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The agenda shifts, not shrinks

Highlights from the National Association of Insurance Commissioners (NAIC) Summer Meeting, held in Columbus, on August 11-14, 2026.

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Due to scheduling conflicts, I attended this year's NAIC summer meeting virtually. While I would rather attend in person, the sessions were easy to follow, and it is nice to have the virtual option.

On a more relevant note, there was a noticeable shift in content. After years of discussion, actuarial studies and feedback from the industry, we have accepted our fate on the CLO RBC factors and moved on to other pressing matters. The regulatory agenda remains just as full, with attention now turning to credit ratings, negative IMR, and emerging questions around residential mortgage loans and corporate-owned life insurance.

At a glance

1. Corporate Due Diligence Framework introduces a quantitative and qualitative process to assess NRSRO ratings, with the Working Group reviewing 90 pages of comments before preparing a revised exposure.
2. Negative IMR admittance cap remains in place, with the current interim guidance extended through 2027 and the effective date for revised IMR guidance pushed to 1/1/2028.
3. Residential mortgage loan reporting faces scrutiny, with referrals underway to evaluate classification consistency and potential RBC implications for loans exhibiting commercial mortgage loan characteristics.
4. Corporate-owned life insurance referred to the Capital Adequacy Task Force to assess whether current reporting appropriately reflects underlying investment risk.

The details

A closer look at credit ratings: the Corporate Due Diligence Framework

As the number of Nationally Recognized Statistical Rating Organizations (NRSROs) has grown, so has the divergence in ratings, bringing concern that issuers may be tempted to "shop for ratings."

The proposed Corporate Due Diligence Framework is a way for the NAIC to become a more informed and responsible user of credit ratings, with a goal of improving their ability to assess the credibility of NRSRO ratings relative to peers. The NAIC emphasized that it is not attempting to regulate NRSROs or dictate their methodologies.

The Framework will introduce a quantitative and qualitative process to assess NRSRO ratings for use in the NAIC processes to ensure reasonability in the assessment of investment risk. This is a proposal that was referred to the Credit Rating Provider Working Group and exposed for a 60-day public comment period ending July 3. As you might expect, it is a very contentious topic, evidenced by the NAIC receiving 90 pages of comments from industry and interested parties.

The common themes in the comments were transparency, due process, regulatory coordination and preserving methodological diversity among ratings providers. There is concern that remediation actions by the NAIC (i.e. rating changes) could have significant consequences for insurers and credit markets.

Given the high level of engagement on this matter, the Working Group did not take action at the meeting. They listened to comments and will weigh them against NAIC and regulator priorities. The Working Group will prepare a revised version of the Framework for further exposure.

Negative IMR admittance cap survives, for now

For years, the NAIC has had an ad hoc Interest Maintenance Reserve (IMR) Working Group on negative IMR, resulting in proposed revisions to SAP 7, an issue paper summarizing conclusions, clarifications to guidelines and definitions, expanded forms and exhibits related to asset sales, proof of reinvestment, etc. The current Interim Guidance (INT) permitting admittance of net negative IMR up to a 10 % cap, expires at the end of 2026 and the effective date for the revised IMR guidance is 1/1/2027. However, the work is not finished.

Staff recommended:

- A re-exposure of the full IMR package
- Extending the current INT through 2027 with the revised effective date for IMR guidance of January 1, 2028
- Removing the 10% admittance cap limit on negative IMR

The effective date of the IMR guidance was pushed out to 1/1/2028 and the current INT was extended to 12/31/2027 but the regulators had no appetite for an unlimited cap on negative IMR. Regulators were open to future discussions on the admittance cap subject to effective safeguards. The ACLI agreed to work on a future framework around the admittance cap.

Residential mortgage loans face scrutiny

Residential mortgage loan (RML) exposure has grown rapidly in life insurance portfolios since 2021 and the percentage of invested assets has become material. RMLs are assigned a 68-basis point capital charge without risk sensitivity to underlying factors.

Current reporting requirements lack granularity to highlight key characteristics of RMLs, including identification of non-first lien loans, whether residences are owner-occupied or investment properties or LTV metrics, among others.

Lack of clear definitions between traditional RMLs and other loan types currently classified as RMLs that may exhibit significantly different risk characteristics, introduces potential inconsistency in reporting and may result in classification outcomes that do not fully align with the underlying economic risk of the exposure. These classification considerations have implications for risk-based capital (RBC) because RMLs have materially lower RBC factors than commercial mortgage loans (CMLs).

There are referrals to the Statutory Accounting Principles Working Group and Life RBC Working Group to provide input on potential RBC implications of loan exposures that may exhibit characteristics more consistent with CMLs and evaluate whether certain exposures may warrant alternative RBC treatment to better align capital requirements with underlying risk. These considerations are intended to support consistent statutory accounting guidance and RBC application, enhance transparency in financial reporting, and better align classification outcomes with the underlying economic risk of mortgage loan exposures.

Corporate-owned life insurance draws regulatory attention

Many life insurance companies have Corporate-Owned Life Insurance (COLI) on their books. Current guidance allows reporting it as an other-than-invested asset, which keeps it outside investment RBC treatment. Regulators have expressed concern that the scale of these products has increased and some marketing portrays COLI as a way to access private, schedule BA assets without RBC. This issue has been referred to the Capital Adequacy Task Force to assess the RBC Implications and whether amounts under COLI policies should be reported on Schedule BA, based on underlying asset characteristics, so RBC would better reflect the underlying investment risk.

These are my key takeaways from the meeting. The regulatory agenda is full, and the NAIC meetings are a great way to stay abreast of emerging issues and proposed changes. For anyone contemplating virtual attendance, it has certain advantages; lower cost and less downtime (many of the sessions are regulator only). I still prefer attending in person, having side conversations, and building valuable relationships. It brings a different level of energy.

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Happy to engage further with anyone interested in a deeper discussion around these important regulatory developments.
