

NAIC 2025 Spring National Meeting

April 8, 2025

The National Association of Insurance Commissioners (the “NAIC”) held its 2025 Spring National Meeting from March 23–26, 2025, in Indianapolis, Indiana. Debevoise attorneys attended many of the conference sessions in person or virtually, and in this update, we highlight our top takeaways from the meeting developments that may be of particular interest to our insurance industry clients, colleagues and friends.

Big Data and Artificial Intelligence

The Big Data and Artificial Intelligence (H) Working Group continued to track state adoption of the NAIC Model Bulletin: Use of Artificial Intelligence (“AI”) Systems by Insurers. There are now 24 jurisdictions that have adopted the model bulletin and four jurisdictions that have enacted other insurance specific regulations of AI. The working group also completed its survey of artificial intelligence usage in the health insurance industry, which contained newly formulated questions regarding model testing, validation and third-party data and models. Over the course of 2025, the working group plans to refine expectations on AI governance and transparency, prohibited practices and accountability regarding adverse outcomes involving AI systems.

Innovation, Cybersecurity and Technology

The Innovation, Cybersecurity, and Technology (H) Committee officially converted The Third-Party Data and Models (H) Task Force into The Third-Party Data and Models Working Group. The new working group will be responsible for monitoring state, federal and international regulation of third-party data and models and will provide recommendations to the committee regarding the regulations and oversight of third-party data and models. In line with the NAIC’s emphasis on third-party data and models, the new working group plans to build the first draft of a third-party regulatory framework in 2025.

Offshore Reinsurance

At recent meetings, the Life Actuarial (A) Task Force (the “LATF”) advanced work on its proposal to enhance asset adequacy analysis for life insurance reinsurance treaties exceeding certain thresholds. The proposed Actuarial Guideline (the “AG ReAAT”) requires asset adequacy testing through a cash flow testing methodology that evaluates ceded reinsurance as an integral component of asset-intensive business. The AG ReAAT initially will be designed as a disclosure regime rather than a new, additional reserve requirement. Although, regulators may ultimately take action based on such disclosures.

Cash flow testing (“CFT”) under the AG ReAAT is designed to measure whether the assets supporting reserves continue to be adequate based on moderately adverse conditions. Goals of this proposal include providing regulators the necessary disclosures to review solvency of U.S. life insurers.

On March 23, 2025, LATF exposed its latest revised draft AG ReAAT for a comment period ending April 24, 2025. The AG ReAAT applies to all life insurers with asset-intensive reinsurance transactions within the scope defined therein. The AG ReAAT does not apply to transactions with entities already required to submit a VM-30 memorandum, among other conditions for application. AAT requirements apply to all such life insurers within the scope of the AG ReAAT unless the insurer qualifies for an exemption. The revised AG ReAAT:

- Includes draft language describing clearly non-affiliated transactions, which is one of the necessary conditions for exemption. LATF members deliberated and declined to add a new defined term, “associated party.” Instead, the exemption provision of the revised draft includes language effectively providing that the exemption does not apply when the assuming company is an affiliate or practically affiliated with the cedent.
- Proceeds with an approach for mandatory and exempt CFT situations, as well as optional alternative runs. As described above, the CFT mechanism is mandatory for life insurers within the scope of the AG ReAAT unless the exemption applies. The AG ReAAT also includes a mechanism for the insurer to provide additional CFT projections based on an alternative run, subject to the requirements described therein.
- Proceeds with use of the concepts “post-reinsurance reserve” and “primary security.” The post-reinsurance reserve, as determined under the AG ReAAT, serves as the starting asset amount for the mandatory run of CFT. Primary security describes a

stable asset supporting reserves and is defined in Actuarial Guideline 48. In the AG ReAAT, primary security is used in determining the post-reinsurance reserve.

- Includes draft language giving effect to the previously agreed upon disclosure approach for year-end 2025.

Modified Coinsurance and Funds Withheld Arrangements

On March 24, 2025, the Statutory Accounting Principles (E) Working Group (“SAPWG”) exposed two proposals related to funds withheld and modified coinsurance (“modco”) arrangements, each as defined in SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance. Funds withheld and modco are each reinsurance provisions where the ceding insurer retains assets rather than transferring premium to the reinsurer.

SAPWG exposed revisions to SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures and annual statement blanks to expand restricted asset reporting to capture information on modco and funds withheld assets that are related to the reinsurer. This proposal is the result of a referral from the Financial Analysis (E) Working Group (“FAWG”). Following a recent SAPWG proposal that requires restricted asset disclosure for modco and funds withheld assets by broad investment category, FAWG requested that SAPWG enhance disclosure to identify when such assets are related to the reinsurer.

This proposal also amends the restricted asset disclosure requirement. As revised, disclosure is required in all quarterly and annual financial statements; the revision updates the existing requirement that disclosure be included in interim financials when there has been a significant change from the annual statement.

