

National Association of Insurance Commissioners (NAIC) Spring 2025 Meeting Summary

The National Association of Insurance Commissioners (NAIC) recently held its Spring National Meeting virtually and in person in Indianapolis, Indiana. This summary highlights issues that various NAIC groups addressed at the meeting.

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What You Need to Know:

- The Risk-Based Capital Model Governance (EX) Task Force met for its first in-person public meeting. Commissioner Houdek noted that the Task Force would begin its work by developing guiding principles and conducting a gap analysis, with input from interested parties. These efforts are intended to help shape the direction of future enhancements to the RBC framework.
- The Property and Casualty Insurance (C) Committee adopted a premium increase transparency guidance document that is meant to be a voluntary template for states to utilize if they wish to require insurers to provide additional transparency and information related to premium increases.
- The Prescription Drug Coverage (B) Working Group discussed several issues raised by state insurance regulators related to prescription drug coverage issues. Those topics included transparency in pharmacy reimbursement, specialty drug definitions, biosimilar substitution, rural pharmacy access, various legislative approaches, and audit rights.
- The Capital Adequacy (E) Task Force received oral reports of the ongoing work from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group, the Life Risk-Based Capital (E) Working Group, and the Property and Casualty Risk-Based Capital (E) Working Group.
- The Innovation, Cybersecurity, and Technology (H) Committee adopted revised charges that include converting the Third-Party Data and Models (H) Task Force into a Working Group.
- The Big Data and Artificial Intelligence (H) Working Group received a presentation on the Health Artificial Intelligence (AI)/Machine Learning (ML) Survey and an update was provided on the regulatory framework for the use of artificial intelligence systems roadmap, emphasizing that the focus of the regulatory framework needs to be on governance and overseeing artificial intelligence programs.

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Joint Meeting of the Executive (EX) Committee and Plenary

The Executive (EX) Committee and Plenary met jointly on March 26, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of March 25 Report of the Executive (EX) Committee and Internal Administration (EX1) Subcommittee

The March 25 report of the Executive (EX) Committee was adopted.

Adoption of Interim Meeting Report

The Committee and Plenary adopted by consent the committee, subcommittee, and task force minutes of the 2024 National Meeting.

Adoption of Task Force Reports

The following Committee reports were adopted:

- A. Life Insurance and Annuities (A) Committee*
- B. Health Insurance and Managed Care (B) Committee*
- C. Property and Casualty Insurance (C) Committee*
- D. Market Regulation and Consumer Affairs (D) Committee*
- E. Financial Condition (E) Committee*
- F. Financial Regulation Standards and Accreditation (F) Committee*
- G. International Insurance Relations (G) Committee*
- H. Innovation, Cybersecurity, and Technology (H) Committee*

Adoption of the Special (EX) Committee on Race and Insurance Transition Plan

The Committee received and adopted the Special (EX) Committee on Race and Insurance transition plan. Under the plan, the Special Committee will conclude its work and the Life Insurance (A) Committee, the Health Insurance and Managed Care (B) Committee, and the Property and Casualty Insurance (C) Committee will consider the status of the Special (EX) Committee's workstream efforts. The Life Insurance (A) Committee, the Health Insurance and Managed Care (B) Committee, and the Property and Casualty Insurance (C) Committee will adopt charges, as appropriate, to continue the work of the Special Committee.

Adoption of Premium Increase Transparency Guidance

The Property and Casualty Insurance (C) Committee adopted a premium increase transparency guidance document that is meant to be a voluntary template for states. States can use this document if they wish to require insurers to provide additional transparency and information related to premium increases. The guidance document is intended to be used by states wishing to implement a

disclosure notice process for insurers to use in explaining to policyholders the causes of significant premium increases at renewal for personal auto, homeowners and dwelling policies.

Adoption of the Risk-Based Capital Model Governance (EX) Task Force Report

The Committee adopted the report of the Risk-Based Capital Model Governance (EX) Task Force. The report included the Task Force’s 2025 charges.

Status Report on Model Law Development Efforts

The Committee received a status report on model law development efforts for amendments to the Public Adjuster Licensing Model Act (#228) and the Privacy of Consumer Financial and Health Information Regulation (#672).

Executive (EX) Committee

The Executive (EX) Committee met March 25, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of the March 23 Report of the Executive (EX) Committee and Internal Administration (EX1) Subcommittee

The Committee adopted the report of its March 23 meeting, which was held in a regulator-to-regulator session. During that meeting, the Committee and Subcommittee:

1. Adopted minutes from the 2024 Fall National Meeting and the December 10 meeting.
2. Approved the NAIC 2025 proposed budget and recommended its consideration by the full Membership.
3. Held a public hearing on the budget with interested parties.
4. Adopted the reports of the Audit Committee and Internal Administration (EX1) Subcommittee, including updates on financial audits, investments, and grant policies.
5. Approved a banking resolution revision and a fiscal for the due diligence framework for credit rating agencies.
6. Heard the administrative impact assessment of a climate risk governance proposal.
7. Received the CEO report.

Adoption of the Committee's February 7 and January 10 Meeting Reports

The Committee adopted its interim reports, which included:

1. Approval of 2025 appointments to the Audit Committee, Consumer Participation Board of Trustees, and CIPR Steering Committee.
2. Appointment of Director Eric Dunning (NE) to the IAIS Executive Committee.
3. Selection of the 2029 national meeting sites (Spring – Oklahoma City, Summer – Milwaukee, Fall – Anaheim).
4. Receipt of a year-end financial update and review of 2025 priorities.
5. Discussions on committee governance and the transition plan for the Special (EX) Committee on Race and Insurance.
6. Review of the Risk-Based Capital Model Governance Task Force's work.

Adoption of Task Force Report

The Committee adopted the reports of the following groups:

1. *Climate and Resiliency (EX) Task Force*
2. *Government Relations (EX) Leadership Council*
3. *Risk-Based Capital Model Governance (EX) Task Force*

Transition Plan for the Special (EX) Committee on Race and Insurance

The Committee adopted the transition plan to conclude the Special Committee's work. This plan reflects the Committee's original charge being fulfilled and shifts future responsibilities to relevant standing committees. Specifically, the Life Insurance and Annuities (A) Committee, Health Insurance and Managed Care (B) Committee, and Property and Casualty Insurance (C) Committee are directed to assess the status of the Special Committee's workstreams. Each committee will determine whether to adopt new charges to continue ongoing efforts that address equity-related issues within insurance regulation

Risk-Based Capital Model Governance (EX) Task Force Report

The Committee adopted the Task Force's report and 2025 charges. Co-chaired by Director Judith French (OH) and Commissioner Nathan Houdek (WI), the Task Force convened for the first time on March 17. Members include representatives from states across all NAIC zones, selected to ensure broad geographic and technical representation. The Task Force is charged with developing governance principles for the NAIC's risk-based capital (RBC) framework, aiming to improve consistency and transparency in how RBC changes are evaluated.

