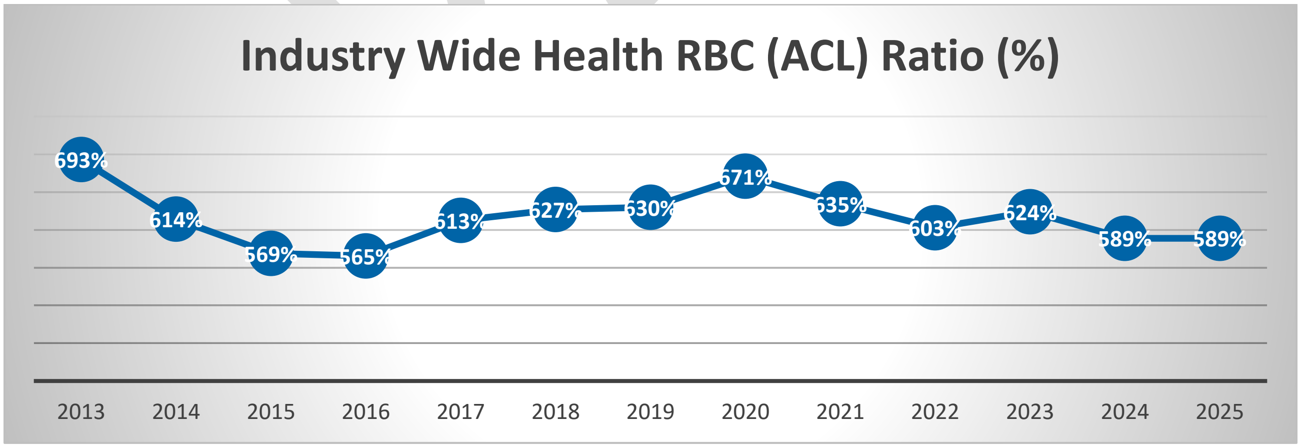
Capital Adequacy: Health Sector

Health entities reported a 4.9% ($10.5 billion) increase in capital and surplus (excluding affiliated amounts) to $223.9 billion from $213.4 billion in 2024. Although at first glance, the high capital levels appear inconsistent with underwriting risk and performance highlighted earlier, this is due to capital contributions from parent companies and decreased dividends The capital adequacy maintenance is due primarily to a large decline in dividends paid out from $19.3 billion in 2024 to $11.2 billion in 2025, and a 21.3% increase in paid-in surplus of $15.3 billion.

Additional observations include:

- Aggregate RBC was flat in 2025 at 589% ACL
- As of September 2025, the health insurance sector has a negative outlook by S&P





Emerging/Other Risk

Assessment Level: **Moderate-Low**	Trend: Increasing ↗

The emerging risk category of the dashboard contains broad overarching risks, some of which may be covered in part in other risk categories. These risks may not lend themselves to specific risk indicators, do not cleanly or fully fit within another category and are generally a challenge to quantify. Therefore, the assessment of risks in this area may be more subjective in nature. Additionally, data or tools may not be in place to measure the risk. However, these risks are believed to be prevalent and warrant additional ongoing monitoring.

The following risk categories are included in the Emerging/Other Risk Category:

- Private Credit (see also Credit Risk)
- Offshore Reinsurance (see also Interconnectedness and Credit Risks)
- Artificial Intelligence
- Cybersecurity Risk
- Mortality risk

Many of these risks have been covered in part in other sections of this report and in the detailed risk dashboard. Additionally, many of these risks have an associated response initiative by state regulators via various NAIC task forces and working groups.

Artificial Intelligence
Artificial Intelligence (AI) risks can manifest in many ways for insurers, for example in underwriting, claims, and investments. The AI software sector, of which insurers invest, has grown to greater than 15% of the leveraged loan and private credit sectors; and has recently come under pressure from perceived impact of AI models. Deepfakes enabling insurance fraud and discriminatory underwriting practices are some other indicators to monitor.

Cybersecurity Risk
Demand for and writings of cyber insurance seems to have leveled off due to the steady direct premiums written over the last three years. Product coverage terms to improve underwriting performance continues to be an area of increased focus by insurers and appears to have led to lower loss ratios since 2021. Additionally, insurers operations continue to be subject to cyber-attacks that may threaten their ongoing operations.

Mortality/Aging risk
Mortality and aging may impact both Life and Health sectors and its impact is dependent on the line of busines. U.S. life expectancy for 2026 is 79.54, a 0.18% increase from 2025. U.S. life expectancy for 2025 was 79.40, a 0.18% increase from 2024. Additionally, the demographic shift to an older population, falling birth rates, rising healthcare costs and GLP-1 rudg impacts are key factor in this category.

Appendix A: Risk Assessment Scale

Risk Assessment Scale

Assessment levels are documented on a four-tier scale consisting of High, Moderate-High, Moderate-Low, or Low. Assessments are based on current and historical risk indicators and expert judgment.

