Draft date: 10/30/26

2026 Fall National Meeting
Dallas, Texas

LIFE RISK-BASED CAPITAL (E) WORKING GROUP
Sunday, November 15, 2026
11:00 a.m. – 12:00 p.m.
Convention Center—Texas C123—Level 3

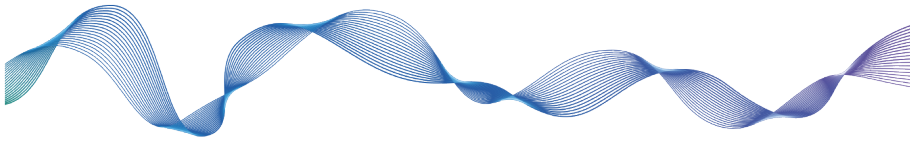
ROLL CALL

Ben Slutsker, Chair	Minnesota	William Leung	Missouri
Philip Barlow, Vice Chair	District of Columbia	Michael Muldoon	Nebraska
Sheila Travis/Sanjeev Chaudhuri	Alabama	Jennifer Li	New Hampshire
Thomas Reedy	California	David Wolf	New Jersey
Wanchin Chou	Connecticut	William B. Carmello	New York
Hannah Howard	Florida	Andy Schallhorn	Oklahoma
Matt Cheung	Illinois	Rachel Hemphill	Texas
Mike Yanacheak	Iowa	Tomasz Serbinowski	Utah

NAIC Committee Support: Kazeem Okosun/Maggie Chang

AGENDA

1. Consider Adoption of its Oct. 28, Oct. 13, Oct. 6, Aug. 26 and July 16 Minutes —*Ben Slutsker (MN)* — Attachment A, Attachment B, Attachment C, Attachment D, Attachment D-2
2. Receive Updates From its Subgroups—*Ben Slutsker (MN)*
   A. Generator of Economic Scenarios (GOES) (E/A) Subgroup
   B. Longevity Risk (E/A) Subgroup — Attachment E
3. Consider Adoption of the GOES Model Governance Framework Revisions —*Ben Slutsker (MN)* — Attachment F
4. Receive Updates on C-3 Alignment Field and Model Office Testing —*Ben Slutsker (MN)*
5. Consider Exposure of Proposal 2026-17-L Recapture Risk Non-Reciprocal Jurisdiction (LR016)—*Ben Slutsker (MN)* — Attachment G
   A. Questions for Non-Reciprocal Recapture Risk Charge Proposal — Attachment H



6. Discuss Any Other Matters Brought Before the Working Group
   —*Ben Slutsker (MN)*

7. Adjournment

Draft: 11/4/26

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

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Oct. 28, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri and Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak and Kevin Clark (IA); Jennifer Li (NH); David Wolf (NJ); William B. Carmello (NY); and Rachel Hemphill (TX).

1. Heard Introductory Remarks

Slutsker said the primary purpose of the meeting was educational: to provide context for the first directive in the Financial Condition (E) Committee referral to the Working Group. He summarized the Working Group's prior discussion, at which Working Group members reached general consensus on starting points for a potential proposal: 1) a factor-based method to add back risk-based capital (RBC) for companies that have ceded business to reinsurers in non-reciprocal jurisdictions; and 2) reflecting the impact of collateral, such that over-collateralization could reduce the recapture risk charge, while permitted collateral below the statutory reserve level would create a shortfall that could further increase the charge.

He said the definition of permitted collateral will continue to be a key topic in the coming months, with the initial starting point being assets other than *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) excluded assets, which include certain state deviations, specified asset types, and non-admitted assets. He noted that work on the second directive has not yet started. Slutsker said the Working Group plans to distribute materials in approximately one week, including an initial draft proposal with RBC instructions and schedules, and to solicit questions from interested regulators and interested parties for discussion at the Fall National Meeting in Dallas. He also noted that the Life Actuarial (A) Task Force will hear a presentation on AG 55 results in Dallas, and that this meeting would not focus on AG 55.

2. Adopted its 2027 Working Agenda

Slutsker summarized the proposed updates to the 2027 working agenda. The changes: 1) remove the Variable Annuities Capital and Reserve (E/A) Subgroup, which has been disbanded, with its items to be handled directly by the Working Group and the Life Actuarial (A) Task Force; 2) update the status from the American Academy of Actuaries (Academy) presentation on the impairment project; 3) update the status of the collateral loans proposal, which was adopted; 4) reflect the referral on residential mortgage loans (RMLs); and 5) add the two reinsurance-related directives from the Financial Condition (E) Committee referral. Slutsker said the first directive relates to non-reciprocal jurisdictions and assumes a 100% probability of recapture. The second directive relates to counterparty risk for reinsurance transactions, whether U.S., international, or other, with the counterparty risk charge based on financial strength or credit rating, similar to the property/casualty (P/C) RBC approach. He noted that exposures on the second directive have not yet begun.

Reedy made a motion, seconded by Barlow, to adopt the Working Group's 2027 working agenda (Attachment 1). The motion passed unanimously.

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3. Heard a Presentation from Bridgeway Analytics on Reinsurance Recapture and Counterparty Risk

Amnon Levy (Bridgeway Analytics) presented "Reinsurance: An Assessment of Practices and Trends Using Publicly Available Data" (Attachment 2). He said the presentation assesses life reinsurance practices and trends using publicly available data, with a focus on transactions with non-reciprocal jurisdictions, to help distinguish the risks associated with recapture and to consider how collateral and other safeguards mitigate those risks as the Working Group considers the appropriate RBC treatment. The presentation covered: 1) the current C-1 RBC treatment of reinsurance; 2) a stylized example of reinsurance and recapture risk; 3) recapture risks faced by the ceding company; 4) life reinsurance failures; 5) non-reciprocal jurisdiction reserve credit and collateral composition; 6) rated and unrated transactions; 7) Level 3 assets; 8) affiliated transactions; and 9) counterparty concentration risk.

Levy noted that public data provide an incomplete view of individual transactions. While they can help identify patterns in reserve credit, collateral, affiliation, and concentration, they do not establish the quality of assets supporting a particular treaty, the capital available to absorb losses, or the resources accessible to a ceding company following recapture. He said the analysis focuses on RBC and reserves and does not review the broader set of tools available to regulators for overseeing reinsurance transactions, and that his remarks were intended to explain the analysis and its limitations rather than advocate a particular calibration or design, as policy decisions rest with regulators.

Levy summarized the current C-1 RBC treatment of reinsurance. He noted that ceded reinsurance receives a 0.78% pre-tax charge on reserve credit and receivables, even though the charge on receivables is generally inconsequential for life transactions. Levy noted that total C-1 RBC can also be affected by the size factor, the asset concentration factor, and the common stock concentration factor. He said non-reciprocal jurisdiction transactions generally incur an RBC charge of approximately zero because reserve credit generally requires collateral, resulting in an RBC offset. The exception is that equity ownership of reinsurance subsidiaries is excluded from total adjusted capital (TAC). He noted that regulatory concern is a lack of transparency for transactions that are not collateralized to reflect total asset requirements under NAIC guidelines, including the capital needed if the ceding company reassumes the business and the composition of assets when transactions are not structured as funds withheld or modified coinsurance (modco). He added that a robust reinsurer rating is not, in itself, sufficient to address those concerns. Levy then illustrated using reinsurance examples.

Levy distinguished between two recapture risks faced by the ceding company, both of which collateral can mitigate. He said that counterparty credit risk is the loss to the ceding company when a policy block or assets are placed back on its books; where collateral is required for reserve credit, the collateral must be updated as gains or losses are recognized on policies or assets. Levy added that recapitalization risk is the need for the ceding company to raise funds for reserves and surplus, separate from any loss or gain on the policy block. He noted that raising funds entails costs and risks that affect business viability; for example, the ceding company's cost of capital may increase if surplus notes are viewed as riskier. Levy also identified counterparty risks that are somewhat unique to reinsurance: 1) uncertain exposure, as policy values may evolve or the ceding company's and reinsurer's valuations may not align; 2) uncertain collateral, particularly for Level 3 assets where valuations may not align, or for non-NAIC-filing reinsurers whose assets may include letters of credit or non-admitted assets; and 3) other losses, such as those arising from recapturing a retrocession. He said an assessment should examine both the amount of collateral and what that collateral would provide to the ceding company under the circumstances in which recapture occurs.

Levy said Bridgeway Analytics identified five life reinsurance failures over the last 10 years involving NAIC-filing ceding companies. He cautioned that the small sample should be read as evidence of potential failure mechanisms rather than a statistically reliable basis. Four of the five cases involved alleged or established fraud in which assets

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were misrepresented, with some combination of concentrated affiliated or related-party investments, collateral misuse, bonds with questionable private ratings, Level 3 valuation concerns, and governance and disclosure failures. The remaining case involved significant investment losses during the global financial crisis, compounded by underpriced reinsurance and adverse insurance experience. Levy said the cases involving alleged or established fraud were coupled with questionable asset valuations, collateral eligibility, concentration, and liquidity vulnerabilities, illustrating why nominal collateral coverage may be insufficient. While funds withheld and modco mitigate risk, at least one case involved losses associated with alleged fraud under a funds withheld structure. He said outcomes ranged from rapid recapture, as in funds withheld and modco transactions, to prolonged resolution. Some ceding companies incurred realized losses, faced liquidity constraints, and required additional capital, with varying recoveries. While some cases prompted regulatory action involving ceding companies, no policyholder losses directly attributable to reinsurer default were identified. In the four cases involving alleged or established fraud, large exposures to a single reinsurer or affiliated group amplified the consequences of recapture.

On reserve credit and collateral composition, Levy said more than 99% of non-reciprocal jurisdiction transactions in 2025 were with reinsurers in the Cayman Islands and Barbados. Reserve credit in this category is generally 100% collateralized, as required by the model law, with collateral mostly comprised of funds withheld and modco, some trust agreements, and a limited role for letters of credit and other collateral. He said these are meaningful safeguards, but coverage of reserve credit does not by itself establish that sufficient resources would be available to meet the capital requirements associated with recaptured business, and the distinction between reserve coverage and total asset requirements is the central regulatory concern.

Using 2024 data based on ratings availability, Levy compared reserve credit and collateral by jurisdiction and by the reinsurer's second-lowest public financial strength rating, mapped to an implied NAIC designation similar to the Securities Valuation Office (SVO) structure. He noted that funds withheld and modco are reported for all reinsurance transactions, while other forms of collateral are reported only for transactions with unauthorized reinsurers. Levy noted that reinsurers in non-reciprocal jurisdictions rarely have public ratings, regardless of whether the transaction is with a captive, an affiliate, or an unaffiliated entity. In reciprocal jurisdictions, transactions with publicly rated reinsurers tend to be less collateralized, while those with unrated reinsurers are generally collateralized. Levy clarified that "rated" refers to public ratings only, as private ratings are not observable in the data. For U.S. NAIC-filing and non-U.S. non-NAIC-filing reinsurers, collateral levels tend to be lower than for non-reciprocal jurisdiction transactions. He said collateral is limited for captive XXX/AXXX transactions, which generally occur within a group with greater intra-group transparency.

Levy discussed Level 3 assets, noting that several failed reinsurance transactions involved Level 3 assets and that the growth in such assets has been well documented. While attention often focuses on Schedule BA, more than $600 billion of Level 3 bonds are reported on Schedule D across life, P/C, and health filers. Most Level 3 valuations are attributed to the reporting entity itself, and although these bonds are generally carried at amortized cost, they often receive private ratings, which have been flagged as a potential concern due to limited transparency. He said 51% of Level 3 assets valued by the reporting entity received private ratings. He noted that while insurers' and reinsurers' financial statements are audited, valuations of individual Level 3 investments are generally not required to be audited.

Bridgeway Analytics did not identify an insurer or reinsurer failure tied to Level 3 assets with audited valuations. Levy cited Lehman Brothers' 2008 collapse, which involved tens of billions of dollars of audited Level 3 real estate assets whose models and marks failed to reflect deteriorating fundamentals, as a helpful perspective. He said the question for reinsurance is whether, and to what extent, the resources available upon recapture are reliable, and he noted that current reporting does not identify whether assets supporting reinsurance transactions are Level 3.

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On affiliated transactions, Levy said Bridgeway Analytics merged Schedule S data on affiliated and captive reinsurers with Schedule D and Schedule BA holdings to identify reinsurers directly held by the ceding company. The analysis identified relatively few affiliated reinsurers held as subsidiaries across NAIC filers, U.S. non-filers, and reciprocal and non-reciprocal jurisdictions, suggesting that most are held as sister companies. He said a description such as "affiliated reinsurance" may encompass transactions with very different capital effects, and assessing those effects requires tracing the relevant ownership and identifying where capital is recognized and available.

Levy then reviewed counterparty concentration, measured as ceded reserve credit plus modco to a single counterparty as a percentage of the ceding company's general account reserves net of modco, grouped in buckets ranging from 0%–10% to greater than 500%. Because the data do not distinguish general accounts from separate account transactions, he said the results should be interpreted as upper bounds. Levy stated that non-reciprocal jurisdiction transactions are generally over-collateralized, particularly those that are highly concentrated. Reciprocal jurisdiction transactions are mostly collateralized, although transactions with rated reinsurers are often less collateralized. Comparing 2015 and 2025, he noted growth in non-reciprocal jurisdiction transactions exceeding 50% of the ceding company's reserves, often with affiliates, and a similar shift across all jurisdictions toward ceding more than 50% of business.

In summary, Levy said the principal concern raised by regulators is insufficient visibility into the resources that would support the business following a recapture, including assets and capital beyond the amount needed to cover reserve credit. His key observations for non-reciprocal jurisdiction business were: 1) growth has been significant, at approximately 100% over the last five years; 2) reserve credit is supported mostly by funds withheld and modco and is over-collateralized, but does not reach total asset requirements; 3) reinsurers are mostly non-subsidiary affiliates and captives that generally do not have a public rating; and 4) ceding companies can have significant counterparty concentration, which is a relatively new phenomenon. He said these findings provide a basis for further assessment rather than establishing the level of risk presented by transactions within any particular jurisdiction or affiliation category, and that any charge will need to consider the protection already available, the remaining exposure, and the information needed to distinguish materially different transactions, which current data often do not support. As a next step, the Working Group will share materials ahead of the Fall National Meeting, including an initial proposal for the non-reciprocal recapture charge. Levy said the analysis is intended to support consideration of that proposal and to help identify where additional data or clarification would be most useful. He noted that reinsurance is an important tool for managing insurance risk and capital, and he thanked regulators, NAIC committee support, and industry stakeholders for their contributions.

Jeff Mulholland (West Bay Holdings) asked whether the reinsurance fraud cases could be allocated by jurisdiction, including qualified, reciprocal, and non-reciprocal jurisdictions. Levy said the cases came from both reciprocal and non-reciprocal jurisdictions. He said Bridgeway Analytics reviewed both life and P/C failures as part of a broader effort, and although the transactions differ significantly, misrepresentation of assets is common to both. He added that the cases include some involving the Cayman Islands as well as domestic cases. Mulholland said he was familiar with a recent significant case involving a Bermuda reinsurer but was not aware of life and annuity reinsurance insolvencies resulting from fraud in the Cayman Islands. Levy said he had deliberately not identified specific companies, noting the difficulty of mapping how such transactions play out, and offered to discuss the matter with Mulholland offline.

Thomas Sullivan (Sullivan Strategy and Advisory Services) asked whether, given the limited time and the depth of the information, the Working Group would expose the presentation for interested party comments. Slutsker said the Working Group would not adopt or separately expose the presentation, as it is intended to provide context rather than to serve as or lead to a specific proposal. He said the presentation will be included as a reference for the upcoming exposure, which will be the primary opportunity for related comments.

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Slutsker reiterated next steps. In approximately one week, the Working Group will distribute materials for its meeting at the Fall National Meeting, including an initial draft proposal for the first directive related to a non-reciprocal jurisdiction reinsurance recapture risk RBC charge. Interested parties will have an opportunity to submit questions for the Working Group to discuss at the Fall National Meeting. The Working Group will then consider a potential exposure, either at the end of its meeting at the Fall National Meeting or after reflecting on any changes discussed and agreed upon. He noted that the comment period may extend into 2027.

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

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Life Risk-Based Capital (E) Working Group
Virtual Meeting
October 13, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Oct. 13, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri and Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Matt Cheung (IL); Mike Yanacheak, Kevin Clark, and Carrie Mears (IA); Jennifer Li (NH); David Wolf (NJ); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). Also participating was: Michael T. Caljouw (MA).

1. Discussed the Financial Condition (E) Committee Referral

Slutsker stated that the Working Group has continued its consideration of the Financial Condition (E) Committee referral concerning reinsurance counterparty risk. He reiterated that the referral includes two directives: 1) developing an additional risk-based capital (RBC) charge for reinsurance ceded to non-reciprocal jurisdictions; and 2) more broadly updating the counterparty risk RBC charge. The discussion focused on the first directive.

Commissioner Caljouw clarified that the Working Group is directed to develop an additional RBC charge reflecting a 100% probability of recapture for business ceded to a reinsurer in a non-reciprocal jurisdiction. He noted that reviews conducted under *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) identified numerous cessions to reinsurers that may not hold reserves and capital at levels comparable with U.S. requirements, raising concerns regarding regulatory arbitrage and a possible regulatory gap. Commissioner Caljouw stated that the Working Group's task is to determine how to implement the directive, not whether to implement it. The charge should estimate the capital the ceding company would have held if the reserves were recaptured, using a factor applied to ceded reserves or another method the Working Group determines appropriate.

Clark clarified that his prior request for direction from the Financial Condition (E) Committee was not intended as opposition to the referral and thanked Commissioner Caljouw for the clarification.

2. Discussed Questions on the Reinsurance Recapture Charge in the Financial Condition (E) Committee Referral

Slutsker acknowledged concerns about the potential impact of the proposal and stated that the Working Group would remain focused on the technical questions necessary to carry out the referral. He announced plans for an educational session, likely later in October, at which Bridgeway Analytics would present industry observations regarding reinsurance, including differences between reciprocal and non-reciprocal jurisdictions. He also noted that additional AG 55 observations, including information by jurisdiction, were expected to be presented at the Life Actuarial (A) Task Force meeting during the Fall National Meeting.

He said that the Working Group intends to develop a preliminary proposal addressing the first directive for discussion at the Fall National Meeting in Dallas. An additional meeting may be scheduled if needed to complete the preliminary discussion.

Regarding the method for calculating the charge, the Working Group discussed a factor-based approach, the non-allowance of RBC credit, and stress- or scenario-based approaches. Clark, Carmello, Hemphill, Reedy, and Wolf expressed support for pursuing a factor-based approach, citing ease of implementation, reviewability, and the

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likelihood of producing a result comparable to those of more complex approaches. The Working Group generally supported using a factor-based approach as the starting point for further development.

Regarding asset levels, the Working Group discussed the amount of eligible assets or collateral that should be recognized in connection with the charge. The discussion generally treated the statutory reserve credit as the minimum starting point. Members noted, however, that additional considerations may apply to principle-based reserving (PBR) business and asset adequacy reserves.

Carmello noted that his state requires collateral to include additional reserves identified through asset adequacy analysis for reinsured business. Hemphill stated that, for PBR business, the appropriate amount might be a standalone PBR reserve rather than the reserve credit, because the latter may reflect diversification benefits. Clark stated that the required amount should not be less than the statutory reserve credit but could be higher for PBR business, and he noted the relevance of AG 55 standalone testing.

The Working Group agreed that the statutory reserve credit is a practical starting point but identified the treatment of PBR and asset adequacy reserves as an open issue for further consideration, potentially through a cover question in a future exposure.

Regarding asset concentration, the Working Group considered whether eligible assets should be defined using the primary security concept in *Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation* (AG 48), the excluded-asset framework in AG 55, or another standard. Clark stated that non-admitted assets, permitted-practice assets, letters of credit, and similar items should not be recognized but that the AG 48 primary security definition may be too restrictive because it could exclude otherwise acceptable assets, such as residential mortgage loans.

Hemphill and Reedy supported using AG 55 as the more recent and practical benchmark. Members also noted that AG 55 identifies assets that are excluded, whereas AG 48 identifies assets that are included. The Working Group generally supported using the AG 55 excluded-asset framework as the starting point for defining eligible asset composition.

Slutsker clarified that the asset-level and asset-composition requirements under discussion would apply only within the RBC calculation for the first directive and would not change the existing reserve-credit framework.

The Working Group discussed whether the charge should apply when business is ceded to a reciprocal-jurisdiction reinsurer that subsequently retrocedes the business to a non-reciprocal jurisdiction. Clark stated that such arrangements do not appear to be material currently and would be difficult to identify and administer. Cheung and Kim Welsh (Athene) agreed that the issue may not be significant today but stated that the Working Group should consider whether the proposal could create future incentives for such arrangements, particularly among affiliates.

The Working Group agreed to retain retrocessions as an open issue and may include a focused question in future exposure. Interested parties were encouraged to suggest technically workable methods for identifying relevant retrocessions.

The Working Group discussed possible exceptions or offsets, including overcollateralization, treatment of in-force contracts, legacy transactions entered into before a jurisdiction attained reciprocal-jurisdiction status, and a potential zero factor in limited circumstances. Slutsker noted that the referral contemplates recognizing overcollateralization above the U.S. statutory reserve level as an offset to the additional charge. Cheung stated

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that the proposal should consider whether U.S. reserve levels may be redundant and whether PBR could provide a more appropriate basis in some circumstances. Clark stated that the charge generally should apply to in-force contracts, while acknowledging that credit for reserve redundancy or a PBR-based measure may warrant consideration.

