NAIC 2026 Summer National Meeting

August 24, 2026

The National Association of Insurance Commissioners (the "NAIC") held its 2026 Summer National Meeting from August 11–14, 2026, in Columbus, Ohio. 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.

Regulatory Focus on Private Credit

At the NAIC Summer Meeting on August 12, 2026, the Financial Stability (E) Task Force (the "FSTF") exposed the Macroprudential Risk Dashboard Summary report (the "Macroprudential Report") for a 30-day comment period ending September 14, 2026. The Macroprudential Report noted that private equity owned insurers continue to invest more heavily in structured securities, private credit, and other non-traditional insurance assets and that private credit appears to be a significant risk for the insurance industry. As a result, we expect heightened monitoring of private credit to continue.

The Macroprudential Report further notes that the quantification of the private credit exposure of insurers is limited due to challenges in identifying and understanding the nature of all private credit investments. While several initiatives around additional disclosures and identifiers in the Annual Statement have been implemented or will be implemented in 2026 to assist in identifying private credit investments, there might still be room for additional enhancement in this area. Therefore, state regulators and NAIC staff have recommended that enhanced disclosure requirements aimed at improving regulator identification and understanding of private credit exposures continue to be pursued and implemented either by the FSTF or the Macroprudential (E) Working Group.

The FSTF announced that it organized a few individual insurer meetings over the past few months to hear insurer presentations on private credit. The meetings were regulator only and the NAIC is preparing to publish a report on private credit in the near future.

Offshore Reinsurance

The Financial Condition (E) Committee referred a new item related to reinsurance recapture and counterparty risk to the Life RBC (E) Working Group. The referral directs the Life RBC (E) Working Group to develop two updates to the life RBC formula for year-end 2027:

- The first update outlined in the referral is a reinsurance recapture RBC factor to be applied to ceded reserves and modified coinsurance balances for all reinsurance located outside of reciprocal jurisdictions while still considering the overcollateralization of the reserves in establishing the required RBC. The RBC factor would account for additional capital that would be needed if the seeding company had to recapture these reserves at any point.

- The second life RBC formula update outlined in the referral is to modify the reinsurance methodology used in this formula for recoverability risk to align with the approach used in the property and casualty RBC formula in order to account for increased credit risk for reinsurers that have lower financial strength ratings.

According to the supporting materials, the purpose of the Financial Condition (E) Committee referral on reinsurance recapture and counterparty risk is to address regulator concerns with insurer reporting made pursuant to Actuarial Guideline LV, Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties ("AG 55") (for a detailed discussion of AG 55 please see our July 31, 2025 Debevoise Update). The Valuation Analysis (E) Working Group's ("VAWG") preliminary reviews of AG 55 reporting has found that transactions with unauthorized reinsures tend to produce larger reductions in total asset requirements, and as a result, a ceding company may face greater capital strain if the business must be recaptured or if the reinsurer experiences solvency issues. Based on VAWG's initial findings, state insurance regulators believe such risk warrants immediate attention given the increase in offshore reinsurance transactions.

Relatedly, the Financial Condition (E) Committee exposed a memorandum related to the Disclosure of Material Transactions Model Act (Model #285) for a 45-day comment period ending September 28, 2026. The exposure requests input from regulators and interested parties on the thresholds and requirements for reinsurance transactions and could broaden the scope of transactions subject to regulatory review. In addition, per the Macroprudential (E) Working Group's update on its 'List of 13 MWG Considerations – PE Related and Other', cross border reinsurance will be a continued topic of emphasis in remaining meetings this year.

These developments demonstrate state insurance regulators' ongoing focus on U.S. life and annuity insurer's use of offshore reinsurance.

Principles-Based Bond Definition

On August 12, 2026 at the Summer National Meeting, the Statutory Accounting Principles (E) Working Group ("SAPWG") exposed revisions to SSAP No. 26—*Bonds* that expand requirements for asset-backed security ("ABS") structures with significant embedded asset-liability management ("ALM") risk to qualify as bonds. Current principles-based bond definition guidance does not contemplate embedded ALM risk. The proposed revisions include two additions to the principles-based bond definition for financial ABS structures with non-self-liquidating or significant reinvestment risk. First, non-self-liquidating ABS structures will need to qualify under the equity-backed criteria, and second, self-liquidating ABS with significant embedded ALM risk will not qualify as bonds.

The introduction of these proposed revisions to the principles-based bond definition has received significant attention. The proposal is driven by regulator concerns related to multi-collateral structured credit investments. The proposal materials identify multi-collateral structured credit investments as a quickly growing asset class containing a more diverse array of underlying collateral than other common types of structured credit investments. The key concern is with the subset of such structures that contain significant asset-liability duration mismatch (i.e., the duration of the debt tranches is significantly longer than the duration of the assets supporting them). This proposal would preclude structures containing significant embedded ALM risk from being classified as bonds. The proposed revisions to SSAP No. 26 are currently exposed for a comment period ending October 2, 2026.

While not directly implicated by the proposed revisions, the materials supporting the proposal cite interconnectedness and circular ownership as potential concerns. Further, the materials indicate that a separate project is likely to follow regarding reporting refinements for several asset classes including, but not limited to, multi-collateral credit structures, feeder funds and other forms of fund finance. We will continue to monitor these developments and consider these key projects to track.