NAIC Designation Program Advisory Board Annual Report

The Committee received the 2024 annual report highlighting a record 499 enrollments, up 13% from the prior year, and over 2,600 designations awarded to date. The program is expanding to include new credentials focused on fraud, licensing, and rate/form review. These enhancements align with the upcoming launch of NAIC Campus, a new online learning platform for regulators.

Model Law Development Status Report

The Committee received an update on ongoing model law development efforts that are part of the NAIC's broader modernization initiatives. The report noted continued progress on proposed amendments to the Public Adjuster Licensing Model Act and the Privacy of Consumer Financial and Health Information Regulation. These updates aim to align the models with evolving regulatory expectations and industry practices, including data privacy standards and consumer protections.

Reports from NIPR and the Interstate Insurance Product Regulation Commission (Compact)

The Committee heard oral reports from the National Insurance Producer Registry (NIPR) and the Interstate Insurance Product Regulation Commission (Compact), both highlighting successful operational and financial performance in 2024.

1. NIPR, led by Director Larry Deiter (SD), reported that it collected and remitted \$1.37 billion in producer licensing fees to state insurance departments and achieved \$82 million in revenue, a 14% increase year-over-year. The organization contributed \$34.3 million to the NAIC and continues to invest in improving user experience, with a redesigned NIPR.com website launching this spring. Additionally, NIPR completed its Western Zone licensing training in March and will host similar sessions in the Midwest Zone in June, with plans to support all NAIC zones by 2026.
2. The Compact, chaired by Director Eric Dunning (NE), reported that it adopted its second three-year strategic plan and is working toward enhanced member services and more efficient product filings. While the Compact ended 2024 with a modest deficit of \$84,000 due to lower-than-expected filings, it remained under budget and began 2025 ahead of revenue projections. A new fee structure was implemented to align with the cost of reviewing complex product filings. The Compact also transitioned successfully to the new SERFF platform as of March 3, which was well-received by both filers and regulators. Upcoming roundtables will be held in May in Washington, DC, and in November in Omaha, following the InsurTech on the Silicon Prairie event.

Risk-Based Capital Model Governance (EX) Task Force

The Risk-Based Capital Model Governance Task Force met on March 25, 2025, during the NAIC 2025 Spring National Meeting. The agenda can be found [here](#), and the meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Meeting Minutes

The Task Force adopted the minutes from its March 17, 2025, meeting. Commissioner Houdek noted that, as discussed during that call, the Task Force would begin its work by developing guiding principles and conducting a gap analysis, with input from interested parties. These efforts are intended to help shape the direction of future enhancements to the RBC framework.

Summary of Written and Oral Comments

- American Council of Life Insurers (ACLI)

Carrie Haughawout (ACLI) reiterated support for a transparent and robust approach to RBC governance. She emphasized the importance of developing guiding principles that support consistency and strategic direction across stakeholders, especially in light of global regulatory developments and market trends. ACLI views this initiative as a strong opportunity to reinforce the strengths of the U.S. solvency regime and is preparing to submit more specific responses to the questions outlined in the February 9 memo.

- Anderson Insights

Chris Anderson (Anderson Insights) emphasized the importance of evaluating how well the RBC framework reflects actual solvency risks and performs in identifying financially vulnerable insurers. He cited data indicating that unaffiliated common stock may be overweighted in terms of capital requirements and encouraged the Task Force to investigate the root causes of insurer failures. He recommended that RBC enhancements be informed by an evidence-based review of its performance to ensure the framework remains predictive and relevant.

- Bridgeway Analytics

Amnon Levy (Bridgeway Analytics) emphasized the importance of establishing guiding principles to support consistent RBC updates, particularly around asset risk treatment, and underscored the need for clear, quantitative standards. He encouraged regulators to consider expanding the questions in the February 9 memo to address broader RBC model governance and risk management issues, noting the interconnections between RBC, statutory reserves, valuation, and designations. Levy cautioned that observations of arbitrage often reflect misunderstandings of where inconsistencies originate and urged a holistic view in the governance framework. He recommended a sequenced approach—developing principles first, then using them to guide and

prioritize the gap analysis. Levy also highlighted the need for a strong global education and messaging effort, particularly as the IAIS prepares for ICS assessments, and supported creating a model governance structure to guide both retrospective and forward-looking RBC changes.

- American Academy of Actuaries

Katie Zurick (Academy) presented two contributions. First, she referenced the Academy's 2002 memo comparing RBC formulas for life, health, and P&C insurers, which had been requested as background. She offered the Academy's assistance in updating that document. Second, she introduced a proposed list of general principles to help guide the Task Force's work, adapted from a prior Academy submission to the Investment Risk and Evaluation Working Group. The Academy reaffirmed its willingness to provide ongoing technical input and objective analysis.

- Other Oral Comments

Tom Sullivan (former Connecticut Insurance Commissioner and Federal Reserve official) provided comments in a personal capacity. He praised the effectiveness of the U.S. solvency framework during the financial crisis and warned against reactionary policy changes driven by international pressure or market fears. Sullivan encouraged the Task Force to continue prioritizing transparency, data, and thoughtful coordination.

Pat Reader (Everlake Life) emphasized the importance of executive-level engagement between regulators and industry leaders. He called for more open, good-faith communication and suggested that stronger alignment between business and regulatory perspectives would support better outcomes for consumers and markets.

Climate and Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force met on March 26, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Fall National Meeting Minutes

The Task Force adopted the 2024 Fall National Meeting Minutes.

Presentation on the United Nations Development Programme’s Nature-Related Workstream

Eva Bortolotti, from the United Nations Development Programme (UNDP), gave a presentation on the UNDP’s nature-related workstream and its work with the Sustainable Insurance Forum. Bortolotti’s presentation focused on the impact of nature on the insurance industry. Bortolotti discussed several biodiversity opportunities for insurers, such as biodiversity-linked investments, ESG and sustainable insurance markets, and public-private biodiversity initiatives.

Presentation from the Insurance Institute for Business & Home

Michael Newman, from the Insurance Institute for Business and Home Safety, gave a presentation on strengthening the survivability and insurability of homes and communities. Newman focused much of his presentation on research related to the 2025 California wildfires and how communities, regulators, and insurers can prevent and respond to conflagration.

Member Discussion on New Updates and Lessons Learned for the Disaster Recovery Handbook

Members from Colorado, Hawaii, South Carolina, and Washington led a discussion that focused on the experiences at insurance departments following recent disasters. The members shared insights from state regulators in order to identify lessons learned and trends for inclusion in a disaster recovery handbook. The members discussed preparations for potential disasters, public communications, bulletins and notices to insurers and consumers, underinsurance concerns, public responses to wildfires and other disasters, and consumer workshops. The Task Force intends to keep developing the handbook and will discuss it further at the next meeting.

Life Insurance and Annuities (A) Committee

The Life Insurance and Annuities (A) Committee met on March 25, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Fall National Meeting Minutes

The Committee adopted the 2024 Fall National Meeting minutes.