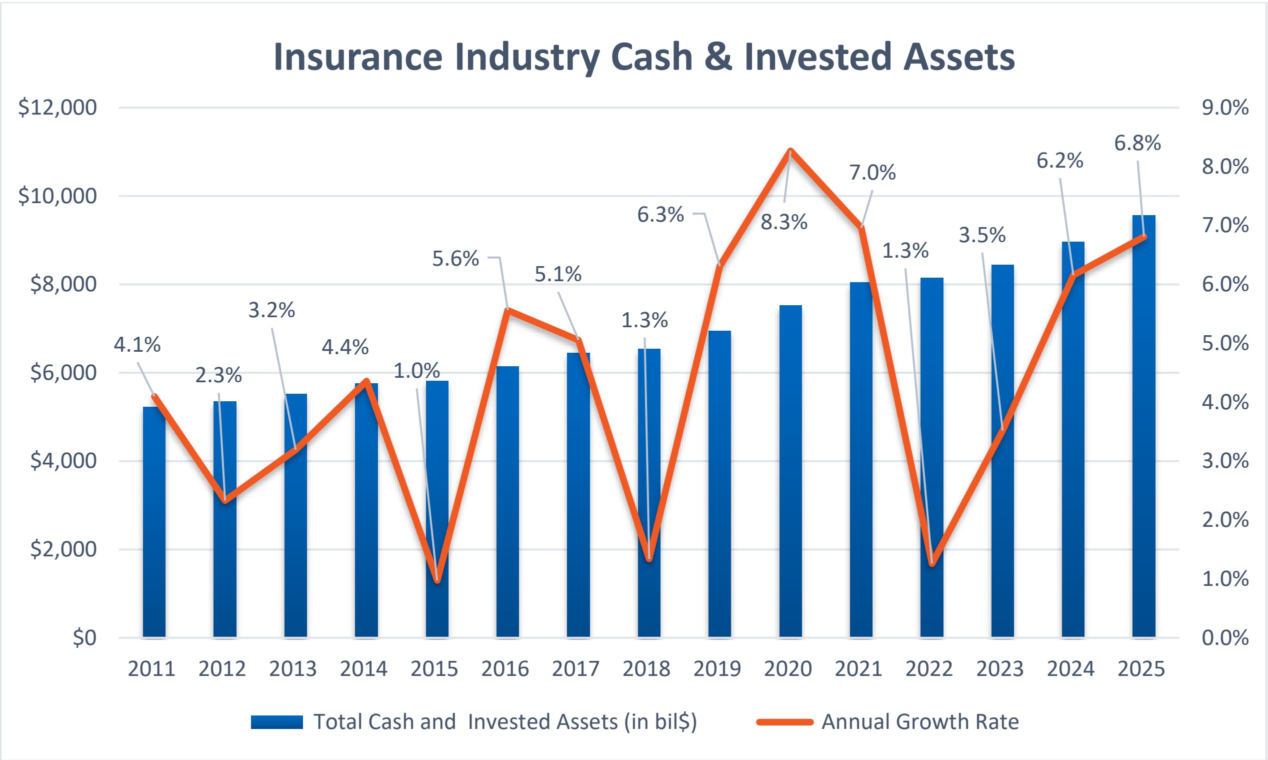
Low	Moderate-Low	Moderate-High	High

Trend Scale

The trend is a historical trend and is indicative of the level of risk. Trend levels are documented on a five-tier scale consisting of Significant Increase, Increasing, Static, Decreasing, or Significant Decrease. Trends are based on the changes in risk indicators and expert judgment.

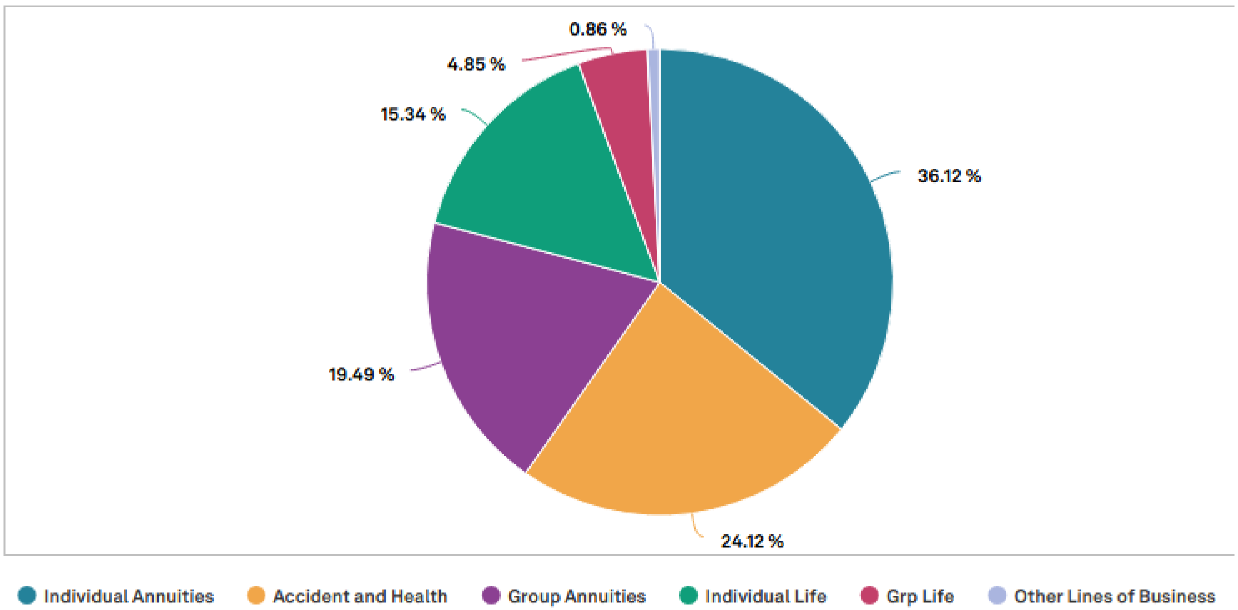
Appendix B: Insurance Industry; by the Numbers