Interest Maintenance Reserve

SAPWG re-exposed a series of materials related to the interest maintenance reserve ("IMR") project and the IMR Ad Hoc Working Group workstream for a comment period ending October 2, 2026. These exposures include a revised SSAP No. 7—*Asset Valuation Reserve and Interest Maintenance Reserve* and a related issue paper detailing this work, as well as revisions to other statutory accounting statements (collectively, the "IMR Package"). The re-exposed IMR Package reflects a number of revisions, which include, among other updates:

- a clarification of the definition of IMR;
- the addition of examples of known liquidity sales;
- revisions to the proof of reinvestment guidance, adding an exception when a reporting entity has assumed net negative IMR losses through a reinsurance arrangement. Under this exception, those IMR losses will be permitted to increase net negative IMR even if the reporting entity does not complete, or fails to satisfy, the tests within the proof of reinvestment guidance; and
- revisions to the guidance to allow companies to elect where to admit net negative IMR between the general and separate accounts, to the extent net negative IMR exists in each account and is within the overall applicable admittance cap.

During the pendency of the IMR project, interim guidance under INT 23-01 remains in place. The interim guidance includes a 10% admittance cap, which permits a life insurer to admit net negative IMR up to 10% of the insurer's adjusted general account capital and surplus. Industry commenters have advocated removing the 10% admittance cap and allowing net negative IMR to be fully admissible when supported by meaningful safeguards.

The 10% admittance cap was a primary focus of the discussion during the SAPWG session on August 12, 2026. Regulators declined to support revisions to the IMR Package that would remove the admittance cap. However, SAPWG members indicated the working group may be open to considering, or having further discussions regarding, an increase to the admittance cap in the future, contingent on verification of compliance with and the effectiveness of the applicable safeguards.

The effective date of the re-exposed IMR Package was moved from January 1, 2027, to January 1, 2028. As a result, the interim guidance will remain effective for an additional year, through 2027. Accordingly, the existing 10% admittance cap will continue to serve as a placeholder for another year. We anticipate that there will be at least one interim meeting between now and the 2026 Fall National Meeting for the Working Group to discuss this issue further.

The impact of IMR on reinsurance collateral has also been the subject of ongoing discussion. SAPWG adopted revisions to SSAP No. 61—*Life, Deposit-Type and Accident and Health Reinsurance* reflecting the "asymmetrical method," which means that derecognized IMR in a net positive, or liability, position would continue to increase the reinsurance collateral requirement, but that net negative IMR that was derecognized as part of a reinsurance transaction would not decrease the collateral requirement. This revision specifically addresses how IMR is factored into the reinsurance collateral calculation under SSAP No. 61, which had not addressed how net negative IMR should be treated when it is derecognized as part of a reinsurance transaction.

The Reinsurance (E) Task Force answered a referral from SAPWG in favor of the asymmetrical method, while industry commenters had supported symmetrical treatment, under which net negative IMR derecognized as part of a reinsurance transaction would also decrease the collateral requirement. According to industry comments, the symmetrical treatment better aligns the valuation of assets and liabilities with market value. SAPWG members indicated that if changes are made to the 10% admittance cap, then application of the asymmetrical method should be revisited.

Collateralized Loan Obligations

At a July 8, 2026 interim session prior to the NAIC 2026 Summer National Meeting, the Financial Condition (E) Committee adopted new life RBC factors, effective year-end 2026, based on the CLO RBC framework recommended by the American Academy of Actuaries (the "Academy"). The new RBC factors apply to collateralized loan obligations ("CLOs"), collateralized bond obligations ("CBOs") and collateralized debt obligations ("CDOs").

This framework includes lower RBC factors for senior investment-grade tranches (NAIC Designation Category 1.A through 1.G) and higher RBC factors for lower rated tranches (NAIC Designation Category 2.A or below). The new framework includes an 11.77% thin tranche surcharge that applies to below-investment-grade tranches of only broadly syndicated loan CLOs—this surcharge does not apply to middle market CLOs, CDOs or CBOs. The tranche thickness surcharge applies to tranches with a thickness of 4% or less. Tranche thickness in this context is defined as the difference between the detachment point and attachment point, both expressed as a percentage of the CLO balance, for a given tranche.

Although the Capital Adequacy (E) Task Force and its working groups did not meet during the Summer National Meeting, the Chair of the RBC Investment Risk and Evaluation (E) Working Group ("RBC IRE WG"), Phil Barlow, provided a work plan update during the Financial Condition (E) Committee session on August 14, 2026. The Working Group discussed next steps along two tracks, involving both further refinement of the work that has been undertaken with respect to CLOs and consideration of ABS more broadly. The first track involves determining which asset classes should be addressed next. The RBC IRE WG plans to review Schedule D annual statement data to identify asset classes that may be sufficiently similar to CLOs to be mapped to the existing CLO RBC factors based on the comparable attributes developed by the Academy. Once the RBC IRE WG develops a list of asset classes that may be appropriate for this treatment, it plans to expose that list for comment and then establish priorities for further work on those asset classes. The second track involves asking the Academy to further evaluate three CLO sensitivities that it previously identified: systemic risk, recovery assumptions, and collateral-related risks associated with repurchase, price, and prepayment. The RBC IRE WG is planning an exposure based on an Academy presentation discussing these sensitivities.

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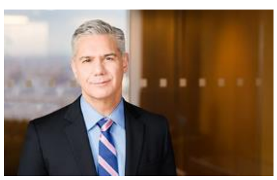
Please do not hesitate to contact us with any questions.



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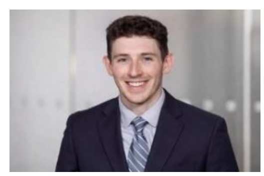

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