

CLIENT ALERT

NAIC Report: 2025 Fall National Meeting

December 18, 2025

AUTHORS

Kara Baysinger | Leah Campbell | Stephanie Duchene | Matthew J. Gaul
Michael Groll | David Heales | Donald B. Henderson Jr. | Allison J. Tam
Maureen Curtiss | Melissa Khajaei

Hollywood, Florida hosted the 2025 Fall National Meeting (the “[Fall National Meeting](#)”) of the National Association of Insurance Commissioners (the “[NAIC](#)”) from December 8 to December 11, 2025. Highlights from the Fall National Meeting include:

- The Risk-Based Capital Model Governance (EX) Task Force (the “[RBC \(EX\) Task Force](#)”) adopted guiding principles addressing the purpose and use of RBC and outlining concepts for the maintenance of and future updates to the RBC framework.
- Executive and Plenary adopted revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* clarifying risk transfer requirements for combination reinsurance contracts.
- The Big Data and Artificial Intelligence (H) Working Group met in an extended session to discuss the *Artificial Intelligence (AI) Systems Evaluation Tool* resource for insurance regulators examining AI systems used by regulated entities.

- The Third-Party Data and Models (H) Working Group exposed for comment a draft regulatory framework that would create a state insurance department registration regime for third-party data and model providers.
- The Executive (EX) Committee adopted a Model Law Development Request for the new Reciprocal Exchanges (E) Working Group to modify the HCA Models to address the fairness and reasonableness of attorney-in-fact fees.

NAIC members also elected the following officers for 2026:

- President: Virginia Commissioner of Insurance Scott A. White
- President-Elect: Rhode Island Department of Business Regulation Director Elizabeth Kelleher Dwyer
- Vice President: Utah Insurance Commissioner Jon Pike
- Secretary-Treasurer: South Carolina Department of Insurance Director Michael Wise

The report below further summarizes key activities at the Fall National Meeting, and certain interim conference calls and other developments leading up to the Fall National Meeting.

Table of Contents

I. Financial Condition Regulation.....5

 A. Update on the NAIC’s Holistic Review of the RBC Framework5

 B. Insurer Investments7

 C. Statutory Accounting Updates8

II. Reinsurance..... 11

 A. Risk Transfer Analysis of Combination YRT and Coinsurance Reinsurance Agreements..... 11

 B. Implementation of AG 55 12

 C. Reinsurance Collateral Reduction Update 12

 D. Qualified Jurisdictions Update 12

 E. Macprudential Reinsurance Matters 12

III. Topics of Interest to the Life Insurance Industry..... 13

 A. NAIC Attention to Funding Agreement-Backed Note Programs..... 13

 B. Annuity Best Interest Regulatory Guidance and Considerations Document..... 13

IV. Topics of Interest to the P&C Insurance Industry 14

 A. Homeowners Insurance Matters..... 14

 B. Climate Risk and Resiliency 14

 C. Catastrophe Insurance Matters 14

V. Innovation, Technology and Privacy Developments..... 15

 A. Artificial Intelligence 15

 B. Proposed Framework for Registration of Third-Party Data and Models 16

 C. Privacy Protections 16

 D. Cybersecurity Event Notification Portal 17

VI. Other Topics of General Interest..... 17

 A. Executive (EX) Committee Approves Model Law Development Request Related to
 Reciprocal Attorney-in-Fact Fees 17

 B. NAIC Progresses White Paper and Best Practices Guidance on Insurance Business
 Transfer and Corporate Division Transactions 18

 C. International Updates 18

VII. Briefly Noted20

 A. Amendments to LTCI Framework.....20

 B. Update to NAIC Guidelines for State Accreditation20

Glossary

“Academy” means the American Academy of Actuaries.

“AI” means artificial intelligence.

“Certified Reinsurer” means a reinsurer that is domiciled in a “Qualified Jurisdiction” (meaning a non-U.S. jurisdiction on the NAIC list of “Qualified Jurisdictions” established pursuant to the NAIC Process for Evaluating Qualified and Reciprocal Jurisdictions) that is eligible for reduced reinsurance collateral pursuant to the 2019 amendments to the Credit for Reinsurance Models.

“CLO” means collateralized loan obligation.

“Credit for Reinsurance Models” means the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786).

“CRP” means credit rating provider.

“Executive and Plenary” means all of the U.S. state insurance commissioners in plenary session along with the NAIC’s Executive (EX) Committee.

“HCA Models” means the NAIC *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450).

“IAIG” means internationally active insurance group.

“IAIS” means the International Association of Insurance Supervisors.

“IMR” means interest maintenance reserve.

“P&P Manual” means the Purposes and Procedures Manual of the NAIC Investment Analysis Office.

“RBC” means risk-based capital.

“Reciprocal Jurisdiction Reinsurer” means a reinsurer that is domiciled in a “Reciprocal Jurisdiction” (meaning a non-U.S. jurisdiction listed on the NAIC list of “Reciprocal Jurisdictions” established pursuant to the NAIC Process for Evaluating Qualified and Reciprocal Jurisdictions) that is eligible to qualify for zero reinsurance collateral pursuant to the 2019 amendments to the Credit for Reinsurance Models.

“SSAP” means Statement of Statutory Accounting Principles.

“SVO” means the NAIC’s Securities Valuation Office.

“YRT” means yearly renewable term.

I. Financial Condition Regulation

A. Update on the NAIC's Holistic Review of the RBC Framework

1. *RBC (EX) Task Force Adopts Guiding Principles*

The RBC (EX) Task Force was formed earlier this year and charged with developing a set of guiding principles (the “Principles”) to “serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness and further the principle of ‘Equal Capital for Equal Risk.’” After several rounds of drafting with interested party feedback, the RBC (EX) Task Force adopted the Principles at the Fall National Meeting.

