

NAIC 2026 Spring National Meeting

April 13, 2026

The National Association of Insurance Commissioners (the “NAIC”) held its 2026 Spring National Meeting from March 22–25, 2026, in San Diego, California. Debevoise attorneys attended many of the conference sessions in person or virtually and, in this Debevoise In Depth, we highlight our top takeaways from the meeting developments that may be of particular interest to our insurance industry clients, colleagues and friends.

PRT Reinvestment Guardrail

On March 21, 2026, the Life Actuarial (A) Task Force exposed proposed revisions to VM-22 relating to the reinvestment guardrail for pension risk transfer (“PRT”) products. These revisions follow other recent regulatory efforts to develop reserve requirements in the interest of protecting policyholders. A key function of this proposal is to allow an additional 50 basis points of illiquidity spread in reinvestment assumptions.

A policy question that remains open is whether the additional 50 basis points should be available only where a company can support the assumption with evidence regarding the actual illiquidity premium experienced on existing assets and reasonably expected on similar future assets, or whether the additional spread should apply more broadly to all PRT business without requiring company-specific support. During the discussion, some regulators cited practicality concerns, including the difficulty of challenging companies that elect to take the additional 50 basis points.

The VM-22 revision was exposed together with a corresponding principles document prepared by the American Academy of Actuaries (the “Academy”) for a 45-day public comment period ending May 7, 2026. The Academy document is intended to provide principles for determining an appropriate illiquidity spread in any PRT guardrail that may be incorporated into the Valuation Manual. The proposed principles would, among other things, limit recognition of liquidity premium to liabilities with narrow variability of outcomes, require that assets themselves be less liquid, call for granular analysis by

asset class, and emphasize conservative application across asset classes and economic scenarios. The principles also contemplate robust risk assessment processes for non-traded assets and recognition of differences in internal default assumptions.

Combination Reinsurance Contracts

At the Spring National Meeting, regulators continued work implementing updated guidance on risk transfer analysis for combination reinsurance contracts, which was adopted December 11, 2025. This guidance provided that combination reinsurance contracts that include both yearly renewable term and coinsurance components are required to be analyzed for risk transfer on an aggregate basis. The guidance became effective immediately for new and amended contracts, and at year-end 2026 for existing contracts.

During discussions in connection to the adoption of the guidance, the Financial Condition (E) Committee identified transition issues for existing contracts and clarified that state regulators may grant permitted practices to accommodate existing contracts. However, it was also noted that some states do not issue permitted practices as a matter of policy. After adopting the guidance, the Financial Condition (E) Committee made a referral to the Statutory Accounting Principles (E) Working Group (“SAPWG”) for two related reasons. First, regulators sought additional education and discussion regarding how permitted practices may be used to address transition issues for existing contracts. Second, regulators considered whether any additional regulatory tools might be needed for states or jurisdictions that do not allow permitted practices.

On January 26, 2026, NAIC staff distributed materials to financial regulators in the 56 member jurisdictions to address the referral. Those materials included an example permitted practice designed to provide guidance on how states could structure a permitted practice to allow an orderly transition of existing contracts while addressing potential solvency concerns. NAIC staff also distributed a survey asking whether jurisdictions required any transition flexibility beyond what is available through the permitted practice process. At the spring national meeting, SAPWG reported that each of the 47 responses it received indicated that no additional flexibility is needed beyond what is provided through the permitted practice process.

CLO Modeling Developments

On March 23, 2026, the Risk-Based Capital Investment Risk and Evaluation Working Group (“RBC IRE WG”) discussed notable developments in the collateralized loan

obligation (“CLO”) risk-based capital (“RBC”) project. The Academy provided additional detail on its CLO C-1 factors modeling work and responded to questions raised by regulators and interested parties following its March 2, 2026 presentation, which was exposed for comment ending April 16, 2026.

The Academy’s work finds that senior CLO debt tranches appear to present relatively low modeled risk, while modeled risk increases significantly farther down the capital structure. The Academy also emphasized that, although rating explains most of the variation in risk, tranche thickness provides meaningful additional information, particularly for lower-rated tranches. In practical terms, thinner tranches absorb losses sooner in the CLO structure and therefore may exhibit greater tail risk under stress scenarios.