Federal Update

Taylor Walker (NAIC) provided a status update on the fiduciary rule. On February 11, 2025, the Department of Justice, on behalf of the Department of Labor, filed a motion with Fifth Circuit Court of Appeals requesting a sixty day pause in court proceedings regarding the Biden-era fiduciary rule to give Trump administration officials time to familiarize themselves with the rule as well as the two lawsuits brought by industry group challenging it. The court approved the Department's request for a sixty-day pause. The Trump administration is not expected to defend the Biden-era fiduciary rule.

Status Report on Life Insurance Priorities

Doug Ommen, Co-Vice Chair NAIC Annuities Suitability Working Group, delivered a status update on life insurance priorities. Ommen highlighted two projects identified by NAIC leadership that the Working Group and the Committee will be working on this year. The first project is an annuities suitability enforcement training CLE for regulators. An initial training is being planned for later this year. The training session will be available in-person and virtually. Additional details will be announced later this year. The second project is the development of a database of state insurance department administrative law decisions.

Consider Adoption of the Report of the Life Actuarial (A) Task Force

The Committee adopted the report of the Life Actuarial (A) Task Force. Rachel Hemphill (NAIC) presented the report and highlighted a few specific activities:

- The Task Force continued its progress towards implementation of a replacement economic scenario generator to be effective January 1, 2026.
- The Task Force discussed regulator reviews of illustrations for indexed universal life products where reviewers identified a concern with the inclusion of multiple historical averages.
- The Task Force discussed comments received on the asset adequacy testing for reinsurance actuarial guideline draft and discussed edits that would be responsive to the comments received. The updated draft has been exposed until April 24.

Presentation on International Perspectives on Life Insurance

Siham Ramli, from the Supervisory Authority of Insurance and Social Welfare (ACAPS), gave a presentation on life insurance and annuities in Morocco. Ramli discussed ACAPS and the Moroccan life insurance sector, regulatory framework, and future challenges facing the life insurance market. Matthias Range, from the Access to Insurance Initiative (A2ii), gave a presentation entitled “Navigating the Asian Inclusive Life Insurance Market: Challenges and Opportunities for Growth.” Range’s presentation focused on inclusive life insurance and the challenges facing the Asian Pacific life insurance market.

Discussion of Next Steps

There will be a meeting of the Life Insurance and Annuities Committee to discuss the work of the Special Committee on Race and Insurance Life Workstream and potential next steps. The meeting will be on Wednesday, April 30 at 2:00 pm (EST).

Health Insurance and Managed Care (B) Committee

The Health Insurance and Managed Care (B) Committee met on March 26, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its February 28, 2025, and 2024 Fall National Meeting Minutes

The Committee adopted its February 28 and 2024 Fall National Meeting minutes.

Adoption of its Working Group and Task Force Reports

Commissioner Glen Mulready (OK) presided over the adoption of reports from the following groups:

- A. Consumer Information (B) Working Group*
- B. Health Innovations (B) Working Group*
- C. Health Actuarial (B) Task Force*
- D. Regulatory Framework (B) Task Force*
- E. Senior Issues (B) Task Force*

All reports were adopted without discussion.

Adoption of Regulatory Framework (B) Task Force's 2025 Revised Charges

Commissioner Grace Arnold (MN) reported that the Task Force had revised its 2025 charges to reflect the renaming of the Prescription Drug Coverage Working Group and its updated scope, separating PBM enforcement responsibilities. The revised charges were adopted following a motion and no discussion.

Update on the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework)

Fred Andersen (MN) provided an update on the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework), which aims to improve consistency across states in reviewing LTC rate increase filings. He explained that the multi-state actuarial review process has been formalized and now includes a single actuarial methodology, adopted by the Long-Term Care Actuarial Working Group and the former Long-Term Care Task Force. This methodology was developed with broad consensus from states, consumer advocates, and industry stakeholders following public discussions.

Andersen noted that the remaining area of work is the cost-sharing formula, which determines how much of the financial burden companies must bear as cumulative rate increases rise. He stated that while regulators agree the company cost-sharing burden should increase—particularly in cases involving older policyholders with long-duration policies—there is not yet consensus on the extent. A proposal increasing the burden from 50% to 85% has been discussed, and a more recent proposal under consideration would increase it to 95% after a certain threshold. That proposal has not yet

been exposed as the working group seeks input from the Committee. Final discussions are expected in May, with the goal of reaching consensus by early summer.

Discussion on Enhanced Federal ACA Premium Subsidies

Jessica Altman (Covered California) gave a detailed presentation on the projected consequences if the enhanced federal ACA premium tax credits are not extended beyond their current expiration at the end of 2025. She highlighted that without congressional action, marketplace enrollees would experience an average 93% increase in monthly premium payments. The impact would be particularly severe for self-employed individuals, older adults, rural communities, and communities of color. Altman emphasized that non-expansion states would be especially hard hit due to their reliance on the enhanced subsidies for individuals who fall into the coverage gap between traditional Medicaid and subsidy eligibility. She also presented California-specific data showing dramatic affordability declines and noted that middle-income enrollees—those earning just above the subsidy eligibility threshold—would lose assistance entirely, often making premiums unaffordable.

Altman warned that if subsidies expire, the resulting enrollment losses could destabilize the individual market, triggering adverse selection as healthier individuals leave the market. This could lead to an additional premium increase of 7–8% beyond current projections. She urged states to evaluate how the potential subsidy loss would impact their reinsurance programs, affordability initiatives, and broader market stability strategies. She also discussed operational impacts, including reduced revenue for state-based exchanges that rely on user fees tied to enrollment volume. Altman stressed the need for coordinated planning between insurance departments and exchanges and raised the challenge of determining when and how to inform consumers about possible cost increases. She noted that delaying consumer notification until shortly before open enrollment could leave individuals unprepared for substantial premium hikes, while raising the issue too early could create confusion if congressional action is still pending.

Status Update on *Braidwood Management Inc. v. Becerra*

Sabrina Corlette (Georgetown University Center on Health Insurance Reforms) discussed the Braidwood case, which challenges the ACA’s mandate for coverage of preventive services without cost-sharing. The Supreme Court is expected to consider whether the U.S. Preventive Services Task Force meets constitutional requirements under the Appointments Clause. If the mandate is invalidated, millions of Americans could lose access to preventive services at no cost. Corlette encouraged states to prepare by reviewing their own laws and considering statutory or administrative action—such as codifying preventive services mandates in state law or using essential health benefits (EHB) reviews and plan design oversight to preserve access.

Update from CMS’ CCIIO on Recent Activities

Peter Nelson (CCIIO), joined by Jeff Wu, provided updates on CMS efforts to strengthen program integrity and consumer protections. Nelson outlined several proposed rules to reduce fraudulent enrollments and misuse of special enrollment periods (SEPs), including a proposed \$5 nominal premium requirement to prevent “ghost enrollments” in \$0-premium plans. He explained that certain

broker certifications had recently been reinstated due to due process concerns but emphasized that CMS is developing more robust evidentiary standards for future suspensions or terminations. The update also included ongoing improvements to price transparency rules and enforcement, the same-day release of a revised AV Calculator to support 2026 rate filings, and broader efforts to promote consumer-driven benefit designs that improve health outcomes and control costs.

