nuveen
A TIAA Company

INSURANCEinvesting

Who says insurance is boring?

Highlights from the National Association of Insurance Commissioners (NAIC) Summer Meeting, held in Minneapolis on August 10-14, 2025.

Martha Leiper, CFA, CPA, Head of Insurance Advisory

As a former CIO at two Fortune 500 Companies, I rarely attended NAIC meetings. Investment, actuarial and legal colleagues would attend and report relevant information. I didn't know what I was missing!

I attended the NAIC summer conference this past week. It was a chance to hear firsthand what the commissioners are contemplating, see how the regulatory sausage is made, catch up with old friends, and meet the people making the policies which impact us all. It's another way to connect, network and influence!

By the way, it wasn't without surprises! The general session was interrupted by a group of protesters on climate related issues. Initially, I thought it was part of the program; an attempt to keep the after-lunch attendees engaged. Fortunately, it was peaceful, and after an orderly parade through the ballroom, the group was escorted out without incident.

The most relevant topics from my perspective were, negative IMR, and proposed changes to Risked Based Capital (RBC).

Here are the key issues covered in my recap

1. Negative IMR admittance provision to extend through 2026 with additional clarification.
2. RBC Model Governance Task Force takes next steps to modernize RBC framework with another exposure draft expected in next few weeks.
3. Offshore reinsurance and the movement of assets into various regulatory frameworks continues to be a concern.
4. Regulators zero-in on combination reinsurance contracts over concerns of overstated reserve credits and misrepresentation of an insurer's solvency position.
5. Expanded scope for qualifying trusts holding residential mortgage loans to be reported on Schedule B.
6. Private letter rating reports receive 30-day grace period and substance requirement.
7. New CLO modeling update postponed until end of 2026.

Deeper dives on these topics

Statutory Accounting Working Group – Negative IMR update

Negative Interest Maintenance Reserve (IMR) has been a topic of concern for years, following the rapid rise in interest rates. The provision to allow insurers to admit net negative IMR, initially adopted in 2023, is due to expire year-end 2025. Regulators have worked with the industry to address the complexities surrounding the admittance of net negative IMR. A proposal was made for a one-year extension, through 12/31/2026, with nullification after. The proposal includes:

Clarification to change the cap from 10% adjusted capital and surplus calculation based on prior period financials to current period financials. Additionally, companies must show negative IMR in asset adequacy and cash flow testing, including a reconciliation to avoid overstating reserves.

The American Council of Life Insurers (ACLI) provided a supportive comment letter.

Risk-Based Capital (RBC) Model Governance Task Force

The NAIC described this work as the "most significant initiative" of the year. RBC was originally developed 40+ years ago as a tool for identifying undercapitalized companies. Since then, its functions have expanded and are integrated across industry operations and regulatory/rating agency activity. The RBC Governance Task Force is developing guiding principles for maintaining and evolving the RBC framework. An exposure draft was released July 3, 2025. Bridgewater Analytics was engaged to gather and synthesize input from stakeholders. The framework is scheduled for completion by the end of 2025. Key points:

- Recognition that the landscape has evolved. RBC is now a tool for both regulators and market participants.
- Noted recent federal policy decision: President Trump's order to modernize retirement plan rules (expanding access to alternative assets within 401k plans, affecting insurer capital demands).
- Affirmed regulatory responsibility to ensure RBC remains relevant, rigorous and transparent.

Sixteen parties commented on the proposal during the meeting. While there was broad support for RBC's core purpose of assessing solvency, there were several points of divergence around adding secondary mandates and broader objectives (product availability and/or consumer needs).

The next exposure should be out in a couple of weeks.

Reinsurance Task Force updates and initiatives

Over the past 18 months, there has been an initiative to improve insight into reserve adequacy for offshore life reinsurance.

Reinsurance is seen as a "top priority" due to its intersection of solvency, stability and consumer protection. Offshore life reinsurance and the movement of assets into various regulatory frameworks was cited as a growing concern with potential risks being reduced transparency and regulatory oversite. Key actions:

- Expansion of actuarial analytic techniques (asset adequacy testing to ensure liabilities are matched by appropriate assets under stress scenarios).
- Caution against relaxing transparency and regulatory standards for offshore capital.

At a July roundtable, over 40 states met to address decreasing market capacity in global reinsurance. Collaboration and information sharing across states is seen as central to effective modern regulation. The NAIC is committed to maintaining rigorous asset adequacy testing, while resisting moves toward lower transparency for offshore assets. They will also continue to broaden multi-state roundtables on reinsurance capacity and solvency to monitor market trends and promote best practices.

Risk transfer analysis – Combination reinsurance contracts

While not an investment related topic, reinsurance is becoming more routine as companies look for more efficient ways to unlock capital for growth. The issue is around addressing risk transfer on combination reinsurance contracts with independent contract features.