A key area of discussion in developing the Principles was whether they should include statements on the “purpose and use” of RBC. Ultimately, these concepts were included as Principles 1 and 2, with language that takes into account certain interested party feedback that RBC may appropriately be used in ways other than strictly for regulatory intervention purposes:

1. **Purpose.** The purpose of RBC requirements is to identify potentially weakly capitalized companies.
2. **Use.** RBC requirements are primarily used to facilitate regulatory action with respect to weakly capitalized companies. RBC requirements may be used for other purposes, but these uses must not distort or redefine the purpose of RBC requirements.

The other Principles address standards for maintaining and updating RBC:

3. **Materiality.** RBC requirements should be updated when a change is “a level at which a decision whether to update RBC could meaningfully impact the regulator’s assessment of . . . solvency risk.”
4. **“Equal capital for equal risk”** should guide RBC unless there are “substantial differences” in the nature of the risk to warrant alternative treatments.
5. **Objectivity.** RBC should appropriately consider factors that impact risk and not others unrelated to solvency risk.
6. **Accuracy.** RBC should be sufficiently precise to assess solvency risk while avoiding unnecessary complexity.
7. RBC maintenance and updates should be **“grounded in statutory accounting and reserving.”**
8. **Emerging risks.** RBC should be updated to address emerging risks by the time they become material to the industry or a segment of companies.

9. **Transparency.** The process to update and maintain RBC should adhere to NAIC open meetings policy and provide clear communication and documentation of updates, methodologies and supporting rationale.
10. **Process.** The process to update and maintain RBC must adhere to model risk management standards relying on data-driven methodologies.
11. **Prioritization.** Groups tasked with updating and maintaining RBC should use regulatory judgment to prioritize changes based on necessity, materiality, resource intensity and other relevant considerations.

The Principles document, currently available [here](#), also includes *Notes from Task Force Deliberations*, which provides additional context for each Principle.

2. *Next Steps for the RBC (EX) Task Force*

The RBC (EX) Task Force's outside consultant, Bridgeway Analytics ("[Bridgeway](#)"), shared a presentation on the task force's other projects and plans for 2026, including the following:

1. **RBC Preamble.** The RBC (EX) Task Force is continuing the Capital Adequacy (E) Task Force's ongoing project to update the preamble to the RBC blanks to clarify the purposes of RBC. The task force has reached an informal consensus on certain revisions, subject to further discussion, including the following:
 - a. Statement that "[a]ny insurer's assertion or disclosure of RBC information must be consistent with applicable state laws and should be accompanied by a disclosure statement alongside the RBC information articulating the relevant considerations when using RBC calculations outside of their stated regulatory purpose."
 - b. Language on the limitations of RBC, e.g., "[w]hile RBC requirements are designed to reflect differentiated risks across components, on their own, they may be insufficient for assessing differentiated risks for purposes other than identifying weakly capitalized companies."
2. **Gap Analysis.** Initially focusing on life RBC, Bridgeway has a "formative inventory and gap analysis" that evaluates each RBC instruction line for gaps and inconsistencies, including an evaluation of investment trends to assess the degree to which a gap might pose a risk to regulators' assessment of solvency. The Academy has agreed to work with Bridgeway and NAIC staff to review and provide feedback on the gap analysis.
3. **Model Risk Management Guidelines.** Bridgeway has compiled a draft that attempts to articulate governance concepts for retrospective and future RBC adjustments. These guidelines will be field tested and refined in connection with the gap analysis, and a draft has been shared with "key industry stakeholders."

- 4. **Education and Public Messaging Campaign.** Bridgeway is developing presentation materials that cover (i) the NAIC and the U.S. state-based system; (ii) the U.S. state-based regulatory toolbox; (iii) RBC as an evolving tool within the broader toolbox; and (iv) IAIS harmonization and AM comparability.

B. Insurer Investments

1. *Rating Agency Matters*

a. Update on the CRP Due Diligence Framework

The NAIC has hired PwC to design and implement a due diligence framework for the use of CRPs in evaluating investment risk (the “CRP Framework”). The project is intended to support the NAIC’s goal of reducing the SVO’s reliance on CRPs for assigning NAIC Designations to filing-exempt securities. PwC provided an update to the Valuation of Securities (E) Task Force (“VOSTF”) at the Fall National Meeting, describing its objective as establishing a “structured, scalable and pragmatic process” to provide “practical oversight focused on areas where CRP ratings have the greatest potential impact on the insurance industry.” PwC is currently analyzing NAIC ratings data and insurer statutory filings, and has issued a data call to the eight CRPs that provide credit rating services to the NAIC to provide more data to supplement the analysis. After the data analysis, a draft CRP Framework will be developed for public exposure. PwC will provide another update at the NAIC’s 2026 Spring National Meeting.

b. SVO Implementing Filing Exemption Discretion Process

In 2024, the NAIC adopted an amendment to the P&P Manual that authorizes regulators, effective January 1, 2026, to exclude a security from the automated filing exemption process if the exemption is based on a CRP rating that is found to not provide a reasonable assessment of investment risk, as we reported [here](#). NAIC staff reported to VOSTF at the Fall National Meeting that the SVO is still working on necessary system updates to make the process operational in 2026, along with agreements necessary to ensure the protection of confidential information.

c. Grace Period Adopted for Private Letter Rating Annual Updates

As we reported [here](#), insurance companies seeking filing exemption for privately rated securities are required to file a private rating letter and rationale report with the SVO. At the Fall National Meeting, VOSTF adopted a P&P Manual amendment, effective December 10, 2025, that provides a 30-day grace period after a CRP’s annual update to an existing private rating letter for a filing-exempt privately rated security for insurers to file the rating update with the SVO.