Senior Issues (B) Task Force

The Senior Issues (B) Task Force met on March 24, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of February 27 Minutes

The Senior Issues (B) Task Force adopted its February 27 meeting minutes.

Update from CIPR on Evaluation Preferences in LTCI Reduced Benefits Options

Jeff Czajkowski, Brenda Rourke, and Brenda Cude, from the Center for Insurance Policy and Research (CIPR), updated the Task Force regarding its report evaluating preferences in long-term care insurance (LTCI) reduced benefit options (RBOs). Their report emphasized that RBOs can be a good option for LTCI policyholders faced with rate increases. CIPR's research focused on what LTCI policyholders choose to do when presented with a rate increase and RBO choices, which factors influence that choice, and consumer understanding and perception of RBO choices. CIPR's research found that participants were more likely to accept the premium increase if they:

- Were asked to assume a prior rate increase.
- Thought the letter was clear.
- Answered more of the financial knowledge questions correctly.
- Thought they would need long-term care in the future.
- Had more positive attitudes about their choices.
- Thought they had more behavioral control about their LTCI choices.

CIPR's research also found that females were less likely than males to accept premium increases. To help LTCI policyholders better understand their RBO options, CIPR encouraged regulators to continue to improve checklists for premium increase communications, dedicate more resources to consumer education, and to make information about making RBO choices more readily available. CIPR plans to release the full report detailing its research in 2025.

Presentation from the American Academy of Actuaries on its 2025 State of LTCI Issue Brief

Matthew Williams and Steve Schoonveld, from the American Academy of Actuaries (the "Academy"), delivered a presentation on the Academy's issue brief titled "The State of Long-Term Care Insurance – 2025." The presentation discussed the current state of LTCI as well as potential future impacts on the LTCI industry. Schoonveld began by discussing the need for long-term services and support (LTSS). There are several public programs in place covering LTSS, such as Medicaid and Medicare, as well as several LTSS public programs being put forward in legislation, such as the WISH Act and the Medicare

LTSS Act. Schoonveld discussed several potential impacts on future LTCI markets, including the implementation of state and federal LTC/LTSS programs, tax incentives for LTC insurance products, and product innovation.

Presentation from CAIF on Fraud in LTCI

Michelle Rafeld and Jeff Ferrand, from the Coalition Against Insurance Fraud (CAIF), gave a presentation on the growing threat of LTCI fraud. The goal of the presentation was to create more awareness around insurance fraud in the LTCI market. An aging population has led to the increased utilization of LTCI, which has led to growing concerns regarding LTCI fraud. Fraudsters typically target older and more vulnerable adults. Rafeld and Ferrand also pointed to low threshold triggers with heavy reliance on self-reports, the lack of industry standardization of provider services and pricing, and the lack of fraud expertise in the LTCI industry as causes that have led to the growing concern around LTCI fraud. The presentation also discussed common fraud schemes by providers, policyholders, and home care facilities. Rafeld and Ferrand ended their presentation by discussing insurer strategies to combat fraud and encouraged proactive training and awareness as well as stronger collaboration between regulators, insurers, law enforcement, and prosecutors.

Discussion of Other Matters

During the meeting, NAIC consumer representatives emphasized the need for more consumer education, discussion and research on LTCI benefit options.

Regulatory Framework (B) Task Force

The Regulatory (B) Task Force met on March 25, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The Task Force adopted its 2024 Fall National Meeting minutes as well as its March 10 and February 28 minutes.

Adoption of Working Group Reports

The Committee adopted the following Working Group Reports:

- A. *Employee Retirement Income Security Act (ERISA) (B) Working Group*
- B. *Mental Health Parity and Addiction Equity Act (B) Working Group*
- C. *Prescription Drug Coverage (B) Working Group*

Summary of State Prior Authorization Laws

Olivea Myers, NAIC legal counsel, gave the Task Force a summary of state prior authorization laws. Myers provided a research chart that detailed state statutes related to prior authorization for all fifty states. Statute provisions were then broken down into six categories: response times, retrospective denials, clinical criteria/medical necessity, qualifications of reviewer, gold carding, and peer-to-peer/appeal process. Myers' research also tracked state bulletins on prior authorization. These bulletins provide guidance on a range of topics, including expanding on definitions in prior authorization statutes and emergency relaxation of prior authorization requirements due to supply chain destruction.

Discussion Regarding Prior Authorization Issue

Heather McComas, from the American Medical Association (AMA), gave a presentation on prior authorization from the physicians' perspective. McComas' began the presentation by discussing the negative impact of prior authorization on stakeholders, physicians, and patients. Most alarmingly, over 29% of physicians report that prior authorization has led to a serious adverse event for a patient in their care. McComas argued that prior authorization wastes health care resources and negatively impacts employers. McComas next discussed proposed solutions to problems created by prior authorization, including creating faster response times, reducing prior authorizations, and ensuring clinical integrity. McComas also discussed state and federal reform efforts related to prior authorization. McComas ended her presentation by discussing opportunities for insurance regulators to get involved and adopt better prior authorization laws. These opportunities include state legislation, enforcement of existing laws, data collection and analysis, sharing of effective reforms, and monitoring and evaluating patient impact of artificial intelligence.

Lucy Culp, from the Leukemia & Lymphoma Society, and Carl Schmid, from the HIV+Hepatitis Policy Institute, gave a presentation on insurer denials, prior authorization and appeals from the consumer perspective. Culp and Schmid began their discussion by highlighting the frustration that many consumers feel related to prior authorization. Culp emphasized the challenges that consumers face, including misaligned prior authorization criteria, delays in decisions and care, unclear reasons for denial, and consumer knowledge regarding the ability to appeal a denial. In 2024, health insurers denied 850 million claims, and most people do not appeal denied claims. Schmid noted that the average denial rate varies widely from state to state. Schmid also discussed new laws and regulations regarding prior authorization at the state and federal levels. Many states, including Montana and California, are considering new prior authorization laws. Schmid also indicated that insurers are taking steps to decrease the need for prior authorizations. Both Culp and Schmid emphasized the need for better data related to prior authorization and more transparency regarding prior authorization data.

Miranda Motter and Danielle Lloyd, from America's Health Insurance Plans (AHIP), gave a presentation on prior authorization from insurers perspective. Motter and Lloyd argued that prior authorization provides a vital check and balance to ensure patients receive safe, evidence-based care, and to reduce low-value and inappropriate services so that coverage is as affordable as possible. Motter and Lloyd discussed health plan efforts to improve the prior authorization process and encouraged the use of electronic prior authorization.

Prescription Drug Coverage (B) Working Group

The Prescription Drug Coverage (B) Working Group met on March 24, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Fall National Meeting Minutes

The Working Group adopted the minutes from its 2024 Fall National Meeting.

Continued Discussion on Pharmacy Benefit Managers (PBMs) and How They Function -Consumer Perspective - Carl Schmid (HIV+Hepatitis Policy Institute)

Carl Schmid presented on the impact of PBM practices on patient access, affordability, and treatment equity, particularly for people living with HIV and chronic conditions. He explained that PBMs control drug coverage and formulary design, often excluding or tiering drugs in ways that increase out-of-pocket costs. He cited examples where insurers placed all HIV treatments, including generics, on the highest tier or excluded guideline-recommended therapies, raising concerns about discriminatory benefit design.