The Academy and the RBC IRE WG are looking at two potential implementation approaches. One approach would use a simpler ratings-only framework. A second approach would incorporate both rating and tranche thickness, primarily for Baa3 and lower-rated tranches. The difference between those approaches could be material. As an example, the RBC IRE WG discussion highlighted how these approaches could apply to a Baa3 CLO tranche. Under the simple ratings-only framework, a Baa3 CLO tranche would carry an RBC charge of approximately 2.73%. Under a thickness-based approach, the same rating category could yield a capital charge of approximately 2.73% for thicker tranches, but roughly 12.52% for thinner tranches.

The Academy’s presentation also demonstrated how sensitive outcomes could be to the tranche thickness cutoff. Using the Baa3 CLO tranche example, shifting the cutoff from 4% to 4.25% would shift the RBC charge from 12.52% to 14.05%, which underscores how the degree the thin-tranche premium influences the capital charge output.

In terms of timing, if significant changes are not requested by regulators following the comment period, the expectation is for the final factors to be available for exposure by April 30, 2026, with final adoption by June 30, 2026, to allow for a December 31, 2026 effective date. This remains one of the more important RBC developments to watch for life insurers with structured credit exposure, particularly depending on where regulators ultimately land on tranche thickness.

Funding Agreement Backed Notes

At the spring national meeting, SAPWG exposed proposed enhanced disclosures for funding agreements and funding agreement backed notes (“FABNs”) for a comment period ending May 1, 2026. The Blanks (E) Working Group exposed a corresponding

proposal for a comment period ending April 28, 2026. FABNs are debt instruments issued by special purpose vehicles formed by life insurers, where the insurer issues a funding agreement to the special purpose vehicle and the special purpose vehicle uses the associated cash flows to make principal and interest payments to FABN holders.

The current annual statement reporting framework does not require the reporting of FABNs. Existing statutory reporting only requires insurers to disclose the amount of funding agreements issued in aggregate for all purposes. The proposed disclosures are for separate reporting of funding agreements that back various types of note issuance, repurchase agreements and loan activity conducted by special purpose vehicles. The purpose of the disclosure is to provide regulators more granular data to monitor FABN-related market activity, including asset-liability management risk. Regulators have noted a significant increase in FABN issuance and the Macroprudential (E) Working Group is expected to continue work related to this topic.

Collateral Loans

The Life Risk-Based Capital Working Group (“LRBC WG”) modified a proposal to revise RBC charges for collateral loans. Collateral loans are loans secured by an admissible invested asset (collateral loans are a distinct asset class from CLOs). Collateral loans currently receive a flat 6.8% capital charge. Regulators noted concerns that these loans may be backed by risky assets, which may otherwise receive a much larger 30% or 45% capital charge, and insurers could potentially hold such assets in a loan structure to receive more favorable RBC treatment. The proposal is to implement a look-through approach to apply a capital charge based on the risk of the underlying collateral and to use a percentage reduction to reflect overcollateralization.

The LRBC WG discussed competing approaches to capturing overcollateralization levels. The American Council of Life Insurers (“ACLI”) proposed a methodology for capturing the level of overcollateralization. However, regulators raised potential issues with the ACLI proposal related to verifying the fair values of assets that cannot be observed in the market.

Investment Subsidiaries

On March 24, 2026, the Capital Adequacy (E) Task Force (“CATF”) exposed a proposal for RBC instruction and structure changes to remove look-through RBC treatment for investment subsidiaries. SAPWG and the Blanks (E) Working Group have already adopted proposals to eliminate the “investment subsidiary” concept from annual

statement instructions and blanks, to be effective for 2026 year-end reporting pending final adoption. CATF's RBC proposal was exposed for a comment period ending April 23, 2026.

The purpose of the recent NAIC actions regarding “investment subsidiaries” is to align statutory reporting and RBC instructions with the accounting concepts of SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*. The concept of an “investment subsidiary” originated under former SSAP No. 46 and referred to, “investments in noninsurance subsidiary, controlled or affiliated entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates.”

While the investment subsidiary concept was eliminated from statutory accounting guidance in 2005 when SSAP No. 46 was superseded, references in the annual statement instructions were not deleted. Investment subsidiaries are still addressed on Schedule D-6-1 and in the asset valuation reserve instructions. Further, RBC reporting has also permitted companies to report RBC for investment subsidiaries with company calculated look-through based on the underlying assets. Regulators are unable to substantiate the basis for the company look-through calculation because the relevant details on the investment subsidiary's assets are not reported in statutory financials.