2. *New Investment-Related Committee Structure to Become Effective January 1, 2026*

In 2026, VOSTF will dissolve and be replaced by a new Invested Assets (E) Task Force, which will oversee three new working groups related to the oversight of insurance company investments: (i) the Invested Assets (E) Working Group, focused on portfolio level analysis; (ii) the Investment Designation Analysis (E) Working Group (“IDAWG”), focused on the analysis of individual investments for assignment of NAIC Designations; and (iii) the Credit Rating

Provider (E) Working Group, focused on the administration of the CRP Framework. Beginning in 2026, references in the P&P Manual to VOSTF will be deemed to refer to IDAWG. IDAWG will work to make substantive changes to the P&P Manual necessary to reflect the new committee structure over the course of 2026.

3. *Structured Securities*

a. Extension of CLO Modeling to Year-End 2026

VOSTF adopted a P&P Manual amendment that delays by one year the deadline for finalizing a methodology for the NAIC's Structured Securities Group to financially model insurers' CLO investments, from year-end 2025 to year-end 2026. The extension will allow for coordination with concurrent projects, namely (i) efforts to address long-term RBC treatment of CLOs and other asset-backed securities at the Risk-Based Capital Investment Risk and Evaluation (E) Working Group ("RBCIRE"), as described below; and (ii) the RBC (EX) Task Force's holistic review of the RBC framework, as discussed in Section I.A above.

b. RBC Treatment of CLOs and Other Structured Securities

RBCIRE met following the Fall National Meeting on December 15, 2025 and received an update from the Academy on its structured securities RBC project. Since 2022, the Academy has coordinated with RBCIRE to assess appropriate RBC treatment for CLOs, working toward principles for addressing long-term RBC treatment for structured securities generally. The Academy reported that it has accomplished two milestones: (i) finalizing key assumptions in its CLO modeling framework and (ii) identifying the full universe of CLO deals to be modeled. RBCIRE exposed for comment until January 29, 2026 an Academy presentation on sensitivity-testing assumptions in its CLO model, along with a proposal for more granular reporting of CLOs in the Life RBC instructions and blanks. In early 2026, the Academy intends to present the results of its modeling and propose Life RBC C-1 factors. If significant changes are not requested by regulators, the factors would be ready for exposure by April 30, 2026, with a goal for the Financial Condition (E) Committee to adopt them at the 2026 Summer National Meeting. Referrals would be made to the P&C and Health RBC working groups to develop parallel changes for those lines of business, likely with a 2027 or later effective year. The RBCIRE's current exposure materials are available [here](#).

C. Statutory Accounting Updates

1. *New Adoptions*

a. Investment Subsidiaries

The Statutory Accounting Principles (E) Working Group ("SAPWG") adopted revisions that complete the removal of the investment subsidiary concept from statutory reporting. These revisions include sponsoring a Blanks proposal to eliminate investment subsidiary reporting in the asset valuation reserve and Schedule D-6-1. SAPWG will also send a referral to the Life Risk-Based Capital (E) Working Group to remove the concept of an investment subsidiary from the Life RBC formula on pages LR042, LR043 and LR044.

For context, an investment subsidiary is a subsidiary of an insurer that only exists to hold permitted investments. Although the concept of an “investment subsidiary” was eliminated in the SSAPs in 2005, the annual statement instructions continued to provide guidance for reporting an “investment subsidiary.” Both regulators and NAIC staff noted that the current instructions for reporting “investment subsidiaries” lacked transparency for regulators. Companies could self-calculate the RBC treatment of their investments by placing them in a subsidiary that had no explicit asset detail to ensure compliance with SSAP requirements, state investment limitations, or NAIC Designation determination requirements. Furthermore, Schedule D-6-1 instructed reporting entities to use the undefined term “imputed statutory value” to measure investment subsidiaries. Such instruction directly conflicted with SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.

b. Debt Security and Residual Interest Disclosures

SAPWG adopted revisions, effective December 31, 2026, to ensure consistent disclosures and reporting frequencies for certain investments that are considered debt-securities and covered by different SSAPs, i.e., for bond securities, SSAP No. 26—*Bonds* (“SSAP No. 26”) and SSAP No. 43—*Asset-Backed Securities* (“SSAP No. 43”), and for non-bond debt securities and residuals, SSAP No. 21—*Other Admitted Assets*, and relevant Annual Statement instructions. Key revisions include (i) expansion of the existing annual audited-only SSAP No. 26 and SSAP No. 43 disclosure on bond sale proceeds and the resulting realized gain or loss to be a statutory data-captured disclosure so that it is included in the statutory financial statements, (ii) clarity that all impaired securities (i.e., when fair value is less than amortized cost) shall be captured in the financial statements of all debt-securities with a data-captured template and (iii) expansion of annual statement instructions and template disclosure for bifurcated other-than-temporary impairment to include non-bond debt securities and residual interests that follow the allowable earned-yield method. The revisions also require disclosures for residuals that identify the company’s measurement method (i.e., whether the company is using an Allowable Earned Yield or Practical Expedient methods) and whether the company is transitioning between methods.

c. Residential Mortgage Loans Held in Statutory Trusts

SAPWG adopted revisions to SSAP No. 37—*Mortgage Loans* (“SSAP No. 37”) and SSAP No. 40—*Real Estate Investments* that allow insurers to record residential mortgage loans held in qualifying statutory trusts on Schedule B as if directly held by the insurer. The revisions are effective January 1, 2027, with early adoption permitted.