Wolf opposed exempting in-force contracts and emphasized that the recapture risk is not currently captured in RBC. Members also identified questions concerning legacy contracts with reinsurers in jurisdictions that later became reciprocal jurisdictions and contracts entered into before an assuming reinsurer qualified for reciprocal-jurisdiction treatment.

Theresa Resnick (Everlake) explained Everlake's suggested zero-factor concept. Under that concept, a non-reciprocal-jurisdiction reinsurer would prepare U.S. statutory financial statements and NAIC RBC, and the domestic regulator would have visibility into both. Clark expressed caution regarding whether full compliance with U.S. statutory reserving and RBC could be substantiated. Hemphill asked whether qualifying collateral and capital would be available to the ceding company upon recapture. Wolf stated that collateral may mitigate the exposure but did not believe it eliminated recapture risk.

The Working Group did not reach a conclusion on exemptions or a zero factor. Additional detail and possible cover questions will be considered in future exposure.

Discussing next steps, Slutsker stated that NAIC committee support and Working Group leadership would prepare a preliminary proposal for discussion at the Fall National Meeting. Based on the discussion, the initial framework is expected to include:

- A factor-based charge reflecting a 100% probability of recapture for applicable cessions to non-reciprocal jurisdictions.
- An asset-shortfall component using the statutory reserve credit as an initial minimum benchmark.
- An eligible-asset framework generally based on the AG 55 excluded-asset approach.
- Recognition of qualifying overcollateralization as an offset.

He added that open issues include PBR and asset adequacy reserves, retrocessions, legacy and in-force transactions, possible exceptions or a zero factor, and the supporting evidence and regulatory review necessary for any special treatment. Slutsker stated that if feasible, the preliminary proposal is expected to be circulated before the Fall National Meeting, and discussion questions may be solicited in advance. The Working Group also plans to hold an educational session later in October before reconvening in person in Dallas.

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

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Life Risk-Based Capital (E) Working Group
Virtual Meeting
October 6, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Oct. 6, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri and Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak, Kevin Clark, and Carrie Mears (IA); Matt Cheung (IL); Jennifer Li (NH); David Wolf (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Received Comments on the Reinsurance Recapture Charge from the Financial Condition (E) Committee Referral

Slutsker said the Working Group exposed discussion questions on the first directive of the Financial Condition (E) Committee referral, which calls for a reinsurance recapture charge in risk-based capital (RBC) for reinsurance ceded to non-reciprocal jurisdictions. He said six comment letters were received.

Slutsker said discussion will continue during a follow-up meeting next week, after which NAIC committee support and Bridgeway Analytics will use the feedback to prepare an initial proposal. Further discussion is expected at the Fall National Meeting, followed by exposure of a formal proposal. He noted that the second directive is broader, calling for a revision of the C-1o counterparty risk charge for all reinsurers and reinsurance agreements, and that Bridgeway Analytics is developing the technical foundation for that work. He said the Working Group intends to address concerns about potential double counting between the two directives.

Andrew Vedder (Northwestern Mutual) said Northwestern Mutual supports the NAIC's evaluation of the risks posed by increased reliance on reinsurance outside the NAIC system and that its comment letter focuses on ensuring the policy response is well designed and does not create new regulatory gaps (Attachment XX). He agreed that jurisdiction is a foundational consideration but said the approach should ultimately address the underlying economic risk of recapture. He noted that the reciprocal jurisdiction framework was developed for cross-border recognition and collateral requirements, not to assess solvency risk or determine RBC treatment, and said that if jurisdiction is used to differentiate capital requirements, the framework should be fit for that purpose and should not result in comparable risks being treated differently.

Vedder encouraged the NAIC to complete the current referral and to prioritize further development of the reciprocal jurisdiction framework, including clarifying what reciprocal status establishes for solvency and recapture purposes and whether additional criteria are needed to support differentiated RBC treatment. He encouraged the Working Group to develop a framework that is appropriately calibrated, avoids regulatory gaps, and remains durable as reinsurance structures evolve.

Jeremy Trader (Cayman International Reinsurance Companies Association—CIRCA) said CIRCA supports the objective of protecting ceding company solvency and U.S. policyholders and that any recapture charge should be risk-based, consistent with the principle of "equal capital for equal risk" (Attachment XX). He said calibration should reflect underlying economic risk, consider both the probability and severity of recapture, and not extend jurisdictional reciprocity beyond its intended scope. He said existing protections should be recognized, including credit for reinsurance requirements, collateralization, investment guidelines, RBC, and *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55) testing, auditor and rating agency oversight, and holding company supervision, and he

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recommended using existing NAIC tools to focus on in-scope, high-risk transactions. Trader noted that non-reciprocal jurisdictions account for approximately $135 billion, or roughly 4.7%, of the approximately $2.85 trillion of reserve credit taken, such that relying on them alone as the measure would exclude more than 95% of the risk.

Larry Chadwick (Everlake) said Everlake supports addressing recapture risk and urged that any charge be calibrated to the actual residual risk of each treaty, reflecting collateral adequacy, reserve basis, and reinsurer capitalization, rather than using jurisdiction as a proxy for risk (Attachment XX). He asked the Working Group to define what constitutes a permitted asset and capital, and to clarify whether the charge will apply prospectively or retrospectively. He said the methodology should be able to produce a zero factor where recapture would not result in a material capital shortfall, and he supported field testing and deferring implementation to year-end 2028.

Mike Consedine (Athene) supported the proposed charge, stating that the problem is undisputed and that the question is how, not whether, to act (Attachment XX). He said reinsurance risk is capitalized differently depending on where it is booked, which is inconsistent with the principle of equal capital for equal risk adopted by the NAIC and documented in its AG 55 review. Consedine described the approach as imperfect but clean, noting that companies could avoid the charge by ceding to a jurisdiction that meets the standard or by backing the risk with U.S.-standard capital and collateral. On the exposure questions, he supported a factor approach calibrated to the full capital impact of recapture, reflecting asset, insurance, and interest rate risk together, and recommended a two-part test: sufficient qualifying assets and assets of the right kind (admitted, transferable, and available at recapture). He said letters of credit and affiliate guarantee that would not survive recapture and should not be treated as collateral.

Hans Avery (American Council of Life Insurers—ACLI) agreed that counterparty risk is a key risk for ceding companies and said the ACLI's goal is to help the Working Group develop the most effective and risk-sensitive recapture charge in response to the Financial Condition (E) Committee referral (Attachment XX). He supported a factor-based approach, which he said could be extended to reflect differences in reinsurer quality, diversification, and other risk characteristics. Avery expressed concern about the interaction between the two charges and about importing the property/casualty (P/C) approach directly into the life framework, noting that the P/C structure and calibration were developed for liabilities that differ from life obligations and that the Working Group should evaluate whether the underlying assumptions still hold. He said the treatment of collateral, overcollateralization, and timing warrants further discussion, as it could significantly affect design and calibration.

Jeremy Starr (American Academy of Actuaries—Academy) said Option 1B (non-allowance of RBC credit) would be too disruptive because it effectively treats recapture as certain (Attachment XX). He recommended separating the cost of recapture from counterparty recoverability to avoid double counting, and he recommended a prospective approach or a structured phase-in. He urged consideration of Option 1C (Other), such as a point-in-time stress calculation using AG 55 asset shortfall results. Starr said the proposed year-end 2027 effective date appears difficult to meet and suggested year-end 2028 implementation or a multi-year phase-in, supported by an industry data call. He offered the Academy's assistance with data and field testing.

2. Discussed Questions on the Reinsurance Recapture Charge from the Financial Condition (E) Committee Referral

Slutsker reviewed a summary table mapping the comments received to the five key discussion questions (Attachment XX). He noted that some comments were not reflected in the questions and said concerns about double counting between the first and second directives are important and will be addressed once a draft framework for the second directive is available. He said comments about extending the scope beyond non-

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reciprocal jurisdictions fall outside the first directive, as the Working Group is working from the objective set out in the Financial Condition (E) Committee referral. Slutsker added that comments about reflecting the probability of recapture or using stress testing are also largely outside the first directive, noting that the directive's call for the additional capital needed if a ceding company had to recapture reserves from a non-reciprocal jurisdiction reflects a policy decision as well as an actuarial question. He said there may still be room to discuss approaches that measure capital impact.

Acknowledging comments on field testing, coordination with other groups, governance, and timing, Slutsker said field testing, timing, and a potential phase-in will be addressed later in the process. He said he expects quantitative impact analysis to be developed, with appropriate protection of company confidentiality, and noted that some data may already be available from prior RBC filings, which may allow NAIC committee support to prepare part of the analysis without additional company submissions. He acknowledged that several comments not covered by the discussion questions will either be considered later or fall outside the scope of the first directive. Slutsker said that discussion of the five key questions will continue during the following week's meeting, with additional calls scheduled as needed.

On the method question (factor approach versus non-allowance of RBC credit), Cheung said the probability of recapture is the most important issue, as emphasized in the comment letters. He said assuming recapture is certain skews the analysis and makes the questions difficult to answer, whereas a factor-based approach could incorporate a realistic probability. He asked whether respondents should assume this would be addressed in the recapture charge or in the overall life RBC charge. Slutsker said the referral assumes that recapture will occur and directs the Working Group to assess its impact, with limited flexibility on technical details. Cheung asked where interested parties could object to the assumed probability of one, noting that none considers it appropriate. Slutsker said this is a policy decision of the parent committee that the Working Group cannot override, but he acknowledged it is a valid concern. Cheung later clarified that he does not dispute the probability of one in some cases but disagrees with applying it in all cases without means of reducing it.

Carmello supported Option 1B (non-allowance of RBC credit), stating that it is consistent with not allowing reserve credit for unauthorized reinsurers, but he questioned why the directive is limited to non-reciprocal jurisdictions. He said a recapture factor should consider the RBC impact, not only reserves, and that assuming a 100% probability of recapture is not unreasonable.

Clark echoed Cheung's concerns and requested clarification from the Financial Condition (E) Committee on whether the Working Group has latitude to revisit the assumed probability of recapture of one. He also questioned having two separate directives addressing essentially the same issue, asked whether they could be combined, and noted that it is difficult to answer the questions without knowing which allow for different approaches. In response to Carmello's question on whether the recapture factor should reflect the RBC impact of recapture and not only reserves, Slutsker confirmed that the focus is the RBC impact, with ceded reserves and modified coinsurance balances serving only as the base to which the factor is applied, similar to the current 0.78% counterparty risk factor. He said Option 1A would be a simplified proxy for Option 1B, expressing the RBC impact as a percentage of reserve credit.

Cheung asked whether Option 1B (non-allowance of RBC credit) would be more difficult to calculate and whether Option 1A (factor) would be more difficult to calibrate. Slutsker agreed that Option 1B would be more complex to apply and to draft instructions for, while Option 1A would require more up-front work to agree on and calibrate the factor. He asked whether data is available to support a factor approach and invited Bridgeway Analytics to comment on the technical challenges of the two approaches.

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Amnon Levy (Bridgeway Analytics), offering his own informal views, suggested measuring exposure to a reinsurance counterparty at roughly CTE 90, meaning principle-based reserving (PBR) reserves plus the related RBC and measuring the RBC charge separately. He noted that targeting capital equal to what a U.S. NAIC filer would hold is complicated because insurers often hold multiples of RBC. For collateralized transactions, he pointed to approaches in other jurisdictions that apply haircuts to collateral to reflect wrong-way risk.

Douglas Brown (CL Life and Annuity Insurance Company) said the amount of additional capital backing a treaty is the best predictor of recapture and suggested that overcollateralization be addressed explicitly. Slutsker agreed, noting that the directive requires the RBC charge to be reduced for collateral exceeding 100% of U.S. reserve requirements for the ceded block.

Due to time constraints, Slutsker said the remaining questions will be discussed during the next meeting.

3. Received Notification from the Statutory Accounting Principles (E) Working Group's Intention to Sponsor a Proposal on a Referral on AVR Affiliated Common Stock

Slutsker said the Statutory Accounting Principles (E) Working Group has notified the Working Group that it intends to sponsor a proposal on the referral on asset valuation reserve (AVR) affiliated with common stock. The proposal would revise the 2027 Life/Fraternal Annual Statement Blank and Instructions to clarify AVR reporting for subsidiary, controlled, and affiliated (SCA) common stock, including related revisions to former AVR lines [65 through 69]. He said the proposal follows the exposure prompted by the Working Group's referral at the 2025 Summer National Meeting, in response to ACLI comments on proposal 2025-04-L (LR008, Other long-term assets).

Robin Marcotte (NAIC) said the blanks proposal is expected to be presented during the December Blanks (E) Working Group meeting. No action was required.

Slutsker said the Working Group will consider adopting its updated working agenda, which adds the referral directives, during a future meeting.

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

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Draft: 8/31/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
August 26, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met Aug. 26, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Thomas Reedy (CA); Lei Rao-Knight (CT); Hannah Howard (FL); Kevin Clark (IA); Matt Cheung (IL); William Leung (MO); Jennifer Li (NH); David Wolf (NJ); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Received a Referral from the Financial Condition (E) Committee and Exposed a Draft for Public Comment

Slutsker said the focus of the meeting is to receive a referral from the Financial Condition (E) Committee regarding reinsurance. No Working Group decisions are expected during the meeting. Slutsker said the two-page referral was included in the Financial Condition (E) Committee's materials for the Summer National Meeting, where the Committee voted to adopt and issue it to the Working Group. He noted that the Life Risk-Based Capital (E) Working Group reports to the Capital Adequacy (E) Task Force, which in turn reports to the Financial Condition (E) Committee.

Slutsker said the referral directs the Working Group to develop two changes to the life risk-based capital (RBC) formula. The first is a reinsurance recapture RBC charge to be applied to ceded reserves and modified coinsurance balances for all reinsurance located outside reciprocal jurisdictions, while considering an overcollateralization of reserves when establishing the required RBC. He said the factor would account for the additional capital required if a ceding company had to recapture those reserves. The second directs the Working Group to account for the increased credit risk of reinsurers with lower financial strength ratings by modifying the reinsurance methodology used in the life RBC formula for recoverability risk to align with the approach used in the property/casualty (P/C) RBC formula. Slutsker said the first directive is narrower because it focuses on reinsurance to entities in non-reciprocal jurisdictions, while the second addresses a broader RBC charge for all reinsurance transactions.

Slutsker said he developed a document to solicit feedback on implementing the first directive, effective year-end 2027. He said the document poses two questions. The first asks which method would most appropriately implement the change: i) a factor approach that applies an additional, largely uniform RBC charge to the reserve credit, similar to the current 0.78% charge in the C1-o component of the life RBC formula; ii) a non-allowance of RBC credit that includes adjustments for each RBC component so that reinsurance credit for RBC is not allowed for transactions in scope, effectively reversing the RBC impact of those transactions; or iii) another approach that appropriately captures the directed change. Slutsker said the regulatory concern underlying the first directive is that reserves are held as collateral equal to U.S. statutory reserves, but the associated RBC requirement "disappeared" when business is ceded to a jurisdiction that is not a reciprocal jurisdiction.

The second question addresses asset composition, specifically whether excess-of-loss reinsurance, letters of credit, otherwise non-admitted assets, parental or affiliate guarantees, and similar assets can be approved as collateral to offset the new recapture charge. Slutsker said the options are i) to charge the difference as RBC when permitted assets are less than the U.S. statutory reserve credit; ii) to charge the difference as RBC when permitted assets are less than a principle-based reserving (PBR) type of calculation for ceded reserves; or iii) another approach. He noted that permitted assets could be viewed as analogous to "primary security" under *Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation* (AG 48) or "non-guideline excluded assets" under *Actuarial Guideline LV — Application of the Valuation Manual for Testing*

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the Adequacy of Reserves Related to Certain Life Reinsurance Treaties (AG 55), and that a PBR calculation may in some cases be lower than the Commissioners Annuity Reserve Valuation Method (CARVM), such as for deferred annuities with guaranteed living benefits.

Slutsker compared the effort to the XXX and AXXX reserving discussions that occurred years ago, noting that the first and second questions collectively address regulators' concern over capital and assets.

Hearing no objection from the Working Group members, Slutsker exposed the document as cover questions and the Financial Condition (E) Committee's referral for a 28-day public comment period ending Sept. 23.

Slutsker reminded participants that the referral had already been adopted and issued by the Financial Condition (E) Committee, that the Working Group does not have the authority to change directives from its parent committee, and that comments should focus on how to implement the changes. Slutsker said the Working Group would hold future meetings to discuss and deliberate the comments received before selecting how to proceed and contemplating specific proposals.

Maggie Chang (NAIC) reminded that RBC procedures are posted on the Capital Adequacy (E) Committee web page, and any proposal that implements structural changes to RBC blanks must be exposed by March 31 of the effective year of change, whereas factor proposals must be exposed by May 15.

Regarding the second directive, Slutsker said it addresses counterparty risk charges in the C1-o component more broadly and is not limited to non-reciprocal jurisdictions. He said the effort would require additional research and that Bridgeway Analytics, which is under contract with the NAIC and has supported the NAIC Risk-Based Capital Model Governance (EX) Task Force work, would assist by reviewing available data and comparing the life and P/C approaches to determine whether the P/C method is applicable to life or requires modification. Slutsker said an exposure related to the second directive is expected in the future, once the scope of the work is better understood.

Cheung asked whether the recapture charge would be structured to give credit for situations in which an assuming company in a non-reciprocal jurisdiction holds a level of capital that regulators would deem acceptable, using an assuming party with 400% RBC as an example. Cheung also inquired how the structure should consider affiliated versus unaffiliated reinsurance transactions. Slutsker said that while the directive specifically mentions factoring in overcollateralization, there does not appear to be an explicit reference to the capitalization of the assuming entity or affiliation of the transactions. Slutsker and Cheung both agreed that the Working Group can further discuss what should be factored into when developing recapture risk charges.

Peter Gould (retiree and annuity owner) asked whether the preliminary review of the AG 55 data referenced in the referral would be summarized and provided to the Working Group. Slutsker said the AG 55 work is an initiative of the Life Actuarial (A) Task Force that focuses on reserves and cash flow testing and is a separate project from the RBC work, and that Fred Andersen (MN) provided a high-level update at the Summer National Meeting. Andersen supplemented that the Life Actuarial (A) Task Force and the Financial Stability (E) Task Force had national meeting materials that incorporated his high-level reports on AG 55 work. Andersen asked Gould to stay tuned for future updates.

Gould also asked whether the Working Group's work would affect the dollar-for-dollar credit for reinsurance shown on the statutory statements. Slutsker said the work affects only the RBC calculation and would not reduce the credit for reinsurance on the annual statement, and that the Working Group does not have authority over reserve requirements or reserve credit calculations, which fall under the Life Actuarial (A) Task Force.

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Tom Sullivan (Sullivan Strategy and Advisory Services) said he believes the Financial Condition (E) Committee referral was not subject to exposure and comment process by the Committee and there was predetermination of a regulatory solution. Slutsker clarified that the referral was included in the Committee's Summer National Meeting materials and that there was an opportunity for discussion. Sullivan described what he considered the proper sequence for developing policy: identifying the risk, establishing its materiality, evaluating existing safeguards, quantifying any solvency exposure, and selecting the regulatory tool best suited to address it. He questioned how the Committee reached the conclusion that capital is the right tool to address the identified regulatory concern. Slutsker reiterated that the Committee had adopted the referral and that the Working Group's role is to implement it. Slutsker invited Sullivan to comment on the Working Group's exposure and reach out for further questions.

2. Discussed Other Matters

Slutsker provided several announcements. He said the 2025 RBC statistics and 2026 RBC newsletters had been posted to the Life Risk-Based Capital (E) Working Group web page, and that the 2025 statistics had been amended to indicate that four companies triggered the Trend Test, rather than the 13 companies identified in the Working Group's July 13 meeting materials. He said the 2026 RBC publications are expected to be released in early November and directed questions to NAIC committee support. Slutsker also said minor clarifications had been made to the C-3 alignment field test specifications in response to questions from companies and participants, and that the updated version had been posted to the Working Group web page.

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

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Draft: 7/24/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
July 16, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met July 16, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri and Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak, Kevin Clark, and Carrie Mears (IA); William Leung (MO); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Adopted its June 11, April 30, April 23, and Spring National Meeting Minutes

The Working Group met June 11, April 30, and April 23. During these meetings, the Working Group took the following action: 1) adopted proposal 2026-06-L MOD (LR027 Annual Statement Source); 2) adopted proposal 2026-01-L (AVR Changes); 3) adopted proposal 2026-09-L MOD (LR008 Schedule BA Collateral Loans Annual Statement Source 2026 Update); 4) adopted proposal 2025-16-L MOD (Collateral Loans); 5) received a referral from the Investment Analysis (E) Working Group (Residential Mortgage Loans: Definition, Disclosure, and Risk-Based Capital Charges); 6) discussed the Statutory Accounting Principles (E) Working Group Notice of Exposure: AVR Affiliated Common Stock; 7) re-exposed 2025-16-L MOD (Collateral Loans); 8) exposed proposal 2026-09-L (LR008 Schedule BA Collateral Loans Annual Statement Sources 2026 Update); 9) adopted proposal 2026-02-L (BA Residential Mortgage Loans); 10) received comments on C-3 alignment specs; 11) discussed the NAIC Fixed Deferred Annuity (FDA) Default Cost Analysis; 12) adopted proposal 2025-14-L (C-3 GOES Implementation); 13) re-exposed proposal 2026-06-L MOD (LR027 Annual Statement Sources); 14) adopted proposal 2026-07-L (Longevity Reinsurance); and 15) re-exposed proposal 2025-16-L MOD (Collateral Loans).

Hemphill made a motion, seconded by Cheung, to adopt the Working Group's June 11 (Attachment), April 30 (Attachment), April 23 (Attachment), and March 22 (*see NAIC Proceedings – Spring 2026, Capital Adequacy (E) Task Force, Attachment Three*) minutes. The motion passed unanimously.