Select industry data:



Life Industry

2025 Life and A&H Net Premiums Written by Type



Source: S&P Market Intelligence

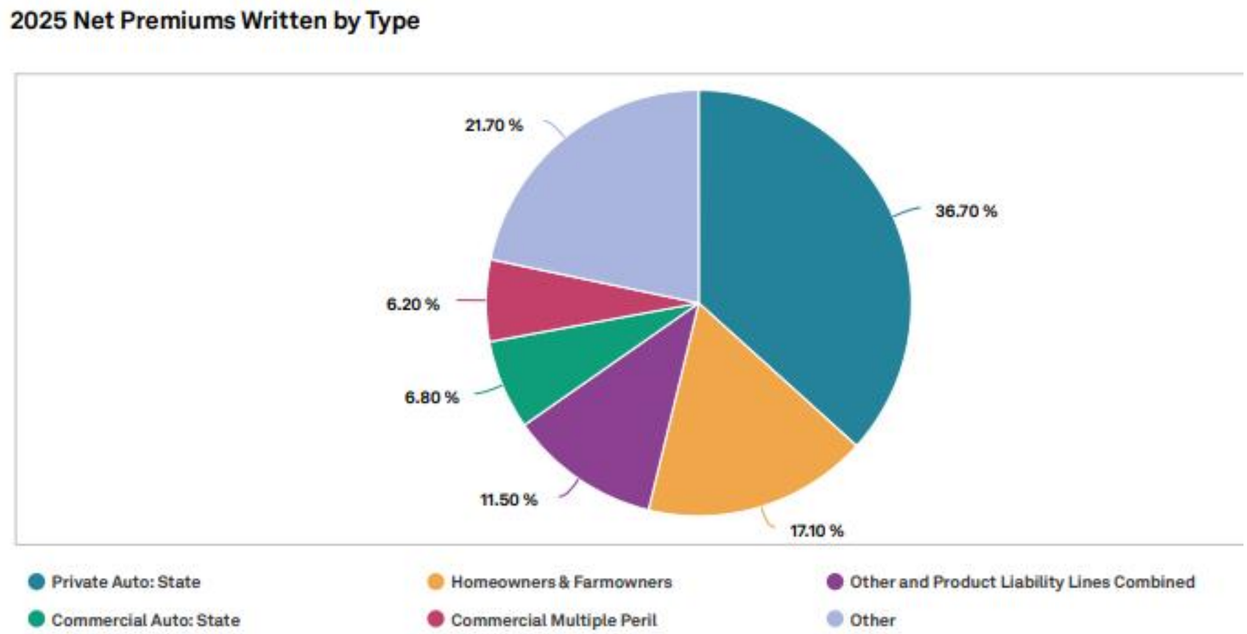
Life Industry

Table 4 – Net Premiums by Line of Business

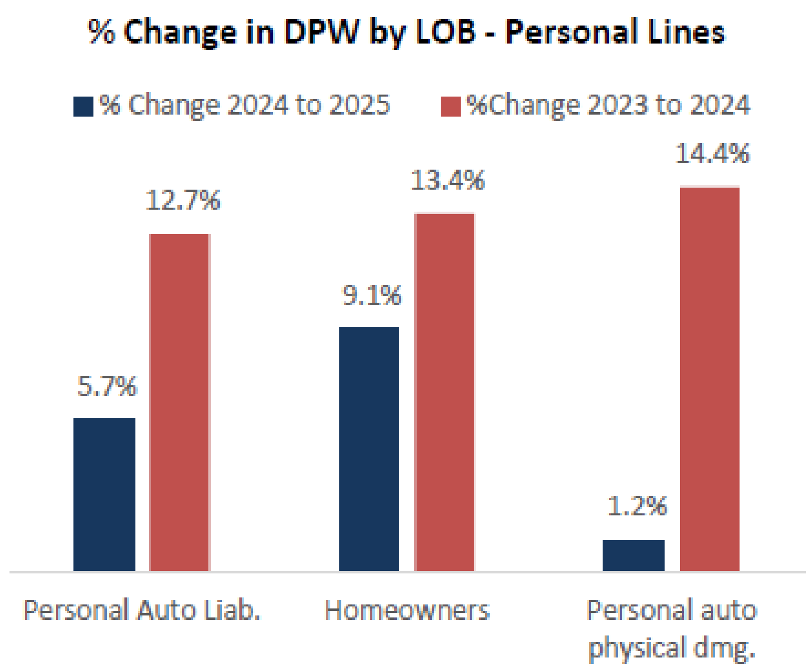
($ in Billions)	% Chg.	$ Chg.	2025	2024
Other Annuities	9.8%	$2.6	$29.0	$26.4
Life Contingent Payout	(31.3)%	($16.7)	$36.6	$53.2
Variable Annuities w/out Guar	(4.5)%	($2.9)	$63.2	$66.1
Indexed Annuities	23.4%	$17.1	$89.9	$72.8
Variable Annuities w/ Guar	3.0%	$3.2	$109.8	$106.6
Fixed Annuities	4.8%	$5.3	$114.5	$109.2
Total Annuities	**2.0%**	**$8.5**	**$442.9**	**$434.4**
Universal Life with Secondary Guar	(115.2)%	($9.4)	($1.2)	$8.2
Other Individual Life	(183.2)%	($2.7)	($1.2)	$1.5
Industrial Life	8.1%	$0.0	$0.1	$0.1
Credit Life	1.7%	$0.0	$0.5	$0.5
Other Group Life	47.8%	$0.6	$1.7	$1.2
Universal Life	(1.0)%	($0.0)	$1.7	$1.7
Variable Life	(11.1)%	($0.8)	$6.1	$6.9
YRT Mortality Risk Only	(1.3)%	($0.1)	$6.8	$6.9
Variable Universal Life	(24.2)%	($4.3)	$13.3	$17.6
Indexed Life	8.3%	$1.5	$20.2	$18.6
Term Life	(1.3)%	($0.5)	$40.4	$41.0
Whole Life	5.0%	$3.3	$69.8	$66.4
Total Life Insurance	**(7.2)%**	**($12.3)**	**$158.2**	**$170.5**
Credit A&H	4.3%	$0.0	$0.6	$0.6
Vision Only	(0.2)%	($0.0)	$2.0	$2.0
Federal Employees Health Ben	6.3%	$0.1	$2.2	$2.0
Individual Comprehensive	(40.2)%	($2.6)	$3.8	$6.4
Title XIX Medicaid	17.0%	$0.9	$6.2	$5.3
Long-Term Care	(36.5)%	($4.2)	$7.3	$11.5
Dental Only	(15.1)%	($2.3)	$13.1	$15.4
Group Comprehensive	(48.1)%	($21.7)	$23.5	$45.2
Medicare Supplement	5.2%	$1.2	$23.8	$22.6
Disability Income	5.4%	$1.6	$31.0	$29.4
Title XVIII Medicare	11.9%	$4.1	$38.1	$34.0
Other Health	(8.6)%	($3.8)	$40.3	$44.1
Total A&H	**(12.2)%**	**($26.7)**	**$191.7**	**$218.5**