To qualify under SSAP No. 37, the trust must: (i) be domiciled in either a U.S. state or territory; (ii) be 100% beneficially owned by the insurer; (iii) hold only permitted assets (cash and cash equivalents, real estate received through foreclosure, and residential mortgage loans); (iv) not engage in restricted activities; (v) pass mortgage loan cash flows directly to the insurer; and (vi) maintain certain documentation requirements.

d. Private Placement Securities

SAPWG adopted revisions to SSAP Nos. 2, 21, 26, and 43, effective December 31, 2026, that incorporate a new electronic reporting column to identify private placement securities in the relevant investment schedules and to incorporate an aggregate disclosure that details key investment information by type of public or private security.

The reporting categories are: public, Rule 144A, private placement, or not applicable. Following the Fall National Meeting, SAPWG will sponsor a Blanks proposal to incorporate the new disclosure requirements, with the intent that the proposal be adopted for a year-end 2026 effective date.

2. *New Exposures*

a. IMR Impact on Reinsurance Collateral

SAPWG exposed revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* for a public comment period ending February 13, 2026. The exposed revisions clarify how to treat IMR amounts that are eliminated when a reinsurance transaction is completed, so regulators can determine the amount of collateral the assuming insurer must maintain for the cedent to receive reinsurance credit. The collateral requirement only applies to certified and unauthorized reinsurers, and does not apply to reciprocal jurisdiction, authorized, accredited, or licensed reinsurers. The current guidance on derecognized net positive IMR has not been consistently followed, and is frequently driven by the reinsurance treaty. No guidance is provided for derecognized net negative IMR. The proposed revisions aim to clarify this issue by providing for asymmetrical treatment between net positive IMR and net negative IMR. The revisions explicitly add net positive IMR and exclude net negative IMR in the collateral formulas, with a footnote clarifying that the rule applies regardless of treaty terms.

b. IMR Proof of Reinvestment

SAPWG exposed revisions to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* for a public comment period ending February 13, 2026. The proposed concepts and templates provide for a “proof of reinvestment” test to support recognition of negative IMR. The core purpose of the test is that to defer losses into IMR, the company should show it is reinvesting sales proceeds into new fixed income instruments with higher yields. The exposed revisions provide two tests, a reinvestment test and a weighted-average-yield test. A company would have to pass both to move from a net positive IMR to a net negative IMR or increase a negative IMR balance. If a company fails either test, they would only be permitted to recognize in IMR current year realized losses that offset current year realized gains. Companies will still record IMR throughout the year as usual. However, if a company fails to provide year-end proof that it passes both of the tests, it must adjust IMR at year-end to reflect the failed result.

c. Separate Account Nonadmitted Assets

SAPWG exposed revisions to *SSAP No. 56—Separate Accounts* for a public comment period ending February 13, 2026, with a proposed effective of January 1, 2027. The proposal adds nonadmitted asset reporting to the separate account blank for assets held at the general account basis (book-value). This change is proposed for all insulated and non-insulated separate account filings. Currently, *INT 23-01 Net Negative (Disallowed) Interest Maintenance Reserve* permits reporting entities to admit net negative IMR of up to 10% of their adjusted general account capital and surplus, subject to certain restrictions as well as reporting and disclosure requirements. Under the proposed revisions, if assets exceed admittance limits, they would be shown as nonadmitted in the separate account, allowing for future admittance if the reporting entity goes below the limit.

d. SSAP No. 1 Modco/FWH Code

SAPWG exposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to expand paragraph 23b to add reporting for assets held under a modified coinsurance arrangement and funds withheld arrangements. The revisions add separate categories for modco assets, funds withheld assets, and certain collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet. These categories were previously added to Note 5L when the Blanks (E) Working Group adopted agenda item 2025-06BWG.

3. Other SAPWG Items

a. Asset-Liability Matching Derivatives

SAPWG directed NAIC staff to prepare an issue paper and a concurrent SSAP to reflect statutory accounting guidance for interest-rate hedging derivatives used for asset-liability management using an amortized cost approach. NAIC staff recommend mirroring *SSAP No.86—Derivative’s* treatment of highly-effective hedges so derivatives are reported at cost with no surplus fair value fluctuations during the hedge’s life. Under this approach, the resulting gain or loss would be recognized at termination. SAPWG aims to expose these items at the 2026 Spring National Meeting with an effective date of January 1, 2027. NAIC staff further recommended that SAPWG continue discussions on whether to continue excluding asymmetrical derivatives given their complexity.

b. Update on IMR Ad Hoc Group

The IMR Ad Hoc Group has focused on the proof of reinvestment, the concept of “disallowed” IMR, separate account reporting, amortization of IMR and updates to the NAIC designation change guidance for allocating realized gains and losses to either IMR or asset valuation reserve. The group intends to continue discussing excess withdrawals, market value adjustments, modco/funds withheld reinsurance transactions, and the admittance limit.

II. Reinsurance

A. Risk Transfer Analysis of Combination YRT and Coinsurance Reinsurance Agreements

Executive and Plenary adopted revisions to *SSAP No.61—Life, Deposit-Type and Accident and Health Reinsurance* (Reference No. 2024-06 Risk Transfer Analysis of Combination Reinsurance Contracts), to be effective immediately for new and amended contracts, and subject to reporting on or before December 31, 2026 for existing contracts. This revision, which requires combining reinsurance contracts that include both YRT and coinsurance portions to be evaluated for risk transfer on an overall basis (as well as for each component individually), had been adopted by SAPWG at the 2025 Summer National Meeting, but was deferred to allow additional time for regulators to consider interested party comments relating to the proposed effective date of the revision for existing contracts (as reported [here](#)). During the period between the meetings, the Financial Condition (E) Committee met and considered alternative proposals and ultimately adopted the proposal in substantially the form approved at the Summer

Meeting, with a minor clarification regarding the effective date: the (E) Committee noted that state regulators may grant permitted practices where the revision creates issues for specific in-force contracts.

