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CLIENT ALERT

NAIC Report: 2026 Summer National Meeting

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The 2026 Summer National Meeting (the "Summer National Meeting") of the National Association of Insurance Commissioners (the "NAIC") was held in Columbus, Ohio, from August 11 to August 14, 2026. Highlights from the Summer National Meeting include:

- Insurance regulators continue to focus on insurer investments, particularly in the area of private credit, with the Investment Analysis (E) Working Group seeking enhanced reporting requirements with respect to the fair value of assets and residential mortgage loan investments.

- The NAIC adopted new C-1 (asset risk) factors for CLO, CBO and CDO investments in the Life RBC formula effective for year-end 2026.

- The Financial Condition (E) Committee has proposed revisions to the Life RBC formula to address reinsurance recapture and counterparty risk and is considering model law reporting changes with respect to unaffiliated reinsurance transactions.

- HCA Model revisions are underway to clarify states' authority to assess the fairness and reasonableness of attorney-in-fact management fees with respect to reciprocal insurance exchanges.

- Continuing its work related to IMR, the Statutory Accounting Principles (E) Working Group adopted revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance, exposed for public comment revisions to SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserv*e and related materials, and extended the interim guidance *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve* through year-end 2027.

- The Third-Party Data and Models (H) Working Group exposed a proposed regulatory framework for third-party data and model vendors used in property and casualty pricing and underwriting.

- The Privacy Protections (H) Working Group exposed for public comment a comprehensive draft of the revised *Privacy of Consumer Information Model Act* (#672).

The report below summarizes key activities at the Summer National Meeting, and certain interim developments leading up to the Summer National Meeting, that may be of interest to our clients in the insurance industry.

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Glossary

"AI" means artificial intelligence.

"CBO" means collateralized bond obligation.

"CDO" means collateralized debt obligation.

"Certified Reinsurer" means a reinsurer that is domiciled in a "Qualified Jurisdiction" (meaning a non-U.S. jurisdiction listed 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.

"ComFrame" means the Common Framework for the Supervision of Internationally Active Insurance Groups.

"Credit for Reinsurance Models" means the *Credit for Reinsurance Model Law* (Model 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.

"NAIC Designations" means the proprietary symbols produced by the NAIC to designate the quality of a security for use by NAIC members in the context of the NAIC Financial Regulation Standards and Accreditation Program, a member's state insurance laws and regulations, and the regulatory or financial solvency profile of a specific insurance company.

"NRSRO" means nationally recognized statistical rating organization.

"ORSA" means Own Risk and Solvency Assessment.

"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.

"SEC" means the U.S. Securities and Exchange Commission.

"SSAP" means Statement of Statutory Accounting Principles.

"SSG" means the Structured Securities Group of the NAIC's Investment Analysis Office.

"SVO" means the NAIC's Securities Valuation Office.

I. FINANCIAL CONDITION REGULATION

A. Insurer Investments

1. *NAIC Attention to Private Asset Investments*

The Financial Stability (E) Task Force discussed regulators' recent efforts to better understand the impact of the insurance industry's exposure to private credit, including by holding closed sessions with investors and insurers to discuss trends and risk management practices, and a June 2026 presentation by S&P Global Ratings to the Task Force. While recognizing growth in allocation to private credit and "illiquid investments" in general, the presentation concluded that the industry can manage private credit market stress under various scenarios involving the default of assets underlying private credit investments. Notwithstanding that outlook, the various regulator discussions culminated at the Summer National Meeting in new proposals to enhance disclosure and regulators' oversight of private assets.[1]

a. Investment Analysis (E) Working Group Proposes Improved Fair Value Reporting

Leading up to the Summer National Meeting, the Investment Analysis (E) Working Group ("IAWG") reported that it is reviewing assets that are classified as "Level 3" under *SSAP No. 100—Fair Value* ("SSAP No. 100") because they use unobservable inputs to measure fair value, often involving judgment and estimation, including the use of internal models and assumptions. IAWG has explained that these assets are of particular interest to state insurance regulators due to reduced transparency into valuation methodologies and, accordingly, into potential for impairment of an asset.

Note 20 to the Annual and Quarterly Statement includes disclosure requirements for assets and liabilities measured at fair value. However, IAWG's review indicated "significant variability" in Note 20 reporting practices that may limit regulators' ability to assess underlying investment exposures. Accordingly, IAWG sent a referral to the Statutory Accounting Principles (E) Working Group ("SAPWG") on July 27, 2026, recommending reporting improvements including (i) development of standardized mapping requirements between Note 20 disclosures and existing investment schedules and (ii) categorization that aligns each reported fair value measurement to a specific reporting line. In response, SAPWG has re-exposed an agenda item (Ref# 2026-06) for comment until October 2, 2026 that would revise SSAP No. 100 to eliminate an exception from fair value disclosure requirements for investments accounted for under the equity method.

Per an updated work plan released for the Summer National Meeting, IAWG will continue to review industry-level trends in Level 3 asset investments. Discussions may address longer-term growth patterns, concentration considerations, and observed impairment activity with the goal of improving awareness of valuation uncertainty and risk-monitoring practices. IAWG also plans to begin reviewing emerging asset classes, such as fund finance and certain forms of structured finance. The work plan states that "[w]hile these asset classes are not necessarily new,

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[1] The NAIC's Capital Markets Bureau plans to shortly release a report on its own private credit analysis, which we expect to be posted here.

various attributes of the investment types and evolution of underlying collateral have necessitated a broader scope review." IAWG will consider how these asset classes are reported (particularly for more complex investments), the impact of multiple collateral types within one structure, and "potential for interconnectedness across structures."

b. Proposed Handbook Guidance

As we reported in detail here, the Financial Analysis Solvency Tools (E) Working Group has exposed for comment until August 31, 2026 proposed revisions to the NAIC's Financial Analysis Handbook with enhanced guidance for insurance regulators assessing private asset exposures. The proposal responds to "an ongoing increase in the amount of private assets held by U.S. domestic insurers" based on year-end 2025 financial statements and identifies risks for financial analysts to consider with respect to such assets (i.e., that such assets have less liquidity, less transparency, and less frequent valuation and pricing), as well as potential mitigating factors (e.g., portfolio diversification offered by a broader pool of issuers and potentially higher yields than public corporate bonds and loans). If adopted, the revisions would set forth procedures for analyzing private assets and suggest enhanced review considerations where insurers have material exposures to such assets, including for the analyst to engage with the SVO and/or an outside investment specialist to assist in asset value considerations, review rating information, and/or assess an insurer's overall investment portfolio risk.