Schmid discussed the growing use of co-pay accumulator and maximizer programs, which prevent manufacturer assistance from counting toward a patient's deductible or out-of-pocket maximum. These programs, he argued, shift more costs to patients while allowing PBMs and insurers to collect manufacturer assistance without reducing patient financial burden. He noted that in 2023, out-of-pocket drug spending totaled \$91 billion, with 98 million prescriptions abandoned at pharmacies.

He highlighted recent FTC reports criticizing PBM practices, including high markups on generic drugs and steering patients to affiliated pharmacies. One report found PBMs charging over 1,000% more than the wholesale acquisition cost for some HIV and hepatitis B medications. Schmid also raised concerns about PBMs profiting from the 340B program without directly benefiting patients.

He concluded by encouraging regulators to continue addressing accumulator policies and PBM practices in both the (B) and (D) Committees and praised states like West Virginia for enacting pass-through rebate laws that have demonstrably lowered premiums.

Presentation on Prescription Drug Benefit Management - Edward Kaplan (The Segal Group)

Edward Kaplan, Senior Vice President at The Segal Group, presented an employer and plan sponsor perspective on PBMs, identifying both value and systemic flaws in how PBMs operate. He stressed that while PBMs provide important administrative and clinical services—such as drug utilization review, adherence support, and formulary management—their business model often creates misaligned incentives that raise costs.

Kaplan outlined the evolution of PBMs, consolidation in the market (with three PBMs now controlling over 75% of covered lives), and their growing vertical integration with insurers, specialty pharmacies, and even drug manufacturers. He emphasized that while PBMs do offer value in areas like error

reduction and claims administration, the current model encourages excessive reliance on brand drugs due to the rebate structure.

He detailed PBM revenue streams, including transaction fees, spread pricing, and non-transparent rebates and data monetization arrangements with manufacturers. He advocated for greater transparency, including mandatory disclosure of all manufacturer payments by drug, and cautioned that without such reforms, plan sponsors and regulators cannot effectively evaluate value or control cost growth.

Kaplan also spoke about the impact of direct-to-consumer advertising, which drives unnecessary utilization, and the increasing cost burden of specialty drugs, which now account for nearly half of total drug spend despite comprising just 1–2% of total prescriptions. He presented strategies being used by plan sponsors to reduce costs, such as step therapy, generic-first design, and point-of-sale rebate pass-through.

Kaplan encouraged regulators to consider requiring PBMs to adopt new pricing models—such as per member per month (PMPM) or fixed “true cost” pricing—where PBMs accept risk for overall drug costs, thereby shifting the incentive away from promoting higher-cost, rebate-rich drugs. He warned that without structural reforms, rebates will continue to distort prescribing and formulary decisions.

Discussion of Prescription Drug Benefit Management Presentation

During the open discussion, regulators raised a number of additional concerns:

1. **Transparency in Pharmacy Reimbursement:** Iowa expressed frustration with PBMs’ lack of transparency around pharmacy payment methodologies. Regulators reported challenges in obtaining clear information and noted that current enforcement mechanisms are often insufficient to ensure compliance.
2. **Specialty Drug Definitions:** South Dakota highlighted inconsistency in how PBMs define “specialty drugs,” which affects pricing and patient access. Kaplan agreed and recommended locking specialty drug lists in contracts to limit midyear changes.
3. **Biosimilar Substitution:** Washington asked about PBMs maintaining brand biologics as preferred over biosimilars due to higher rebates. Kaplan confirmed this occurs frequently and suggested that rebate incentives continue to override clinical or cost-based formulary decisions.
4. **Rural Pharmacy Access:** Kansas raised concerns about maintaining access to pharmacies in rural and frontier areas, noting that consolidated pharmacy networks and mail-order requirements disproportionately impact underserved communities.
5. **Legislative Approaches:** Several regulators, including Connecticut, expressed caution around eliminating rebates without ensuring manufacturers lower list prices. Kaplan

acknowledged the risk and advocated for complementary federal reforms to address manufacturer pricing if rebates are prohibited.

6. **Audit Rights and Oversight:** Kaplan emphasized the importance of strong audit rights in contracts and encouraged states to require disclosure of all forms of direct and indirect remuneration from pharmaceutical manufacturers to PBMs and their affiliates.

Property and Casualty Insurance (C) Committee

The Property and Casualty Insurance (C) Committee met on March 26, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its March 4, 2025, and 2024 Fall National Meeting Minutes

The Committee adopted its March 4, 2025, and 2024 Fall National Meeting minutes.

Adoption of the Title Insurance (C) Task Force's October 4, 2024, Minutes

The Committee adopted the October 4, 2024, minutes of the Title Insurance (C) Task Force.

Adoption of Task Force and Working Group Reports

Commissioner Michael Conway (CO) presided over the adoption of written reports from the following groups:

- A. *Casualty Actuarial and Statistical (C) Task Force*
- B. *Surplus Lines (C) Task Force*
- C. *Cannabis Insurance (C) Working Group*
- D. *Catastrophe Insurance (C) Working Group*
- E. *Terrorism Insurance Implementation (C) Working Group*
- F. *Title Insurance (C) Working Group*
- G. *Transparency and Readability of Consumer Information (C) Working Group*
- H. *Workers' Compensation (C) Working Group*

All reports were adopted without discussion.

Discussion of Committee Priorities for 2025

Commissioner Conway outlined two key priorities for the Committee in 2025:

1. Reimagining the PCMI Data Call

The Committee intends to replace the prior Property & Casualty Market Intelligence (PCMI) data call with a continuous, consensus-driven living data call to be conducted annually. Commissioners from Florida and Illinois will lead the development effort, with a focus on incorporating broad stakeholder input. The data collected will not be shared with BIO, distinguishing it from the prior PCMI model.

2. Development of a Homeowners Insurance Affordability and Availability Playbook

The Committee plans to develop a playbook by year-end that compiles effective state responses to homeowners' insurance market disruptions, particularly in catastrophe-prone areas. The

effort will begin with the formation of a drafting group to develop an outline and expose it for stakeholder feedback.

Presentations on Recent Homeowners Insurance Market Activity

Commissioner Dean Cameron (ID), Mike Peterson (CA), and Commissioner Michael Yaworsky (FL) provided detailed updates on challenges and regulatory responses within their respective homeowners insurance markets.