Source: NAIC Financial Regulatory Services Unit, 2025 Annual Life Industry Commentary

P&C Industry

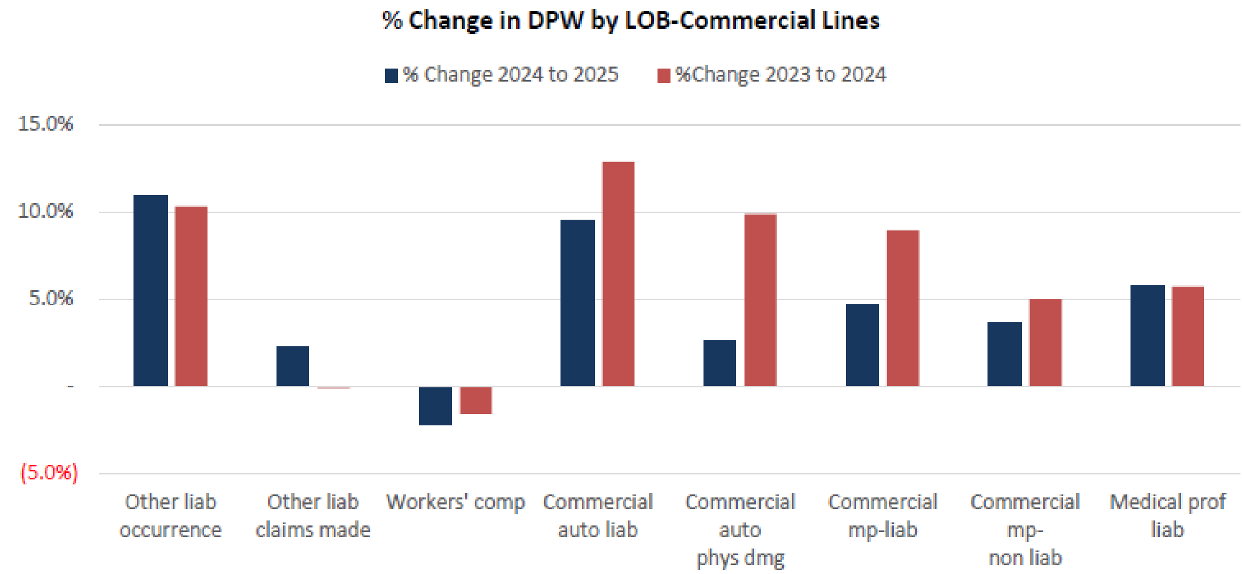


Source: S&P Market Intelligence



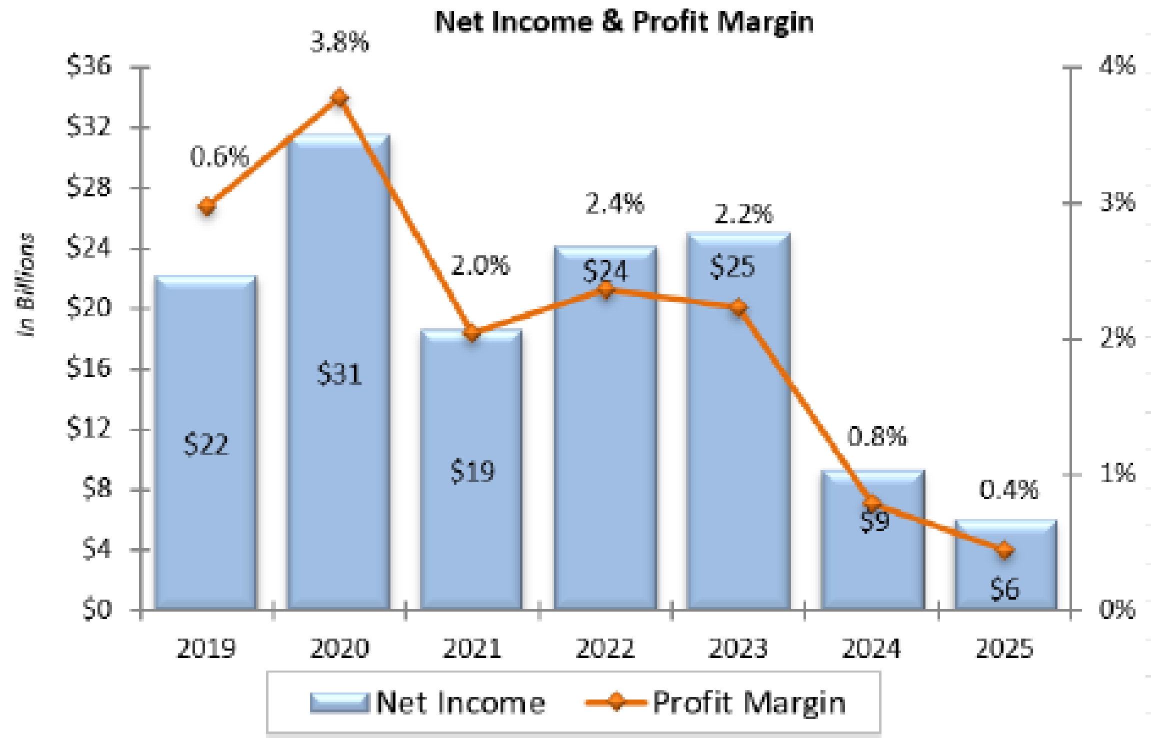
Source: NAIC Financial Regulatory Services Unit

P&C Industry

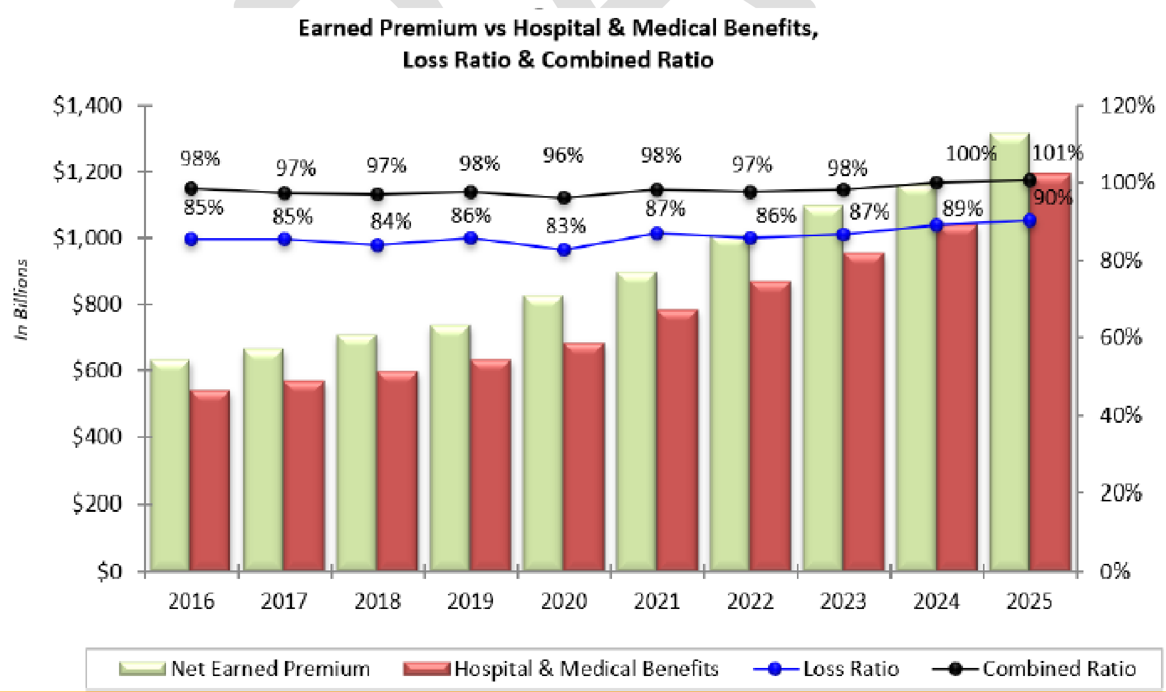


Source: NAIC Financial Regulatory Services Unit

Health Industry



Source: NAIC Financial Regulatory Services Unit



Source: NAIC Financial Regulatory Services Unit

2026 Mid-Year Global Insurance Market Report (GIMAR)

Anthony Quandt
Group Solvency Specialist, NAIC Macroprudential Working Group Vice Chair
Nebraska Department of Insurance

NEBRASKA

GIMAR Inputs: Global Monitoring Exercise (GME)

Key components:

- Individual Insurer Monitoring (IIM)
- Sector-Wide Monitoring (SWM)
- Collective discussion
- Sector-wide risk themes