2. Residential Mortgage Loan Investments

IAWG reported that it has reviewed current residential mortgage loan exposure among insurers and identified rapid growth since 2021, particularly among life insurers (averaging 37.1% annual growth). Some insurers have a significant portion of their portfolios invested in residential mortgage loans (i.e., over 10%) and/or hold individual high balance loans. IAWG further found that current reporting requirements lack detail on geographical exposure and other key characteristics of residential mortgage loans, which are assigned a flat 68-basis-point capital charge in the Life RBC formula without regard to underlying factors (including whether certain loans are more consistent with commercial real estate lending, which would otherwise be subject to a higher capital charge). Accordingly, IAWG sent a referral to SAPWG to consider whether revisions to *SSAP No. 37—Mortgage Loans* are warranted to improve and more consistently apply the definition of residential mortgage loans. The referral also requests that the Life RBC (E) Working Group review RBC treatment of mortgage loan exposures.

In response to the referral, SAPWG exposed an agenda item (Ref #2026-11) on to support more granular reporting and accounting guidance for residential mortgage loans, requesting comments by October 2, 2026 on the definition of such loans, classification of property types, and whether residential loan risk factors should be incorporated into Schedule B reporting.

3. Credit Rating Provider (E) Working Group Discusses Comments on Due Diligence Framework

The NAIC's "Holistic Review" of the regulatory framework for insurer investments has focused on the role of CRPs in the assignment of NAIC Designations to insurance company investments through the filing exempt process. Effective January 1, 2026, the NAIC formed the Credit Rating Provider (E) Working Group (the "CRP WG") and charged it (together with the NAIC's retained consultant, PwC) with overseeing and implementing a "strong due diligence framework" to "reduce/eliminate 'blind' reliance on CRPs but retain overall utilization of CRPs" to maintain regulatory efficiencies. Following a review of data produced by the eight CRPs that provide credit rating services to the NAIC in response to a 2025 data call, on May 4, 2026 the CRP WG exposed for comment the NAIC Credit Rating Provider (CRP) Due Diligence Framework – Whitepaper (the "CRP Framework"). The goal of the CRP Framework is to implement 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." The white paper proposed four components:

- **Scoping.** In the Scoping Assessment, the NAIC would conduct preliminary scoping activities to target new CRPs, new asset classes, or revisions to CRP asset class methodologies deemed significant for evaluation. The NAIC would also **conduct** quantitative and qualitative scoping activities to identify areas of elevated risk and the reliability of CRP ratings based on regulatory review findings and review of certain risk factors.

- **Risk Assessment.** The Risk Assessment would use quantitative methods to assess equivalency, appropriateness and consistency of the CRP rating to NAIC Designation mapping.

- **Detailed Testing Procedures.** Detailed Testing Procedures would be performed to verify the reasonableness and consistency of CRP ratings if the Scoping and Risk Assessments indicate elevated risk. The testing would determine the need for future due diligence activities or remedial action, up to de-admittance of the CRP "in cases of persistent inconsistencies with rating methodology or outcome."

- **Governance.** The Governance Procedures component outlines processes for overseeing and monitoring the CRP Framework, including the process for advising reviewed CRPs of any recommended remedial action.

As proposed, historically accepted CRPs would be provisionally accepted for 36 months after the CRP Framework is implemented, provided that the CRP continues to meet certain criteria including compliance with the P&P Manual, as applicable. The CRP WG has discretion to extend the 36-month provisional acceptance period.

At the Summer National Meeting, the CRP WG heard comments from interested parties, which stressed the need to allow for diversity in CRP methodologies, questioned the role of the NAIC vis-à-vis the SEC (which has authority to regulate NRSROs), and called for additional transparency and due process protections, given the potential market disruption if remedial actions or CRP de-admittance were triggered. In response, the CRP WG acknowledged that regulation of NRSROs is "reserved to the SEC" and indicated that it does not intend to "tell CRPs what methodology to use." The Working Group directed NAIC staff to work with PwC on a revised proposal addressing comments received.

In a separate meeting, the Investment Designation Analysis (E) Working Group received, but deferred consideration of, a request by an NRSRO to be added to the NAIC's CRP list, referring the request to the CRP WG to consider after the CRP Framework is finalized.

4. *CLO Investments*

a. NAIC Adopts New RBC C-1 Factors for CLOs, CBOs and CDOs

Executive and Plenary voted to adopt Proposal 2026-12-IRE MOD (currently posted here), which revises the Life and Fraternal RBC Blanks, Instructions and Formula effective for year-end 2026 to incorporate new C-1 (asset risk) factors for CLO, CBO and CDO investments.