B. Implementation of AG 55

The NAIC adopted *Actuarial Guideline LV, the Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (“AG 55”) at the 2025 NAIC Summer National Meeting (as we reported [here](#)), enhancing reserve adequacy requirements for life insurance companies by requiring that asset adequacy testing use a cash flow testing methodology that evaluates ceded reinsurance as an integral component of asset-intensive business. The text of AG 55 contemplated the use of “template worksheets” to solicit necessary actuarial data from in-scope companies. Following a public comment period on the presentation and organization of these templates, the Life Actuarial (A) Task Force adopted the templates on November 6, 2025. Companies may opt not to use the templates so long as their data is still submitted in an organized and digestible manner.

The first AG 55 reports are due on April 1, 2026. The Valuation and Analysis (E) Working Group will prioritize review of the reports in the second quarter of 2026 with a goal of sharing initial, general findings at the 2026 NAIC Summer National Meeting.

C. Reinsurance Collateral Reduction Update

The Reinsurance Financial Analysis (E) Working Group (“ReFAWG”) continues to assist states with reviewing reinsurance collateral reduction applications to determine whether an applicant meets the requirements to be recognized as a Certified Reinsurer and/or a Reciprocal Jurisdiction Reinsurer. As of December 9, 2025, ReFAWG had approved 107 Reciprocal Jurisdiction Reinsurers and 42 Certified Reinsurers and 49 states and 2 territories had “passported” at least one Reciprocal Jurisdiction Reinsurer using the process that gives states discretion to defer to another state’s determination of the collateral reduction status of a reinsurer. Although not required by law, the Reinsurance (E) Task Force continues to recommend submission of reinsurance collateral reduction applications to ReFAWG in order to ensure uniformity in the review process, which can better equip ReFAWG to answer questions from governments, foreign jurisdictions or other interested parties. The NAIC’s complete list of Certified and Reciprocal Jurisdiction Reinsurers is available [here](#).

D. Qualified Jurisdictions Update

The Mutual Recognition of Jurisdictions (E) Working Group reapproved the status of the seven existing Qualified Jurisdictions: Bermuda, France, Germany, Ireland, Japan, Switzerland and the United Kingdom. The working group also reapproved the status of the three Reciprocal Jurisdictions that are not subject to an in-force Covered Agreement: Bermuda, Japan, and Switzerland.

E. Macroprudential Reinsurance Matters

The Macroprudential (E) Working Group is continuing to refine its reinsurance comparison worksheet to assist regulators in understanding various reinsurance transactions that the companies they regulate are engaged with

(currently available on the working group's website [here](#)). Further, the Valuation Analysis (E) Working Group is continuing its third year of *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) reviews with a primary focus on identifying how this work might impact the Covered Agreements.

III. Topics of Interest to the Life Insurance Industry

A. NAIC Attention to Funding Agreement-Backed Note Programs

Following a series of discussions between the NAIC and industry about funding agreements and funding agreement-backed note ("FABN") programs (as we reported [here](#)), the Macroprudential (E) Working Group met to continue the dialogue in regulator-only session in October, and publicly in November. At the November meeting, the working group exposed for comment a draft NAIC memorandum recommending a blanks proposal to obtain additional disclosures for funding agreements that support FABNs issued by life insurance companies. The memorandum explains that the current Annual Statement reporting framework does not require reporting of FABNs, and recommends that a new disclosure be incorporated to *SSAP No. 52—Deposit-Type Contracts*, and that Exhibit 7 (Deposit-Type Contracts) to the Annual Statement be revised to incorporate new footnote disclosures related to FABN programs, with a goal of implementing these new reporting requirements for year-end 2026. Macroprudential (E) Working Group Chair Bob Kasinow (NY) has explained that while the NAIC does not currently believe FABN activity poses outsized risk for individual insurers or the industry in the aggregate, it does not receive the reporting necessary to monitor FABN activity.

At the Fall National Meeting, at the request of industry, the Financial Stability (E) Task Force voted to re-expose the proposal memorandum for a 45-day comment period ending January 26, 2026. The exposure is currently available on the website of the Macroprudential (E) Working Group [here](#).

B. Annuity Best Interest Regulatory Guidance and Considerations Document

In 2020, the NAIC adopted the *Suitability in Annuity Transactions Model Regulation, # 275-1* ("Model 275-1"), which requires producers to act in the best interest of consumers when recommending annuities, and obligates insurers to establish supervisory systems that ensure that recommendations address the consumer's insurance needs and financial objectives at the time of the transaction. Model 275-1 includes a safe harbor provision that allows insurance producers to satisfy its requirements if they comply with business rules, controls, procedures and supervisory systems that satisfy a comparable standard. Since Model 275-1 allows insurers flexibility to design compliance procedures appropriate for their businesses, the Annuity Suitability (A) Working Group developed the Annuity Best Interest Regulatory Guidance and Considerations Document to clarify supervisory obligations for insurers that issue annuities sold under the safe harbor provision. The Life Insurance and Annuities (A) Committee adopted the guidance document at the Fall National Meeting.

