WILLKIE

CLIENT ALERT

# New Handbook Proposal Underscores NAIC's Private Asset Focus

**August 6, 2026**

**AUTHORS**

Sarah C. Kessler | Larissa R. Marcellino | Allison J. Tam | Adam True
Samuel Weber | Maureen Kellett Curtiss

Developments at the National Association of Insurance Commissioners (the "NAIC") continue regarding private credit asset managers and insurance company investors seeking to invest in private credit securities. Most recently, on July 30, 2026, the NAIC's Financial Analysis Solvency Tools (E) Working Group (the "Working Group") exposed for comment revisions to the NAIC's Financial Analysis Handbook (the "FAH") with enhanced guidance for insurance regulators assessing private asset exposures.

## I. Background

The current proposal resulted from a referral to the Working Group from the Financial Analysis (E) Working Group ("FAWG"), which meets in regulator-only sessions to support multistate efforts in addressing solvency problems, including identifying adverse industry trends. FAWG's referral notes that in reviewing December 31, 2025 insurer financial results, regulators "continued to note an ongoing increase in the amount of private assets held by U.S. domestic insurers," and highlights that "the potential lack of transparency related to private assets can complicate the assessment of credit quality and reduce the liquidity of the portfolio." Accordingly, FAWG is recommending "enhancements to NAIC financial analysis tools (e.g., updated metrics, industry benchmarks, peer group averages) and supporting handbook guidance to assist financial regulators in identifying and assessing risks and concentrations in these areas."

## II. Proposed Guidance

The proposed FAH guidance would provide financial analysts within state departments of insurance with background information on private credit assets owned by insurers, such as privately rated securities (PLRs), and identify risks for 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). The revisions focus on Level 3 assets under Statement of Statutory Accounting Principle No. 100—*Fair Value*, which use "unobservable inputs" to measure fair value, often involving judgment and estimation, including the use of internal models and assumptions. By contrast, Level 1 assets rely on quoted prices in active markets for identical assets, and Level 2 assets use other "observable" measures such as quoted prices for similar assets. Note 20 to insurer annual financial statements includes disclosures regarding fair value measurement.

The FAH revisions (i) set forth procedures for analyzing private assets (e.g., Note 20 review) and (ii) propose enhanced review considerations where insurers have material exposures to such assets, including to request the support of the NAIC Securities Valuation Office 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.

The proposal is now open for public comment on the Working Group's website until August 31, 2026. FAWG sent a similar referral to the Financial Examiners Handbook (E) Technical Group, which may develop similar revisions to the NAIC's Financial Condition Examiners Handbook. Whether or not the handbook revisions are ultimately adopted, market participants should note that regulators continue to scrutinize the area of private credit investments and that transparency and disclosure remain important themes for regulated capital.

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


| Sarah C. Kessler | Larissa R. Marcellino | Allison J. Tam | Adam True |
|---|---|---|---|
| 312 728 9144<br>skessler@willkie.com | 212 728 8039<br>lmarcellino@willkie.com | 212 728 8282<br>atam@willkie.com | 212 728 3817<br>atrue@willkie.com |
| **Samuel Weber** | **Maureen Curtiss** | | |
| 212 728 3249<br>sweber@willkie.com | 212 728 8902<br>mcurtiss@willkie.com | | |


WILLKIE

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