As background, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group ("RBC IRE") has worked with the American Academy of Actuaries (the "Academy") since 2022 to assess RBC treatment for CLOs, with a goal to eliminate RBC arbitrage, i.e., the possibility that the aggregate RBC factor for owning all tranches of a CLO is lower than that required for owning the underlying loan collateral directly. Based on modeling a dataset of all U.S. broadly syndicated loan ("BSL") CLOs, the Academy identified collateral rating as a comparable attribute with predictive power for C-1 risk. The Academy therefore proposed a range of base C-1 factors for CLO tranches according to collateral rating, which RBC IRE adopted on June 23, 2026. As a result, tranches with highly rated collateral (NAIC Designation Category 1.A) will carry a charge of .04%, whereas a 92.56% charge will apply to the lowest-rated, below-investment-grade tranches (NAIC Designation Category 6).

In addition to the base charges according to collateral rating, (i) tranches of BSL CLOs with NAIC Designation 2.C or below with tranche thickness (defined as the difference between the detachment point and attachment point for a given tranche, expressed as a percentage of the CLO balance) equal to or below 4% will be assessed a surcharge of 11.77%; (ii) residual tranches will continue to receive a 45% charge based on the current treatment for residual tranches of all structured securities; and (iii) a flat 1.00 portfolio adjustment factor (a multiplier that adjusts the base C-1 charge based on portfolio diversification, accounting for the number of unique issuers in a portfolio) will apply, pending further study.

Although the Academy model was limited to an analysis of BSL CLOs, RBC IRE elected to apply the new factors to all CLOs (including middle-market CLOs), CBOs and CDOs for year-end 2026, while continuing to analyze and potentially refine the factors for 2027 with respect to these structures.

With its CLO workstream concluding, RBC IRE is now reviewing 2025 annual statement data to categorize asset-backed securities reported on Schedule D to determine which category to address next as part of its broad charge to review the RBC investment framework for all business types.

b. Proposed P&P Manual Amendment to Restore the Filing-Exempt Treatment of CLOs

As we reported here, in 2023, the NAIC adopted revisions to the P&P Manual to require SSG modeling of all CLO investments in order to assign NAIC Designations, such that CLO investments would no longer be broadly exempt from filing with the SVO based on CRP ratings, in an effort to eliminate RBC arbitrage for such investments.

However, the amendment's effective date has been delayed several times to allow for coordination with the RBC IRE's CLO workstream, discussed above. Because the newly adopted CLO factors continue to rely on CRP ratings instead of SSG modeling, SVO staff proposes to further revise the P&P Manual to clarify that NAIC Designations for CLOs with eligible ratings will continue to be applied through the filing exempt process. SSG would still be permitted to assign NAIC Designations to CLOs that do not qualify for filing exemption based on ratings. The proposed amendment is currently available here and exposed for comment until September 14, 2026.

5. *Other Investment Matters*

a. NAIC Adopts "Look-Through" RBC Treatment for Collateral Loans

Executive and Plenary adopted revisions to the Life and Fraternal RBC Blanks, Instructions and Formula to modify the RBC charge for collateral loans by creating a "look-through" approach that considers the quality of the underlying collateral rather than the loan itself (Proposal 2025-16-L MOD, currently posted here), effective for year-end 2027 reporting. This adopted methodology responds to regulator concern that assets with high RBC charges could be placed within a loan structure to receive more favorable RBC treatment than their risk warrants. The adopted methodology requires independent verification of the collateral's fair value.

SAPWG is developing a related agenda item for the 2026 Fall National Meeting to support the application of the new RBC methodology by incorporating additional disclosures regarding independent verification of collateral fair values in statutory reporting.

b. Update on Security Incident Impacting CRP Data Feeds

The Investment Designation Analysis (E) Working Group heard a status update on a previously reported security incident where, in mid-June 2026, an unauthorized party was able to obtain access to NAIC systems containing CRP-related data. Although the data accessed or acquired did not include rationale reports, data provided in connection with the CRP Framework, or other insurer filing information, some CRPs paused their rating symbol data feeds to the SVO after being notified of the breach, and as a result the NAIC temporarily suspended assigning NAIC Designations to insurer investments that are based on public or private CRP ratings. Following remediation by the NAIC, as of August 6 the data feeds have been restored and as of the Summer National Meeting, the NAIC expected to resume full SVO operations by August 14. The SVO requested and the Working Group approved a temporary extension of private rating filing deadlines for annual updates and supporting rationale reports that were impacted by the outage period.

c. Filing Exempt Review Process Now Operational

In 2024, the NAIC adopted an amendment to the P&P Manual to provide a process for regulators to exclude a security from filing exemption 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. While the amendment was effective January 1, 2026, its implementation depended on developing technology enhancements, which are now complete, and the process is operational.

d. Parent-Subsidiary Reporting

The Investment Designation Analysis (E) Working Group adopted a technical P&P Manual amendment to document existing practice with respect to assessing an issuer based on the audited financial statements of its parent holding company. Specifically, the SVO has latitude to use parent financial statements when any of the following exists: (i) the consolidating work papers relating to the issuing subsidiary are provided; (ii) the operations of the parent are limited solely to owning the issuing subsidiary, and the issuing subsidiary constitutes at least 97% of the parent's pre-tax income and assets on a consolidated basis; or (iii) the SVO has determined that there is other satisfactory support for doing so.

B. RBC Matters

1. RBC Governance and Gap Analysis

The Risk-Based Capital Model Governance (EX) Task Force is progressing its charge to analyze and address gaps and inconsistencies in the RBC framework. Following a period of input from interested parties, at the Summer National Meeting, the Task Force heard a presentation from its outside consultant identifying an initial list of gaps, currently available here. The list broadly includes RBC components related to life and P&C reinsurance transactions, life investment matters, underwriting risk factors, and interest rate/market risk factors for life products. Between now and the 2026 Fall National Meeting, the Task Force plans to review and refine the list to identify five to seven material gaps and then make referrals to the appropriate subgroups to address them.