2. Adopted the GOES (E/A) Subgroup May 28 Minutes

The Working Group noted that the Generator of Economic Scenario (GOES) (E/A) Subgroup met May 28. During this meeting, the Subgroup took the following action: 1) exposed the GOES Model Governance Framework with edits suggested from NAIC Committee Support and 2) exposed the software update recommendation and supporting materials.

Cheung made a motion, seconded by Yanacheak, to adopt the GOES (E/A) Subgroup's May 28 minutes (Attachment X). The motion passed unanimously.

3. Adopted the Longevity Risk (E/A) Subgroup's June 9 Minutes

The Working Group noted that the Longevity Risk (E/A) Subgroup met June 9. During this meeting, the Subgroup took the following action: 1) adopted its April 9 minutes and 2) heard a presentation on the American Academy of Actuaries' (Academy's) proposed 2026 work plan for longevity reinsurance.

Barlow made a motion, seconded by Cheung, to adopt the Longevity Risk (E/A) Subgroup's June 9 minutes (Attachment XX). The motion passed unanimously.

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4. Received an Update on the Disbandment of the Variable Annuities Capital and Reserve (E/A) Subgroup

The Working Group received an update on the Variable Annuities Capital and Reserve (E/A) Subgroup, which reports jointly to the Life Actuarial (A) Task Force and the Life Risk-Based Capital (E) Working Group.

Slutsker noted that the Task Force previously voted to disband the subgroup, as it had completed its charges, and said the Working Group should also consider dissolution because of the subgroup's joint reporting structure.

Cheung made a motion, seconded by Leung, to disband Variable Annuities Capital and Reserve (E/A) Subgroup, having met its charges. The motion passed unanimously.

5. Discussed 2025 Life RBC Statistics

Slutsker reviewed the 2025 life risk-based capital (RBC) statistics, including high-level trends, formula results, and RBC action level triggers. He noted that 18 companies triggered an RBC action level in 2025, an increase from 2024, including two at the company action level, one at the regulatory action level, and two at the mandatory control level. He also noted that the aggregate authorized control level (ACL) RBC ratio increased from 868% in 2024 to 885% in 2025. Slutsker said C-1 risk, together with related components, represents more than 50% of the LRBC amount and is relevant to the Working Group's C-3 Phase I modernization discussion. He said potential C-3 changes should consider possible overlap with existing C-1 charges and noted that changes affecting C-1 risk could have a materially different impact than changes affecting C-3 risk. Slutsker also referenced the Academy's presentations on RBC effectiveness and noted that additional Academy presentations to the Capital Adequacy (E) Task Force may inform future evaluation of the RBC framework.

Noting no objection to posting the 2025 RBC statistics on the Life Risk-Based Capital (E) Working Group web page, Slutsker directed NAIC committee support to post accordingly.

6. Adopted the Life RBC 2026 Newsletter

Slutsker stated that the 2026 life RBC newsletter summarizes proposals adopted by the Capital Adequacy (E) Task Force for the year-end 2026 Life RBC Forecasting Instructions. He said it also serves as a historical reference for tracking annual life RBC instruction changes over time.

Hemphill made a motion, seconded by Cheung, to adopt the 2026 life RBC newsletter (Attachment XX). The motion passed unanimously.

7. Discussed a Referral to the Statutory Accounting Principles (E) Working Group on Collateral Loans BA Schedule Reporting

The Working Group discussed a referral to the Statutory Accounting Principles (E) Working Group regarding collateral loan disclosures. Slutsker stated that the referral requests the Statutory Accounting Principles (E) Working Group's consideration of additional annual statement disclosures for Schedule BA—Other Long-Term Invested Assets. He noted that the proposed disclosures would include whether independent verification of collateral fair values has been obtained, related verification information, and valuation ranges supporting the reported fair value. He further stated that these disclosures are intended to assist regulators in evaluating collateral fair values used under the adopted 2027 collateral loan look-through approach.

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Hemphill made a motion, seconded by Leung, to send the referral to the Statutory Accounting Principles (E) Working Group (Attachment XX). The motion passed unanimously.

8. Exposed the GOES C-3 Specifications

The Working Group considered exposing the generator of economic scenarios (GOES) C-3 specifications (Attachment XX), which contains a grid prepared with assistance from the American Council of Life Insurers (ACLI) outlining proposed field test specifications for C-3 Phase I modernization.

Slutsker stated that the field test is intended to support alignment with a C-3 Phase II-type approach and *Valuation Manual* (VM)-22 methodology and is expected to be conducted by companies this fall. He noted that, following the ACLI's comments on the initial exposure, an informal NAIC drafting group consisting of the ACLI, the Academy, regulators, and other interested parties met several times and reached consensus on numerous items, resulting in revisions to the specifications. He explained that the grid identifies required and optional runs and addresses key design elements, including the metric basis, treatment of fixed indexed annuities, interest rate generator, equity and default assumptions, and discounting. Slutsker noted that the grid reflects the drafting group's latest work and thanked the Academy and the ACLI for their contributions. He added that the document would be distributed following the call and that chair exposure of the field test specifications is planned.

Rick Hayes (Academy) noted that the meeting materials did not include the latest set of runs but said an updated document, expected to be shared in the near term, includes the revised list. He stated that the specifications were revised from the previously exposed field test version to address ACLI comments and drafting group discussions. Hayes said the updates remove the cover questions, revise the field test timing to September and October 2026 to reflect ongoing discussions, and add specificity in response to questions raised by interested parties.

With respect to valuation dates, Hayes said the updated specifications allow companies to perform the analysis as of either Sept. 30 or Dec. 31, depending on company practice. He identified the new attribution runs as the most significant update, noting that the revised structure provides greater granularity in the attribution, or waterfall, from the current to the future state and allows staff to assess the impact of specific methodology changes. Hayes said the attribution begins with baseline 2025 C-3 Phase I results and moves toward the intended 2026 C-3 Phase I methodology, including the GOES scenario set, discounting at 105% of the 10-year U.S. Treasury rate, and a shift from the surplus method to an asset-based greatest present value of accumulated deficiencies (GPVAD) metric. He added that the runs also allow fixed indexed annuities to be included and step through the treatment of stochastic equity defaults using company view, VM-20, and discounting approaches, both with and without guardrails.

Regarding equity modeling, Hayes noted that two methods were initially proposed for modeling returns on general account equity and equity-like assets. He said the updated document narrows the approach and includes additional appendix detail on the agreed-upon methodology and intended calibration. He added that the document specifies the interest rate environments for the up and down shocks, with the up shock using the Oct. 31, 1989, U.S. Treasury environment and the down shock using the March 9, 2020, economic environment. Hayes stated that the specifications allow for full stochastic equity modeling to assess the impact of moving from a levelized equity return to a fully stochastic approach and are intended to provide the industry with the analysis needed to evaluate potential impacts and directional changes.

Carmello asked Hayes to explain the distinction between surplus-based and asset-based approaches. Hayes said the surplus-based approach reflects the current C-3 Phase I methodology, which discounts the present value of ending year-end surplus amounts. By contrast, he said the GPVAD approach is asset-based and measures the greatest present value of accumulated deficiencies, representing a shift from an actual surplus calculation to a

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deficiency-based calculation. In response to Carmello's question on whether the surplus-based measure is more closely aligned with accounting surplus and the GPVAD approach is more market-based, Hayes clarified that the GPVAD approach remains book value-based, rather than market value-based, and aligns with the C-3 Phase II methodology used in the VM-22 GPVAD metric. Slutsker asked whether the current surplus metric accounts for statutory reserves in its calculation. Hayes responded affirmatively and said the asset-based approach does not compare asset levels to a statutory reserve amount but is limited to accumulated deficiencies. He added that the approach does not require calculation of a forward-looking statutory reserve, which would otherwise lend itself to a stochastic or deterministic reserve framework.

Marc Altschull (ACLI) thanked regulators and the Academy for reviewing the document and addressing members' modeling and reporting questions. He said the ACLI will review the latest guidance for any additional comments but believes the effort is on the right track for the field test.

Hayes noted that a key addition to the attribution analysis had been inadvertently omitted. He said the revised table now allows companies to reflect retroactivity as an optional run and includes a VM-22, or retroactive application, column to assess the impact of that approach. Slutsker asked Hayes to summarize the key framework decisions the field test is intended to inform, including the surplus-first versus asset-first metric. Hayes said the Academy had evaluated both surplus- and asset-based metrics and had originally proposed the asset method. With the Working Group confirming the asset method as the preferred approach, he said the Academy expects to use a model office to supplement participant field-test information and to conduct additional surplus-based testing while maintaining the asset metric as the primary focus. Hayes added that the Academy will evaluate the impact of stochastic versus levelized equity returns and consider appropriate calculation guardrails to support development of a final framework with robust methods that do not unnecessarily increase capital levels.

Slutsker noted that the Working Group's focus appears to have shifted toward asset-based metrics, making that issue less open for further consideration. Regarding equities, he said the primary concern is how to avoid potential double-counting, given that general account equities are already subject to a C-1 charge. He noted that defaults, double counting, and reinvestment sensitivities have been discussed, and asked whether those areas constitute the full set of impact analysis results intended to inform future decisions. Hayes confirmed that the equity component could have a significant impact depending on the composition of a company's general account assets and may be one of the more material components. He added that comparing levelized equity results with full stochastic runs would provide useful information.

Slutsker noted that the ACLI and potential participants had completed a survey developed to support the field test. He said preliminary results indicated interest from approximately 20 to 30 potential participants, though the figures remain preliminary. Slutsker expressed hope that participants would proceed with the field test, including at least some required runs, and noted that the specifications clarify the anticipated fall timing. Hayes said the field test is intended to begin in the September–October timeframe, depending on next steps.

Slutsker noted that the Academy had previously prepared materials describing the relevant differences. Hayes confirmed that the Academy had presented the information several times and said the materials could be recirculated. Slutsker suggested that NAIC committee support review and recirculate the relevant prior materials, including the full presentation deck if appropriate, as related material accompanying the exposure of the specifications.

Slutsker stated that the specifications relate to a field test and do not constitute adoption of changes to instructions, guidance, or other NAIC materials. He noted that the specifications are not expected to proceed through the formal NAIC adoption process, including Executive (EX) Committee consideration. He said the latest Word document and Excel workbook would be distributed for final review and invited additional comments,

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particularly any material concerns. Slutsker noted that if comments are minimal or editorial, the final version would be circulated by email for participants' future reference. If substantive comments are received, the Working Group would consider appropriate next steps, which could include additional discussion, email communication, or a more formal process, depending on the significance of the proposed changes.

Slutsker reiterated that the goal is to finalize the specifications document in the coming weeks so the field test may proceed during September and October 2026. He noted that regulators may begin receiving results as early as November 2026 and that a model office would also be involved. He added that the effort is intended to support the evaluation of a potentially significant framework change in 2027. Slutsker thanked the Academy, the ACLI, and NAIC committee support for their work on the project and said the latest materials would be exposed for a 14-day comment period.

The Working Group exposed the C-3 GOES specifications for a 14-day comment period ending July 30.

9. Discussed Other Matters

Slutsker stated that the Working Group does not plan to meet in person at the Summer National Meeting, noting that RBC working groups and the Capital Adequacy (E) Task Force generally meet in person annually, typically at the Spring National Meeting. He said the Working Group will continue to meet by conference call throughout the year.

Slutsker also noted that the outdated C-3 Phase I workbook and instructions were removed from the Life Risk-Based Capital (E) Working Group web pages because they reflect the prior methodology and no longer apply to the current scenario generator. He said updated materials will be posted once the field test initiative progresses and a more stable framework is developed.

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

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November 13, 2026

From: Mike Yanacheak, Chair
Tomasz Serbinowski, Vice-Chair
The Longevity Risk (E/A) Subgroup

To: Rachel Hemphill, Chair
Craig Chupp, Vice-Chair
The Life Actuarial (A) Task Force

Subject: The Report of the Longevity Risk (E/A) Subgroup to the Life Actuarial (A) Task Force

The Longevity Risk (E/A) Subgroup last met July 28th, June 9th, and April 9th and took the following actions: 1) adopted prior meeting minutes; and 2) heard an American Academy of Actuaries presentation on its proposed 2026 work plan to develop longevity reinsurance C-2 capital factors intended for 2027 life risk-based capital.

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Generator of Economic Scenarios (GOES) Model Governance Framework

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I. Background

A. Overview

The Generator of Economic Scenarios (GOES) is the model that produces scenarios for certain stochastic and deterministic reserve and capital calculations for life insurance and annuities. The requirements to use GOES can be found in the Valuation Manual and the NAIC RBC Instructions, both of which are available on the NAIC website (https://content.naic.org/publications/). GOES refers to whatever model the NAIC has selected for generating scenarios for these purposes as of the valuation date the calculations are performed; currently this is the GEMS® Economic Scenario Generator developed by Conning. Regardless of the model used, GOES is a function of the NAIC and is managed by the Generator of Economic Scenarios (GOES) (E/A) Subgroup.

On the first business day of each month, 10,000 economic scenarios produced by GOES are made available for download from the from the Conning website (https://naic.conning.com/). Conning and NAIC staff review and signoff on the scenario output if no issues are found. When scenarios have been reviewed and approved, Conning publishes them to the website and NAIC staff send an email to the GOES (E/A) Subgroup distribution list announcing the new scenario data once the posted scenarios and associated files have been confirmed.

If scenarios aren't published on schedule, the GOES (E/A) Subgroup will provide an estimated timeframe for when they will be available. This is most likely due to a validation issue identified in the pre-release review process. If a significant delay (more than one business day) is expected, the Subgroup may instruct companies to use the prior month-end scenarios with adjustments as necessary. A significant delay would be followed by incident documentation (see "Process for Handling Model Findings") as well as process and model governance enhancements to prevent future incidents.

If there is a major error in published scenario data, it will be addressed immediately; minor errors will be addressed between months. As with a delay, a timeline and a fallback plan will be developed. Any errors will be followed by incident documentation and changes to the model, process, and governance as needed to prevent future errors.

GOES is recognized as a key input for life and annuity valuations, so significant delays and major errors may be treated as emergencies. There may be a call for quick public discussion of an issue, especially if it occurs at year-end, where it will be important to get input from both regulators and industry. If needed, the Life Actuarial (A) Task Force may consider a "Waiver of Task Force Procedure" as outlined in the *Valuation Manual*.

The model and this governance framework will both be maintained with routine reviews. The model calibration will be reviewed at least annually, and a full recalibration will be performed at

least every five years. This framework will be reviewed and updated annually. Routine changes to the model, the processes surrounding it, and this framework will be exposed for comments following the normal NAIC process.

~~A.~~B. Purpose of the GOES Model Governance Framework

The Generator of Economic Scenarios (GOES) Model Governance Framework is designed to mitigate risk by providing governance and controls for models producing scenarios used in calculations of life and annuity Statutory reserves according to the *Valuation Manual* (VM-20, VM-21, and VM-22) and capital under the NAIC RBC requirements (C3 Phase 1, C3 Phase 2). The requirements of the Model Governance Framework also apply to ancillary tools (e.g. scenario selection tool) and models that produce scenario statistics.

Actuarial Standard of Practice No. 56, *Modeling* (ASOP No. 56) defines **Model Risk** as "The risk of adverse consequences resulting from reliance on a model that does not adequately represent that which is being modeled, or the risk of misuse or misinterpretation."

The ASOP No. 56 defines **Governance and Controls** as "The application of a set of procedures and an organizational structure designed to reduce the risk that the model output is not reliably calculated or not utilized as intended," and states that the actuary should use, or, if appropriate, may rely on others to use, reasonable governance and controls to mitigate model risk.

This document is intended to provide a comprehensive governance framework including appropriate controls, monitoring, and oversight to ensure the quality of the GOES models so they can be trusted and relied upon for their intended use.

~~B.~~C. Importance of a Model Governance Framework

A model governance framework is critically important for the GOES and ancillary tools for several reasons:

1. Many companies will be using the GOES scenarios, and they may have a material financial impact.

2. The framework will implement and provide documentation of controls designed to prevent or mitigate human error.

3. The transparency of the framework should aid in understanding any model limitations, so that conclusions drawn from model results are properly informed.

4. The framework should ensure that models meet their intended purpose. ASOP No. 56 defines **Intended Purpose** as "The goal or question, whether

generalized or specific, addressed by the model within the context of the assignment." Section 3.1.2 of the ASOP states that "When selecting, reviewing, or evaluating the model, the actuary should confirm that, in the actuary's professional judgment, the model reasonably meets the intended purpose."

The framework includes a process for model selection and scheduled reviews. There are also off-cycle reviews (where necessary) intended to ensure that models continue to meet their intended purpose throughout their life cycles.

5. The framework should improve efficiency, avoiding re-work and confusion regarding expectations. Documented processes and procedures will enable model developers and reviewers to implement changes more quickly.

6. There is a possibility that unexpected issues will occur, despite best efforts. The framework provides a process for identification, escalation, and resolution of issues if they arise.

~~C.~~D. Components of the GOES Model Governance Framework

Components of the Model Governance Framework include:

1. Roles and Responsibilities
   The roles and responsibilities of all stakeholders involved in the implementation and maintenance of the model are documented (see Sections II and III). Parties are designated to act as Model User, model developer, model owner, and model steward. In addition, there is a model governance oversight function. The roles and responsibilities include separation of duties where appropriate. One of the key aspects of a successful governance function is that it is independent.

2. Signoff Protocols
   Model controls and other items requiring signoffs are identified (see Section II.B), along with the parties responsible.

3. Risk-Ranked Model Inventory
   All models are catalogued and ranked according to their risk (see Section IV). This is intended to ensure the time and effort required for compliance with governance standards is consistent with each model's risk level. Generally, the most robust validation procedures will apply to the riskiest models, while less rigorous methods (e.g. peer review) may apply to those that have less risk.

4. Model Selection and Validation Processes

Section V includes criteria for model selection along with details on the model validation process and independent review.

5. Scheduled and Off-Cycle Model Updates
   Section VI provides details on routine, scheduled monthly and annual updates, as well as off-cycle model updates.

6. Process for Handling Model Findings
   Section VII provides a process for identification, escalation, and resolution of issues if they arise.

7. Change Management Process
   The change management process includes procedures to ensure that model change requests are documented, communicated, prioritized, formally approved, and implemented in a controlled manner (see Section VIII).

8. Documentation
   Various forms of documentation are required throughout the governance process (see Section IX).

9. Access Controls
   To avoid the possibility of unauthorized changes, write access to models and model governance spreadsheets (e.g. model inventory file) is granted only to individuals requiring access. Section X provides details on the level of access granted to stakeholders (i.e. Read, Write, or No Access).

II. Governance Roles and Sign-off Protocols

A. Governance Roles

For the GOES Model Governance Framework, parties are designated to serve the roles of model developer, model owner, and model steward. There is also a model governance oversight function. High-level descriptions of the responsibilities of each party are shown in the table below.

There are additional stakeholders involved in the implementation and maintenance of the models (e.g. Model Users). See Section III for details on all stakeholder responsibilities, including key deliverables.

Role	High-Level Responsibilities
Model Developer: Conning's GEMS® Software Development Team	The GEMS® software development team will incorporate change requests from the Model Steward into the GEMS® software and will be responsible for all ongoing GEMS® maintenance. Conning is also responsible for developing and maintaining ancillary tools, including the scenario selection tool and utility to produce statistics. The model developer role will also be responsible for performing model validation, managing modeling environments, conducting testing of model changes, and completing change request documentation.
Model Owner: Conning's Professional Services Team	Conning's Professional Services team will own the model and the production environment, ensuring that monthly models are properly parameterized and calibrated, and that results and associated analyses are available on a timely basis. This team will utilize GEMS® automation features and commonly available tools to develop and maintain the automated monthly workflow. The Professional Services team will communicate requirements to the Model Developer, perform user-acceptance testing of any new code required for software to meet NAIC model specifications, and design and oversee the monthly production process. Conning's scenario file production processes are organized such that: 1) each process has a primary owner and a designated reviewer; 2) model updates and processes are automated where practical to do so; 3) reviewers use GEMS® native change management and audit tools to independently verify model updates and processes; and 4) scenario summaries and reports illustrate the reasonableness of results.
Model Steward: GOES (E/A) Subgroup, with NAIC Staff Support	The GOES (E/A) Subgroup manages the development of the GOES model, ensures that the model governance framework is followed and that models meet standards set by the NAIC and is fit for use. The GOES (E/A) Subgroup requests any changes to the GOES to meet regulatory objectives, with input from interested parties. Meetings of the GOES (E/A) Subgroup are attended by member regulators, NAIC staff, interested parties, and representatives from the ACLI and

	American Academy of Actuaries, which include subject matter experts. NAIC staff supports the GOES (E/A) Subgroup as noted throughout this document (e.g. reviewing controls, independently producing and reviewing monthly scenario statistics, maintaining the model inventory and other spreadsheet governance tools, etc.).
Model Oversight Group: GOES (E/A) Subgroup and NAIC Committee Structure	The GOES (E/A) Subgroup has oversight responsibilities and reports to other groups in the NAIC Committee Structure that provide further oversight as described in Section III.A.
Model User: US Insurance Organizations, State Insurance Regulators	Model Users report issues to GOES (E/A) Subgroup and request enhancements. When changes are made to the GOES (e.g. 5-year review and recalibration), Model Users volunteer for field testing/User Acceptance Testing.

B. Sign-Off Protocols

For routine model updates necessary for monthly scenario production, as well as routine annual changes (if any), Conning and NAIC staff have signoff responsibilities as described in the table below. All other model updates require additional signoff from the GOES (E/A) Subgroup.

