U.S. Elections–Implications for Regulation and M&A in the Insurance Sector

November 12, 2026

SUMMARY

We believe the change in Congress and state-level governments, while profound, is unlikely to result in near-term thematic changes in insurance regulation or enforcement. However, we do expect to see:

- Increased Congressional pressure on current state and National Association of Insurance Commissioners ("NAIC") focus areas. Specific areas include insurance company asset management and investments, private capital/sponsor ownership, and offshore reinsurance.
- A state regulatory response that is likely a continuation and in some cases intensification of ongoing NAIC initiatives, rather than a wholesale change in the regulatory framework.
- Congressional pressure on affordability issues, a more consumer-focused regulatory environment and any "headline" financial distress at individual insurers could accelerate NAIC and state actions.
- These changes may result in more protracted and detailed regulatory reviews of insurance M&A transactions and raise a number of issues for consideration in due diligence and planning for both public and private M&A deals.

CONGRESSIONAL OVERSIGHT AND RELATED FEDERAL SCRUTINY

- **Information requests.** We expect additional information requests to the NAIC, state regulators and market participants, similar to Senator Elizabeth Warren's September 10, 2026 request to the NAIC addressing private credit, affiliated investments, asset classification and the adequacy of state oversight.

- **Hearings and pressure on state regulators.** For higher-profile issues, such as insolvencies or headline-grabbing instances of noncompliance, there could be Congressional hearings backed by subpoena power. Congressional attention will put pressure on state and offshore regulators, particularly in respect of any inconsistent regulatory standards.

- **Tax scrutiny.** Committees may seek to put pressure on the IRS to investigate alleged tax abuses. Incoming Senate Finance Chairman Ron Wyden has announced that he will spearhead a tax agenda that puts American families first and requires the "ultra-rich and corporations" to pay their fair share. In the past, Senator Wyden has investigated private placement life insurance ("PPLI") and introduced legislation earlier this year to curtail PPLI held by wealthy investors.

- **Private credit and AI infrastructure.** We expect significant political pressure on AI, which may extend to private credit assets on insurance balance sheets derived from financing data centers and other AI infrastructure. We expect investment guideline negotiations will increasingly focus on these asset classes, and insurers should be prepared to discuss these holdings and their related monitoring and, potentially, to absorb higher capital charges in the event of downward ratings migration or regulatory actions.

STATE AND NAIC ACTIONS AND RESPONSES

- **Investment classification and capital.** Evaluating increased capital charges on certain asset classes, such as collateralized loan obligations and residual tranches of structured securities, are a likely state regulatory reaction, continuing current NAIC initiatives.

- **Enforcement and information requests.** We expect an increase in state enforcement actions in respect of high-profile issues, and potentially wide-ranging information or reporting requests by individual state regulators that could target AI adoption in claims and underwriting decisions, private capital-backed insurers and reinsurers, particularly on illiquid private asset investments and other activities regulators view as increasing solvency risk.

- **Ownership, affiliates and information access.** We expect continued close attention to ultimate beneficial ownership, control rights, affiliated and related-party investments, asset-management fees, conflicts and access to records. For minority or structured investments, a nominally noncontrolling stake does not resolve the control analysis, and more states are likely to follow the trend set by the New York

Department of Financial Services of applying a more subjective "controlling influence" style review to significant minority investments.

- **Offshore Reinsurance.** We expect scrutiny of reinsurance to non-reciprocal offshore jurisdictions to continue. Reinsurers active in the block and flow reinsurance markets will likely want to ensure they have the flexibility to execute on U.S.-licensed or non-U.S. reciprocal jurisdiction balance sheets when required.

CHANGES WE DO NOT EXPECT IN THE NEAR TERM

- **Federal insurance regulation.** While there may be calls for increased federal regulation of the insurance industry, we do not expect there will be any serious attempt to displace the state regulatory system. That would likely require multiple negative high-profile issues and a change in administration. The Federal Insurance Office, created by the Dodd-Frank Act, has monitoring functions but no general insurance supervisory power, and we do not expect that to change in the near term.

- **Federal investigations.** Routine or widespread DOJ or other federal investigations of insurers are not likely, but additional one-off cases are possible.

- **Major tax changes.** Sweeping changes to tax legislation, including changes to corporate tax rates (a signature feature of the Trump tax law changes), are unlikely in divided government. Any tax legislation that emerges will require bipartisan compromise.

- **Significant state actions.** Statehouse changes and resulting new insurance commissioners taking dramatic actions adverse to the insurance industry (e.g., banning offshore reinsurance, certain asset classes or private capital ownership) are not expected. However, we do expect incremental enforcement actions, particularly in respect of affordability issues (e.g., auto and health insurance rates) and AI usage.

- **Federal agency actions.** Significant changes in SEC enforcement, Committee on Foreign Investment in the United States review or other federal agency actions that may impact insurance are not expected, as all would likely require a change in administration.

PRACTICAL IMPLICATIONS FOR INSURERS AND INVESTORS

- **Industry response**. Insurers, sponsors and asset managers should communicate their "story" to regulators, including the reasons for particular asset management, reinsurance and structuring strategies. Upfront conversations and education should mitigate the risks of further regulatory scrutiny and help to blunt regulatory conclusions that a "problem arising" at a single insurer is an industry-wide issue.

- **M&A approvals and timetable.** Prepare for longer Form A and other change of control or transaction review timetables, particularly for transactions that involve issues top-of-mind for regulators, including changes in asset management or investment policy, new offshore reinsurance, complex ownership structures or material changes in AI usage. Any financial stress at insurers plausibly tied to these issues is likely to further elongate transaction reviews and increase the risk of disapprovals.

- **Capital and valuation.** Stress-test asset classifications and capital treatment, reserve adequacy, private-asset valuations, liquidity and reinsurance recapture. Doing so, even in advance of new reserve and capital requirements, may help inform discussions with regulators regarding the resulting impact of any new rules.

- **Affiliate governance.** Even in advance of regulatory inquiries, insurers should review investments with affiliates or that involve significant reliance on affiliates (e.g., affiliated collateral managers), as well as related conflict management and corporate governance. Insurers should consider discussing their approach to thinking about and managing affiliated risks in advance of any more formal regulatory inquiry or information requests.

- **Regulatory risk allocation.** Transaction counterparties should think carefully about regulatory risk allocation in transactions. In particular, in light of the potential for increased regulatory scrutiny of some transactions, consider whether following the approach from the previous transaction is necessarily the right result on a go-forward basis.

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