In addition, the Task Force exposed for comment until September 29, 2026 a proposal (currently posted **here**) to form an ongoing Commissioner-level steering committee to oversee RBC initiatives following the conclusion of the Task Force's charges. A meeting is scheduled for October 8, 2026 to continue discussions on the exposure and potential RBC gaps.

2. Revised RBC Preamble Adopted

Executive and Plenary adopted revisions to the Preamble to the NAIC's Risk-Based Capital Forecasting and Instructions (the "Preamble") intended to align the Preamble with the RBC Guiding Principles (adopted by the RBC (EX) Task Force in December 2025), emphasize RBC's purpose as a tool for regulators, and improve the Preamble's discussion of RBC's limitations and disclosure considerations. The adopted revisions are currently available here.

C. Statutory Accounting Updates

SAPWG's key activity at the Summer National Meeting included developments related to IMR and reinsurance collateral, and a number of other new adoptions and exposures, with highlights discussed below.

1. New Adoptions

a. IMR Impact on Reinsurance Collateral

To clarify how derecognized net positive and net negative IMR are treated when a reinsurance transaction is completed so regulators can determine the collateral required for reinsurance credit, SAPWG adopted revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* ("SSAP No. 61") to clarify that derecognized net positive IMR shall increase reinsurer collateral requirements but that net negative IMR shall not decrease collateral requirements (Ref #2025-22).

The revisions reflect an "asymmetrical method," which was a focus of the prior exposure and referral to the Reinsurance (E) Task Force, receiving support from that Task Force and NAIC staff, whereas interested parties recommended symmetrical treatment of IMR in collateral calculation (i.e., whereby both positive and negative IMR would affect collateral).

b. INT 23-01 Extended Through Year-End 2027

SAPWG extended *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve* ("INT 23-01") through December 31, 2027 to allow additional time for the comprehensive revisions to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* (discussed below) to be finalized and implemented, ensuring continuity of the interim guidance on net negative IMR admittance. INT 23-01 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.

c. Securities Lending Restricted Asset Reporting

SAPWG adopted revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to clarify that the securities lending restricted asset reporting category shall reflect the security lent (reported in the insurer's investment schedules), not collateral received (Ref #2026-05).

2. New Exposures

The general comment deadline for all newly exposed items is Friday, October 2, 2026 so that adoption can be considered at the 2026 Fall National Meeting.

a. SSAP No. 26—Bonds and Embedded ALM

SAPWG has proposed revisions to *SSAP No. 26—Bonds* to clarify treatment of asset-backed securities (ABS) backed by non-homogeneous assets, proposing to preclude structures that contain significant embedded asset-liability management ("ALM") risk from being classified as bonds. While this agenda item is limited to addressing the treatment of embedded ALM risk under the principles-based bond definition (adopted effective January 1, 2025), the exposure indicates that a separate project to consider reporting refinements related to several asset classes that have gained prominence since the finalization of the new bond definition will likely follow. These include but are not limited to multi-collateral credit structures, feeder funds and other forms of fund finance.

b. SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve

SAPWG exposed a revised *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* ("SSAP No. 7"), as well as a related issue paper, revisions to other SSAPs, and proposed reporting revisions for a public comment period ending October 2, 2026. The exposed materials are currently available here (Ref. # 2023-14).

The SSAP No. 7 revisions are proposed to become effective January 1, 2028—shifted back one year from the prior exposure in response to industry comments raising concerns about operational complexity and the need for system integration and testing—and INT 23-01 has been accordingly extended through year-end 2027 as discussed above.

The SSAP No. 7 revisions focus on the definition of IMR, examples of known liquidity sale losses, guidance for when a reporting entity does not complete or pass the proof of reinvestment, treatment of derecognized IMR, and admittance within the general and separate accounts, among others.

The appropriate admittance limit of net negative IMR was a key discussion point for SAPWG. As discussed above, INT 23-01 currently caps admitted net negative IMR at 10% of adjusted capital and surplus. Industry commenters unanimously recommended eliminating the cap, while NAIC staff recommended delaying any increase until compliance with the new safeguards can be verified, as reflected in the current exposure.

c. Guidance Exposed on Valuation of Funds Withheld

SAPWG exposed for public comment until October 2, 2026 modified guidance for SSAP No. 61 to clarify the recording and valuation of funds withheld assets and liabilities in life and health reinsurance agreements (Ref # 2026-02). The revisions intend to address inconsistent prior guidance and to balance recognizing reinsurance agreement contractual obligations that must also use statutory accounting and reporting requirements.

After the SSAP No. 61 guidance is finalized, additional modifications will be developed for the related blanks proposal, the effective date of which was previously deferred to year-end 2027. NAIC staff have also been instructed to incorporate additional revisions to the annual statement instructions.

d. Request for Comments on Retroactive Reinsurance Exception

SAPWG exposed revisions to *SSAP No. 62—Property and Casualty Reinsurance* to request conceptual comments regarding an existing exception to retroactive accounting involving transactions with insurers 100% owned by a common parent and to add a new disclosure of contracts entered into that applied the exception (Ref # 2026-12). Specifically, the exception from the typical approach of accounting differently for prospective and retroactive reinsurance (in paragraph 36.d) allows retroactive reinsurance contracts between 100% commonly owned affiliates to be treated as prospective reinsurance, provided that there is no gain in surplus as a result of the transaction. Regulators have raised concerns regarding this exception, including that such transactions could immediately shift significant amounts of premiums and reserves off the ceding entity's financials and Schedule P, making it harder to track reserve development and potentially reducing reserves held and lowering the total RBC requirement. The exposure requests comments on whether the exception should remain unchanged, be considered for elimination, or be narrowed.

e. Asset Liability Management (ALM) Derivatives

SAPWG exposed a revised *SSAP No. 109—Asset Liability Management (ALM) Derivatives* and corresponding issue paper for public comment until October 2, 2026, with a revised effective date of January 1, 2028 (Ref #2024-15). Revisions from the prior exposure include elimination of accelerated amortization, new requirements for deferred gains and losses to be recognized as immediate capital gains and losses upon derecognition of the hedged liability portfolio due to reinsurance, and inclusion of deferred derivative gains and losses in cash flow testing and principles-based reserving in the same manner as IMR. SAPWG directed a referral to the Life Actuarial (A) Task Force requesting consideration of a pilot program and directed a blanks proposal to incorporate new reporting lines on Schedule DB.