IV. Topics of Interest to the P&C Insurance Industry

A. Homeowners Insurance Matters

Executive and Plenary adopted an updated template and definitions for the Homeowners Market Data Call. The updates are intended to provide higher quality data for regulators' use regarding the manner in which coverages, deductibles and discounts impact homeowners insurance affordability and availability. The data call is expected to be issued in early 2026 to insurance companies that have written \$50,000 or more in homeowners insurance premiums in any year from 2018 to 2025, with responses due in June 2026.

In addition, the Property and Casualty (C) Committee heard an update on the NAIC Affordability and Availability Playbook, which will serve as a resource for regulators, legislators and policymakers. A drafting group is revising an outline for the playbook based on interested party feedback. The outline covers matters including technology and data innovation, risk mitigation and incentives, and consumer education and engagement. The outline will be re-exposed for comments after the drafting group has completed its revisions.

B. Climate Risk and Resiliency

The Climate and Resiliency (EX) Task Force adopted its Natural Catastrophe Risk Dashboard on November 19, 2025. The dashboard will provide information to regulators annually on national metrics related to catastrophe risk and insurance markets. A summary report on the dashboard has been exposed for comment until January 12, 2026 and is currently available [here](#). The summary report explains that the dashboard is a reference tool for overall U.S. market indicators being used by banks, insurers, reinsurers and federal governments, in order for insurance regulators to better understand protection gaps, insurance trends and the economic impact of national catastrophe risk and resilience trends. In addition, the task force's Disaster Preparedness Handbook remains under development and is targeted for completion in 2026. Once finalized, the handbook will provide guidelines on pre-disaster public education and post-disaster regulator responses, data on the impact of past disasters, common questions from the public grouped by peril and state-specific case studies.

C. Catastrophe Insurance Matters

The Catastrophe Insurance (C) Working Group and the NAIC/Federal Emergency Management Agency ("FEMA") (C) Working Group heard an update on federal matters at the Fall National Meeting. The NAIC expects the FEMA Review Council (the "FEMA Council"), established by [Executive Order No. 14180](#), to recommend institutional reforms for FEMA following its year-long review of the agency's structure, mission and state coordination model. The NAIC expects the FEMA Council's recommendations to include: elevating FEMA to a cabinet-level agency, structural reform to accelerate aid to states and removal of FEMA from the congressional appropriations process. On September 30, 2025, the NAIC met with the FEMA Council to emphasize the importance of national flood insurance stability, clear federal state coordination during disasters, accurate mapping and modeling, consistent consumer messaging and transparency in federal data.

Authorization of the National Flood Insurance Program (“NFIP”) has been extended through January 30, 2026. A coalition of insurance lending, real estate and floodplain organizations submitted letters to Congress urging federal lawmakers to implement long-term solutions to NFIP authorization, as the current model of short-term reauthorization causes market uncertainty, making the program unsustainable.

V. Innovation, Technology and Privacy Developments

A. Artificial Intelligence

1. *AI Systems Evaluation Tool*

The Big Data and Artificial Intelligence (H) Working Group met for an extended session to discuss edits to the *Artificial Intelligence (AI) Systems Evaluation Tool*, which was introduced on July 7, 2025 and is designed to provide state regulators with an immediate resource for examining AI systems through four exhibits that can be incorporated into market conduct or financial examinations, as follows:

- Exhibit A: Quantify Regulated Entity’s Use of AI Systems would be used to gather information on the extent and usage of AI systems to help guide risk assessment. Based on responses, regulators may seek additional information in subsequent Exhibits.
- Exhibit B: AI Systems Governance Risk Assessment Framework (Narrative & Checklist) would be used to gather information on the company governance program, including the process for acquiring, using, or relying on third-party AI systems and data.
- Exhibit C: AI Systems High-Risk Model Details would be used to gather information on “high-risk” AI models, such as models making automated decisions, that could cause adverse consumer, financial or financial reporting impact.
- Exhibit D: AI Systems Model Data Details would be used to gather information about the sources and types of data used in AI system models.

The working group intends to release a further revised version of the evaluation tool, which will be piloted with several state insurance departments in 2026.

2. *AI-Related Financial Examination Guidance Adopted*

On November 20, 2025, the Financial Examiners Handbook (E) Technical Group adopted revisions to the NAIC Financial Condition Examiners Handbook on regulator use of AI during examinations. Although certain interested parties expressed a desire for insurers to receive notice when regulators will use AI during examinations, the Technical Group decided not to address such comments in the Handbook now, since (i) the main purpose of the revisions is to protect confidential information obtained while using AI during examinations; (ii) the Handbook will likely be revised again as AI use cases continue to develop; and (iii) more regulator discussions are needed to track each state’s positions on the use of AI in examinations.

B. Proposed Framework for Registration of Third-Party Data and Models

The Third-Party Data and Models (H) Working Group exposed until February 6, 2026 a draft *Risk-Based Regulatory Framework* for third-party data and model vendors engaged with insurers in functions with direct consumer impact such as pricing, underwriting, claims, utilization reviews, marketing, and fraud detection (the “Framework”). The Framework’s stated purpose is to provide regulators with access to third-party data and models used in insurance functions with direct consumer impact and to establish governance standards for model and data integrity, consumer protection and ongoing monitoring.

The Framework would create a registration regime for third-party data and model providers with state insurance departments. As part of the registration, providers would be required to provide and update annually the following information (as relevant):

- Ownership structure, responsible officers and states where models/data are deployed or currently under review.
- Documentation demonstrating a comprehensive governance program that includes model development standards and testing protocols, data governance and provenance controls, validation and monitoring, change-management procedures and processes including version control, updates, approvals, roles, responsibilities, and internal oversight and defect reporting and remediation processes.
- Vendors must agree to provide regulators with access, upon request, to information such as that described in the NAIC Model Review Manual and the Catastrophe Modeling Primer, including model/data documentation, input and output specifications, validation, performance, fairness/bias testing results, change logs and audit trails and other information reasonably necessary for regulatory evaluation.