Macroprudential Monitoring WG (MMWG)

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2026 Timeline

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GIMAR/ Global Monitoring Exercise Timeline

- May 10th: IIM and SWM (Qualitative)
- June 30th: SWM (Quantitative)
- July 31st: SWM (Reinsurance + GRMS)
- Q3: Mid-year GIMAR Publication
- December: GIMAR Publication

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Overview of Mid-Year GIMAR Risk Coverage

July 2026 Edition

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General Developments

- Global macro-financial developments
  - Based on public reports/data
- Solvency, liquidity and profitability
  - High level individual insurer data

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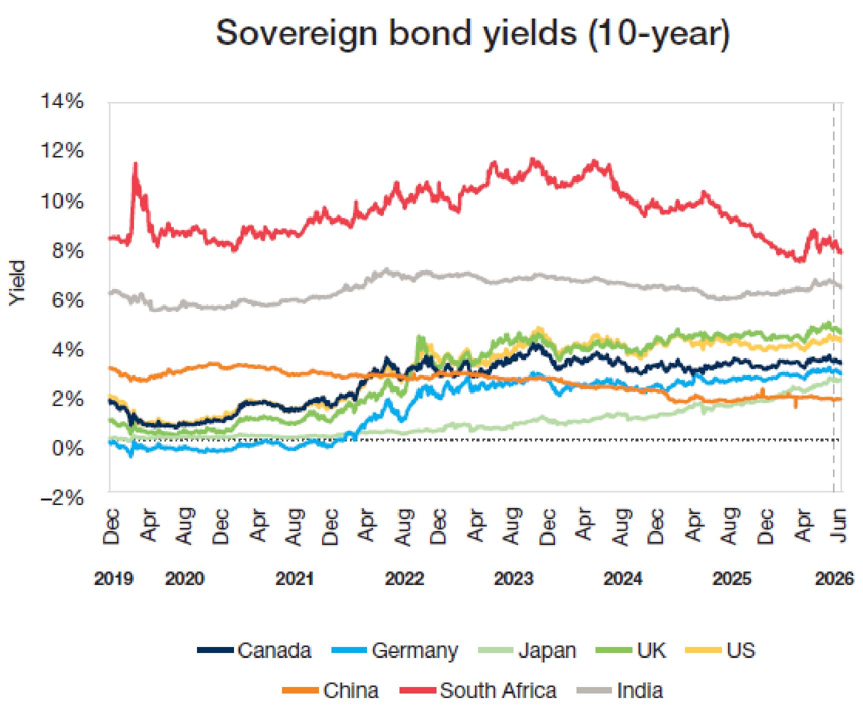
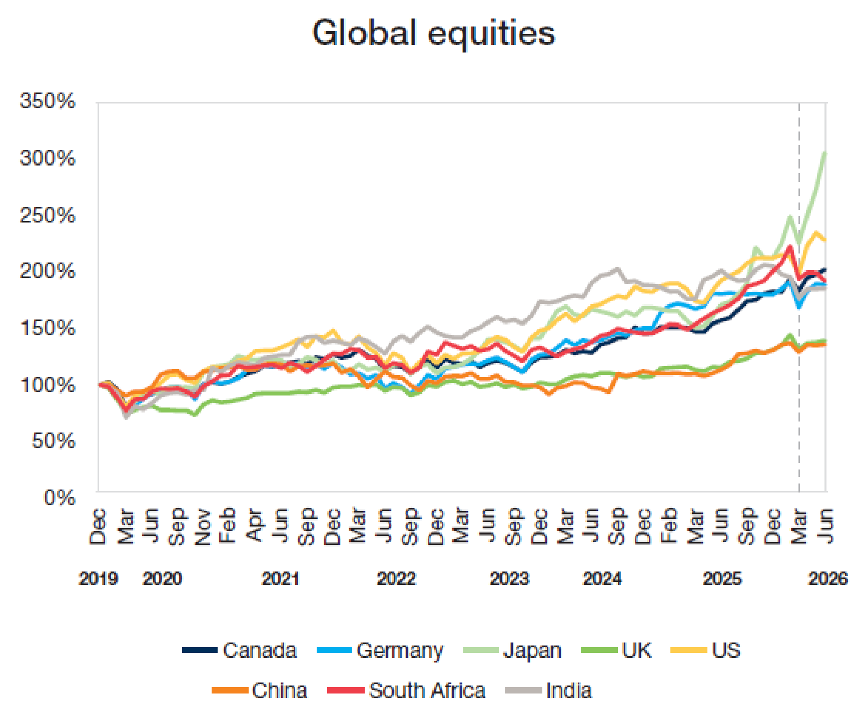
Global macro-financial developments