3. Reporting Errors and Noncompliance in Statutory Financial Statements

SAPWG received information from NAIC staff regarding reporting errors and noncompliance in statutory financial statements, including a finding by NAIC staff from its review of 2025 statutory financial statements that 57% of items reported with SVO-assigned designations on Schedule BA for improved RBC either lacked an SVO designation or were misreported with a more favorable designation. NAIC staff has shared the findings with the NAIC Quality Assurance team for follow-up, and SAPWG requested broader dissemination to regulators and affected companies to promote regulatory review and future compliance.

D. <u>Reciprocal Exchanges (E) Working Group Proposes Amendments to HCA Models</u>

On July 22, 2026, the Reciprocal Exchanges (E) Working Group exposed proposed revisions to the HCA Models for a 30-day comment period ending August 21, 2026. The Working Group subsequently extended the comment deadline to August 28, 2026. As background, this working group was newly formed for 2026 in response to regulator discussions about an increase in reciprocal exchanges in recent years and regulators' observation that new exchanges seemed unfamiliar with states' authority to assess the fairness and reasonableness of attorney-in-fact management fees under the HCA Models. The proposed revisions to the HCA Models would:

specify in the definition of "control" that control can be held "by contract **<u>(including attorney-in-fact contracts)</u>**" and

- specify that affiliated agreements subject to prior non-disapproval by the commissioner include "service contracts **<u>(including attorney-in-fact agreements)</u>**."

- Proposed drafting notes to be included in the revised HCA Models state that (i) attorney-in-fact agreements include powers of attorney and related agreements established to provide services to a reciprocal exchange at a specific cost and (ii) "[u]nder no circumstances should the amounts charged by an attorney-in-fact exceed the cost of such services plus a reasonable profit." The proposed revisions are currently posted here.

II. INNOVATION, TECHNOLOGY AND PRIVACY DEVELOPMENTS

A. Handbook Guidance Exposed on Cybersecurity & AI

At its July 30, 2026 meeting, the Financial Analysis Solvency Tools (E) Working Group exposed for public comment until August 28, 2026 proposed revisions to the NAIC's Financial Analysis Handbook addressing cybersecurity and AI use in financial analysis. Responding to a referral from the Financial Condition (E) Committee, the proposed revisions add guidance for regulators evaluating cybersecurity exposures in connection with insurance holding company act filings, with particular attention given to the potential impact of cybersecurity risks and system integration plans. They also add guidance on the use of AI tools in financial analysis work, including to protect confidential information while using AI during examinations and expectations for regulators to document AI-generated outputs (similar to guidance added to the Financial Condition Examiners Handbook last year, reported here).

B. Pilot Program Continues to Test AI Risk Evaluation Supplement

The Big Data and Artificial Intelligence (H) Working Group reported that its pilot program to test the AI Risk Evaluation Supplement remains ongoing and on track to be formally adopted at the 2026 Fall National Meeting, with updates expected to be released for public comment in the interim. The AI Risk Evaluation Supplement (formerly the AI Systems Evaluation Tool) is designed to be a resource for regulators examining insurers' AI systems in an examination context.

C. Work Continues on Regulatory Framework for Third-Party Data and Model Vendors

At an interim meeting on July 8, 2026, the NAIC Third-Party Data and Models (H) Working Group exposed for comment until August 5, 2026 a draft regulatory framework for third-party data and model vendors used in property and casualty pricing and underwriting. The proposed framework reflects the Working Group's decision to narrow its scope to P&C pricing and underwriting in response to earlier comments, as reported here, although it is also regarded as representing only the first phase of a broader project that the working group expects to address additional insurance practices and lines of business.

Key components of the proposed framework include that the NAIC would host a voluntary, multistate registry where vendors would confidentially provide information on their corporate governance structure, data and model governance programs, and identify which insurers use their data or models—giving regulators visibility into both the third-party vendors and the insurers that use their data or models for underwriting and pricing P&C products. To register, vendors must commit to respond to regulator requests within specified time frames and would face consequences for failing to comply with such requests. The framework will not change existing state filing requirements; where a third-party vendor's data or model is used, the insurer must file it either with the insurer's own filing or separately with the regulator (as requested by the regulator). In addition, vendors must annually update the documentation submitted to the registry, attest to its effectiveness and legal compliance, and provide updates on material changes to the datasets or models previously submitted.

The framework stresses that it does not reduce accountability or compliance obligations of insurers, who remain responsible for complying with state insurance laws even when using third-party data or models.

The Working Group will continue to refine the framework and address comments received to date and aims to present a draft for adoption by the 2026 Fall National Meeting.