Regulators expressed concern that the current framework could permit life insurers to obtain more favorable RBC treatment by moving assets into investment subsidiaries rather than reporting those assets directly on investment schedules. The current proposal would not prohibit insurers from holding investments through subsidiaries. Rather, it would require investment subsidiaries to be reported and valued consistently with SSAP No. 97, using existing subsidiary reporting lines that do not allow the current look-through RBC treatment.

International Insurance Relations

The Aggregation Method Implementation (G) Working Group (“AMIWG”) exposed its draft U.S. Group Solvency Regulation Review for a comment period ending May 11, 2026. The exposed document is a key step in the NAIC's effort to align the U.S. group capital framework with the Insurance Capital Standard (“ICS”) by implementing it through the U.S.-specific Aggregation Method (“AM”), rather than adopting the ICS directly. The exposure reflects AMIWG's response to the International Association of Insurance Supervisors comparability assessment and focuses on targeted refinements to the existing U.S. framework—particularly with respect to interest rate risk, the calibration and use of scalars and the timing of supervisory intervention—rather than

the creation of new regulatory tools. Regulators emphasized that the U.S. group capital framework, including the Group Capital Calculation, is already broadly comparable to the ICS, and that the proposed recommendations are intended to enhance alignment and transparency while preserving the U.S.'s entity-based supervisory approach. Further revisions are expected ahead of consideration by the International Insurance Relations (G) Committee at the Summer National Meeting and incorporation into the final AM documentation later in 2026.

Big Data and Artificial Intelligence

The Big Data and Artificial Intelligence (H) Working Group advanced its efforts to operationalize oversight of insurers' use of AI, focusing on the launch of its multi-state AI Systems Evaluation Tool pilot and practical implementation of the NAIC's AI Model Bulletin. Regulators reported that participating states have begun issuing information requests and are coordinating closely to promote consistency, with the pilot intended to inform future refinements to regulatory approaches. The Big Data and Artificial Intelligence (H) Working Group also discussed potential frameworks for implementation, including standardized reporting, model documentation (e.g., "model cards"), and approaches to assessing model risk, bias, and governance.

Innovation, Cybersecurity and Technology

The Third-Party Data and Models (H) Working Group continued its development of a proposed risk-based regulatory framework for third-party data and model vendors. The discussion focused on clarifying the purpose and scope of the framework, particularly the concept of vendor registration, which regulators emphasized is intended to provide visibility into market participants rather than to establish a licensing regime for individual models or datasets. Regulators reiterated that the initiative remains at an early, information-gathering stage, driven by challenges in obtaining access to third-party models and data used by insurers in functions with direct consumer impact.

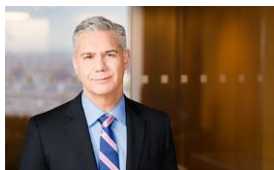
Third-Party Data and Models (H) Working Group members discussed potential revisions to the framework, including narrowing its initial scope to pricing and underwriting while preserving the ability to expand over time. The group also debated whether vendor registration should be voluntary or mandatory, with considerations including legal authority, confidentiality protections, and the need for consistent, multi-state approaches. Regulators generally expressed support for maintaining governance requirements as a core component of the framework and acknowledged the need for further refinement, including potential development of a centralized or coordinated

registration mechanism. A revised draft of the framework is expected to be developed by a drafting subgroup for consideration at the next national meeting.

The Cybersecurity (H) Working Group continued its efforts to enhance coordination and oversight of cyber risk across jurisdictions, with a particular focus on advancing the development of a centralized cybersecurity event notification portal. The Cybersecurity (H) Working Group recently adopted the project framework for the portal, which is intended to streamline multi-state reporting under the Insurance Data Security Model Law (#668) and reduce administrative burden for insurers, while emphasizing that detailed technical design and data requirements will be developed through ongoing stakeholder engagement. The Working Group also received a briefing on emerging cyber threat trends, highlighting the growing role of AI in accelerating and scaling cyberattacks, including the increasing speed of exploitation and the evolution toward more automated (“self-driving”) attack capabilities. Discussion underscored the importance of resiliency, incident response preparedness, and continued coordination between regulators and industry as cyber risks—and their intersection with AI—continue to evolve.

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