Party	**Sign-Off Responsibilities**
Conning	Reviews and signs off on: 1. Model access controls, ensuring that only individuals authorized to work on the models have access. 2. Inclusion controls, ensuring that data inputs to the model are complete and have been updated as required. 3. Change management controls for all model updates, with appropriate separation of duties (i.e. signoff from development team to advance the model from the development environment to the testing environment; signoff from the testing team that testing was completed and reviewed; and signoff that the tested model was moved successfully to the production environment). 4. Model validations. 5. Attestation document will be provided to NAIC staff that the above controls were performed, along with any findings. The attestation document will include initials beside each control to indicate signoff. See Section VII for details on how findings will be handled.
NAIC Staff	NAIC staff produces scenario statistics independently (including acceptance criteria), reviews, and provides sign off via email to

	Conning that scenarios are acceptable and ready to be posted to the Conning website for use by Model Users. Documentation of the NAIC produced statistics and how they are calculated is available at ~~https://naic.conning.com/documentation [link TBD]~~. NAIC staff will also check that the intended scenarios were correctly posted on Conning's website. The NAIC's scenario review workpapers will be ~~provided~~available for no fewer than five years.
GOES (E/A) Subgroup	Reviews and signs off on: 1. All material non-routine updates to the model, such as model recalibrations. 2. Any changes to acceptance criteria. 3. Any changes to the GOES Model Governance Framework. Ahead of changes to any of the three items above, public exposure of changes will occur followed by adoptions in a public meeting. Communications of changes will occur through the GOES (E/A) Subgroup distribution list.
NAIC Committee Structure	Reviews and adopts *Valuation Manual* amendments and changes to RBC instructions.

C. Fallback Plan

A fallback plan can define expectations in the event of a disruption to the monthly scenario generation, validation, and publication process. While not all circumstances that could lead to a disruption in the posting of scenario files can be foreseen, this section will lay out broad categories of potential causes of disruption along with a corresponding mitigation plan.

1. Quarter-End and Year-End Scenario Files
    a. Quarterly and Year-end scenario files have greater importance to insurance company financial reporting. Therefore, more robust fallback procedures will apply to the posting of these quarter-end and year-end files.
    b. For month-end scenario files that do not fall on a quarter- or year-end, any delays to the posting of scenario files will be communicated along with an expected timeframe for resolution.
2. Communication of Scenario File Posting Disruption
    a. The distribution list for the GOES (E/A) Subgroup will be utilized to communicate disruptions in the posting of scenario files.
    b. All members, interested regulators, and interested parties will receive notice of the disruption.
3. Mitigation Plans by Category of Disruption

Category	**Description**	**Mitigation Plan**

Minor Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC and the issue could be addressed such that scenarios could be posted by the second business day following the previous month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end, along with a timeframe for when scenarios are expected to be posted.
Major Validation Error – Caught Prior to Posting	This situation would occur when an issue was found during the validation process by either Conning or the NAIC that is unable to be addressed such that scenarios can be posted by the second business day following month-end.	NAIC Staff would communicate the issue as soon as it is discovered on the first business day following the month-end. Companies would be instructed to utilize prior month-end scenarios with adjustments as necessary for the current month's valuation. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Minor Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have an immaterial impact on company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Major Scenario Error – Caught after Posting	This issue could occur when a user of the scenarios discovers an error with the scenario set after they have been posted to the scenario website that is expected to have a material impact to company valuations.	NAIC Staff would communicate the issue as soon as it is discovered. A meeting of the GOES (E/A) Subgroup would be scheduled to fully disclose the issue and discuss potential remedies. If the scenario set fell on a quarter- or year-end, additional guidance may be given by regulators to address the handling of the error (e.g. guidance to estimate a top-side adjustment to reserves, utilize a scenario set from a previous month). Model governance enhancements to avoid the issue would be developed, adopted by LATF and the LRBC WG, and implemented following the issue.
Conning Scenario Website Down	The website https://naic.conning.com/scenariofiles is down and companies are unable to download scenario files.	NAIC Staff would communicate the issue as soon as it is discovered. Scenario files could be posted to the GOES SharePpoint site as an alternative for companies to download. Model users can request access to the GOES SharePoint by contacting soneal@naic.org.

Conning unable to generate scenario files	Conning is unable to generate scenario files due to and issue such as cloud outage or other business continuity event.	NAIC Staff would communicate the issue as soon as it is discovered, and a revised timeline for posting scenarios could be provided. The GEMS® software would be used by NAIC Staff to generate the scenarios.

III. Stakeholder Responsibilities

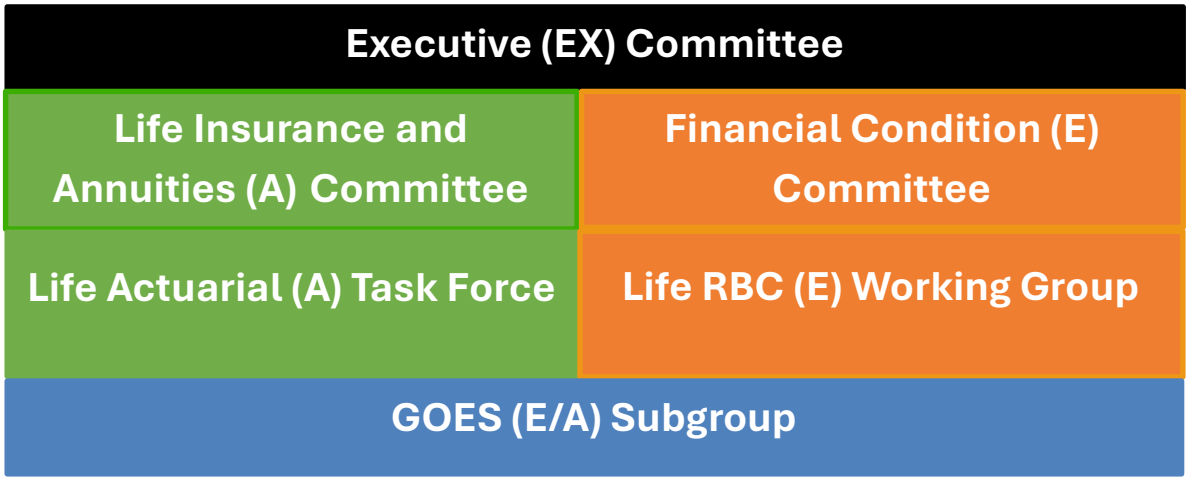
A number of stakeholders are involved in the implementation and maintenance of the model. Specific responsibilities are described in this Section.

A. NAIC Committee Structure

The NAIC Committee structure is shown in the graphic below. The GOES (E/A) Subgroup's roles and responsibilities are discussed in Section III.B. The Subgroup is subordinate to both the Life Actuarial (A) Task Force (LATF) and the Life RBC (E) Working Group (LRBCWG).

The Life Insurance and Annuities (A) Committee is the parent committee for LATF, while the Financial Condition (E) Committee is the parent committee for LRBCWG. Recommended changes to the *Valuation Manual* and Life RBC Blanks/Instructions related to the GOES will be considered for adoption by LATF and LRBCWG before being considered by their respective parent committees.

In addition to having final approval on changes adopted by the subordinate groups, the Executive (EX) Committee has allocated funding to support the NAIC GOES initiative.



B. GOES (E/A) Subgroup

The GOES (E/A) Subgroup will own the GOES Model Governance Framework and be responsible for the approval of all updates to the Framework. As the Model Steward, ~~t~~the Subgroup will direct NAIC Staff as necessary to effectuate aspects of the Framework. The Subgroup will organize public calls where technical issues can be discussed and feedback can be received from Subgroup members, interested regulators and interested parties. All regulator-only sessions will follow the NAIC's Policy Statement on Open meetings.

The Subgroup has the following 2026 Charges:

1. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.

2. Review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.

3. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates.

4. Support the implementation of an economic scenario generator for use in statutory reserve and capital calculations.

5. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.

C. NAIC Staff

NAIC staff responsibilities are as follows:

1. Act under the direction of the GOES (E/A) Subgroup to support the implementation of the economic scenario generator as well as implement and monitor the model governance framework.

2. Bring any governance issues to the GOES (E/A) Subgroup for consideration.

3. Monitor the effectiveness of Conning's controls and validation procedures and recommend changes to the GOES (E/A) Subgroup as necessary.

4. Develop and maintain a process to efficiently produce and review scenario statistics (independent from Conning) for each monthly scenario release to evaluate whether scenarios are acceptable before providing them to Model Users.

D. GOES Vendor (Conning)

Under the terms of the Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020, Conning has responsibility for model development, routine and more extensive model updates, monthly production of scenarios, maintenance of documentation, user support, and other items. Conning's specific responsibilities are described below.

1. Customization of the Models

   Conning will customize the GEMS Scenario Files features and calibration of parameters to reflect any modifications adopted by state regulators to produce real-world interest rate, equity, and bond fund return scenarios for use in calculations of life and annuity Statutory reserves according to the *Valuation Manual* (e.g., VM-20, VM-21, VM-22) and capital under the NAIC RBC requirements (e.g., C3 Phase 1, C3 Phase 2). The resulting customized scenario files are referred to as the Basic Data Set. Scenario sets produced from the Basic Data Set are referred to as the NAIC Economic Scenario Files.

2. Maintenance of Conning Scenario Website and Document Retention

   The NAIC website will contain a link to the Basic Data Set, validation reports, statistics, related tools, documentation, and training materials located on Conning's website. Access will be provided for Model Users regardless of whether they have licensed Conning's software. Model Users means users of the scenarios, including NAIC staff, state regulators, insurance companies, third-party consultants retained by state regulators and insurance companies, and any other person who makes use of the scenarios. Any published GOES scenarios or tools, including test files, will remain publicly available until further notice. Before removing access to any published files, the GOES (E/A) Subgroup will have a public notice and exposure. However, one exception to this retention policy will be made in the case of erroneous scenario files, tools, statistics, documentation, and other related files. Erroneous files will be corrected at the earliest opportunity by the NAIC and Conning but will be archived on the NAIC's GOES SharePoint site.

3. Monthly Production of Scenarios, Scenario Statistics, and Validation Reports

The month-end production items Conning is responsible for are listed in the Model Inventory File (see Section IV.C). The production process must be completed in time to post these deliverables by 4:00 PM Central Time on the first business day of the following month.

Companies have stressed the importance of meeting this deadline so that valuation work will not be delayed. Conning and NAIC staff will collaborate on creating efficiencies to prepare for this. The process of producing and reviewing all monthly deliverables, including execution of controls, will be tested and practiced before the GOES scenarios are adopted and become effective, with monthly scenario releases planned to begin 10/1/25 .

Validation reports and additional statistics are expected to be delivered simultaneously with the NAIC Economic Scenario Files. A "dashboard" of how the scenarios compare with acceptance criteria will be included with the statistical reports. See Section V.B for details on the validation process. A sample set of reports will be shown in Appendix A.

Conning will sign off on the controls listed in Section II.B and provide an attestation to NAIC Staff that they were performed, identifying any findings. NAIC Staff will produce and review statistics independently, and review the reports, attestation, and findings to determine whether the scenario set is acceptable. This must be done before posting the scenario files and validation report with each monthly scenario release.

10,000 scenario sets will be posted alongside the scenario selection tool and scenario picking data to allow Model Users to produce subsets. As background, Conning developed an Excel-based tool to create scenario subsets. The tool can select scenarios based on the same methodology used in the AIRG (i.e. based on a significance measure calculated from the 20-year UST) or a gross wealth factor (GWF) based on the Large Cap (S&P 500) equity fund. However, other methodologies to select scenarios may be more appropriate for companies exposed to other risks. For example, a writer of VA products may be more exposed to equity risk. The VM allows companies to use alternative scenario selection methodologies if they meet certain requirements (e.g. documentation that reserves and TAR are not materially understated) or biased downward.

Conning can calculate the UST significance measure and the Large Cap gross wealth factors by scenario and provide that information with each scenario set to use as inputs for the tool.

In the event a scenario set is deemed unacceptable, NAIC staff and Conning will work together to resolve the matter and provide timely communications to stakeholders according to the Fallback Plan documented in section II.C.

4. Parameter Updates

   Conning will develop parameter updates at a frequency determined by the GOES SG. The steps in this process are outlined in Section VI.

5. Documentation

   Conning will provide documentation as described in Section IX.

6. Training Materials

   Conning will provide robust training materials for use by Model Users and update these materials periodically as needed.

7. User Support
   Conning will provide help desk support to Model Users of the NAIC Economic Scenario Files who have not licensed the software. This will include phone support as well as e-mail at **naicscenarios@conning.com** to allow the NAIC, state regulators and other Model Users to submit questions.

8. Field Testing

   Conning will provide necessary support for field testing of the NAIC Economic Scenario Files under regulatory reserving and capital frameworks. Additional field testing could be necessary if a large change is made to the GOES (e.g. five-year recalibration) or if significant changes are made to an NAIC reserve or capital framework.

9. Additional Information to be Provided Annually

   Conning will provide the following information annually:

   a. Back-testing report comparing the NAIC Economic Scenario Files projected results to what actually happened over the previous year.

   b. Summary information of the number and types of questions submitted to Conning via the support e-mail address, and steps taken to address these concerns (e.g., additional documentation created).

E. Subject Matter Experts and Interested Parties

Subject matter experts and interested parties play an important role in model governance. Industry involvement is critical, as companies will be users of model output and thus could identify issues, propose solutions and scope out testing that may not be readily apparent to regulators and NAIC staff.

Activities may include but are not limited to:

1. Bringing any model or governance issues to the GOES (E/A) Subgroup for consideration.

2. Reporting any issues with scenario delivery and user support to the GOES (E/A) Subgroup and NAIC Staff.

3. Reviewing results of planned model updates (see Section VI.A – VI.C) and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

4. Recommending off-cycle model recalibrations where necessary (see Section VI.D), reviewing the results, and providing independent feedback in public sessions of the GOES (E/A) Subgroup.

IV. Models Subject to the GOES Model Governance Framework

A. Model Definition

ASOP No. 56 defines a model as follows:

"A simplified representation of relationships among real world variables, entities, or events using statistical, financial, economic, mathematical, non-quantitative, or scientific concepts and equations. A **model** consists of three components: an information **input** component, which delivers **data** and **assumptions** to the **model**, a processing component, which transforms **input** into **output**, and a results component, which translates the **output** into useful business information."

Under this definition, all items listed in the Model Inventory File (see Section IV.C) are models.

B. Model Risk Rating

The GOES (E/A) Subgroup assigns models a risk rating (high, medium, or low) depending on their complexity and materiality in terms of financial impact. Any models classified as high risk are subject to all aspects of model governance, while those classified as lower risk may be subject to more limited requirements. This risk-based focus promotes efficiency.

At this time, all models listed in the Model Inventory File are ranked as high risk for the following reasons:

1. The life insurance industry, regulators, and other stakeholders rely on the model output for reserve and capital calculations and issues with the GOES are therefore systemic.
2. Model errors may cause material financial impacts.
3. The models are highly complex.

C. Model Inventory File

The Model Inventory File is an Excel spreadsheet listing each model subject to the GOES Model Governance Framework, along with the following details:

1. Model ID number
2. Model name
3. Model description
4. Product lines using the model output
5. Model status (active or inactive)
6. Model history, including the date of the last model validation and the date of the last model update
7. A link to model documentation, along with the date of the last documentation update
8. Ownership details (Model Developer, Model Owner, and Model Steward) and key point of contact
9. Risk rating of the model (high, medium, or low) and rationale for the rating

The Model Inventory File will be available on the NAIC website (https://naic.conning.com/documentation ~~location TBD~~). A sample file will be provided in Appendix B. The file will include the following models:

- Models producing the Basic Data Set (Treasury, Equity, and Corporate Bond models)
- SERT tool
- Scenario selection tool
- Conning scenario statistics tool
- NAIC scenario statistics tool

NAIC staff will have access to edit the Model Inventory File. Other model stakeholders will have Read access to the file.

The Model Inventory File will be updated whenever there is a new model, whenever a model is retired, and any time there is a change in one or more of the model details shown above.

V. Model Selection and Validation Process

A. Process and Criteria for Model Selection

The process for model selection is intended to ensure that each model meets its intended purpose. Models producing Treasury, equity, and corporate bond scenarios are selected based on the following considerations:

1. Stylized Facts
   Stylized facts describe qualitative criteria that scenarios produced by the GOES Treasury, Equity, and Corporate Bond models should achieve. A link to the current set of stylized facts is provided in Appendix B.

2. Acceptance Criteria
   Acceptance Criteria are quantitative metrics that Treasury, Equity, and Corporate Bond scenarios generally should pass to be considered fit for their intended purpose. If one or more metrics fail the criteria, it may indicate that a revision to the model is necessary. However, judgment is required in making this decision. A criterion overall is not necessarily failed just because some subset of a table of criteria are outside their targets. A link to the current set of Acceptance Criteria is provided in Appendix B.

3. Model Office Testing
   To aid in the initial selection of the Treasury, Equity, and Corporate Bond models, model office testing was done for Variable Annuities, Universal Life with Secondary Guarantees, and Term Life.

   The GOES (E/A) Subgroup may consider the use of model office testing prior to implementation of material model updates.

4. Industry Field Testing
   To aid in the initial selection of the Treasury, Equity, and Corporate Bond models, two industry field tests were done.

   The GOES (E/A) Subgroup may consider industry field testing prior to implementation of material model updates. However, model office testing may be determined to be preferable depending on the resources, time, and cost required for a field test.

B. Model Validation

Conning and NAIC Staff will perform validation procedures on all models used to produce output used in company on a monthly basis to ensure that model output is accurate. Any findings that arise from the model validation process will be handled as described in Section VII.

Key components of model validation include:

1. Input Validation
   Input validation may include a review of source data, review of the initial treasury curve fit, assumption benchmarking, month-to-month model parameter comparisons, and spot checking.

2. Calculation Validation
   Validation of calculations may include an independent full model replication, independent sample calculations, process approximation, formula inspection, testing of interim calculations, and testing of results. In addition to the Model Developer's calculation validation, the Model Owner will perform user acceptance testing for any software modifications required to implement the NAIC model.

3. Output Validation
   Output will be validated based on reports produced monthly along with the scenario sets (see Appendix A for sample reports). NAIC Staff will produce a "dashboard" included with the scenario statistics to compare the acceptance criteria and stylized facts, where relevant to monthly validation, to summarized scenario output. Thresholds and modifications to acceptance criteria for alternative starting environments will be considered as a "Day II" item after the initial implementation of the GOES.

   When the GOES is recalibrated (e.g. resulting from five-year recalibration), scenario sets under multiple, varied, starting environments will be produced. The resulting statistical packages will be created and shared publicly ahead of approval of the new calibration.

4. An evaluation of the effectiveness of model testing procedures

5. Validation of controls and procedures
   A detailed form including checklists and names of owners and reviewers for each key step will be used to ensure compliance with the sign-off responsibilities documented in Section II A.

VI. Model Updates and Review

This section describes the types of scheduled model changes that will occur monthly, annually, and every 5 years, as well as off-cycle model changes. All model changes are subject to the change management process detailed in Section VIII.

A. Monthly Model Updates

The Treasury model will be updated monthly to reflect starting conditions. This is documented in the interest rate model technical documentation ([https://naic.conning.com/documentation ~~GOES Model Documentation Placeholder)~~]. Initial values for equity indices, equity volatilities, and corporate spreads will also be updated monthly. For audit purposes the SHA256 hash of the scenario data will be calculated and a file with valuation date, software version number, date posted, model governance framework version, and scenario file version will be posted alongside the scenarios and associated files.

B. Annual Model Review and Update (If Necessary)

At the beginning of each year, Conning and NAIC Staff will undertake an annual review of the GOES and provide a back-testing report comparing the projected results to the actual previous year's data. Model findings that occurred over the past year would be included in the review along with an associated recommendation. Conning and NAIC Staff will make a recommendation as to whether the model parameters should be revised or left unchanged. The back-testing report, along with the recommendation, will be posted on the NAIC/Conning scenario website in the first quarter of the year and provided to GOES (E/A) Subgroup leadership. If there is a recommendation to change the model parameters, a public discussion of the GOES (E/A) Subgroup will be called to discuss and determine a course of action. More complex changes, such as changes to the model form, are outside the scope of the annual model review.

Updates to the GEMS® software version used to produce the monthly GOES scenarios will also be considered during the annual review process. As part of Conning's normal course of business, they fix bugs and/or make enhancements to their software on a roughly monthly basis. However, all clients have the option of running previous versions of the software. During the annual process, Conning and NAIC Staff will perform testing of the GOES using the latest version of the software to determine whether there were any impacts to the scenarios. Results of the software version testing along with a recommendation on acceptance of a new version of the software will be posted to the NAIC/Conning Scenario website and provided to the leadership of the GOES (E/A) Subgroup. If there are any changes to the scenarios as the result of the software update, a meeting of the GOES (E/A) Subgroup would be held to discuss and determine a course of action.

To facilitate user acceptance testing, scenario sets using both the proposed and current GOES parameterization would be provided, with no fewer than 30 days granted for interested parties to provide comment. NAIC Staff will also prepare model office analyses to quantify the impact from annual model updates. All changes resulting from the annual model review would be targeted to go into effect for the June month-end.