Vendors would also be required to attest annually that their governance program is in effect and compliant.

States would also retain the discretion to require direct filing of models or data if regulators identify a need, such as consumer impact/potential harm, novel methods and complaints, among other factors. All such filings would be afforded the same confidentiality protections afforded to insurers for confidential, proprietary and trade secret information. Vendors would be required to notify regulators of material modifications to a dataset or model, including the decommissioning of a model. Once reviewed by the regulator, the model may be approved (fully or conditionally) or disapproved.

Finally, the Framework affirms that insurers are ultimately responsible for compliance, and regulatory oversight of vendors does not relieve insurers of that responsibility. The Framework exposure document is currently available [here](#).

C. Privacy Protections

The Privacy Protections (H) Working Group (“PPWG”) met on November 7, 2025 to discuss comments on the draft revisions to the Privacy of Consumer Financial and Health Information Regulation Model Law (#672) (“Model 672”). As previously reported [here](#) and [here](#), PPWG has been exposing Model 672 on an article-by-article basis with the

.....

end goal of exposing a fully revised draft model. While originally expected to have the fully revised draft completed by year-end 2025, PPWG received an extension at the Fall National Meeting to have this work completed by the 2026 Fall National Meeting.

PPWG's November 7, 2025 meeting focused on public comments on Article VI of Model 672, available [here](#), which focuses on exceptions to consumers' ability to opt out of certain data-sharing practices when an insurer shares nonpublic personal information ("NPI") with third parties. Certain exemptions to these opt-out disclosure requirements are carved out for service providers and joint marketing (Article VI, Section 24), processing and servicing transactions (Article VI, Section 25), and the disclosure of nonpublic personal financial information (Article VI, Section 26). For example, the opt-out requirements imposed by earlier sections of Model 672 (requiring insurers to provide consumers with opt-out notices before disclosing certain NPI to third parties) do not apply to licensees disclosing NPI as necessary to effect, administer or enforce transactions previously requested or authorized by a consumer.

PPWG plans to continue with its article-by-article exposure of Model 672, with a fully revised draft model to follow.

D. Cybersecurity Event Notification Portal

As previously reported [here](#), the Cybersecurity (H) Working Group is developing a Cybersecurity Event Notification Portal hosted by the NAIC to receive, manage and track cybersecurity event notifications from licensed entities in states that have adopted the NAIC's *Insurance Data Security Model Law #668* ("Model 668"). To date, Model 668 has been adopted in 28 jurisdictions and establishes data security standards to mitigate the potential damage of a cybersecurity data breach. The portal is intended to facilitate the receipt of notifications for licensees with regulators and largely aligns with Section 6B of Model 668, which lists the information a licensee should report in the event of a data breach. As this information is intended to be high-level, the working group noted that regulators may follow up with licensees to obtain more detailed information on a case-by-case basis. As a next step, the working group plans to consider comments and issue a revised project proposal. Once a beta version of the portal is developed, the working group intends to implement a testing plan that uses simulated cybersecurity events to validate the portal's functionality and security before going live.

VI. **Other Topics of General Interest**

A. Executive (EX) Committee Approves Model Law Development Request Related to Reciprocal Attorney-in-Fact Fees

The Financial Condition (E) Committee voted at the 2025 Summer National Meeting to form a new Reciprocal Exchanges (E) Working Group in response to regulator discussions about an increase in reciprocal exchanges in recent years and regulators' observation that new exchanges may be unfamiliar with states' authority to assess the fairness and reasonableness of attorney-in-fact ("AIF") management fees under the HCA Models. At the Fall National Meeting, the Executive (EX) Committee formally approved a Request for NAIC Model Law Development in support of the new working group's charge to "[m]odify the [HCA Models] to clarify that regardless of definitions of control and affiliation, fees charged by insurers from the AIF are subject to fair and reasonable standards and

.....

subject to approval by the Commissioner and under no circumstances should they exceed the cost of such services plus a reasonable profit.”

The Request noted the following “challenges” for regulators in assessing the fairness and reasonableness of AIF fees being charged to reciprocals, necessitating the need to amend the HCA Models:

- 1. The fee structure for management services is often based on a percentage of gross premiums written.
- 2. Basing the management service fees on a percentage of premium volume creates a conflict of interest, i.e., a potential incentive for the AIF to increase its fee revenue by underpricing or accepting risk that may be above its typical underwriting guidelines.
- 3. Management service fees are also often included in the power of attorney agreement, as opposed to a separate service agreement, which can make the fees less transparent.

The Reciprocal Exchanges (E) Working Group is expected to begin its work in 2026.

B. NAIC Progresses White Paper and Best Practices Guidance on Insurance Business Transfer and Corporate Division Transactions

The Financial Condition (E) Committee adopted *Restructuring Mechanisms: An NAIC White Paper*. The white paper responds to select states’ enactment in recent years of insurance business transfer (“IBT”) and corporate division laws, which provide mechanisms for an insurer to transfer policy liabilities to another entity without the need for individual policyholder consents. The white paper explains the statutory processes provided by these laws, as well as related history, regulatory considerations and the status of transactions under corporate division and IBT laws in the United States. We anticipate that the white paper will be considered for final adoption by the Executive and Plenary at the 2026 Spring National Meeting.