1. Idaho – Commissioner Dean Cameron described Idaho’s legislative efforts to address wildfire risk and market instability. Although an initial bill proposing both mitigation and stabilization funds stalled, a revised bill focusing solely on mitigation grants (House Bill 384) advanced. Proposed funding sources include a portion of premium tax growth, surplus lines stamping fee surpluses, and voluntary utility contributions. Idaho also hosted a wildfire demonstration with IBHS to highlight mitigation strategies and continues to explore tools like deductible-sharing mechanisms and community-level reinsurance pools.
2. California – Mike Peterson presented California’s Sustainable Insurance Strategy, which aims to stabilize the market by modernizing rate regulation and encouraging insurer participation in high-risk areas. Reforms allow the use of catastrophe modeling and reinsurance costs in rate filings. Updates to the FAIR Plan expanded coverage and clarified funding obligations. California is also identifying distressed ZIP codes and counties based on risk and FAIR Plan concentration, and insurers seeking regulatory flexibility must commit to writing in these areas. A legislative proposal would fund mitigation grants for roof retrofits and defensible space around homes.
3. Florida – Commissioner Michael Yaworsky reported that tort reform has significantly reduced litigation, with Citizens Property Insurance Corporation’s litigation rate dropping from 58% to 15%. Citizens’ policy count has declined to 840,000 as private market participation improves. Rate increases have slowed, with recent filings averaging below 3%. Florida also proposed new consumer disclosures breaking down how premium dollars are spent, along with a QR code linking to additional insurer information. Non-catastrophe claims have declined as fraud-related vendor activity has diminished.

Federal Update Related to Property/Casualty Insurance Issues

Alexander Swindle (NAIC) provided a federal update highlighting key developments affecting the property/casualty insurance sector. He noted that with a new Congress and administration in place, there has been a marked shift in focus toward deregulatory initiatives, including scrutiny of ESG-related financial oversight. Despite this shift, federal interest in issues related to climate resilience, mitigation, and insurance affordability remains high. Swindle reported that the Federal Housing Finance Agency (FHFA) has paused enforcement of its replacement cost value (RCV) coverage requirement for GSE-backed mortgage loans, following concerns raised by insurers and stakeholders about inconsistent interpretations and the resulting delays in home closings. He emphasized that the

FHFA is seeking additional stakeholder input, and that NAIC staff are actively engaged in those discussions. Tony Cotto (NAMIC) urged regulators to communicate directly with FHFA, citing widespread reports from member companies that borrowers are unable to close on home purchases due to RCV compliance disputes. Swindle also noted that while momentum has slowed on cannabis banking and insurance reform, Congress continues to prioritize natural disaster preparedness, mitigation investments, and the intersection of insurance access with housing policy.

Casualty Actuarial and Statistical (C) Task Force

The Casualty Actuarial and Statistical (C) Task Force met on March 24, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The Task Force adopted the minutes for its 2024 Fall National Meeting, February 18 meeting, and February 5 meeting.

Adoption of Working Group Reports

The Task Force adopted the following Working Group reports:

- A. *Actuarial Opinion (C) Working Group*
- B. *Statistical Data (C) Working Group*

Consider Adoption of Schedule P Instructions

The Task Force submitted the Schedule P instructions (Phase 1) proposal to the Blanks (E) Working Group for 2025 implementation. The Task Force stated that its goal is to implement Phase 2 in 2026.

Receive the NAIC Rate Model Review Manual

Kris DeFrain discussed the NAIC Rate Model Review Manual (“Manual”). The Manual is intended to provide guidance to NAIC rate model review staff regarding priorities, allocation of resources and fair scheduling of rate model review reports. The draft of the Manual will be exposed for comment at the next Task Force meeting. Members of the Task Force will be meeting with NAIC staff to discuss the Manual for future exposure and comments.

Discussion Regarding the Potential Need for Data Collection/Reports on Rates and Models

Christian Citarella (NAIC) led a discussion regarding the potential need for data collection and System for Electronic Rates & Forms Filing (SERFF) reports about rates and models. The Task Force and several audience members expressed support for beginning this type of research. Task Force members will meet with NAIC staff to discuss the issue further and the best method for collecting data.

Liaison Reports

The Task Force heard liaison reports regarding any meaningful and relevant activities of other Task Forces and Working Groups within the NAIC. The Blanks (E) Working Group adopted a change to the 2025 Market Conduct Annual Statement. SERFF has rolled out the Compact and it is up and running.

Update on Activities and Research from Professional Actuarial Associations

The Task Force heard updates from the Actuarial Standards Boards (ASB), Actuarial Board for Counseling and Discipline (ABCD), American Academy of Actuaries (Academy), Casualty Actuarial Society (CAS) and Society of Actuaries (SOA). The CAS has recently released several pieces of research: Practical Application of Bias Measurement and Mitigation Techniques in Insurance Rating Part 1 and Part 2, Findings from the 18th Annual Emerging Risk Survey, and the Long-Tail Modeling of Crop Insurance Indemnities. The SOA delivered casualty research updates, which included a series on the Los Angeles County wildfires, an analysis of impact of vapor pressure, wind speed, and wind gusts, and disaster financing.

Joint Meeting of the Catastrophe Insurance (C) Working Group and NAIC/Federal Emergency Management Agency (FEMA) (C) Working Group

The Catastrophe Insurance (C) Working Group and the NAIC/FEMA (C) Working Group met jointly on March 25, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Fall National Meeting Minutes

The 2024 Fall National Meeting minutes were adopted.

Adoption of the NAIC Catastrophe Modeling Primer

The Working Groups adopted the *NAIC Catastrophe Modeling Primer*. The Primer is the product of a drafting group formed in September 2021. California, Connecticut, Florida, Iowa, Missouri, North Carolina, and Pennsylvania all took part in the drafting group. The Primer was exposed on October 23, 2024, for a 30-day comment period. In response to comment, some changes were made, and the Primer was reviewed by the Catastrophe Modeling COE.

Federal Update

The Working Groups heard an update regarding relevant actions by the federal government. Congress is expected to scrutinize long-term mitigation strategies and disaster funding. The National Flood Insurance Program is still a key focus of federal efforts, and a short-term extension was passed that will last until September 2025. FEMA's role may be changing. In January 2025, President Trump issued an executive order creating a FEMA Review Council. Congress is also paying more attention to rising housing costs. Affordability, insurance costs, and the broader impact on homeownership and lending are topics being discussed by both chambers of Congress. The NAIC will continue to meet with legislative staff to ensure insurance affordability remains a regular topic of conversation.

Presentation on Recent Catastrophic Events in California

Lucy Jabourian, from the California Department of Insurance, gave a presentation regarding recent catastrophic wildfires in Southern California. The fires completely destroyed or damaged numerous structures and caused injuries and fatalities. The California DOI collaborated with insurer catastrophe teams as well as the California Office of Emergency Services to best serve insureds in the state. The California DOI also utilized a telephone hotline to improve consumer communication, issued various notices and bulletins, held insurance support workshops, and kept the disaster resources page current.

Presentation on Recent Catastrophic Events in Virginia

Andrea Baytop, from the Virginia Bureau of Insurance, gave a presentation regarding recent catastrophic events in Virginia. Baytop provided a report of recent disasters in Virginia, challenges the state faced, and how the department handled consumer communications during the disasters. The

presentation primarily focused on the devastation caused by Hurricane Helene and the state's response.