Separately, SAPWG exposed revisions to annual statement blanks to capture information on modco or funds withheld assets, which regulators otherwise may not be able to identify. Under this proposal, a new part, Part 8, is added to life and fraternal reinsurance Schedule S. The proposal was revised to address concerns expressed about the exposure of proprietary investments and relationships. The draft schedule only captures aggregated data, and it follows closely with AVR reporting so that it relates to the RBC formula. This proposal is exposed for a comment period ending May 2, 2025, and a corresponding SAPWG-sponsored blanks proposal was exposed by the Blanks (E) Working Group for a period ending April 29, 2025.

Collateral Loans Reporting

SAPWG also adopted revisions to Schedule BA: Other Long-Term Invested Assets, adding more granular reporting lines for collateral loans. Under the existing Schedule BA, collateral loans are reported on a single line and subject to a blended RBC charge. Following this revision, collateral loans will be reported on Schedule BA based on the underlying collateral. SSAP No. 21—Other Admitted Assets has also been updated to clarify that, for admittance, the collateral must reflect a qualifying investment, meaning that it would qualify for admittance if held directly by the insurer. Once the reporting lines are updated, work to update RBC factors will be referred to the appropriate working groups. A corresponding blanks proposal is exposed for a comment period ending April 29, 2025.

Rationale Report Filings

On March 25, 2025, the Valuation of Securities (E) Task Force (“VOSTF”) exposed two proposals related to the rationale report requirement for private rating letter (“PRL”) securities.

The rationale report requirement was added to the Purposes and Procedures Manual of the NAIC Investment Office (the “P&P Manual”) in 2021, but the NAIC Securities Valuation Office (the “SVO”) deferred implementation until fall of 2024 for systems upgrades. For PRL securities (issued on or after January 1, 2022), insurers are required to submit a rationale report to the SVO. The rationale reports are issued by credit rating providers (“CRPs”) as part of their private rating. The SVO will deactivate PRL securities that fail to comply with the P&P Manual rationale report requirement. A deactivated security is no longer eligible for the SVO’s filing-exempt process.

First, VOSTF exposed a P&P Manual amendment requiring PRL rationale reports be filed within 90 days of an affirmation, update or change. Second, VOSTF exposed a P&P Manual amendment requiring that PRL rationale reports possess analytical substance. VOSTF indicated that neither amendment is considered a material change. The proposals are in response to filings the SVO received at year-end that did not meet these minimum expectations. Each proposed amendment is exposed for a comment period ending April 25, 2025.

Risk-Based Capital Developments

The NAIC's new Risk-Based Capital Model Governance (EX) Task Force ("RBC MoGo"), announced February 5, 2025, met on March 25, 2025 at the spring national meeting. The NAIC's decision to form RBC MoGo stems from ongoing regulatory discussions about the need for greater consistency and oversight in how RBC formulas are developed and implemented and to consider other changes to RBC to address emerging risks when a framework did not previously exist. MoGo previously adopted its charges at a March 17, 2025, meeting. For additional details related to RBC MoGo's objectives, please see our prior [Debevoise Update](#).

At the March 25 session, RBC MoGo received comments on a memorandum outlining its goals for 2025. RBC MoGo indicated that it anticipates hiring an outside consultant to assist in RBC gap analysis and developing guiding principles for adjustments to RBC. The timing of RBC MoGo's formation aligns with the NAIC's broader strategic priorities for 2025, including strengthening solvency oversight and promoting uniformity across state jurisdictions. RBC MoGo's work could influence how RBC requirements evolve, potentially affecting capital planning, reporting obligations and regulatory interactions for insurers of all sizes.

On March 25, 2025, the Capital Adequacy (E) Task Force ("CATF") considered previously exposed revisions to the RBC preamble. CATF received comments during the meeting and deferred its approval. The proposed revised preamble was re-exposed with modifications for a comment period ending May 9, 2025. The revised proposal is intended to limit public disclosure of RBC levels, including in "press releases, earnings releases, webcast materials, or any other earnings presentations or webcasts."

Insurance Capital Standard and the Aggregation Method

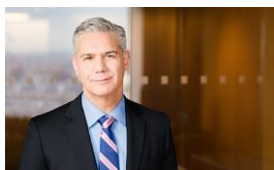
The NAIC's newly formed Aggregation Method Implementation (G) Working Group ("AMIWG") held a meeting on March 25, 2025, which included a presentation on its proposed work plan and background on the aggregation method (the "AM"). The AM provides a basis for implementing the insurance capital standard (the "ICS") for internationally active insurance groups ("IAIGs"). AMIWG will coordinate the U.S. implementation of the ICS via the AM.

The International Association of Insurance Supervisors developed the ICS as a consolidated group-wide capital standard for IAIGs. AMIWG facilitation of the AM will include a review of U.S. group capital regulation and its alignment with the ICS. In the interest of aligning with the ICS, the United States will focus on the treatment of

interest rates and timing of supervisory intervention. Final implementation of the AM is expected, at the earliest, in 2027.

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