C. 5-Year Model Recalibration

Conning will perform a periodic GOES recalibration process every five years. This will include the following steps:

1. Conning will conduct research on potential changes as requested by state regulators.

2. Conning will document and present potential changes to state regulators for exposure and adoption, and attend meetings as needed to respond to questions/comments received during the exposure period no less than 30 days. Materials to be provided for consideration of changes should include:

    a. discussion on how changes were vetted for complex interactions between parameters,

    b. attribution analysis showing the impact of each change,

    c. model office analysis to understand the potential impact prepared by NAIC Staff, and

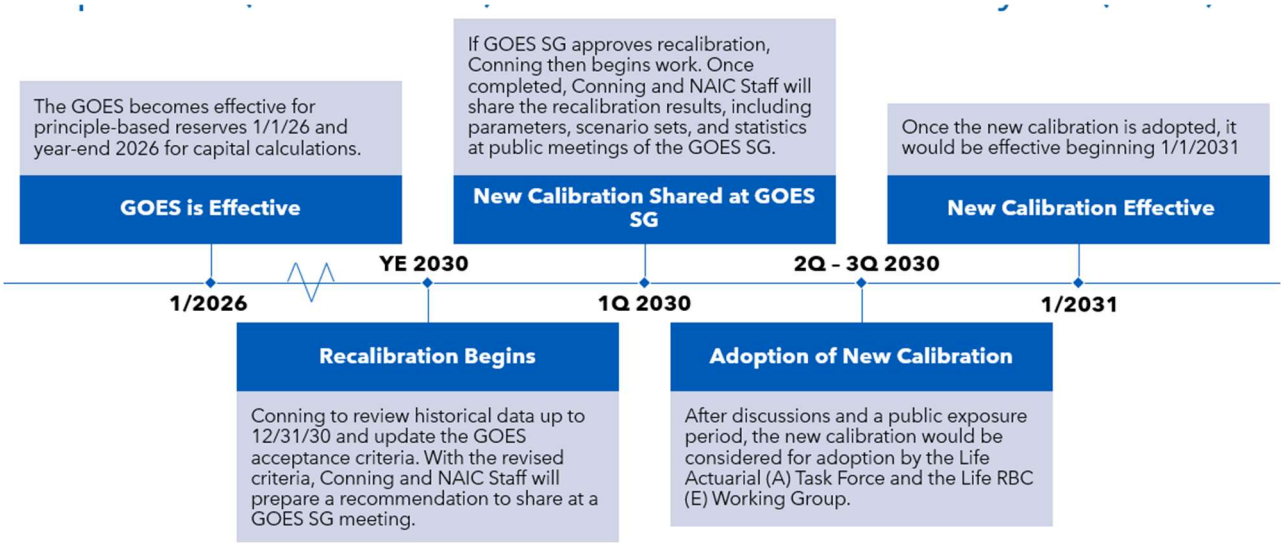
    d. documentation on the above in sufficient detail to allow independent review.

3. After discussion and approval at the GOES (E/A) Subgroup, the new calibration will be considered for adoption by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group prior to going into effect at the beginning of a new 5-year recalibration cycle. As part of the approval process, the GOES (E/A) Subgroup, Life RBC (E) Working Group, and Life Actuarial (A) Task Force will consider whether the model is still fit for purpose.

4. NAIC staff will modify model governance documents (Appendix B) as needed to reflect final adopted updates in a timely manner. Conning will provide evidence to the NAIC that changes were made appropriately.

5. Conning will update documentation impacted by any changes.

Exhibit 5.C: 5-Year Recalibration Cycle



D. Off-Cycle Model Updates

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates. The process for off-cycle model updates would be similar to that of the 5-year model recalibration, with Conning performing research and preparing a recommendation followed by public discussions, exposures, and necessary approvals by the Life RBC (E) Working Group and the Life Actuarial (A) Task Force.

Items that may trigger an off-cycle update include, but are not limited to the following:

- A significant change in economic conditions
- A change in Federal Reserve policy
- Model findings
- Failure to meet a certain number or type of acceptance criteria, a trend towards failure of meeting an acceptance criterion, or GOES (E/A) Subgroup directed revisions to acceptance criteria.
- Change in insurance product offerings available on the market that requires new GOES functionality or emphasis on certain risk drivers.

E. Model Update Oversight

As noted in Section III.B, one of the charges of the GOES (E/A) Subgroup is to review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.

F. Software Update Procedures and Controls

Conning's formalized development process incorporates current philosophy regarding quality assurance and good engineering practices. Each step of Conning's process is formalized and monitored to ensure that our functionality is efficient and error-free. Requirements are carefully outlined, and the results are reviewed to confirm that each has been addressed. Conning goes through many iterations of testing and development to ensure that software updates achieve the goals that we have set forth.

Development of new functionality is governed by a product planning process that incorporates feedback from the marketplace, commitments made to customers and prospects, and internally generated enhancement ideas. These enhancements are prioritized to determine release content and a release calendar. Fixing bugs takes priority over new development when allocating resources.

All bug reports and enhancement requests are managed using software project management and service desk tools, regardless of whether the requests are coming from customers, prospects, internal software testing, or the product planning process. The tools support issue tracking and agile project management, helping Conning plan, track, and manage their work efficiently. Source code is managed using a distributed version-control system for tracking changes during software development. Source code management tools facilitate tracking the sources and reasons for all code changes, allows reconstruction of any code branch at any point in time, facilitates merging of code changes from one code branch to another, and generally enhances the ability of multiple developers to simultaneously work on one code branch. Git is also linked into Conning's automated test system.

G. Software Enhancement Validation Procedures

Conning uses a combination of automated and manual testing to maintain code quality. Conning uses two separate automated testing systems. The first is a custom-built test platform which controls a set of dedicated machines (currently 25 in the pool) and uses them to run a series of automated tests on daily and weekly test cycles. Each automated test installs an up-to-date copy of our software from our revision control system and then runs a series of end-user test cases. The test cases use automated end-user interaction with the software user interface. Over 70 model input definition files are available for use in the automated test process, and these

collectively test many different combinations of modules, model choices, parameter values, etc. Conning does not use client data for testing without permission.

Some of the automated testing involves running simulations in previously released versions of the software, then re-running the same simulation (using the same definition file) in a release-candidate version or a development version and then finally testing to see that the results are identical, ensuring backward compatibility and reproducibility. Other test cases exercise Definition Editor functionality via record-playback, while yet others test grid functionality. Some test cases run performance benchmarks to guard against the accidental introduction of performance bottlenecks. In addition to the automated testing, major releases go through extensive manual testing of the new functionality (for which automated tests may not yet have been created). Quantitative release criteria related to defect discovery must be met before the release is considered ready to ship.

The second test system is based on a DevOps platform that provides a comprehensive set of tools for testing, building, and deploying our software. The DevOps platform performs web-based tests and unit tests comprising a suite of 800 (and growing) web-based tests and over half a million-unit tests split into over 50 categories.

Conning maintains a repository of all previous versions of the software. Additionally, Conning software is designed to be backwards-compatible, so users can always reproduce results generated in prior versions using their currently installed version. Furthermore, Conning has secure primary and backup data centers where files and data are replicated daily.

VII. Process for Handling Model Findings

While every effort will be made to avoid errors in model calculations, inputs, and methodologies, it is possible that issues will be identified. "Model findings" refer to any issues discovered during model governance procedures or identified by a Model User or other stakeholder that have a financial impact for users of the model output. Model findings may be identified by any model stakeholder. Model Findings that occur during the monthly scenario generation and validation process have additional treatment detailed in section 2.C "Fallback Plan".

A. Tracking and Communication of Model Findings

All findings must be documented in the Model Findings Inventory, which tracks findings, estimated impacts, and remediation activity. When findings are remediated, the impact to model outputs must be documented and communicated to Model Users and the GOES (E/A) Subgroup.

B. Risk Classification

To ensure effective monitoring and remediation priority, each finding will be assigned according to each of the risk categories below in the Model Findings Inventory.

1. Error vs. Refinement

   Errors are model findings where the scenario results deviate from the intended or expected results due to inappropriate inputs, software coding, or other factors. Refinements are model findings that involve a known model limitation, simplification, or desire to capture an emerging best practice. Errors should be communicated and addressed as soon as possible, and a review of controls should be performed to identify the root cause of the error and mitigate for future scenario releases.

2. Materiality

   Materiality will be driven based on the potential dollar and/or percentage impact on reserves, surplus, and risk-based capital. This will also include an assessment of whether it will impact a broad segment of the industry or a relatively small number of companies. An immaterial finding would be one that does not currently have a material financial impact and is expected to only decrease in materiality over time. Other factors influencing the consideration of materiality could include reputational impact and operational efficiency.

3. Complexity and Resources Required to Address

The model findings inventory will provide insight on how resource intensive and complex a given finding will be to address.

C. Remediating Findings

Material findings can be considered remediated if:

- It has been determined why the finding occurred;
- Any necessary changes to requirements have been determined and communicated to Model Users; and
- A model change is implemented to remove the finding.

D. Model Findings Inventory

The Model Findings Inventory will be available on the NAIC website (https://naic.conning.com/documentation). A sample file will be shown in Appendix B. The Model Findings Inventory will include the following information for each model finding:

1. Finding ID

2. Finding Status (Open, Deferred, Closed)
3. Date finding was identified
4. Finding type (Error, Simplification, Data Limitation, Model Limitation)
5. Risk classification (Material Complex Finding, Material Simple Finding, Immaterial Finding)
6. Detailed description of the finding
7. Model ID
8. Model name
9. How the finding was identified
10. Estimated impact of finding
11. Determination of why the finding occurred
12. Necessary changes to requirements because of the finding
13. Description of model change implemented to remove the finding
14. Date finding was last reviewed

NAIC staff will have access to edit the Model Findings Inventory. Other model stakeholders will have Read access to the file.

The Model Findings Inventory will be updated whenever there is a new finding, whenever a finding is remediated, and any time there is a change in one or more of the details shown above.

E. Emergency Model Findings and Expedited Process

Material errors discovered in the GOES scenarios could necessitate the need to be classified as an "Emergency Model Finding" and undergo an expedited process for remediation. Under this situation communication and quick public discussion of an issue would be important to determining rapid corrective action. If necessary, membership of the Life Actuarial (A) Task Force could consider a "Waiver of Task Force Procedure" under the Valuation Manual Section 1.A.4.

F. Incident Documentation and Remediation (Postmortem Reports)

After an incident of model error or operational error, the model owner will write a report documenting the incident, the resolution, the root causes, and follow-up actions taken to prevent it from happening again (i.e. "Postmortem"). Postmortems should include specifics about the effectiveness of controls and any changes to controls. The report will be available to all interested parties.

G. Key Performance Metrics

GOES operational performance metrics will be made available with other GOES documentation on the Conning website (https://naic.conning.com/documentation/). Five key metrics will be tracked, in a spreadsheet that is based on the following tracking template:

- Number of times consecutive publication delays have occurred
- Number of multi-day publication delays
- Number of consecutive minor errors
- Number of major errors
- Number of regressions (errors that have resurfaced despite earlier remediation)

VIII. Model Change Management

Model change management is the process to ensure that model changes are controlled and accurate. Three tools will be used to facilitate the change management process: 1) a Model Change Request Template, for submitting change requests; 2) a Model Change Request Inventory, to keep track of all change requests and their status; and 3) a Model Change Documentation Template, to ensure that changes are documented and made in a controlled manner. These tools are described in sections B and E below.

A. Model Change Categories

Each model change will be classified into one of the following model change categories, which determines the level of governance required.

Model change category	**Definitions**	**Level of governance**
Routine change	Scheduled updates, e.g. to update monthly starting conditions	Full governance, except that model change requests and tracking are not required
Model enhancement	Implementation of new methodology, incorporation of updates to existing requirements (e.g., VM-20 or VM-21 updates), etc.	Full governance
Model correction	Remediation of model issues identified through model validation, result analysis, external feedback, etc.	Full governance

Cosmetic updates	Updates to model coding or structure which do not impact model outputs	See "Software Enhancement Validation Procedures"

"Full Governance" means that the governance process will include:

- Tracking of the issue in the model change log
- Development of a recommendation for an enhancement by Conning and NAIC Staff
- A public exposure period of no shorter than 30 days prior to public discussion and consideration of adoption.
- Validation and demonstrations to confirm the validity of the model change.
- Hashes of the most recent quarter-end scenario files before and after the change, created from the same inputs.
- If the hashes are not the same, copies of the before and after versions of the most recent quarter-end scenario files, created from the same inputs.
- Updates to documentation, as necessary.

B. Model Change Requests and Tracking

Routine model changes supporting monthly production of scenarios do not require a formal change request, tracking, or consideration by the GOES (E/A) Subgroup.

Other model change requests may be initiated by members of the GOES (E/A) Subgroup, Interested Regulators, or Interested Parties. Requests may be made by completing a Model Change Request Template and sending it to the NAIC staff support person for the GOES Subgroup. The Model Change Request Template will be available on the NAIC website.

The Model Change Request Template is intended to be used as a mechanism for sharing and escalating concerns. For example, it may be used when Model Users feel the model is generating inappropriate results or is causing unusually large impacts.

Model change requests will be tracked in the Model Change Request Inventory, which will be maintained and kept up to date by NAIC staff. The Inventory will indicate which models are impacted by the requested change, along with an expected resolution date.

Material model changes will be considered by the GOES (E/A) Subgroup, and if adopted through the NAIC committee structure, will be carried out by the Model Developer, with oversight by the Model Owner and Model Steward.

Only NAIC staff will be given access to edit the Model Change Request Inventory. Other model stakeholders will have Read access to the file. The Model Change Request Inventory will be available on the NAIC website (https://naic.conning.com/documentation ~~location TBD~~).

C. Handling of Material Model Changes

There may be events that warrant significant changes to the GOES models, assumptions, and calibrations. In these situations, the GOES (E/A) Subgroup may consider the use of model office testing and/or field testing to analyze the impacts prior to implementation. This is not expected to be necessary for routine model updates.

Field testing is time-consuming and can be expensive. Where possible, model office testing may be considered as an alternative.

D. Modeling Environments

For the GEMS® software, Conning uses three separate modeling environments: a development environment, a test environment, and a production environment. These environments are based in separate work areas, with different permissions granted to users per their roles within the model governance framework.

All model changes occur in the development environment. Models are copied from the production environment into the development environment, where full editing access is available. Using this version of the model, developers make the necessary changes, conduct testing and complete the required change documentation to meet all governance requirements.

After changes are implemented, the model is copied to a distinct testing environment. Specific testing procedures are performed at the discretion of the model developer and model owner. The adequacy of testing will be reviewed by NAIC staff as directed by the GOES (E/A) Subgroup.

Once model development and testing are complete and full governance procedures have been followed to confirm and approve changes, models are promoted back to the production environment. In the production environment, only read access permissions are granted to the model developers to prevent any unintended changes to the production models. It is important to link a detailed description of the model changes to the newly promoted model to ensure clear version control.

E. Model Change Documentation Template

The Model Change Documentation Template (see Appendix B) will be used to ensure that changes are documented and made in a controlled manner.

The model developer is responsible for completing the template for each model change. The template contains the following information:

- Technical details of the changes made in the model
- Summary of the impact of changes on model outputs
- Summary of model testing results
- Model User acceptance testing and validation sign-off
- Any findings identified during the model change process

Only Conning and NAIC staff will be given access to edit the Model Change Documentation Template. Other model stakeholders will have Read access to the file. The Model Change Documentation Template will be available on the NAIC website (https://naic.conning.com/documentation ~~location TBD~~).

F. Model Documentation Updates

Model documentation must be updated to reflect changes made to existing models. Documentation updates are made by the model developer and reviewed by the model owner. The model steward is responsible for confirming documentation updates are made promptly.

G. NAIC Analysis and Review Tools

To facilitate their review of the GOES scenarios, the NAIC maintains the following tools:

- SAS Scenario Statistics Program
- Excel Scenario Statistics Workbook
- Excel Scenario Picking Data Independent Recalculation Tools
- SERT Scenario Review Tool
- GOES Review and Signoff Template

Enhancements and fixes to these tools will be managed via change logs. All changes will be peer reviewed to check for accuracy and documented in the change log. The change logs will be maintained for auditing purposes and available upon request from an interested party.

H. Maintenance of the Governance Framework

The GOES Model Governance Framework will be exposed for no fewer than 30 days for routine comments and revisions at least annually during the second quarter. The requirement for routine annual exposures does not preclude the ability to hold off-

cycle exposures and revisions. Each new version of the GOES Model Governance Framework that is adopted will be labeled with a version number. Versions will be made available on the same website as scenarios. Changes to the GOES Model Governance Framework go into effect immediately once adopted by the Life Actuarial (A) Task Force and the Life RBC (E) Working Group.

IX. Documentation Requirements

Conning will provide documentation on non-proprietary specifications and components of the GEMS Scenario Files used to develop the Basic Data Set and other models listed in the Model Inventory File. Access to this documentation is available to all Model Users. Documentation will be stored on Conning's website. The NAIC's website contains a link to Conning's website which is available to all Model Users.

Conning's Software Documentation Library contains more detailed documentation. It is available to Model Users who:

- Sign Conning's Nondisclosure Agreement, or
- Consultants engaged by a Model User that have signed a Nondisclosure Agreement, or
- Choose to purchase the Robust Data Set, or
- Choose to license Conning's API Tool, or
- Choose to license Conning's software

Additional documentation will be included in the model governance spreadsheets (e.g. model inventory file, model change documentation template, etc.).

X. Access Controls

Access controls are important to prevent unauthorized changes (whether inadvertent or otherwise). The table below summarizes the access granted to models and supporting documents.

	Access Level Granted		
Model or Document	**Conning**	**NAIC Staff**	**Other Parties**
Conning models listed in the Model Inventory File	Read/Write Dan Finn Other Conning staff trained on NAIC model requirements	None	None

	Read Only Other Conning staff trained on NAIC model review requirements		
NAIC Software and Programs Used to Create Model Statistics (for purposes of validating Conning's metrics periodically and after any recalibrations)	None	Read/Write Brian Shade ~~McKayla Doyle~~ ~~Jim Stinson~~Keng Yang Hua Tim Leafblad Read Only Scott O'Neal	None
Model Inventory File	Read Only	Read/Write Scott O'Neal Amy Fitzpatrick	Read Only
Model Change Request Form	Read/Write	Read/Write	Read/Write
Model Change Request Inventory	Read Only	Read/Write	Read Only
Model Findings Inventory	Read Only	Read/Write	Read Only
Model Change Documentation	Read/Write	Read/Write	Read Only

XI. Appendices

A. Sample Monthly Model Validation Reports and Statistics

Basic Data Set Validation Reports and Basic Data Set Additional Statistics files are available at https://naic.conning.com/scenariofiles.

B. Supporting Documents

~~This section will contain links to supporting model governance documents.~~

Document	**Link**
Stylized Facts	https://naic.conning.com/documentation

Acceptance Criteria	https://naic.conning.com/documentation
Model Inventory File	https://naic.conning.com/documentation
Model Findings Inventory	https://naic.conning.com/documentation
Model Change Request Template	https://naic.conning.com/documentation
Model Change Request Inventory	https://naic.conning.com/documentation
Model Change Documentation Template	https://naic.conning.com/documentation

C. Version History

Version Number	Version Date	Description of Document Update	Author
01	9/23/2024	Preliminary draft	Pat Allison, NAIC
02	10/29/25	Second Exposure Draft	Scott O'Neal, NAIC
03	12/7/25	LATF Fall National Meeting	Scott O'Neal, NAIC
04	11/13/26	I.A: Added an overview section II.B: Made it clear that review workpapers will be available for no fewer than five years III.D.2: Added scenario file retention policy VI.A: Added scenario audit file including hashing VII.G Added key performance metrics VIII.A - Added hashing to model change governance process VIII.H - Added procedural details to the maintenance of the governance framework	Scott O'Neal, NAIC

D. Reference Documents

The following documents were used as references in the creation of this model governance document:

1. Materials discussed at the 5/1/24 meeting of the GOES (E/A) Subgroup

    a. "A Framework for Developing, Evaluating, and Implementing Economic Scenario Generators (ESGs) – ESG Model Governance" presented by Tony Dardis, Vice Chairperson, Economic Scenario Generator Work Group (ESGWG), American Academy of Actuaries

    b. ACLI document on model governance, presented by Brian Bayerle

    c. "GOES E/A Subgroup – Model Governance", presented by Scott O'Neal, NAIC Staff Support for the Life Actuarial (A) Task Force and the GOES E/A Subgroup

2. "Model Governance Checklist", published August 2016 American Academy of Actuaries

3. "Model Governance Practice Note", published April 2017 American Academy of Actuaries

4. "Actuarial Standard of Practice No. 56 Modeling", December 2019

5. Professional Services Agreement Between Conning, Inc. and the National Association of Insurance Commissioners, Effective September 30, 2020

6. Comments on model governance from GOES field test participants

MEMORANDUM

To: Financial Condition (E) Committee
From: Bridgeway Analytics
Date: November 5, 2026
Re: Addressing Recapture Risk with Reinsurers from Non-Reciprocal Jurisdictions

The Financial Condition (E) Committee's *Referral to the Life Risk-Based Capital (E) Working Group* directs the development of a recapture-risk charge for reinsurance outside Reciprocal Jurisdictions to address concerns that have been raised through Actuarial Guideline (AG) LV reviews and regulator experience that life insurers ceding business to non-reciprocal jurisdictions have often been observed supporting generous guarantees with riskier assets and relying on optimistic reserving assumptions, such that their reserves and capital may fall short of prudent standards and leave them unable to pay future claims under adverse conditions. Bridgeway Analytics was asked to:

- Review life and annuity reinsurance transactions and trends with non-Reciprocal jurisdictions, including capital structure practices across business lines as observed in statutory filings.
- Estimate an empirically implied risk-based capital (RBC) charge that would be applied to non-Reciprocal reinsurance transactions.[1] This empirically implied RBC charge represents the RBC charge a cedent would face in the event of recapture, effectively approximating the disallowance of an RBC credit for those transactions.