FIGURE 1

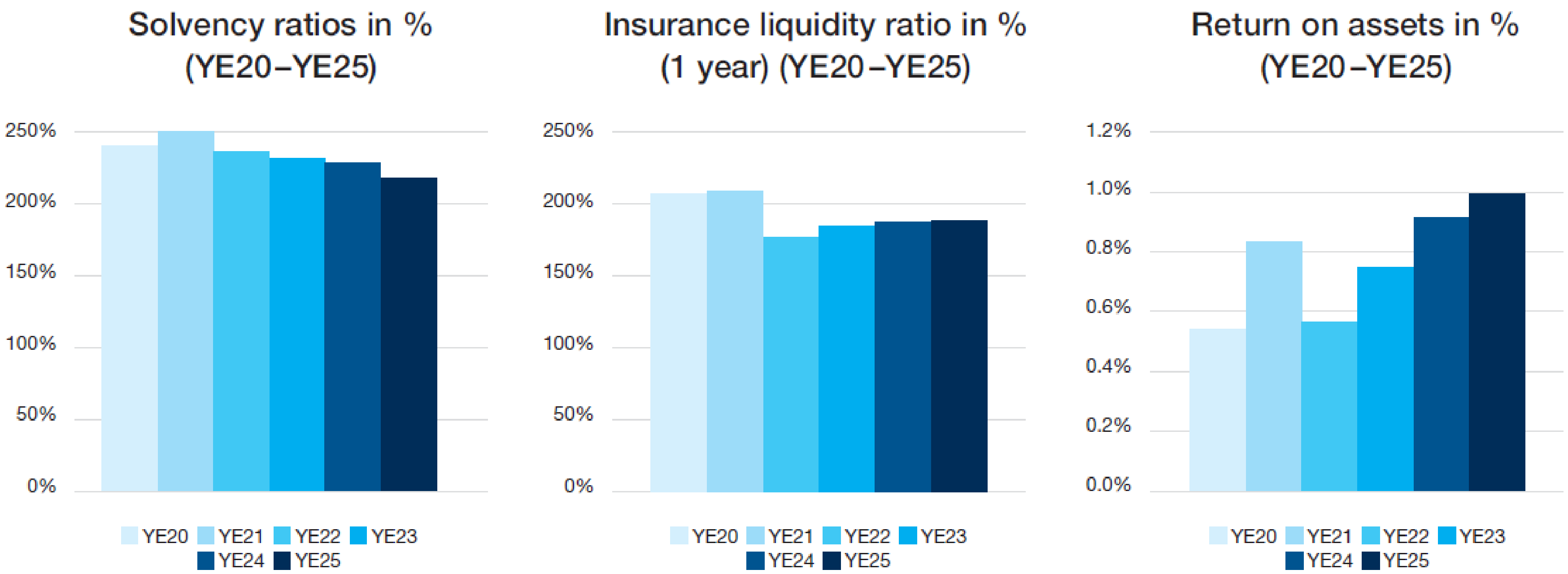




Equity prices are rebased to 100 in December 2019
Source: Bloomberg

Solvency, liquidity and profitability

FIGURE 2



Source: IIM 2026 – interim result

2026 Sector-wide risk themes

- Theme 1: The impact of macroeconomic risks on life insurers’ balance sheets
- Theme 2: Transmission channels of geopolitical risk in non-life insurance
- Theme 3: The impact of advancements in AI and technology on insurers’ cyber resilience

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Theme 1: The impact of macroeconomic risks on life insurers' balance sheets

- Market and investment risks
- Liquidity pressures
- Sovereign risks
- Interconnectedness with non-bank financial intermediaries (NBFIs)
- Capital and asset-liability management pressures

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Theme 2: Transmission channels of geopolitical risk in non-life insurance

- Inflation, energy prices and claims costs
- Maritime, shipping and aviation risks
- War exclusions and cyber risks

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Theme 3: The impact of advancements in AI and technology on insurers' cyber resilience

- Rapid advancement in technologies
  - IT complexity, AI, digital assets
- Cyber risk evolution
  - Frequency and sophistication of attacks
  - Frontier AI models
  - Underwriters and victims of risk

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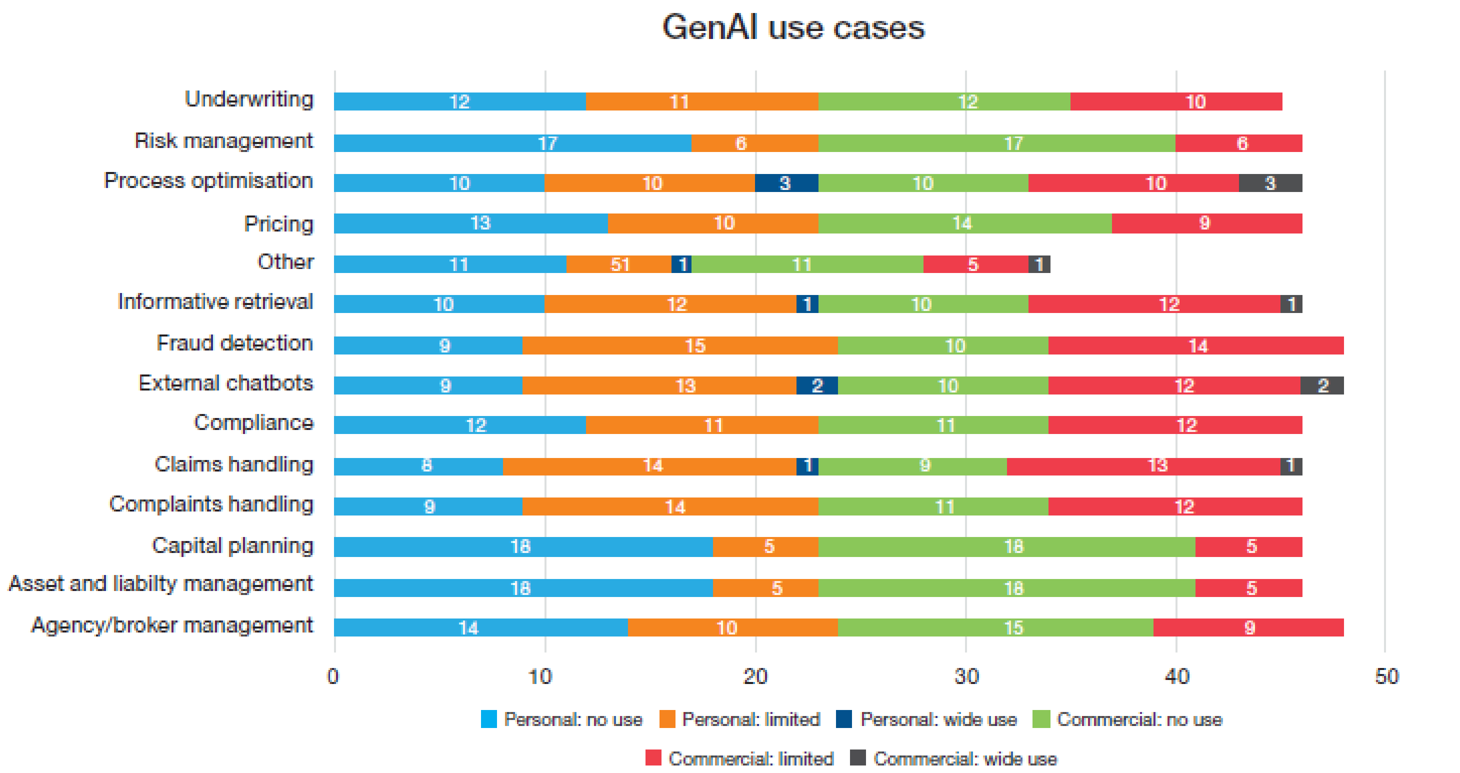
Generative AI use cases

