

CLIENT ALERT

U.S. Insurance Business Transfer and Corporate Division Transactions – 2025 Updated State of Play

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

On December 11, 2025, the Financial Condition (E) Committee (the “Committee”) of the National Association of Insurance Commissioners (“NAIC”) adopted a long-awaited white paper on restructuring mechanisms, *Restructuring Mechanisms* (the “White Paper”). The White Paper responds to select states’ enactment in recent years of insurance business transfer (“IBT”) and corporate division laws—which provide novel mechanisms for an insurer to transfer policy liabilities to another entity, without the need for individual policyholder consents. The White Paper, which has been in progress since 2021, updates the NAIC’s earlier *Liability-Based Restructuring White Paper* (1997) and *Alternative Mechanisms for Troubled Companies* (2010) to explain the new statutory processes provided by these laws, as well as related history, regulatory considerations, and the status of and transactions under corporate division and IBT laws in the United States. We anticipate that the White Paper will next be considered for final adoption by the NAIC’s Executive (EX) Committee and Plenary at the 2026 NAIC Spring National Meeting.

The Committee's White Paper adoption follows the December 1, 2025 adoption of both the White Paper and related *Best Practices Procedures for IBT/Corporate Divisions* (the "Best Practices") by the Committee's Restructuring Mechanisms (E) Working Group (the "Working Group"), which drafted both documents. The Best Practices identify standards for state insurance regulators to consider in reviewing IBT and corporate division transactions, and the NAIC's work on them dates back to 2020. We expect that the Best Practices will next be provided to the Financial Analysis Solvency Tools (E) Working Group, which will consider incorporating them into the 2026 Financial Analysis Handbook. While interested party comments expressed conflicting views on whether the Best Practices should be made an accreditation standard, Working Group members who spoke to this during the December 1 meeting were of the view that this would be premature.

We have closely monitored and reported at length on states' adoption of IBT and corporate division laws, and our 2023 and 2024 reports on this topic (available [here](#) and [here](#)) describe the origins of IBT and corporate division laws, their commercial implications for insurers, legal and procedural requirements for such transactions, and key topics considered by regulators. The sections below provide additional information on the final drafts of the White Paper and Best Practices, as well as an update on the current IBT and corporate division laws in U.S. states and commercial activity under these laws.

a. Restructuring Mechanisms White Paper

The White Paper has not changed significantly since our most recent reporting on this topic [last year](#), with the most recent substantive edits being focused, among other things, on bringing current the White Paper's discussion of topics like state adoption of IBT and corporate division laws, and the 2023 updates to the NAIC Property & Casualty Insurance Guaranty Association Model Act (Model 540), given the time that has passed since the White Paper was first exposed in 2021.

As adopted by the Committee, the White Paper provides extensive background on the historical and regulatory landscape for restructuring transactions, noting that until recently, U.S. insurance companies wanting to restructure their liabilities had been limited to sale, reinsurance/loss portfolio transfers or policy novation, and that IBT and corporate division laws provide opportunities to do so with finality, and without novating individual policies (which it describes as considered by industry to be inconsistent among the states, cumbersome, time-consuming and expensive). Following a survey of U.S. states' restructuring laws and corporate division and IBT transactions completed to date, the White Paper discusses various legal and regulatory topics that regulators and other interested parties have considered, including the impact of IBT and corporate division transactions on claimants and legal impacts of IBT and corporate division laws, and makes various recommendations for regulators considering IBT and corporate division legislation and transactions that overlap in part with the Best Practices discussed in the following section.

The White Paper, as adopted by the Committee, is included in the Committee's 2025 Fall National Meeting materials, which are currently available on its website [here](#). As noted above, we expect this to be considered for final adoption by the NAIC's Executive (EX) Committee and Plenary at the 2026 NAIC Spring National Meeting.

b. Best Practices for IBT/Corporate Divisions

The Best Practices identify and discuss in detail the following areas to be considered during a state insurance regulators' review of an IBT or corporate division transaction (unless specified as applying to one or the other):