The following sets forth an introductory memorandum that provides a high-level overview of trends, current guidelines that limit risks in the event of recapture, the implied surplus shortfall, and the estimated implied RBC charge.

Background and executive summary. Reinsurance is a risk-mitigation tool that diversifies the risks borne by insurers and can serve as a source of capital when it involves an unrelated party. In the context of life and annuity reinsurance, risks are transformed for the cedent, shifting insurance, market, and credit risks to the reinsurer and replacing them with reinsurer counterparty risk. Thus, the concern for the cedent shifts from insurance and financial risks to the reinsurer's ability to fulfill its promises and the possibility of needing to **recapture** the business. While reinsurance has been commonly used to keep life and annuity operations stable, to fund growth, to mitigate risks, and for other desirable applications, its use in the U.S. has traditionally been limited, comprising only 6% of policy obligations in the U.S. in 1999.[2] After the Global Financial Crisis, interest rates decreased, placing tremendous earnings pressure on annuity writers, with many U.S. insurers forced to either sell such business or reinsure a substantial portion of it. While the transactions have increasingly been offshore, taking advantage of reduced taxes and other burdens, there are also significant transactions within the U.S.[3] The increase in ceded business, particularly to jurisdictions outside the U.S., naturally increases recapture risks. Abstracting from the complexities and risks of the recapture transaction, the mechanical implications of placing policies back on the cedent's balance sheet increase capital requirements. The purpose of this memorandum is to estimate the implied RBC charge that would align surplus to support a recapture event for transactions with reinsurers from **non-Reciprocal Jurisdictions**.

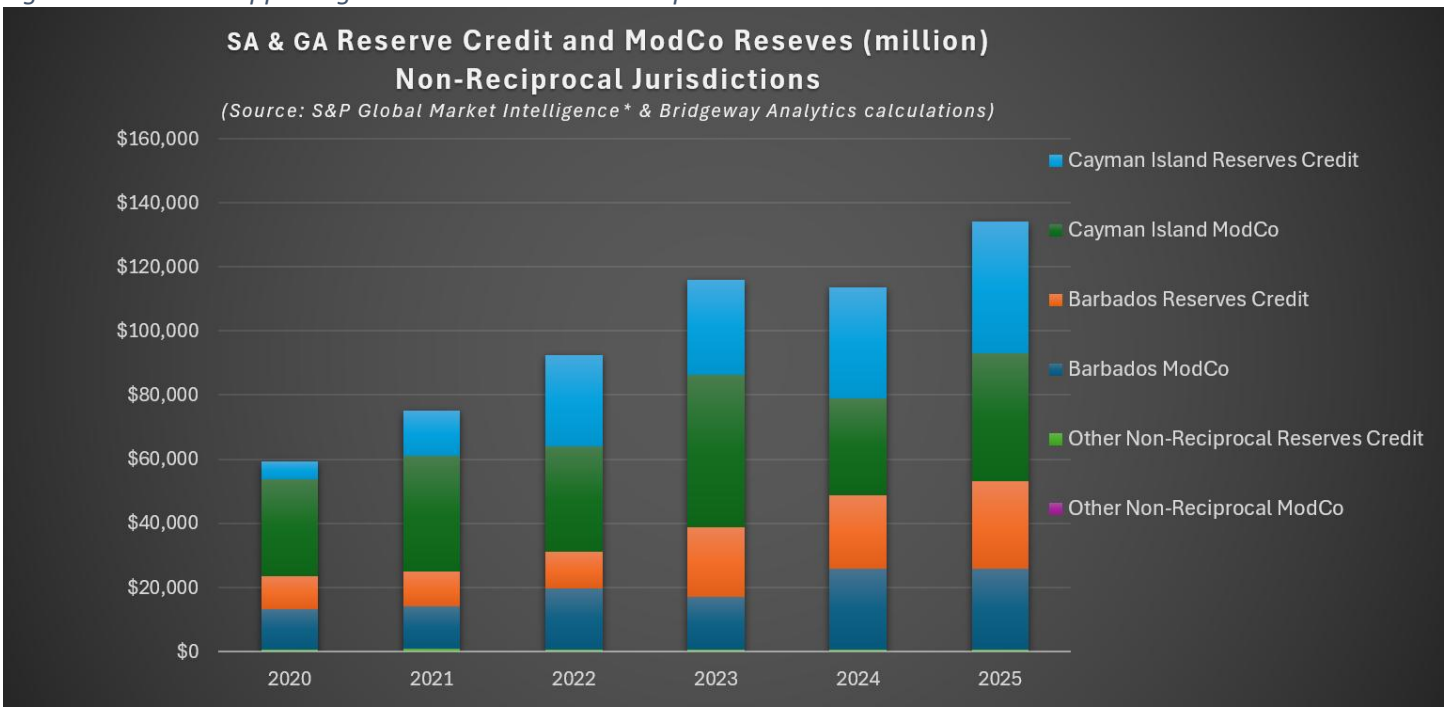
Non-Reciprocal jurisdictions. Life and annuity reinsurance transactions are generally structured as co-insurance, in which the reinsurer shares a proportional exposure of the insurance policies. Transactions with reinsurers domiciled in jurisdictions not recognized by the NAIC as Reciprocal or Qualifying (e.g., Cayman Islands or Barbados) generally require collateral or other arrangements for reinsurance credit. In practice, many such transactions are structured using funds

[1] Throughout this memo, Reinsurance Credit references the total of Reserve Credit and ModCo Reserves.
[2] See the Federal Reserve, *Accounting for Reinsurance Transactions in the Financial Accounts of the United States, Accessible Data*.
[3] The Society of Actuaries Research Institute February 2026 report, *International Reinsurance Landscape Overview for U.S. Life & Annuities*, synthesizes why and how U.S. carriers use cross-border structures (third-party, affiliates, and sidecars) and their domicile.

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withheld (FWH) or modified coinsurance (ModCo) arrangements, under which the ceding insurer retains control of assets supporting reserves, which are subject to the insurer's domestic investment laws and regulatory oversight. **As shown in *Figure 1*, below, in 2025, ~$135 billion reserve credit was recognized from transactions with non-Reciprocal jurisdictions.**

Figure 1: Reserves supporting transactions with non-Reciprocal Jurisdictions



Current guidelines. U.S. statutory guidelines place significant guardrails on reinsurance transactions to limit risks in the event of recapture.

Reserves. *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) establish when a reserve credit can be taken, including requirements applicable to Qualified jurisdictions, Reciprocal jurisdictions, and collateral reduction or exemption frameworks. **Reserve credit generally requires collateral for transactions from non-Reciprocal jurisdictions**. Actuarial Guideline (AG) LV was adopted in 2025 to provide transparency into reserve assets supporting reinsurance transactions, offering extensive benefits to regulators by helping assess the adequacy of reserves that reflect moderately adverse conditions.

Surplus and RBC. Reinsurance can provide RBC credit to the ceding company, typically freeing surplus for redeployment as the insurer works toward its target RBC ratio. A U.S. reinsurer that is an NAIC filer would roughly be subsuming the RBC requirements. However, there is no visibility into the degree to which the reinsurer has funded the surplus for non-NAIC filers (e.g., non-U.S. reinsurers). At a high level, the following components are relevant:

- **RBC credit for the reinsured policy risk**. An RBC credit is provided for policy risk transferred to the reinsurer.
- **RBC credit for asset risk transferred to the reinsurer**. Similar to credit for policy risk, RBC credit is extended for the assets transferred to the reinsurer.[4]
- **Reinsurance counterparty risk.** Under Life RBC, an RBC counterparty charge of 0.78% is generally applied to reserve

[4] There are nuances with FWH or ModCo transactions, where the ceding insurer legally owns the assets, but the reinsurer subsumes the economic risks, with the cedent receiving RBC credit. If the assets are held in trust, the transaction will often involve the cedent assets being transferred to the trust, thereby providing the cedent RBC credit. Arrangements, such as letters of credit, can also address collateral requirements, limiting the need to fully fund the collateral.

credit and receivables, unless an exemption applies, such as for collateralized transactions structured as FWH, ModCo, and certain trusts. Since reserve credit for non-Reciprocal transactions generally requires collateral, they incur ~0 RBC charge. There is also an exemption for affiliated transactions that can qualify for different RBC treatment.

- **Reinsurance counterparty risk for subsidiaries.** Rather than applying the 0.78% charge, the RBC charge applied to subsidiaries generally reflects an equity ownership charge. NAIC filers receive look-through treatment, non-NAIC filing U.S. insurers face a 30% factor, and alien insurers receive a 0% RBC with a 100% factor applied to a $0 CV under Life RBC, and the carrying value is excluded from TAC

Appendix II and

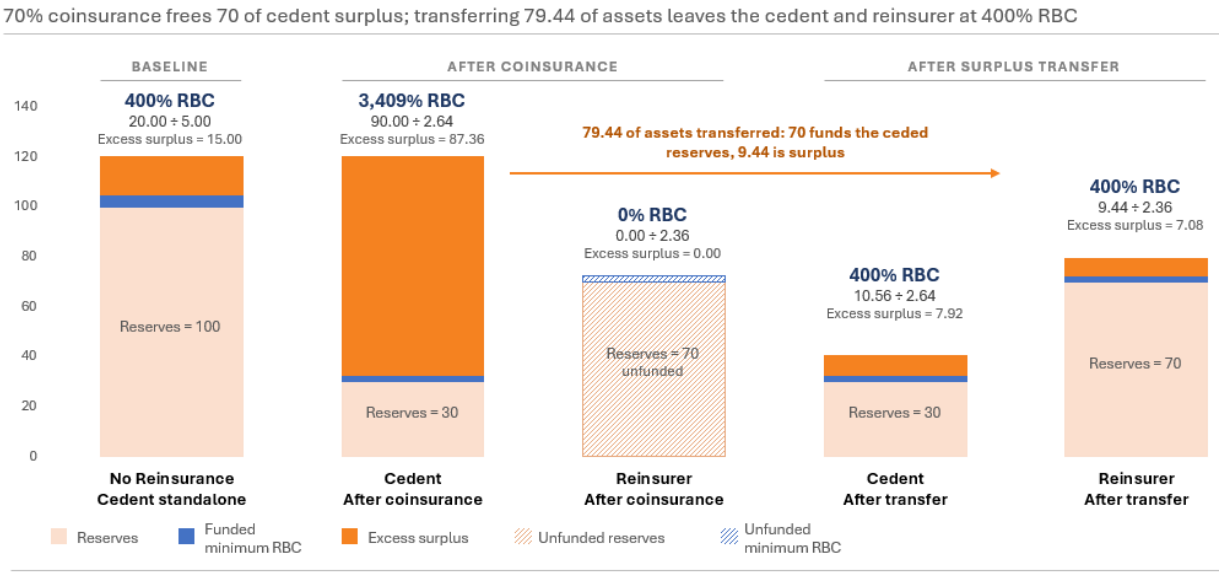


Figure 6 and

Figure 7 walk through a stylized example of a reinsurance transaction and the resulting freed surplus that, if redeployed, is no longer available to support policies in a recapture event.

An empirically implied RBC charge.

Figure 2 presents empirically implied RBC charge measured as a percent of reserve credit, which ranges from 3.1% to 9.2% across lines of business; calculations are outlined in Appendix II. The analysis is segmented by companies identified as heavily focused on Life, Annuities, Accident & Health, and Variable Annuities, using the thresholds specified in

Figure 2; *Figure 4* in Appendix I demonstrates relatively stable implied RBC charges across alternative thresholds, except for companies identified as heavily focused on Life and A&H when a restrictive threshold is used to identify those segments. **The analysis suggests an industry surplus shortfall of roughly $23 billion under an RBC charge of 3.8% (post-**

tax), assuming insurers' current RBC ratios represent their target.[5] The estimate is conservative because it does not account for overcollateralization, which would limit the shortfall; regulators have discussed allowing for qualifying collateral, such as collateral qualifying under AG LV, to reduce the RBC charge. 13 cedents are estimated to fall within or near an RBC regulatory threshold if the flat 3.8% RBC (post-tax) recapture charge were implemented (i.e., RBC (ACL) ratio below 300% or RBC (CAL) of 150%).

The estimates from

Figure 2 should be interpreted in the context of the significant variation in business practices, as evidenced by the variation in RBC (CAL) ratios, TAC to Reserves & TAC, and the Implied RBC Charge of ***Error! Reference source not found.*** in Appendix I. Reasonable assumptions can lead to empirically implied RBC charges that can range from 50% to 100% of the values in

Figure 2.

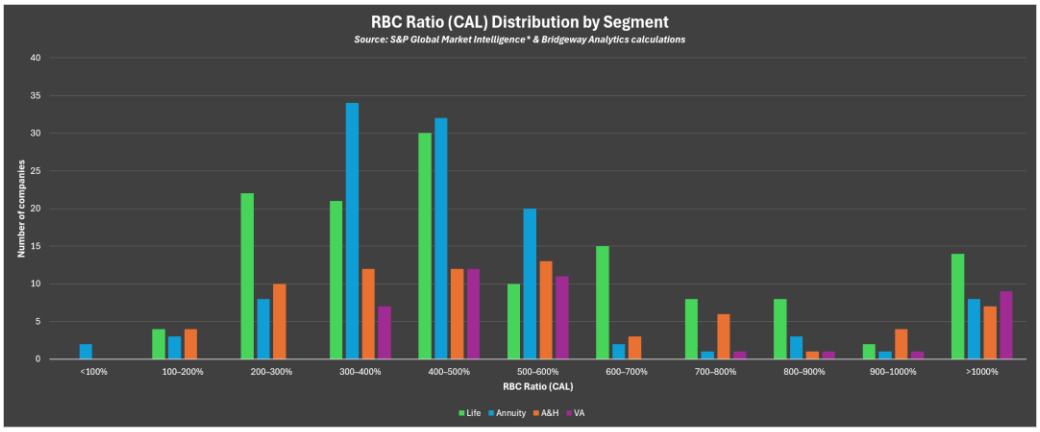
Figure 2: Implied RBC (CAL) charges across lines of business using 2025 data (Source: S&P Global Market Intelligence & Bridgeway Analytics calculations)*

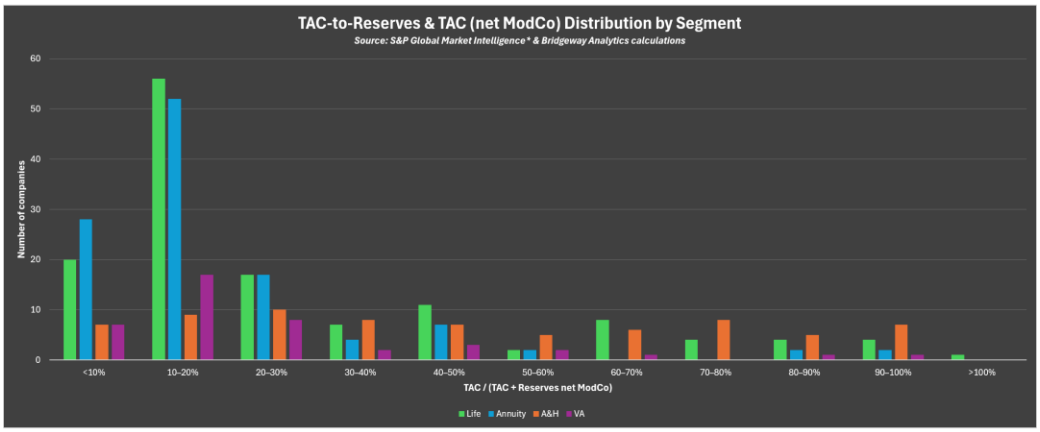
	Life Heavy (Life Reserves > 70% & >$10 million Reserves)	Annuity Heavy (Annuity Reserves > 70% & >$10 million Reserves)	A&H Heavy (A&H Reserves>30% & >10 million Reserves)	VA Heavy (VA Reserves > 40% of GA Reserves & >$10 million Reserves)	Full sample (RBC (CAL) > 0)
Sample size	135	114	73	42	686
TAC/Reserves & TAC (net ModCo) (weighted average)	20%	14%	32%	15%	16.6%
RBC ratio (CAL) (weighted average)	500%	452%	349%	459%	443%
RBC charge applied to reserve credit implied (weighted average $RBC (CAL) / (Reserves - ModCo + TAC))	4.1%	3.1%	9.2%	3.1%	3.8%

[5] $\text{Sum}_{\text{insurers}}(3.8\% * \text{RBC (CAL) ratio}_{\text{insurers}} * (\text{Reserve Credit} + \text{ModCo})_{\text{insurers}})$; see Appendix III for more details.

Appendix I: Industry practice and the range parameters. This appendix provides additional details on the distribution of RBC ratios (CAL) (LHS), TAC-to-Reserves & TAC (net ModCo) (middle), and Implied RBC Charge ($RBC (CAL) / Reserves - ModCo + TAC) in ***Error! Reference source not found.***. *Figure 4* provides comparative statics of the thresholds used to identify Life Heavy, Annuity Heavy, Accident & Health Heavy, and Variable Annuity Heavy insurers, and the implied RBC charges. Finally, ***Error! Unknown switch argument.*** provides the distribution of reserves and valuation across business lines as of year-end 2025.

Figure 3: Distribution of RBC Ratios (CAL) (top), TAC-to-Reserves & TAC (middle), and Implied RBC Charge ($RBC (CAL) / Reserves - ModCo + TAC) (bottom) for Life Heavy, Annuity Heavy, Accident & Health Heavy, and Variable Annuity Heavy insurers as of year-end 2025 (Source: S&P Global Market Intelligence & Bridgeway Analytics calculations)*





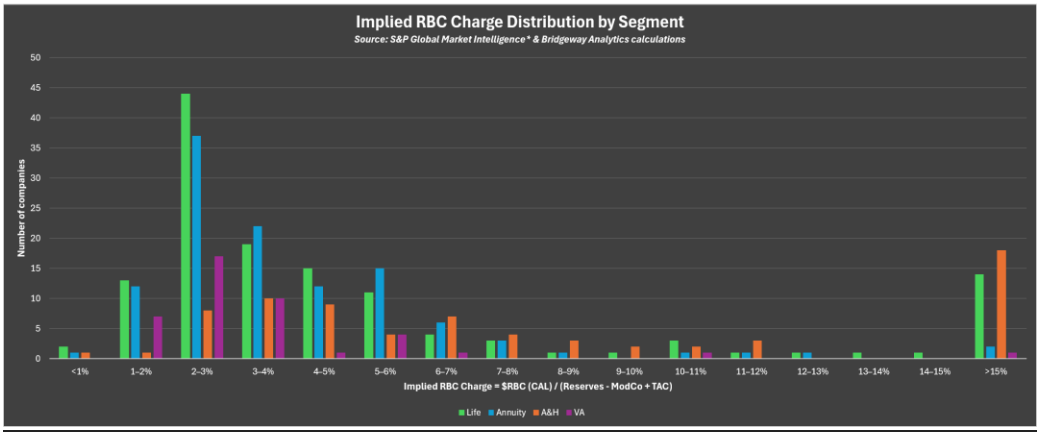
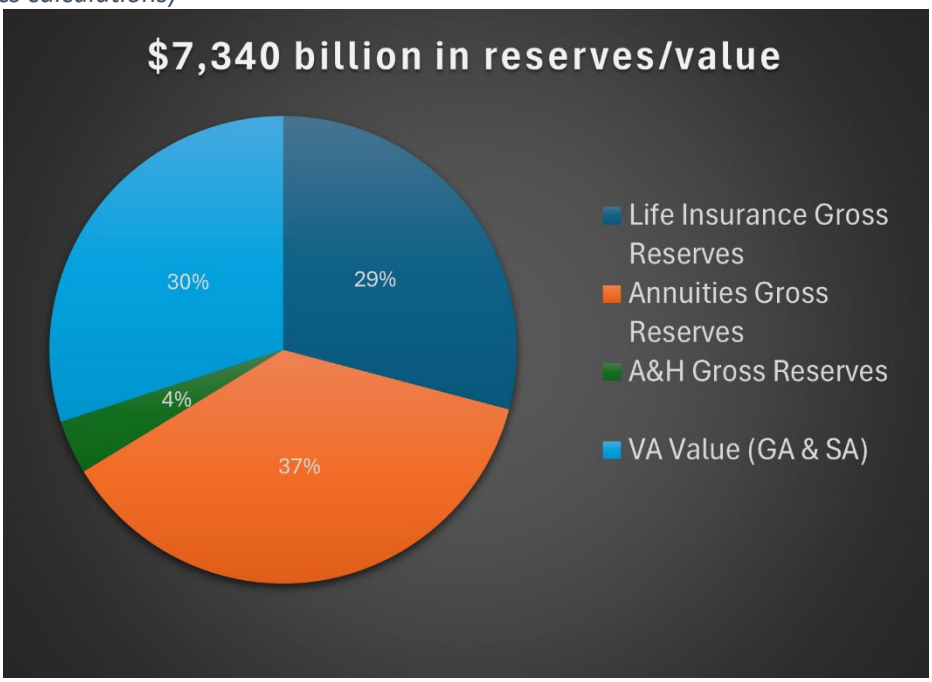


Figure 4: Comparative statics: Implied RBC charges under various thresholds for identifying business focus (Source: S&P Global Market Intelligence & Bridgeway Analytics calculations)*

	Life Heavy (Life Reserves> **Threshold** & >$10 million Reserves)	Annuity Heavy (Annuity Reserves > **Threshold** & >$10 million Reserves)	A&H Heavy (A&H Reserves> **Threshold** & >$10 million Reserves)	VA Heavy (VA Reserves > **Threshold** of GA Reserves & >$10 million Reserves)
Threshold	20%	20%	20%	20%
Sample size	337	275	83	51
TAC/Reserves & TAC (net ModCo) (weighted average)	16%	15%	29%	14%
RBC ratio (CAL) (weighted average)	456%	432%	357%	472%
Implied RBC charge (weighted average)	3.5%	3.4%	8.2%	3.1%
Threshold	90%	90%	90%	90%
Sample size	52	38	13	28
TAC/Reserves & TAC (net ModCo) (weighted average)	35%	15%	58%	17%
RBC ratio (CAL) (weighted average)	405%	466%	339%	493%
Implied RBC charge (weighted average)	8.70%	3.2%	17.0%	3.4%