D. Privacy Protections Working Group

The first comprehensive draft of the revised *Privacy of Consumer Information Model Act* (#672) ("Model 672") is currently exposed for a 60-day public comment period ending September 22, 2026. The exposure is available here and follows prior exposures of the same on an article-by-article basis by the NAIC's Privacy Protections (H) Working Group. Model 672 governs how state insurance department licensees treat individuals' nonpublic personal health and other information, and notable changes to it include:

- **Scope**. The scope is expanded from personal health and financial information to all nonpublic personal information (not limited to health and financial).
- **Disclosure to Third-Party Service Providers**. A new section requires licensees to enter contracts with third-party service providers that receive nonpublic personal information and mandates specific provisions.
- **Consumer Requests**. A new section establishes a consumer's right to request, and licensees' obligation to provide, the consumer's nonpublic personal information maintained by the licensee (or any contracted third-party provider) as well as a list of third-party service providers with which the licensee shared such information. It also authorizes consumer requests, and requires responsive action by licensees, related to correcting and deleting nonpublic personal information, and details corresponding procedures.
- **Notice and Election**. The revisions address substantive, procedural and timing requirements for licensees to notify consumers of their information practices.
- **Dual Opt-in/Opt-out Framework**. The revised model introduces a dual consent framework for consumer information disclosures. Licensees must provide notice and allow for opt-out before disclosing nonpublic personal information for targeted advertising purposes or, in certain circumstances, to nonaffiliated third parties, and must obtain affirmative opt-in consent before selling a consumer's nonpublic personal information or disclosing specified sensitive personal information.
- **No Private Right of Action**. A new section makes express that the law creates no private cause of action for violations.

III. REINSURANCE MATTERS

A. Regulators Continue to Focus on Asset-Intensive and Offshore Reinsurance

1. Update on Review of AG 55 Reports

In the second quarter of 2026, approximately 80 ceding life insurers submitted the first reports required under Actuarial Guideline LV, the Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties ("AG 55"), adopted in August 2025 to enhance 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.

At the Summer National Meeting, the Valuation and Analysis (E) Working Group ("VAWG") reported to the Life Actuarial (A) Task Force that it has reviewed the filings at a high level and is now beginning detailed analysis starting with prioritized companies (i.e., those with a high percentage of liabilities ceded through offshore or captive reinsurance transactions). Emphasizing that the review so far has produced only observations and no firm conclusions, VAWG has identified the following "top 10 topics of regulatory interest" that regulators seek to understand better, on both a macro and company-specific level, and including through outreach to companies:

1. Assumption of high net yield assumptions without modeling of downside;
2. Valuation of level 2 and level 3 assets;
3. Transparency of assets held by offshore reinsurers;
4. Unmodeled cliff risk of certain assets;
5. Reinsurer balance sheet verification;
6. Instances of low capital after reinsurance;
7. Reasons for offshore/captive reinsurance;
8. Companies' understanding of risks;
9. Probability/impact of reinsurer failure; and
10. Misunderstanding of AG 55.

VAWG's preliminary review specifically indicated that business ceded to unauthorized reinsurers generally comes from newer, relatively small annuity writers offering aggressive crediting rates and that these transactions tend to produce comparably large reductions in total asset requirements. As a result, ceding companies may face greater capital strain in the event of recapture or reinsurer solvency issues.

In addition to continuing review of AG 55 reports and further analyzing the topics above, VAWG plans to develop a guidance document for year-end 2026 AG 55 filings for the benefit of reporting companies.

2. Proposed Life RBC Changes to Address Recapture and Counterparty Risk

At the Financial Condition (E) Committee meeting, members indicated that based on AG 55 reporting (discussed above), 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 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**.

3. NAIC to Consider Model Law Changes for Disclosing Material Reinsurance Transactions

The Financial Condition (E) Committee exposed for comment until September 28, 2026 a memorandum, posted here, requesting input 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 under the HCA Models 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.

4. Offshore and Asset-Intensive Reinsurance Guidance Proposed to Be Added to NAIC Handbooks

The Financial Analysis Solvency Tools (E) Working Group has exposed for comment until August 31, 2026 new guidance for financial analysts in the NAIC's Financial Analysis Handbook for assessing risks for offshore unauthorized reinsurance, including:

- verifying the credit quality and liquidity of funds-withheld assets supporting the reinsurance agreement, including assessing risks associated with complex assets backing the agreements;
- reviewing information provided in the insurer's AG 55 report; and
- for assets managed by third-party reinsurers or asset managers, reviewing assets to identify relationships with the reinsurer and ensure compliance with ceding company guidelines and state investment laws.

The proposal also adds a new section, "Assessment of Form D – Unauthorized/Offshore Asset Intensive Reinsurance Transactions," with best practices for pre- and post-approval review of ceded reinsurance involving unauthorized offshore reinsurers.

The proposed guidance is currently available here. The Financial Examiners Handbook (E) Technical Group, which is next scheduled to meet on September 9, 2026, will consider adding parallel guidance to the Financial Condition Examiners Handbook.

B. Reinsurance Collateral Reduction Update

The Reinsurance Financial Analysis (E) Working Group continues to assist states with reviewing reinsurance collateral reduction applications to determine whether applicants meet the requirement to be recognized as a Certified Reinsurer and/or a Reciprocal Jurisdiction Reinsurer. As of August 20, 2026, 40 Certified Reinsurers and 110 Reciprocal Jurisdiction Reinsurers have been approved. All 50 states plus Washington, D.C., Puerto Rico, and Guam have now "passported" Certified and Reciprocal Jurisdiction Reinsurers, which process gives states discretion to defer to the collateral reduction status of a reinsurer in another state. The NAIC's complete list of Certified and Reciprocal Jurisdiction Reinsurers is available *here*.

C. Qualified Jurisdictions Update

The Mutual Recognition of Jurisdictions (E) Working Group reported that it has received applications for Qualified Jurisdiction status from the Guernsey Financial Services Commission, the Republic of Korea Financial Supervisory Service, and the Cayman Islands Monetary Authority. The working group does not yet have a timeline for the review of these applications (describing this volume of new applications as "totally unprecedented") and plans to meet in regulator-only session by the end of August 2026 to discuss a plan for timely review.

D. P&C Reinsurance and Natural Catastrophe Developments

The Reinsurance (E) Task Force continues to examine the relationship between natural catastrophes and property and casualty reinsurance, building on efforts begun last year to improve regulatory training, analytics, and tools to assess the strength of reinsurance programs and their impact on insurer solvency. These initiatives remain at an exploratory stage.

