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CLIENT ALERT

NAIC Committee Proposes Reinsurance RBC and Reporting Changes

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At a meeting on August 14, 2026, the Financial Condition (E) Committee (the "(E) Committee") of the National Association of Insurance Commissioners (the "NAIC") released two proposals demonstrating state insurance regulators' continued focus on life reinsurance transactions. First, (E) Committee members indicated that following review of insurer reporting pursuant to the recently adopted *Actuarial Guideline LV* (AG 55) (described here), insurance regulators hold a "general belief" that "immediate action is needed" to respond to a significant increase in U.S. reinsurance activity and the identification of certain transactions that may pose risk to U.S. cedants. Accordingly, the (E) Committee approved a referral to the Life Risk-Based Capital (E) Working Group to develop (1) a reinsurance recapture RBC factor for ceded reserves and modified coinsurance balances outside reciprocal jurisdictions, reflecting the additional capital needed if recapture occurs; and (2) alignment of the life risk-based capital reinsurance credit-risk methodology with the property and casualty risk-based capital approach to account for reinsurers with lower financial strength ratings. The changes are to be prioritized for year-end 2027 implementation.

Further, the (E) Committee exposed for a 45-day comment period a memorandum requesting input from regulators and interested parties on "the thresholds and requirements for reinsurance transactions" in the *Disclosure of*

Material Transactions Model Act (#285). Regulators noted that they have authority to review affiliated reinsurance agreements but are seeking additional insight into unaffiliated agreements, given the increasing number of U.S. life and annuity insurers that have been ceding large portions of their business. Model 285 currently requires post-closing reporting of specified transactions including "material new ceded reinsurance agreements affecting in force life insurance business," where material is defined as more than 50% of the total reserve credit taken for business ceded, on an annualized basis.

The relevant (E) Committee materials are currently available here.

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

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