Figure 5: The distribution of reserves & value across policies as of year-end 2025 (Source: S&P Global Market Intelligence & Bridgeway Analytics calculations)*



Appendix II: A stylized example demonstrating the sequence of calculations that arrive at the implied RBC charge

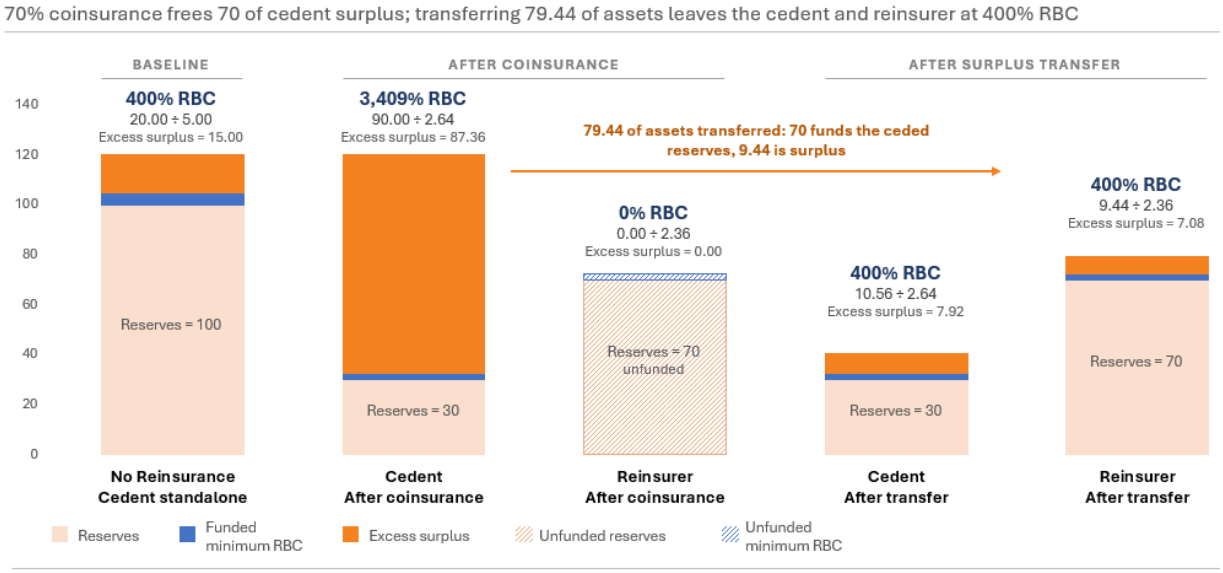
- Admitted assets = $120 million
- Surplus = $20 million
- Reserves = $100 million
    - Surplus / Reserves = 20%
- RBC ratio (CAL) = 400% = $20 million/$5 million (the $5 million CAL RBC solves the 400%)
    - **Implied RBC charge** = $5 million / $120 million = 4.2%
- Reinsuring 70% of reserves ($100 million) = $70 million

Potential surplus shortage

- A total of $70/$120 = 58% of admitted assets were reinsured
- RBC credit = $5 million * 58% = $2.9 million
    - **RBC credit = $RBC Charge * Reserve Credit / (Reserves + Surplus)**
    - **Implied RBC charge applied to Reserve Credit = $RBC Charge / (Reserves + Surplus)**
- Surplus from reinsurance (assuming a 400% RBC ratio target) that is freed for redeployment = $2.9 million * 400% = $11.7 million

Implied RBC charge applied to Reserve Credit = $RBC Charge (CAL) / (Reserves – ModCo + TAC)

Figure 6: Stylized case study: Capital neutral reinsurance transaction

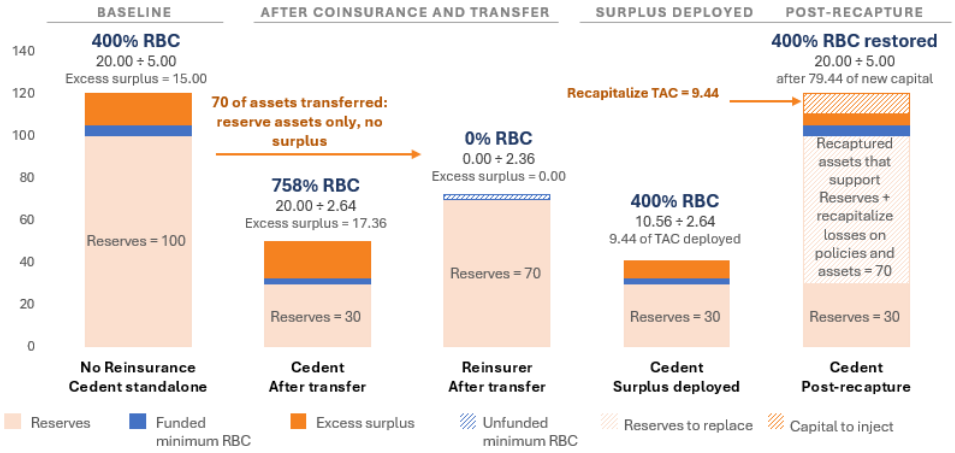


Assumptions & calculations

- Baseline, no reinsurance: reserves 100, minimum RBC 5.00, surplus 20.00 → 20.00 ÷ 5.00 = 400%
- Reserves ceded = 70 (70/120 = 58% of the business reinsured); no assets transferred in coinsurance transaction
- Cedent's release of 70 reserves becomes surplus → TAC 90.00; minimum RBC 2.64 = 2.10 (42% x 5.0) + 0.55 (0.78% x 70) RBC counterparty charge → 3,409% cedent RBC ratio
- Reinsurer after coinsurance: reserves 70 and minimum RBC 2.36 (2.90 assumed – 0.54 credit) are unfunded → 0% > reinsurer RBC ratio
- Transfer 79.44 of assets (70 funds to ceded reserves in trust, 9.44 is surplus): cedent 10.56 ÷ 2.64 = 400%, reinsurer 9.44 ÷ 2.36 = 400%

Figure 7: Credit and recapitalization risks

Cedent can redeploy freed surplus, but recapture requires recapitalization of surplus beyond recognized losses when reserve credit is collateralized



If the treaty is recaptured, the cedent is exposed to credit losses and recapitalization risk

- **Counterparty credit risk.** The cedent is exposed to potential losses on policies (e.g., lower interest rates for fixed income annuities) and to the possibility that assets are valued less than the reserve credit due to uncertain exposure or uncertain collateral (e.g., Level 3 assets).
- **Recapitalization risk.** The cedent will need to recapitalize the counterparty credit losses and 9.44 of TAC.
- **There may be other losses.** For example, related to recapturing a retrocession.

Assumptions & calculations

- Baseline, no reinsurance: reserves 100, minimum RBC 5.00, surplus 20.00 → 20.00 ÷ 5.00 = 400%
- Reserves ceded = 70 (70/120 = 58% of the business reinsured); no assets transferred under coinsurance
- Cedent after coinsurance: the released 70 of reserves becomes surplus → TAC 90.00; minimum RBC 2.64 = 2.10 (42% x 5.0) retained + 0.55 (0.78% x 70) counterparty → RBC ratio 3,409%
- Cedent transfers 70 of assets into trust → cedent TAC 20.00, reinsurer TAC 0.00
- After transfer: cedent RBC ratio = 20.00 ÷ 2.64 = 758%, reinsurer 0.00 ÷ 2.36 = 0% (minimum RBC 2.36 unfunded)
- Surplus deployed: the cedent releases 9.44 of TAC → TAC 10.56 ÷ minimum RBC 2.64 = 400%
- Recapture event: Cedent requires 70 reserves and minimum RBC returns to 5.00 → Trust has 70 net of losses + 9.44 additional TAC needed to restore the RBC ratio to 400%

Appendix III: RBC Ratio (CAL) Post-Recapture Charge

This Appendix presents the cedent-level impact of a flat 3.8% RBC charge (post-tax) applied to the reinsurance credit (translated to a 4.81% = 3.8%/(1-0.21) pre-tax charge).

Figure 8 measures the maximum potential decline of cedents' RBC (CAL) under the 3.8% charge (post-tax). The 86 companies shown represent 12.5% of the 686 companies with RBC greater than zero; 49 companies, or 7.1% of that population, have declines of at least 5 percentage points. In total, 13 cedents would have an RBC ratio that would fall near or below the regulatory trigger (i.e., 300% RBC (ACL)). *Figure 9* tabulates the number of RBC Ratio Levels for Companies with RBC (CAL) 100%+ Reductions. Due to data limitations, the figures do not account for potential RBC offsets from overcollateralization beyond reserve credit; thus, the estimates represent a maximum potential impact.[6]

Figure 8: Maximum Potential Impact of 3.8% (post-tax) Non-Reciprocal Recapture RBC (CAL) Charge - U.S. Life & Annuity Companies (YE2025)*

Decline in RBC (CAL) ratio **= RBC (CAL) before charge - RBC (CAL) after the charge**	**# Companies - 3.8% RBC charge**	**% of Companies in Table**	**% of All U.S. L&A Companies (RBC > 0)**
< 5%	37	43.0%	5.4%
5% - 20%	9	10.5%	1.3%
20% - 50%	12	14.0%	1.7%
50% - 100%	10	11.6%	1.5%
100%+	18	20.9%	2.6%
Total	**86**	**100.0%**	**12.5%**
Coverage			
Total U.S. life & annuity companies	711		
Total U.S. life & annuity companies with RBC > 0	686		
% of U.S. L&A companies (RBC > 0) impacted by the proposal	**12.5%**		
% of U.S. L&A companies (RBC > 0) with impact of 5% or more	7.1%		
***The maximum potential estimated impact does not reflect over-collateralization. Any such excess qualifying collateral can reduce the impact, potentially down to 0% for an individual company.**			

Figure 9: RBC Ratio Levels for Companies with RBC (CAL) 100%+ Reductions

RBC (CAL) ratio after charge (ACL equivalent)	**#Companies with 100%+ decline**	**% Companies in Table**
<150% CAL (<300% ACL)	4	22.2%
150% - 300% CAL (300% - 600% ACL)	6	33.3%
300% - 500% CAL (600% - 1000% ACL)	5	27.8%
500%+ CAL (1000%+ ACL)	3	16.7%
Total	**18**	**100.0%**

RBC Trigger Levels can be avoided with additional overcollateralization

[6] Details regarding collateral are reported only for transactions with Unauthorized reinsurers on Schedule S Part 4. A review of Schedule S Part 4 2025 data suggests insurers are not reporting Funds Deposited consistently.

Appendix IV. Limitations of the analysis

- **Collateral.** Collateral data are only available for transactions with Unauthorized insurers, which covers the non-Reciprocal sample. A review of Schedule S Part 4 2025 data suggests insurers are not reporting Funds Deposited consistently.
- **The use of RBC ratios as target ratios.** Throughout this memo, target RBC ratios are proxied by cedent company ratios or weighted industry averages.

Appendix IV. Data

Key calculations

- *Implied RBC charge applied to reserve credit% = $RBC Charge (CAL) / (Reserves – ModCo + TAC) = 2*$RBC Charge (ACL) / (Reserves – ModCo + TAC)*
- *TAC shortfall (non-allowance reinsurance credit) ($000) = Implied RBC Charge * RBC ratio (CAL) * Reserve Credit & ModCo*

Key data fields

- **General fields**
  - CAL RBC Ratio (251701)
  - Surplus (i.e., TAC) & Reserves
    - TAC = ACL RBC (123211) * ACL RBC Ratio (123212)
    - Net Reserves = Reserves: General Account (123675) - ModCo Reserves Life Contracts (115603) - ModCo Reserves A&H Contracts (115605) - ModCo Reserves Deposit Type Contracts (115607)
- **Non-Reciprocal Reinsurance – SA & GA**
  - Identifying Non-Reciprocal Reinsurance
    - Country Name (113837) ≠ U.S., E.U., U.K., Japan, Switzerland, or Bermuda
    - Reinsurance Authorization Status by year (120734)
  - Reserve Credit + ModCo Reserve
    - Schedule S Part 3 Section 2 (120742) - ModCo Reserves Life
    - Schedule S Part 3 Section 2 (120751) - ModCo Reserves A&H
    - Schedule S Part 4 (Unauthorized) Section 2 (120770) – Unauthorized Reserve Credit Taken (reserve credit taken, paid and unpaid losses recoverable, and other debits related to reinsurance)
  - Collateral
    - Total Relat: Unauth Ceded: Letters of Credit (120771)
    - Total Relat: Unauth Ceded: Trust Agreement (120772)
    - Total Relat: Unauth Ceded: Funds Deposited (120773)
    - Total Relat: Unauth Ceded: Other (120774)
    - Total Relat: Unauth Ceded: Misc. Balances (Credit) (120775)
- **Identifying lines of business**
  - Life Heavy - Life Insurance: Gross AR: Total Life & Ann inc Supp (126797)
    - Note: [Life ASI page 132] Reserves should be computed on a "gross" basis, i.e., direct and reinsurance assumed combined. Then, deductions for reinsurance ceded should be computed…
  - Annuity Heavy - Annuities: Gross AR: Total Life & Ann inc Supp (126986)
    - Note: [Life ASI page 132] Reserves should be computed on a "gross" basis, i.e., direct and reinsurance assumed combined. Then, deductions for reinsurance ceded should be computed…
  - A&H Heavy - Gross Policy Reserve AR: Total Accident and Health (325032)
    - Note: [Life ASI page 132] Reserves should be computed on a "gross" basis, i.e., direct and reinsurance assumed combined. Then, deductions for reinsurance ceded should be computed…
  - VA Heavy: Note that reserves are not reported separately. Variable-annuity value is used as a proxy because reserves are not reported separately. References to VA Reserves in Figures 2 and 4 denote this value proxy, rather than a separately reported reserve measure.

- General Account Value AR: Ind Variable Annuities: General Acct (310072) +
- General Account Value AR: Group Variable Annuities: General Acct (310072) +
- Separate Account Value AR: Ind Variable Annuities: General Acct (310073) +
- Separate Account Value AR: Group Variable Annuities: General Acct (310073) +

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Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☒ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☐ RBC Investment Risk & Evaluation (E) Working Group

DATE:	**10/22/2026**
CONTACT PERSON:	**Kazeem Okosun**
TELEPHONE:	**816-783-8981**
EMAIL ADDRESS:	**kokosun@naic.org**
ON BEHALF OF:	**Life Risk-Based Capital (E) Working Group**
NAME:	**Ben Slutsker, Chair**
TITLE:	**Director of Life Actuarial Valuation**
AFFILIATION:	**Minnesota Dept of Commerce**
ADDRESS:	**85 7th Place East, Suite 280**
	Saint Paul, MN 55101

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Agenda Item # 2026-17-L
Year 2027

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____

EXPOSED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____

REJECTED:
☐ TF ☐ WG ☐ SG _____

OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☐ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

The proposal addresses the Financial Condition (E) Committee referral directing the Working Group to develop a Risk-Based Capital (RBC) charge applicable to reserve credit taken, modified coinsurance reserves, unearned premium reserves, and other reserve credits ceded to unauthorized assuming insurers not domiciled in reciprocal jurisdictions. The proposal recognizes AG55-permitted collateral in determining the resulting RBC requirement and is intended to reflect the additional capital that may be required if a ceding company must recapture business ceded to such assuming insurers. The proposal also provides recognition of overcollateralization, subject to limitations prescribed in the Life RBC instructions.

Additional Staff Comments:

** **This section must be completed on all forms.** **Revised 2-2023**

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REINSURANCE

LR016

Basis of Factors

There is a risk associated with recoverability of amounts from reinsurers. The risk is deemed comparable to that represented by bonds between risk classes 1 and 2 and is assigned a pre-tax factor of 0.78**%**. To avoid an overstatement of risk-based capital, the formula gives a 0.78**%** pre-tax credit for reinsurance with non-authorized and certified companies, for reinsurance among affiliated companies, for reinsurance with funds withheld or reinsurance with authorized reinsurers that is supported by equivalent trusteed collateral that meets the requirements stipulated in Appendix A-785 (Credit for Reinsurance), where there have been regular bona fide withdrawals from such trusteed collateral to pay claims or recover payments of claims during the calendar year covered by the RBC report, and for reinsurance involving policy loans. Withdrawals from trusteed collateral that are less than the amounts due the ceding company shall be deemed to not be bona fide withdrawals.

There is also a risk associated with recapture of businesses ceded to reinsurers. The increase in ceded business, particularly to jurisdictions outside the U.S., naturally increases recapture risks. Abstracting from the complexities and risks of the recapture transaction, the mechanical implications of placing policies back on the cedent's balance sheet increase capital requirements. A pre-tax factor of [4.81%] (a 21% tax rate is used, to derive a post-tax recapture charge of 3.8%) is used as a proxy, applied to ceded reserves and modified coinsurance balances for all reinsurance located outside of reciprocal jurisdictions, to account for the additional capital that would be required if a ceding company had to recapture those reserves.

Specific Instructions for Application of the Formula

Lines (1) through (7)
The first seven components of the reinsurance formula are charged against all reinsurance recoverables and ceded reserve credits as reported in Schedule S.

Lines (8) through (12)
A negative 0.78% pre-tax factor is applied to these five components. These adjustments should only be applied to business assumed from subsidiaries of the company. The adjustment should be multiplied by the proportion of the ceding company owned by the parent. The subsidiary's RBC is part of the individual company's RBC, and sister affiliate reinsurers should NOT be included. In addition, no adjustment should be made where an adjustment has already been taken in the re-established liability components above. This would be the case if the subsidiary reinsurer was unauthorized or the treaty with the company involved funds held.

Lines (13) through (16)
The last four components are primarily Page 3 liabilities (including Line 24.02 – Reinsurance in Unauthorized and Certified Companies and Line 24.03 – Funds Held under Reinsurance Treaties with Unauthorized and Certified Reinsurers, Line 24.07 – Funds Held under Coinsurance and Line 25 – Aggregate Write-ins for Liabilities). Line (15) is also to include amounts in support of Lines (1) through (7) and subject to the provisions of *Credit for Reinsurance Model Regulation (#786)*. A pre-tax factor of negative 0.78**%** is applied. This considers that these liabilities reported on Page 3 have been reestablished in the balance sheet offsetting the reinsurance ceded reserve credits taken elsewhere.

Lines (17) through (21)

Calculation of gross and net recapture risk capital requirement is only required for non-reciprocal In-Scope Transactions as defined in Life & Fraternal Annual Statement Instructions for Schedule S, Part 3 Section 1 & Section 2.

Line (17) – Non-Reciprocal Jurisdiction Reserve Credit.

Column (1) Report the total Reserve Credit Taken & Modified Reserve amounts from Schedule S, Part 3, Section 1, Column 20, line 9999999 and Schedule S, Part 3, Section 2, Column 19, line 9999999.

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Column (4) Apply the Recapture Risk – Non-Reciprocal Jurisdiction capital pre-tax factor of [0.0481].

Line (18) – Permitted Collateral Shortfall Surcharge / Overcollateralization Credit

Overcollateralization must be due upon recapture in order to receive the offset for the capital charge. Apply a factor of −1.0000. A positive statement value represents Permitted Collateral above 100% of the Non-Reciprocal Jurisdiction Amount and reduces the Line (17) capital charge. A negative statement value represents a collateral shortfall and, after application of the factor, increases the capital requirement dollar-for-dollar.

Do not recognize collateral above [104.81%] of an assuming insurer's Non-Reciprocal Jurisdiction Amount or use one assuming insurer's excess collateral to offset another's deficiency.

Line (19) – Gross Recapture Risk Charge

Report the sum of the RBC Requirement amounts reported on Lines (17) and (18). Report no less than zero.

$$\text{Line (19)} = \text{MAX}[\text{Line (17), Column (4)}, +\text{Line (18), Column (4)}, 0]$$

This is the gross recapture risk charge requirement before deducting RBC already included in Lines (1) through (16) for the same transactions.

Line (20) – Less: RBC requirement assessed in Line (1) through (16)
Report the RBC requirement or credit already included in Lines (1) through (16) attributable to the same reinsurance transactions included in the calculation of Line (19).
Include only the actual RBC requirement already recognized in Lines (1) through (16) for transactions reported in Schedule S, Part 3, Section 1, Column 20 and Section 2, Column 19.
Apply a factor of −1.0000.

Line (21) – Net Recapture Risk Charge
Report the excess of Line (19), Column (4), over Line (20), Column (4), but not less than zero.

$$\text{Line (21)} = \text{MAX}[\text{Line (19), Column (4)}, + \text{Line (20), Column (4)}, 0]$$

This is the additional requirement above RBC already included in Lines (1) through (16) for the same transactions.

Consequently, the total RBC requirement attributable to a non-reciprocal jurisdiction transaction equals the greater of:

- the existing RBC requirement included in Lines (1) through (16) for the same transaction; or
- the Gross Non-Reciprocal Jurisdiction Requirement calculated on Line (19).