- Insurer Information; Transaction Design. Detailed documentation about the insurers party to (or created by) the transaction and their organizational structures, and about the proposed transaction, including but not limited to the subject business, transaction rationale, financial information, impact to guaranty association coverage, and plans for any run-off operations (**Sections I and II**).
- Robust Regulatory Review. Initial review of the proposed transaction (including the option of a limited scope financial examination) to ensure sufficient documentation and rationale, that the transaction steps, timeline and business plan are appropriate, and that the projected financial impact will leave no company in a troubled company state; a “robust” regulatory review by domestic regulators, with qualified independent expert assistance (or in-house insurance department expertise for a division), including to identify key transaction risks and “establish, at a high level of confidence, that policyholders and other key stakeholders will experience no material adverse impacts”; and strong financial standards and stress testing, assessment of risk capital, and consideration of whether to impose any post-transaction restrictions (**Section III**).
- Independent Expert Review. Guidance on the use of independent experts for transaction review and financial testing, including to perform independent actuarial review of pre- and post-transaction reserves and capital. Use of an independent expert is required for an IBT and preferred for a corporate division (**Section IV**).
- Reserves and Capital. Procedures to assist reviewing regulators and independent experts with the evaluation needed to certify that the reserves and the capital position (e.g., RBC) that will apply to all insurers before and after the transaction will create no material adverse impacts on the policyholders and other key stakeholders, including with respect to the retention of qualified independent actuarial experts, and analysis of reinsurance, assets, and liabilities other than reserves (**Section V**).
- Analysis of Issues Affecting Policyholders, Claimants and Other Stakeholders. Other issues to consider that may affect policyholders, claimants and other stakeholders, such as preservation of policyholders' and other key stakeholders' rights regarding secondary market mechanisms protections (**Section VI**).
- Due Process Communication of Transaction. Review of a proposed communication plan, including appropriate notice to impacted stakeholders with an opportunity for them to be heard in court (IBT) or in a public hearing (in the case of a division) and coordination with other affected regulators (**Section VII**).
- Guaranty Association and Other Secondary Market Considerations. Criteria and resources for making factual determinations regarding guaranty association coverage, with a focus on the licensure of the assuming or resulting insurer(s) for transactions involving life, annuity or health insurance, and on whether the relevant jurisdictions' guaranty association laws address IBT or corporate division transactions such that rights to guaranty association coverage are not reduced, eliminated, or otherwise changed as a result of transactions

involving property and casualty insurance. The Best Practices instruct that an IBT or corporate division should also not reduce, eliminate or in any way impact coverage benefits from secondary market or similar mechanisms (**Section VIII**).

- **Run-Off Procedures.** To the extent applicable, review and approval of a required, documented run-off plan including but not limited to monthly financial reporting, analysis of material reinsurance agreements, and requiring pre-approvals of various transactions, changes to operations, and other actions (**Section IX**). The Best Practices acknowledge that they do not presume that all IBT or all corporate division transactions will result in run-off entities.

The Best Practices as adopted by the Working Group are currently available on its website [here](#). As noted above, we expect that they will next be provided to the Financial Analysis Solvency Tools (E) Working Group, which will consider incorporating them into the 2026 Financial Analysis Handbook.

II. Current State of Play: IBT and Corporate Division Legislation and Transactions

No additional states have adopted IBT or corporate division legislation into their insurance laws since our prior reporting on IBT laws adopted by [Vermont \(2014\)](#), [Rhode Island \(2015\)](#), [Oklahoma \(2018\)](#), Arkansas (2021), Illinois (2023) and [Georgia \(2024\)](#).¹ In addition to the IBT transactions completed in Oklahoma in 2020 and 2021 on which we have reported previously, we are aware of two additional IBT transactions completed under Oklahoma's Insurance Business Transfer Act. In September 2023, the District Court in and for Cleveland County, Oklahoma approved the transfer and novation from a Missouri company to its Oklahoma-domiciled affiliate of run-off reinsurance policies that it had ceded to the affiliate the prior year via reinsurance. Also, in May 2025, the same court approved the transfer of a portfolio of reinsurance liabilities resulting from the transferring company's participation in the Excess & Casualty Reinsurance Association Pool (a reinsurance pool that underwrote property and casualty risks before 1982).

No states have adopted corporate division laws since our prior reporting on corporate division laws in [Connecticut \(2017\)](#), [Illinois \(2018\)](#), [Michigan \(2018\)](#), [Iowa \(2019\)](#), Georgia (2019) and [Colorado \(2021\)](#),² and no corporate divisions have been completed since the Illinois Department of Insurance approved the first such transaction in 2021, on which we reported [here](#).

We will continue to monitor and report on state legislative and commercial developments in this area, as well as regulatory activity at the NAIC.

¹ Vt. Stat. Ann. tit. 8, § 7111 *et seq.*; 230 R.I. Code R. § 20-45-6.1 *et seq.*; Okla. Stat. tit. 36, § 1681 *et seq.*; Ark. Code Ann. § 23-69-501 *et seq.*; 215 Ill. Comp. Stat. 5/1701 *et seq.*; Ga. Code Ann. § 33-52-10 *et seq.*

² Conn. Gen. Stat. §§ 38a-156r – 156z; 215 Ill. Comp. Stat. 5/35B-1 *et seq.*; Mich. Comp. Laws § 500.5500 *et seq.*; Iowa Code § 521I.1 *et seq.*; Ga. Code Ann. § 33-14-120 *et seq.*; Colo. Rev. Stat. § 10-3-1701 *et seq.*

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