FIGURE 24



Source: IAIS SWM 2025
Note: Figure 24 reflects supervisory responses on how widespread AI uses cases are across personal and commercial lines.

Other areas of focus

- AI underwriting and digital assets
  - GME and IAIS member survey
  - Impact on liabilities
- Climate-related risks
  - Previously highlighted in 2021 GIMAR special topic edition
  - Frequency and severity of extreme weather events

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Of Note

- Of note, we have many of the same or similar key risk indicators identified in our U.S. macroprudential risk dashboard, which we released for comment earlier in this meeting.

- Membership and participation in the IAIS has been invaluable as we contribute to and benefit from the identification of macroprudential risks and trends in the global insurance industry

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Next steps

- Reoccurring Goals for December GIMAR publication:
  - Elaborate on key systemic risk developments in the insurance sector
  - Compare developments to the banking sector
  - Provide a more detailed analysis of:
    - Solvency
    - Liquidity
    - Profitability
- Other work hinted on:
  - Supervisory enhancements for climate-related risk modeling

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Update on Actuarial Guideline 55 reviews

NAIC 2026 Summer National Meeting
Attachment Seven

Fred Andersen, Chair of Valuation Analysis (E) Working Group

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AG 55 background

- Issue identified by NAIC MacroPruduential TF and Reinsurance TF
  - Use of offshore and captive reinsurance could pose risks
    - Lowering of reserves to support future life insurance & annuity claims
    - Lowering of capital buffer
    - Increasing investment risk
    - Introducing complexities into group structure
- AG 55 adopted by Life Actuarial TF / NAIC last year

AG 55 background

- Disclosures on reserve adequacy after certain reinsurance
  - Are reduced reserves resulting from these transactions still adequate to pay future claims?
  - Are reserves available to cover moderately adverse conditions and capital available to cover more severe conditions?
- First filings: 2Q 2026
  - 76 life insurers with filings; 124 AG 55 reports
    - Some ceding companies: multiple treaties within scope
    - 70 Bermuda reinsurer, 25 Cayman reinsurer, 29 other

AG 55 Reviews

- Started with prioritized companies
  - e.g., high percentage of liabilities ceded offshore or to captive
- Reviews still in early stages
- Interactions with early review companies
- No firm conclusions at this point
- Mainly observations, areas to pursue better understanding

AG 55 findings

- Many annuity blocks have lower reserve amount supporting it after offshore / captive reinsurance
- Most common reasons for reduced reserves (reported by companies):
  - Asset returns are higher than US statutory discount rate
  - Policyholder behavior is less efficient than in US stat
  - VM-22 changed some of the dynamics

AG 55 findings

- If reserves are not reduced?
  - Company may say, "holding 100% US Statutory reserve"
    - But little or no extra money to support the block, equivalent of low RBC ratio
  - Company may say, goal is "capital efficiency"
    - AG 55 contemplates reserves and capital supporting assumed business
      - Reviews are digging into this issue
  - Company may say, goal is attracting outside investors
    - What are investors' expectations re: timing & amount of payments?
      - In comparison to when risks play out

AG 55 – top topics of regulatory interest

- Actuarial
  - Verify reasonableness of asset & liability-related assumptions
- Asset-related
  - Valuation of level 3 assets accurate?
- Reinsurance-related
  - Transparency of assets held by offshore reinsurer
  - Reinsurer balance sheet verification
  - Reasons for offshore / captive reinsurance, post-VM-22 adoption

Next steps

- Continue reaching out to companies, gaining more understanding on these issues
  - Macro and company-specific analysis
  - Continue updates at NAIC sessions on findings