Discussion Regarding the Catastrophe Resource Center

Glen Mulready led a discussion regarding the Catastrophe Resource Center. The Working Group maintains the resource center on the Catastrophe Insurance (C) Working Group's web page. The resource center contains publications about disaster preparation and response, FEMA resources, consumer assistance resources, disaster-related workshop information, data calls, and other resources. The Working Group asked that anyone with suggestions reach out to the Working Group regarding additional materials that should be included in the resource center.

Market Regulation and Consumer Affairs (D) Committee Meeting

The Market Regulation and Consumer Affairs (D) Committee met on March 26, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its September 26 and Summer National Meeting Minutes

The March 7, 2025, and 2024 Fall National Meeting Minutes were adopted.

Presentation on the National Insurance Producer Registry (NIPR) Attachment Warehouse

Karen Stakem Hornig (NIPR) provided an overview of the Attachment Warehouse, describing it as a centralized reporting tool created in response to NAIC's 2008 directive to streamline producer licensing and eliminate paper submissions. She noted that the warehouse now includes three main document types: background question attachments, reporting of actions, and citizenship documentation for states requiring physical proof. All states now accept documents for background questions submitted via the warehouse.

Hornig noted that PICS alerts (Personal Information Capture System) are the mechanism by which regulators are notified when a producer uploads documentation. PICS alerts are not managed by NIPR but by the NAIC. Hornig emphasized that regulators must ensure the correct staff receive these alerts and understand their importance. She added that modernization efforts are underway, with user interface upgrades for the warehouse scheduled for 2026.

Director Dean L. Cameron (ID) discussed Idaho's experience, noting they were unaware of the model bulletin supporting the warehouse and had not been monitoring PICS alerts, which caused gaps in identifying agents with disclosed violations. Cameron encouraged all departments to confirm whether their state adopted the model bulletin and to review which staff receive PICS alerts. Additional discussion clarified that regulators can search the warehouse by name, NPN, or SSN, and that business entities are also searchable when uploading documents.

Update on Marketplace Issues Discussed by the Market Actions (D) Working Group

David Buono (PA) gave an update on the Market Actions Working Group (MAWG). He explained that MAWG facilitates collaborative analysis and investigations into potential insurer compliance problems but does not have independent regulatory authority. All regulatory actions are conducted under the authority of individual states, with MAWG providing support, coordination, and the establishment of lead states or teams of lead states.

Buono described MAWG's role as one involving confidential, regulator-only discussions due to the sensitive nature of the information shared, which often pertains to potential violations or market conduct issues under investigation. He emphasized the importance of discretion, noting that premature public discussion of these matters could unfairly damage the reputation of an insurer and undermine the credibility of the state-based system.

To improve information flow within departments, Buono encouraged jurisdictions to designate a Collaborative Action Designee (CAD), who can attend MAWG meetings and receive updates to share internally. He noted that CADs play a critical role in maintaining confidentiality while keeping their departments informed. Topics currently under MAWG review include mental health parity compliance, annuity suitability and best interest obligations, producer conduct issues and claims or underwriting practices such as the use of aerial imagery.

Panel Discussion on Wildfire Insurance Response and Market Conduct

The Committee hosted a panel discussion addressing market conduct and consumer response issues arising from recent wildfires. Panelists included:

1. Mike Peterson (CA) - Peterson described California's response to the January 2025 Los Angeles wildfire, which is expected to result in \$30–\$40 billion in losses. The Department held in-person workshops and launched an Insurance Fraud Strike Team. A claims tracker was introduced to monitor progress; within eight weeks, 35,000 claims had been filed and \$4.1 billion paid. Peterson emphasized the value of laws requiring insurers to provide advanced personal property payments and temporary living expenses. A deeper market conduct review will follow as rebuilding begins.
2. Jason Lapham (CO) - Lapham summarized Colorado's legislative response to the 2021 Marshall Fire, which included three bills. HB 22-1111 requires insurers to pay 65% of contents limits without itemization for total wildfire losses. HB 23-1174 mandates 60-day nonrenewal notices and requires offers of ordinance and law coverage (20%) and extended replacement cost (50%). A current remediation study is examining damage in homes that appear intact but sustained smoke or ash exposure, and whether uniform standards should be implemented.
3. Amy Bach (United Policyholders) - Bach discussed consumer challenges such as underinsurance, rotating adjusters, and itemized inventory burdens. She praised regulators who are requiring insurers to issue advance contents payments and designate a single point of contact for claims. She also highlighted the growing role of social media in amplifying consumer frustration. Bach warned of challenges surrounding smoke damage disputes and urged national consistency in handling these issues. She credited California's recent reforms with stabilizing the market despite enormous claims volume.
4. Erica Weyhenmeyer (NAMIC) - Weyhenmeyer shared that the insurance industry has paid out billions in response to the Southern California wildfires. NAMIC members mobilized entire teams of adjusters and support staff. She stressed that every policyholder's situation is different and requires careful handling. Companies have deployed resources to streamline temporary housing arrangements and claims resolution and continue working closely with regulators and consumers.

5. Donald Griffin (APCIA) - Griffin discussed the importance of ensuring insurance remains sustainable, noting that homeowners insurance has lost money in six of the last seven years. He emphasized that coverage advances, and alternative dispute resolution tools are important, but also warned against overregulation that could raise costs. He closed by encouraging continued collaboration between regulators, industry, and consumers to ensure fair claim outcomes.

Adoption of Task Force and Working Group Reports

The committee adopted the reports of the following Task Forces and Working Groups:

- A. *Antifraud (D) Task Force – Commissioner Trinidad Navarro (DE)*
- B. *Producer Licensing (D) Task Force – Director Larry D. Deiter (SD)*
- C. *Market Analysis Procedures (D) Working Group – Jo A. LeDuc (MO)*
- D. *Market Conduct Annual Statement Blanks (D) Working Group – Joshua Guillory (LA)*
- E. *Market Conduct Examination Guidelines (D) Working Group – Matthew Tarpley (TX)*
- F. *Market Information Systems (D) Working Group – Brad Gerling (MO)*
- G. *Market Regulation Certification (D) Working Group – Bryan Stevens (WY)*
- H. *Pharmacy Benefit Management (D) Working Group – Joylynn Fix (WV)*
- I. *Speed to Market (D) Working Group – Maureen A. Motter (OH)*

A motion to adopt all reports was made and seconded, and the motion passed without opposition.

Financial Condition (E) Committee

The Financial Condition (E) Committee met on March 26, 2025. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its 2024 Fall National Meeting Minutes

The 2024 Fall National meeting minutes were adopted.

Adoption of the Reports of its Task Forces and Working Group

- A. Accounting Practices and Procedures (E) Task Force*
- B. Capital Adequacy (E) Task Force*
- C. Financial Stability (E) Task Force*
- D. Receivership and Insolvency (E) Task Force*
- E. Reinsurance (E) Task Force*
- F. Valuation of Securities (E) Task Force*
- G. Risk-Focused Surveillance (E) Working Group*

The task force and working group reports contain non-technical and non-controversial changes. No oral reports were given. All task force and working group reports were adopted.