Reinsurance agreements must transfer risk from the ceding entity to the reinsurer to receive reinsurance accounting treatment.

There are concerns regarding interdependent contract features which analyze for risk transfer separately instead of in the aggregate. Regulators observed this could lead to overstated reserve credits and misrepresentation of an insurer's solvency position (due to a bifurcated risk transfer analysis).

There was significant debate between the regulators and industry on the application to existing vs. new contracts. The ACLI argued for prospectivity (after 1/1/2024). Regulators generally favored retrospective application but with a transition time. It was acknowledged that insurers could seek permitted practices as on option for pre-existing treaties.

A clarification was also adopted mandating that interdependent contract features must be analyzed in the aggregate when determining risk transfer. This guidance will apply to all contracts. The first reporting of existing contracts will be 12/31/2026 to allow ample transition. The new guidance is effective immediately for new contracts.

Accounting for qualifying statutory trusts (Residential mortgages, SSAP No. 37)

Accounting guidance for qualifying trust structures, that hold residential mortgage loans with reporting of these items on Schedule B – Mortgage Loans. Statutory trusts, which meet the six required criteria, are considered qualifying and the mortgage loans held within would be reported individually on Schedule B as if directly held by the insurer.

The proposed revisions would establish several new disclosures for qualifying statutory trusts. Industry commented that look through treatment on residential mortgages held in trusts will help insurers hold these assets.

NAIC staff recommended revisions to the draft to expand the scope to include qualifying investment trusts holding residential mortgage loans to be reported on Schedule B. Key revisions include:

- Updates to permit qualifying statutory trusts to hold cash and cash equivalents, and real estate obtained through foreclosure.
- Replacement of the restriction to first-lien mortgages as well as the requirement to hold the entire loan with broader language permitting any single residential mortgage loan eligible under SSAP No. 37 to be held in a qualifying statutory trust.
- Requirement that the trust maintain separate records.
- Clarification that an insurer may pledge qualifying statutory trust assets as collateral. (Encumbered assets would be nonadmitted).
- New requirement to disclose a summary of assets and liabilities held within qualifying statutory trusts.

The majority of industry recommendations were accepted.

This exposure is open for further comment.

P&P amendment: 90-day filing requirement for Private Letter Rating

Since January 1, 2024, all Private Letter (PL) securities, unless waived, must have a corresponding rationale report filed with the SVO to be eligible for filing exemption. Failure to file within 90 days renders the private rating ineligible for exemption. There is a proposed 30-day grace period for Private Letter Rating (PLR) annual updates. Without a grace period, PLR updates received near year-end could immediately lose eligibility. There was a proposal to allow insurers a 30-day grace period after a CRP rating update to submit PLR annual updates. The 30 days is for submitting the annual rating update, the previously approved 90 days is for submitting the supporting rationale.

nuveen
A TIAA Company

Revised P&P amendment: Analytical substance requirement for rational reports

Some reports submitted lack substantive analysis. This data is needed to provide sufficient details to explain, and document assigned ratings and increase transparency. There was broad support from industry groups and the motion to adopt the amendment was passed.

Technical amendment to caps on NAIC designations with dual SVO and corporate ratings

A 2024 amendment replaced “credit quality” with “investment risk”, creating unintentional reversals in the interpretation of policy caps on ratings. Industry asked for clarification on applicability with respect to filing exempt securities and structured securities. Resolution: the SVO cannot assign a designation on an already CRP rated security higher than the CRP equivalent.

CLO modeling methodology update

New CLO modeling is scheduled for implementation at the end of 2025. While operationally and technically ready to adopt, there is ongoing work at the Academy of Actuaries and other NAIC groups this topic. There was a proposal made to defer the CLO modeling implementation by one year to align with these other workstreams.

Task force restructuring

The former Valuation Securities Task Force will be divided into four groups:

- Invested Assets Task Force
- Investment Analysis Working Group
- SVO and SSG Working Group
- Credit Rating Provider Working Group

This will require P&P manual updates. The fall national meeting will be the final meeting of the Valuation Securities Task Force. At the spring meeting next year, this report will be under the Invested Assets Task Force.

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

This material is being produced by Nuveen without any involvement from the NAIC. Please note this material is a summary document and is not meant to be all inclusive, or to be an interpretation of any of the topics, rules, regulations, etc. discussed within; which means there may be material omissions. It's important to read and understand all of the official regulations/guidance/FAQs directly from the regulators and interpret them on your own in conjunction with your own compliance and/or legal representation.

This material, along with any views and opinions expressed within, are presented for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as changing market, economic or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. There is no representation or warranty (express or implied) as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

Important information on risk. Past performance is no guarantee of future results. All investments carry a certain degree of risk, including the possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time.

Nuveen, LLC provides investment services through its investment specialists.

4757048