REINSURANCE

		Annual Statement Source	(1) Statement Value	(2) 100% Owned Affiliates	(3) RBC Subtotal		Factor		(4) RBC Requirement
	Reinsurance Ceded†								
(1)	Recoverable on Paid Losses (Life)	Schedule S Part 2 Column 6 Line 1199999				X	0.0078	=	
(2)	Recoverable on Paid Losses (A&H)	Schedule S Part 2 Column 6 Line 2299999				X	0.0078	=	
(3)	Recoverable on Unpaid Losses (Life)	Schedule S Part 2 Column 7 Line 1199999				X	0.0078	=	
(4)	Recoverable on Unpaid Losses (A&H)	Schedule S Part 2 Column 7 Line 2299999				X	0.0078	=	
(5)	Unearned Premiums (A&H)	Schedule S Part 3 Section 2 Column 9 Line 4599999				X	0.0078	=	
(6)	Other Reserve Credits (A&H)	Schedule S Part 3 Section 2 Column 10 Line 4599999				X	0.0078	=	
(7)	Reserve Credit (Life)	Schedule S Part 3 Section 1 Column 9 Line 4599999	$2,000,000		$2,000,000	X	0.0078	=	$15,600

			(1) Statement Value	(2) Other than 100% Owned Affiliates	(3) RBC Subtotal		Factor		(4) RBC Requirement
	Reinsurance Assumed Credit								
(8)	Affiliate Reserve Credit (Life)	Schedule S Part 1 Section 1 Column 9 Line 0799999				X	-0.0078	=	
(9)	Affiliate Reinsurance Payable (Life)	Schedule S Part 1 Section 1 Column 11 Line 0799999				X	-0.0078	=	
(10)	Reinsurance Assumed on Unearned Premiums (A&H)	Schedule S Part 1 Section 2 Column 9 Line 0799999				X	-0.0078	=	
(11)	Reinsurance Assumed Other Reserved Credits (A&H)	Schedule S Part 1 Section 2 Column 10 Line 0799999				X	-0.0078	=	
(12)	Reinsurance Assumed - Losses (A&H)	Schedule S Part 1 Section 2 Column 11 Line 0799999				X	-0.0078	=	
	Reinsurance Payable Credit								
(13)	Reinsurance in Unauthorized and Certified Companies	Page 3 Column 1 Line 24.02				X	-0.0078	=	
(14)	Funds Held in Unauthorized and Certified Reinsurers	Page 3 Column 1 Line 24.03				X	-0.0078	=	
(15)	Funds Held in Authorized Reinsurers and Funds Held in Reciprocal Jurisdiction Reinsurers and Trusteed Collateral Supporting Authorized Reinsurance	Page 3 Column 1 Line 24.07 in part and Company Records				X	-0.0078	=	
(16)	Other Reinsurance Recoverable or Reserves "Reestablished" on Page 3	Page 3 Column 1 Line 25 in part				X	-0.0078	=	
	Recapture Risk - Non Reciprocal Jurisdiction								
(17)	**Non-Reciprocal Jurisdiction Reserve Credit (Life and A&H)**	**Schedule S, Part 3, Section 1, Column 20, Line 9999999 + Schedule S, Part 3, Section 2, Column 19, Line 9999999**				X	**0.0481**	=	
(18)	**Permitted Collateral Shortfall Surcharge/ Overcollateralization Credit (Life and A&H)**	**Schedule S, Part 3, Section 1, [MIN(Column 22, 104.81% × Column 20) − Column 20], plus Schedule S, Part 3, Section 2, [MIN(Column 21, 104.81% × Column 19) − Column 19].**				X	**-1.0000**	=	
(19)	**Gross Recapture Risk Charge**	**Line (17) + Line (18)**						=	
(20)	**Less: RBC requirement assessed in Line (1) through (16)**	**Company Records**				X	**-1.0000**	=	
(21)	**Net Recapture Risk Charge**	**Line (19) + Line (20)**							
(22)	Total Reinsurance	Sum of Lines (1) through (16) **plus Line (21)**							

† Statement values should be net of policy loans if policy loans are part of the reinsurance transaction.

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NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

		FOR NAIC USE ONLY
	DATE: 11/5/2026	Agenda Item # 2026-32BWG Year 2027 Changes to Existing Reporting [X] New Reporting Requirement [ ]
CONTACT PERSON:		**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT** No Impact [X] Modifies Required Disclosure [ ]
TELEPHONE:		
EMAIL ADDRESS:		
ON BEHALF OF:		
NAME:	Ben Slutsker	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No] ****If Yes, complete question below****
TITLE:	Director of Life Actuarial Valuation	
AFFILIATION:	Minnesota Dept. of Commerce	**DISPOSITION** [ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ ] Adopted Date [ ] Rejected Date [ ] Deferred Date [ ] Other (Specify)
ADDRESS:	85 7th Place East, Suite 280 Saint Paul, MN 55101	

BLANK(S) TO WHICH PROPOSAL APPLIES

[X] **ANNUAL STATEMENT**	[X] **INSTRUCTIONS**	[X] **CROSSCHECKS**
[ ] **QUARTERLY STATEMENT**	[X] **BLANK**	
[X] Life, Accident & Health/Fraternal	[ ] Separate Accounts	[ ] Title
[ ] Property/Casualty	[ ] Protected Cell	[ ] Other
[ ] Health	[ ] Health (Life Supplement)	[ ] Life (Health Supplement)

Anticipated Effective Date: Annual 2027

IDENTIFICATION OF ITEM(S) TO CHANGE

This proposal was prepared to incorporate a more detailed reporting of Schedule S – Part 3, Section 1 and Schedule S – Part 3, Section 2. The expanded presentation helps to facilitate the work of Life Risk Based Capital (E) Working Group, which has been directed by the Financial Condition (E) Committee to develop a more refined RBC framework to capture reinsurance risk, including recapture risk and counterparty risk.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The current Schedule S structure does not separately identify collateral supporting reinsurance recoverable and reserve credits. As a result, sufficient data is not available to distinguish between collateralized and uncollateralized reinsurance exposures for Life RBC purposes.

The proposed reporting elements provide transparency regarding the extent to which reinsurance exposures are secured by collateral while maintaining consistency with existing Schedule S reporting. The continuation-page approach minimizes disruption to the existing schedules while providing data necessary for future RBC calculations, regulatory analysis, and solvency monitoring. Separate continuation pages for Life and Accident & Health business recognize that the underlying exposure measures and associated RBC calculations may differ across product lines.

IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** **This section must be completed on all forms.** **Revised 11/17/2022**

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ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL & HEALTH

SCHEDULE S – PART 3 – SECTION 1

REINSURANCE CEDED LIFE INSURANCE, ANNUITIES, DEPOSIT FUNDS, AND OTHER LIABILITIES WITHOUT LIFE OR DISABILITY CONTINGENCIES, AND RELATED BENEFITS LISTED BY REINSURING COMPANY AS OF DECEMBER 31, CURRENT YEAR

Detail Eliminated To Conserve Space

Column 15 – Funds Withheld Under Coinsurance

Report the amount of funds withheld on coinsurance contracts.

Column 16 – Reserve Credit Taken & Modified Coinsurance Reserve

Report the sum of Column 9, Reserve Credit Taken – Current Year, and Column 14, Modified Coinsurance Reserve (Column 9 + 14).

Column 17 – Other Collateral

Report qualifying collateral securing the reserve credit taken or recoverable from the assuming reinsurer that is not reported as Modified Coinsurance Reserve or Funds Withheld Under Coinsurance.

Qualifying collaterals must meet the requirements of the Credit for Reinsurance Model Law (785) and Credit for Reinsurance Model Regulation (786) and may consist of the following:

- **Multiple beneficiary trusts** — trusts established for the benefit of more than one ceding entity. Where collateral is held in a multiple beneficiary trust, report only the portion allocable to the reporting entity under the terms of the trust agreement. The aggregate amount reported by all ceding entities with respect to a single trust shall not exceed the trust balance.
- **Letters of credit** — clean, irrevocable, unconditional and evergreen letters of credit issued or confirmed by a qualified United States financial institution as defined in Appendix A-785 of the Accounting Practices and Procedures Manual.
- **Trust agreements** — single beneficiary trust agreements established for the sole benefit of the reporting entity.
- **Other qualifying collateral** — deposits or other assets pledged as security and held in a trust or custodial account, subject to withdrawal solely by, and under the control of, the reporting entity.

Amounts reported shall be limited to collateral held for the benefit of the reporting entity that is available for withdrawal by, and under the control of, the reporting entity as of the reporting date.

No amount shall be reported more than once, either within this column or in combination with the amounts reported as Modified Coinsurance Reserve or Funds Withheld Under Coinsurance. Collateral securing obligations of more than one assuming reinsurer shall be allocated among those reinsurers and shall not be reported in full against each.

Column 18 – Total Collateral (Column 14 + Column 15 + Column 17) Not in excess of Column 16

Column 19 – Net Recoverable Net Collateral, (Columns 16 – 18)

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Note that Columns 20 through 22 are not applicable to all reinsurers. Only complete these columns for affiliated and/or unaffiliated reinsurers, including captives, domiciled in jurisdictions other than Reciprocal Jurisdictions (as updated in https://content.naic.org/sites/default/files/inline-files/RJ%20List.pdf). (Collectively In-Scope Transaction)
These Columns need to be filled out for both General Accounts and Separate Accounts categories if In-Scope Transactions apply.

For avoidance of doubt, the following reinsurance transactions will be excluded from In-Scope Transactions:
Transaction with:

- Authorized reinsurers;
- Certified reinsurers, only if domiciled in reciprocal jurisdictions*;
- Reinsurers domiciled in reciprocal jurisdictions*;
- U.S.-domiciled captives.

* As updated in https://content.naic.org/sites/default/files/inline-files/RJ%20List.pdf

Column 20 – Reserve Credit Taken & Modified Coinsurance Reserve

Report the full amount reported in Column 16, Reserve Credit Taken and Modified Coinsurance Reserve, for each In-Scope Transaction. The amount reported in this column shall not exceed the amount reported in Column 16.

Column 21 – Collateral Not Recognized

Report the portion of modified coinsurance reserves, funds withheld under coinsurance, and other collateral reported in Columns 14, 15 and 17 that consists of assets not eligible for recognition as permitted collateral for purposes of the Life Risk-Based Capital formula, including non-admitted assets, assets permitted to be admitted by the ceding company's domiciliary regulator but which are otherwise non-admitted, letters of credit, contingent notes, credit-linked notes, excess of loss (XOL) reinsurance, parental and affiliate guarantees. Also include any collateral that, under the terms of the reinsurance agreement, would not be available to the ceding insurer upon recapture of the reinsurance agreement. If Column 20 is zero, report zero. The amount reported shall not exceed the sum of Columns 14, 15, and 17. Amounts reported in this column shall not be recognized as permitted collateral for purposes of the Life Risk-Based Capital formula.

Column 22 – Permitted Collateral

Report the amount of collateral eligible for recognition as permitted collateral for purposes of determining the Non-Reciprocal Jurisdiction Requirement. The amount reported shall reflect the applicable collateral reported in Columns 14, 15, and 17, less the amount reported in Column 21. If Column 20 is zero, report zero. Collateral attributable to an assuming insurer shall be reported only for that assuming insurer and shall not be applied to any other assuming insurer. Only collateral that, under the terms of the reinsurance agreement, would be available to the ceding insurer upon recapture of the reinsurance agreement may be recognized in this column. The amount reported shall not be less than zero. Assets reported in this column shall be recognized as Permitted Collateral for purposes of the Life Risk-Based Capital formula.

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SCHEDULE S – PART 3 – SECTION 2

REINSURANCE CEDED ACCIDENT AND HEALTH INSURANCE LISTED BY REINSURING COMPANY AS OF DECEMBER 31, CURRENT YEAR

Detail Eliminated To Conserve Space

Column 14 – Funds Withheld Under Coinsurance

Report the amount of funds withheld on coinsurance contracts.

Column 15 – Unearned Premiums & Reserve Credit Taken & Modified Coinsurance Reserve

Report the sum of Column 9, Unearned Premiums (Estimated) plus Column 10, Reserve Credit Taken Other than for Unearned Premiums plus Column 13, Modified Coinsurance Reserve.

Column 16 – Other Collateral

Report qualifying collateral securing the reserve credit taken or recoverable from the assuming reinsurer that is not reported as Modified Coinsurance Reserve or Funds Withheld Under Coinsurance.

Qualifying collaterals must meet the requirements of the Credit for Reinsurance Model Law (785) and Credit for Reinsurance Model Regulation (786) and may consist of the following:

- **Multiple beneficiary trusts** — trusts established for the benefit of more than one ceding entity. Where collateral is held in a multiple beneficiary trust, report only the portion allocable to the reporting entity under the terms of the trust agreement. The aggregate amount reported by all ceding entities with respect to a single trust shall not exceed the trust balance.
- **Letters of credit** — clean, irrevocable, unconditional and evergreen letters of credit issued or confirmed by a qualified United States financial institution as defined in Appendix A-785 of the Accounting Practices and Procedures Manual.
- **Trust agreements** — single beneficiary trust agreements established for the sole benefit of the reporting entity.
- **Other qualifying collateral** — deposits or other assets pledged as security and held in a trust or custodial account, subject to withdrawal solely by, and under the control of, the reporting entity.

Amounts reported shall be limited to collateral held for the benefit of the reporting entity that is available for withdrawal by, and under the control of, the reporting entity as of the reporting date.

No amount shall be reported more than once, either within this column or in combination with the amounts reported as Modified Coinsurance Reserve or Funds Withheld Under Coinsurance. Collateral securing obligations of more than one assuming reinsurer shall be allocated among those reinsurers and shall not be reported in full against each.

Column 17 – Total Collateral (Column 13 + Column 14 + Column 16) Not in excess of Column 15

Column 18 – Net Recoverable Net Collateral, (Columns 15 – 17)

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Note that Columns 19 through 21 is not applicable to all reinsurers. Only complete these columns for affiliated and/or unaffiliated reinsurers, including captives, domiciled in jurisdictions other than Reciprocal Jurisdictions (as updated in https://content.naic.org/sites/default/files/inline-files/RJ%20List.pdf). (Collectively In-Scope Transaction)
These Columns need to be filled out for both General Accounts and Separate Accounts categories if In-Scope Transactions apply.

For avoidance of doubt, the following reinsurance transactions will be excluded from In-Scope Transactions:
Transaction with:

- Authorized reinsurers;
- Certified reinsurers, only if domiciled in reciprocal jurisdictions*;
- Reinsurers domiciled in reciprocal jurisdictions*;
- U.S.-domiciled captives.

* As updated in https://content.naic.org/sites/default/files/inline-files/RJ%20List.pdf

Column 19 – Unearned Premiums, Reserve Credit Taken, & Modified Coinsurance Reserve

Report the full amount reported in Column 15, Unearned Premiums, Reserve Credit Taken and Modified Coinsurance Reserve, for each In-Scope Transaction. The amount reported in this column shall not exceed the amount reported in Column 15.

Column 20 – Collateral not Recognized

Report the portion of unearned premiums, modified coinsurance reserves, funds withheld under coinsurance, and other collateral reported in Columns 13, 14 and 16 that consists of assets not eligible for recognition as permitted collateral for purposes of the Life Risk-Based Capital formula, including non-admitted assets, assets permitted to be admitted by the ceding company's domiciliary regulator but which are otherwise non-admitted, letters of credit, contingent notes, credit-linked notes, excess of loss (XOL) reinsurance, parental and affiliate guarantees. Also include any collateral that, under the terms of the reinsurance agreement, would not be available to the ceding insurer upon recapture of the reinsurance agreement. If Column 19 is zero, report zero. The amount reported shall not exceed the sum of Columns 13, 14 and 16. Assets reported in this column shall not be recognized as Permitted Collateral for purposes of the Life Risk-Based Capital formula.

Column 21 – Permitted Collateral

Report the amount of collateral eligible for recognition as permitted collateral for purposes of determining the non-reciprocal Jurisdiction Requirement. The amount reported shall reflect the applicable collateral reported in Columns 13, 14, and 16, less the amount reported in Column 20. If Column 19 is zero, report zero. Collateral attributable to an assuming insurer shall be reported only for that assuming insurer and shall not be applied to any other assuming insurer. Only collateral that, under the terms of the reinsurance agreement, would be available to the ceding insurer upon recapture of the reinsurance agreement may be recognized in this column. The amount reported shall not be less than zero.

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ANNUAL STATEMENT BLANK – LIFE/FRATERNAL & HEALTH

SCHEDULE S – PART 3 – SECTION 1

Reinsurance Ceded Life Insurance, Annuities, Deposit Funds and Other Liabilities
Without Life or Disability Contingencies, and Related Benefits Listed by Reinsuring Company as of December 31, Current Year

1	2	3	4	5	6	7	8	Reserve Credit Taken		11	Outstanding Surplus Relief		14	15
NAIC Company Code	ID Number	Effective Date	Name of Company	Domiciliary Jurisdiction	Type of Reinsurance Ceded	Type of Business Ceded	Amount in Force at End of Year	9 Current Year	10 Prior Year	Premiums	12 Current Year	13 Prior Year	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance
9999999 Totals														

SCHEDULE S – PART 3 – SECTION 1 (Continued)

Reinsurance Ceded Life Insurance, Annuities, Deposit Funds and Other Liabilities
Without Life or Disability Contingencies, and Related Benefits Listed by Reinsuring Company as of December 31, Current Year

ID Number from Col. 2	Name of Company From Col. 4	16 Reserve Credit Taken & Modified Coinsurance Reserve (Col. 9 + 14)	17 Other Collateral	18 Total Collateral (Col. 14 + 15 +17) Not in excess of Col. 16	19 Net Recoverable Net Collateral (Col. 16 – 18)	Non-Reciprocal Jurisdiction (Columns to be filled by In-Scope Transactions Only, See Instructions)		
						20 Reserve Credit Taken & Modified Coinsurance Reserve (Column 16)	21 Collateral not Recognized for RBC Purposes, (Not more than Col. 14 + 15 +17)	22 Permitted Collateral for RBC Purposes (Col. 18 – 21)
9999999 Totals								

SCHEDULE S – PART 3 – SECTION 2

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

1 NAIC Company Code	2 ID Number	3 Effective Date	4 Name of Company	5 Domiciliary Jurisdiction	6 Type of Reinsurance Ceded	7 Type of Business Ceded	8 Premiums	9 Unearned Premiums (Estimated)	10 Reserve Credit Taken Other Than for Unearned Premiums	Outstanding Surplus Relief		13 Modified Coinsurance Reserve	14 Funds Withheld Under Coinsurance
										11 Current Year	12 Prior Year		
9999999 Totals													

SCHEDULE S – PART 3 – SECTION 2 (Continued)

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

ID Number from Col. 2	Name of Company From Col. 4	15 Unearned Premiums, Reserve Credit Taken, & Modified Coinsurance Reserve (Col. 9 + 10 + 13)	16 Other Collateral	17 Total Collateral (Col. 13 + 14 +16) Not in excess of Col. 15	18 Net Recoverable Net Collateral (Col. 15 – 17)	Non-Reciprocal Jurisdiction (Columns to be filled by In-Scope Transactions Only, See Instructions)		
						19 Unearned Premiums, Reserve Credit Taken & Modified Coinsurance Reserve (Column 15)	20 Collateral not Recognized for RBC Purposes, (Not more than Col. 13 + 14 +16)	21 Permitted Collateral for RBC Purposes (Col. 17 – 20)
9999999 Totals								

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LRBC Questions for Non-Reciprocal Recapture Risk Charge Proposal

Lightning Round

1. **Overcollateralization** - Will the Working Group consider the possibility that no additional charge is needed where ceded reserves are fully collateralized or overcollateralized?

2. **Existing RBC Charge** – How will this new charge interact with the existing counterparty risk charge?

3. **Second Directive** – How will this new charge interact with the charge developed in the second directive?

4. **ACL vs. Surplus** – Is the goal to restore the cedent's ACL or surplus to the pre-reinsurance level?

5. **XXX/AXXX** – For XXX/AXXX reinsurance transactions, will the level of non-economic reserves be considered when determining permitted collateral consistent with AG48?

6. **Impact Study** – Will there be an impact study?

7. **Purpose/Evidence** – What is the purpose of this project and is there any evidence that there have been more insolvencies in non-reciprocal jurisdictions?

8. **AG 55 Analysis** – What specific deficiencies did the Actuarial Guideline LV (AG 55) reviews identify, and how many were resolved through existing supervisory tools? Will the Working Group publish an aggregated, anonymized summary of those findings?

9. **Recapture Amount vs. Collateral** – What does “due upon recapture” require in practice? For example, would collateral qualify if it is held in a trust or funds-withheld account and released to the reinsurer only after the ceding insurer’s obligations have been satisfied?

10. **Memo Clarification** – Could Bridgeway expand on the comment “Reasonable assumptions can lead to empirically implied RBC charges that can range from 50% to 100% of the values in Figure 2”?

Discussion Questions

1. **Counterparty Capital Position** - Will the reinsurer's own capital, as reported to its home supervisor, be recognized in any way?

2. **Annuities vs. Other Lines** – The memo states that the annuity-heavy writers have a lower charge than the average so why isn't the lower one used?

3. **Including Nonrelevant RBC Components** – Why would C-4 be included in the RBC factor when it is not transferred over in reinsurance (as well as other similar components)?

4. **Collateral Composition** – Will the Working Group consider differentiating the factor based on the quality and liquidity of the assets supporting the ceded reserves? What about different LOCs?

5. **Alternative Method** – Can an alternative method be used? Can a benchmark be used, such as the exact RBC calculation?

6. **Inforce** (*Time Pending*) – Will in-force treaties be grandfathered, or will the charge be phased in for them?

7. **Covariance** (*Time Pending*) – Is it appropriate for all of the charge to sit in C-1o, which will get a different covariance charge than the true recapture impact?

8. **Retrocessions** (*Time Pending*) – How will retrocessions be handled for a reinsurance to a reciprocal jurisdiction that cedes to a non-reciprocal jurisdiction?