In addition, on December 1, 2025, the Restructuring Mechanisms (E) Working Group, which drafted the white paper, also adopted *Best Practices Procedures for IBT/Corporate Division*. The *Best Practices* identify minimum review standards for state insurance regulators to consider in reviewing IBT and corporate division transactions, and have been under development for several years. We expect that the Financial Analysis Solvency Tools (E) Working Group will now consider incorporating the *Best Practices* into the 2026 Financial Analysis Handbook.

C. International Updates

- 1. *Implementation of the International Insurance Capital Standard and the U.S. Aggregation Method*

The Aggregation Method Implementation (G) Working Group is charged with coordinating the implementation of the IAIS’s insurance capital standard (“ICS”) in the United States through the Aggregation Method (“AM”). The AM underlies the U.S. group capital calculation tool and the IAIS concluded in 2024 that it provides a “basis for

implementation” of the ICS to produce comparable outcomes to the ICS for U.S. IAIGs. The working group is focused on the AM’s sensitivity to changes in interest rates, which the IAIS observed in its [comparability assessment](#) as having “the potential to drive divergent movements” in AM versus ICS results for U.S. life IAIGs. In addition, the IAIS found that the triggers for supervisory intervention on group capital adequacy grounds for U.S. life IAIGs “may not always be as prudent as the ICS” in certain circumstances. The working group is undertaking a review of U.S. group solvency regulation that is expected to result in a “Final AM” that addresses the IAIS’s feedback.

Ahead of the Fall National Meeting, a group of volunteer stakeholders prepared technical reference documents that will be used to guide the working group as it reviews the AM and recommends refinements for comparable implementation of the ICS. The documents, currently available [here](#), cover three topics: (i) The Impact of Scalars on the Sensitivity of the AM to Changes in Interest Rates, (ii) Interest Rate Sensitivity in U.S. Statutory Reserving, and (iii) an Initial Summary of “Other Tools” (a list, based on existing NAIC models and guidance, of various supervisory powers and tools that may be germane to assessing or addressing interest rate risk of life insurers, and which may impact the timing of supervisory intervention). The working group aims to complete its review and have a draft of the Final AM in the second quarter of 2026, before the IAIS begins to assess implementation of the ICS by member jurisdictions as early as 2027.

2. *IAIS Activities*

The International Insurance Relations (G) Committee heard a report on IAIS activities at the Fall National Meeting. Along with its work toward implementation of the ICS, the IAIS:

- Is monitoring progress on the [implementation of the Holistic Framework](#);
- Released its annual [Global Insurance Market Report](#) (“GIMAR”) on December 2, 2025, highlighting the outcomes of its [Global Monitoring Exercise](#);
- Published a [Special Topic GIMAR](#) in November 2025 assessing the financial stability implications from natural catastrophe protection gaps;
- Is conducting a peer review on ICP 13, “Reinsurance and Other Forms of Risk Transfer”;
- Published its issues paper on [structural shifts in the life insurance sector](#) in November 2025; and
- Recently exposed two revised draft application papers for public consultation, on [resolution powers, preparation and planning](#) and [recovering planning](#).

A Q&A session at the Fall National Meeting with IAIS Secretary General Jonathan Dixon indicated that the IAIS is focused on many of the same areas as the NAIC, namely insurers’ use of AI, increasing investments in private credit and a rise in cross-border asset-intensive reinsurance.

VII. Briefly Noted

A. Amendments to LTCI Framework

The NAIC adopted the Long-Term Care Insurance Multistate Rate Review Framework (“LTCI Framework”) in 2022. The LTCI Framework sets forth the governance, policies, procedures and actuarial methodologies for the NAIC’s multistate actuarial review of long-term care insurance rates. At the Fall National Meeting, Executive and Plenary adopted an amended LTCI Framework that includes (i) a change from two actuarial rate review methodologies to a single rate review methodology; (ii) a revised cost-sharing formula; and (iii) moving the governance of the LTCI Framework and related processes to the Health Actuarial (B) Task Force, and other related work such as reduced benefit options, to the Senior Issues (B) Task Force.

B. Update to NAIC Guidelines for State Accreditation

The Financial Regulation Standards and Accreditation (F) Committee adopted revisions to the guidance for the independent review teams that assess state insurance departments’ compliance with the standards for accreditation of an insurance department by the NAIC. The revisions pertain to an insurance department’s use of outside contractors to assist in financial surveillance and regulation, and state that a department should have processes in place to (i) consider any potential conflicts of interest among the contract personnel and (ii) ensure that the contract personnel will protect confidential information.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

Kara Baysinger

415 858 7425
kbaysinger@willkie.com

Leah Campbell

212 728 8217
lcampbell@willkie.com

Stephanie Duchene

310 855-3066
sduchene@willkie.com

Matthew J. Gaul

212 728 8261
mgaul@willkie.com

Michael Groll

212 728 8616
mgroll@willkie.com

David Heales

212 728 8294
dheales@willkie.com

Donald B. Henderson, Jr.

212 728 8262
dhenderson@willkie.com

Allison J. Tam

212 728 8282
atam@willkie.com

Maureen Curtiss

212 728 8902
mcurtiss@willkie.com

Melissa Khajaei

212 728 8657
mkhajaei@willkie.com



BRUSSELS CHICAGO DALLAS FRANKFURT HAMBURG HOUSTON LONDON LOS ANGELES
MILAN MUNICH NEW YORK PALO ALTO PARIS ROME SAN FRANCISCO WASHINGTON

Copyright © 2025 Willkie Farr & Gallagher LLP. All rights reserved.

This alert is provided for educational and informational purposes only and is not intended and should not be construed as legal advice, and it does not establish an attorney-client relationship in any form. This alert may be considered advertising under applicable state laws. Our website is: www.willkie.com.