Additionally, the Summer National Meeting included a "Beyond the Basics: P/C Reinsurance" seminar addressing reinsurance market trends, alternative capital, catastrophe losses and pricing, and the relationship between reinsurance and residual markets. A recording and materials are currently available here. Key themes from the session included:

- how recent catastrophe losses are causing reinsurers to recalibrate attachment points and move further toward low-frequency, high-severity risks;

- how catastrophe modeling has become increasingly sophisticated, incorporating property-specific attributes, satellite imagery, and climate-change-driven changes to wildfire frequency;

- the growth of alternative capital (primarily catastrophe bonds), with approximately $141 billion in insurance-linked securities capital as of 2025, alongside approximately $650 billion in traditional reinsurance capital; and

- how reinsurance serves as a critical tool for insurers' climate risk management strategies, particularly in markets like California where reinsurance costs directly affect market capacity and availability.

IV. TOPICS OF INTEREST TO THE LIFE INSURANCE INDUSTRY

A. Funding Agreement-Backed Note Programs

Since an initial meeting of the Macroprudential (E) Working Group in July 2025, the NAIC has been considering various topics related to funding agreement-backed note ("FABN") and similar programs. As part of this effort and in response to a referral from the Macroprudential (E) Working Group, in May 2026, SAPWG adopted revisions to *SSAP No. 52—Deposit-Type Contracts* to require enhanced disclosures for funding agreements that support FABN and other funding agreement-backed structures. The disclosures are effective for year-end 2026. In addition, the NAIC's Receivership and Insolvency (E) Task Force is continuing to address a separate referral from the Macroprudential (E) Working Group, asking it to consider and report back on the priority treatment of funding agreements backing FABN and similar programs in an insurer receivership.

B. Registered Index-Linked Annuities

The Life Insurance and Annuities (A) Committee has identified Registered Index-Linked Annuities ("RILAs") as a new area of regulatory attention. Committee Chair and Iowa Insurance Commissioner Doug Ommen explained that RILAs occupy a unique position in insurance regulation: As insurance products that are also securities, they are subject to dual oversight by state insurance departments and the SEC, must be registered under the federal securities laws and sold by prospectus, and have experienced rapid growth. The Committee observed that RILAs are having a meaningful impact on the retirement market and that state regulators need to understand the product and its federal regulatory requirements. The Committee heard informational presentations addressing key themes including the formal definition of RILAs and the SEC's disclosure and registration framework, a comparison of RILAs to fixed indexed annuities, and the SEC's recent rulemaking proposals aimed at harmonizing the regulatory treatment of variable and nonvariable annuities.

C. Proposed Amendments to the Annuity Disclosure Model Regulation (#245)

The Executive (EX) Committee approved a model law development request to revise the *Annuity Disclosure Model Regulation* (#245), which establishes standards for the disclosure of certain minimum information about annuity contracts. The revisions are intended to respond to concerns that annuity returns are illustrated at unrealistically high levels (between 10% and 20% per year), leading to unreasonable consumer expectations. The Life Insurance and Annuities Illustrations (A) Working Group has begun meeting regularly to discuss means to improve illustration readability and accuracy and enhance company accountability for illustrations. This work remains ongoing.

D. NAIC Group to Review Liquidity Stress Testing Framework

Presenting to the Financial Stability (E) Task Force, Macroprudential (E) Working Group Chair Bob Kasinow (NY) announced the opening of the Liquidity Stress Test framework to review the appropriateness of the prescribed assumptions and adequacy of the framework overall. The Working Group seeks industry and regulator volunteers to participate in a drafting group to revisit the framework.

V. TOPICS OF INTEREST TO THE P&C INSURANCE INDUSTRY

A. Homeowners Insurance Matters

The Homeowners Market Data Call (C) Task Force provided an update on the status of the Homeowners Market Data Call. As previously reported here, the data call is mandatory for insurance companies that wrote $50,000 or more in homeowners and fire insurance premiums in any year from 2018 to 2025, with exceptions for insurers writing fire insurance policies that do not also write relevant homeowners insurance. After extending the submission deadline by one month to July 15, 2026, the task force reported that the data submitted by approximately 700 of the 800 companies has passed initial validation checks. The task force and individual states intend to ask insurers more questions about the validity of the submitted data over the coming weeks. The task force is also considering improvements to the data call for future years, for example, by separating out certain data on losses by claim type.

Following discussions with consumer advocates and industry groups, the Homeowners Market Report (C) Working Group reported that there is general support for releasing a public report on the results of the data call. The working group plans to draft a straw proposal for interested parties to discuss on a public call in September 2026, and then publicly release the report by early 2027.

B. Residential Mitigation Grant Program Model Act Exposed for Comment

The Residential Mitigation Grant Program Model Act was exposed for a 30-day comment period, ending September 8, 2026, by the Pre-Disaster Mitigation and Risk Modeling (EX) Working Group. The model is intended to provide a framework for states—through their insurance departments—to establish and administer “residential mitigation grant programs” to provide financial assistance to help homeowners implement mitigation measures to reduce their risk of loss from specified perils. The model law is designed to be peril- and standard-agnostic, so that states can adapt it to local hazards, market conditions, legal structures, and existing mitigation standards.

C. Affordability and Availability Playbook Adopted

At the Summer National Meeting, the Property and Casualty Insurance (C) Committee adopted the Affordability and Availability Playbook, currently available here. The playbook is intended as a practical resource to help states consider policy options and provide state-specific examples on homeowners insurance availability and affordability—without recommending specific actions—and to be updated over time as markets evolve and new tools are developed.

VI. OTHER TOPICS OF GENERAL INTEREST

A. Insurance Business Transfer and Corporate Division Updates

Proposed revisions to the Financial Analysis Handbook directing analysts to use the *Best Practices Procedures for IBT/Corporate Divisions* when reviewing insurance business transfer and corporate division transactions are currently exposed for public comment until August 31, 2026 and are available here. The Best Practices Procedures for IBT/Corporate Division were adopted by the now-disbanded Restructuring Mechanisms (E) Working Group in December 2025, and a more detailed discussion of them is available in our prior reporting available here.

B. International Updates

1. Implementation of the Insurance Capital Standard

As background, the Aggregation Method Implementation (G) Working Group ("AMIWG") is charged with coordinating the implementation of the IAIS's insurance capital standard ("ICS") in the United States through the Aggregation Method ("AM") (i.e., the method that underlies the U.S. group capital calculation ("GCC") tool). While the IAIS's 2024 comparability assessment concluded that the provisional AM released in 2023 for purposes of the assessment provided a "basis for implementation" of the ICS in the United States, it also identified areas where the provisional AM diverged from the ICS—namely, the treatment of interest rate risk and the appropriate timing of supervisory intervention. In response, AMIWG has reviewed how existing U.S. group solvency regulation addresses the so-called "gaps" highlighted in the IAIS's comparability assessment and has developed recommendations to address them in what is being developed to serve as the "Final AM."

At the Summer National Meeting, the International Insurance Relations (G) Committee approved AMIWG's recommendations for implementing the ICS through the AM. The approved recommendations—which NAIC staff has previously emphasized do not include creating new regulatory tools—included refinements to scalars in the Final AM, improved transparency regarding sensitivity to interest rate changes (e.g., a sensitivity test in the GCC template for life IAIGs to describe interest rate scenarios), and clearer articulation of how existing tools are applied on group capital adequacy grounds (e.g., clarify the ORSA guidance manual to indicate that the GCC is an appropriate group regulatory capital reporting tool for IAIGs). AMIWG also recommended and in 2027 will begin drafting a paper on GCC scenario testing and develop options for how ComFrame public reporting requirements could be implemented.

As a next step, the approved recommendations will be referred to the Financial Condition (E) Committee for technical implementation by relevant working group(s) (anticipated to be the Group Capital Calculation (E) Working Group). The Final AM will be subject to public comment before being finalized.

2. U.S. FSAP Underway

It was reported at the Summer National Meeting that the Financial Sector Assessment Program ("FSAP") is underway to assess the United States against a subset of the IAIS's Insurance Core Principles, and final documentation is expected to be published in summer 2027.

The FSAP is a comprehensive and in-depth assessment of a country's financial sector conducted by the International Monetary Fund. In advanced economies, including the United States, the evaluation focuses on assessing the resilience of the financial sector, the quality of the regulatory and supervisory framework, and the capacity to manage and resolve financial crises. The last FSAP of the United States was completed in 2020, which we reported at the time here.

3. *IAIS Activities*

Reports on recent IAIS activities were presented to the International Insurance Relations (G) Committee and, with respect to international macroprudential activities, at the joint meeting of the Financial Stability (E) Task Force and Macroprudential (E) Working Group:

- Gerry Cross, formerly of the Central Bank of Ireland, was appointed the next Secretary General of the IAIS, effective June 15, 2026, succeeding Jonathan Dixon, who served in the role since 2017.

- The first phase of the implementation assessment of the ICS is underway and involves a baseline self-assessment by IAIS member jurisdictions, which will be reviewed to produce a finalized, aggregate report. The second phase will entail in-depth jurisdictional assessments beginning in the second quarter of 2027.

- Following the November 2025 publication of an Issues Paper examining structural shifts in the life insurance sector, the Macroprudential Supervision Working Group has drafted an outline and designed a supervisory survey for an application paper on asset-intensive reinsurance. The working group will continue to monitor the macroprudential supervisory practices and frameworks related to asset-intensive reinsurance, alternative assets and interconnectedness.

- The Market Conduct Working Group aims to finalize its draft Issues Paper on customers receiving value from insurance products by the end of this year.

- The Climate Risk Steering Group is developing a repository of supervisory initiatives following its April 2025 Application Paper on the supervision of climate-related risks in the insurance sector.

- The Protection Gap Task Force is developing resources to support supervisors and policymakers' efforts to identify and address insurance protection gaps.

C. Market Conduct Regulation Modernization

The Market Conduct Regulation Modernization (D) Working Group was formed in spring 2026 and charged with recommending improvements to the market conduct regulatory framework in light of evolving markets, business models, and consumer expectations. At the Summer National Meeting, the working group discussed their experiences overseeing third party service providers such as managing general agents (MGAs) and third-party administrators (TPAs) in the market conduct examination process. Working group members generally expressed that across all lines of business, current processes do not adequately address insurers' use of contractors and subcontractors.

Suggested improvements included requiring more detailed disclosure regarding subcontractors and their roles, increasing market conduct examiner access to third-party providers and their books and records, revising NAIC model guidance applicable to TPAs, and creating additional tools to ensure carrier accountability and provider compliance short of license cancellation.

The Working Group plans to present high-level recommendations at the 2026 NAIC Fall National Meeting to inform a work plan to be developed throughout 2027 and into 2028.

D. FSOC Considers Comments on Proposed Guidance for Nonbank SIFI Designations

In March 2026, the Financial Stability Oversight Council ("FSOC") issued proposed interpretative guidance that would replace FSOC's current process for designating nonbank financial companies as nonbank systemically important financial institutions (SIFIs), on which we reported in 2023 here, and would generally reinstate the activities-based approach that characterized FSOC's prior 2019 interpretative guidance. At the Summer National Meeting, NAIC staff reported that FSOC has reviewed comments received during a 45-day comment period and indicated that it will continue working toward finalizing the proposed guidance.

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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