Report on Privately Rated Securities Missing Rationale Reports

Carrie Mears gave a brief report on the privately rated securities missing rationale reports. The SVO reported the status of the 2024 privately rated securities missing rationale report filings. This year was the first year that the NAIC systems were equipped to process the filing exemption changes. The filing volume increased; 112% more rationale report filings were received in 2024 than in 2023. The increased filing volume is straining the resources of the SVO.

Status Report on the Draft Reinsurance Asset Adequacy Actuarial Guideline

Fred Andersen gave a status report on the development of the draft reinsurance asset adequacy guideline at the Life Actuarial Task Force (LATF). The purpose of the guideline is to address reinsurance activity that may lead to a decline in transparency regarding the amount and type of assets supporting the reserves of ceded business. In some cases, reserves for the ceded and assuming company have decreased and is less than the reserves of the direct writing company. The reserve decreases could be explained by reasonable assumptions; however, it is also possible that the reserve decreases could be based on questionable assumptions.

The guideline will be provided to state regulators. This will provide regulators with the tools to review the reserves and solvency of US insurers. The guideline will not address reciprocal jurisdictions and covered agreement issues. The guideline is intended to prevent work by US ceding companies where

there is immaterial risk. Andersen noted that the guideline is similar in structure to Actuarial Guideline 51 and Actuarial Guideline 53.

Status Update on Investment Framework

Commissioner Nathan Houdek provided a brief update. The Committee adopted an RFP to hire a consultant which will soon be announced. The consultant was hired to develop a due diligence framework for oversight of ratings provided by credit rating providers. Work on the CRP due diligence framework will begin soon under the direction of the Valuation of Securities Task Force.

Commissioner Houdek stated that changes will be made to the structure of the subcommittees and the level of support received by regulators from the NAIC staff. An update on the proposed changes is expected to be announced by the 2025 Summer National Meeting. Details on the changes can be found in the Investment Framework Work Plan, action item 5.

The NAIC formed a new task force, Risk Based Capital Model Governance Task Force. The work of the task force will align with the initiatives of the Financial Condition Committee on the Investment Framework.

Status Report from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Philip Barlow gave a status report. The Risk-Based Capital Investment Risk and Evaluation Working Group received an update from the Society of Actuaries (SOA) on the work regarding CLOs. Currently, the SOA would like to use the C-1 bond factors model for collateral modeling and scenario compression. The SOA is also continuing work on the CLO cash flow model. Also, the SOA is looking at diversification, concentration, and the effects on the C-1 bond factors.

The NAIC staff also compiled an analysis of recently filed annual statements of the reporting and RBC treatment of residual tranches. A regulator only meeting will be scheduled soon to discuss the results. The working group is also planning on looking at certain bond fund treatments to determine differences and the rationale for the differences. The goal is to develop a framework for applying the discussed methodology to similar types of assets.

Capital Adequacy (E) Task Force

The Capital Adequacy (E) Task Force met on March 25, 2025. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Feb. 4, 2025, and 2024 Fall National Meeting Minutes

The Feb. 4, 2025 and 2024 Fall National meeting minutes were adopted.

Adoption of the Reports of its Working Groups

A. Health Risk-Based Capital (E) Working Group

Steve Drutz gave an oral report. During the March 24, 2025, meeting, the working group adopted its June 24, 2024, meeting minutes. Adopted its 2024 newsletter, Health RBC statistics, received an update from the SOA, received referral letters from the Statutory Accounting Principles (E) Working Group, and adopted its working agenda. The referral letters were exposed for a 30-day comment period ending April 23. Exposed proposal 2025-03-CA for the Underwriting Risk Factors Investment Income Adjustment for a 30-day public comment period ending April 23.

The working group heard a presentation from the American Academy of Actuaries (Academy) on the H2-Underwriting Risk Report. The Academy also gave a recommendation, and the report is forthcoming and will be discussed at meeting in late April.

B. Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Phillip Barlow gave an oral report. During the March 24, 2025, meeting, the working group adopted its Feb. 11, 2025, and Oct. 22, 2024, minutes. The working group also heard an update from the Academy on the structured securities RBC project and the Academy also reported progress on the evaluation of RBC treatment of one type of structured securities – collateralized loan obligations (CLOs). The working group is willing to assist the Academy as needed to help move the work along as needed. Received comments on the ACLI's RBC principles for bond funds presentation and the NAIC's memorandum of bond funds reported in the 2023 annual statement filings. Received an update from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group.

C. Life Risk-Based Capital (E) Working Group

Phillip Barlow gave an oral report. During the March 24, 2025, meeting, the working group adopted its Feb. 21, 2025, and Oct. 23, 2024, meeting minutes. The working group heard an update from the GOES (E/A) Subgroup and the Longevity Risk (E/A) Subgroup. Also, heard an update from the Variable Annuities Capital and Reserve (E/A) Subgroup. Received a referral from the GOES (E/A) Subgroup requesting amendments to the life RBC blanks and instructions to facilitate the implementation of the

new economic scenario generator. The referral was exposed for a 30-day public comment period ending April 23.

The working group heard a presentation from the Academy on C-3. The presentation focused on alignment of C-3 phase 1 and phase 2 methodologies that could impact instructions and blanks changes to LR027. Exposed proposal 2025-04-L (Other Long-Term Assets – LR008) for a 30-day public comment period ending April 23. The proposal aims to reorganize LR008 to ensure Schedule BA assets of the same risk components (C-1o vs. C1-cs) are grouped to facilitate proper modified coinsurance (modco)/funds withheld reinsurance agreement adjustments within LR008.

D. Property and Casualty Risk-Based Capital (E) Working Group

Tom Botsko gave an oral report. During the March 24, 2024, meeting in joint session with the Catastrophe Risk (E) Subgroup, the working group adopted its 2024 Fall National, Feb. 18, 2025, and Jan. 16, 2025, meeting minutes. The working group took the following actions: updated and adopted the 2024 US and non-US catastrophe risk events list, exposed proposal 2025- 06-CR (Disclosure Climate Condition Cat Exposure Instructions) for a 30-day comment period ending April 23. Heard an update from the Wildfire Model Review Ad Hoc Group regarding the CoreLogic wildfire model review. Heard an update from the Academy on its current underwriting risk projects and discussed the 2024 underwriting risk factors. Discussed the Statutory Accounting Principles (E) Working Group referral on capital notes and non-bond debt securities. Discussed insights into catastrophic trends from the Actuaries Climate Index (ACI) and US billion-dollar disasters.

Referral from the Life Risk-Based Capital (E) Working Group Regarding an American Council of Life Insurers (ACLI) Comment Letter

The referral was exposed for a 30-day public comment period, ending April 24.

Proposal 2024-25-CA (Principle-Based Bond Project for P/C and Health

The proposal was re-exposed for a 30-day public comment period, ending April 24.

Proposal 2024-26-CA (Tax Credit Investments for P/C and Health)

The proposal was re-exposed for a 30-day public comment period, ending April 24.

Exposure of Proposal 2025-07-CA (Trend Test)

The purpose of the proposal is to expand instructions for LR034, LR035, PR033, and XR027 to facilitate consistent labeling of various company action levels across lines of business. No changes will be made to calculations or methodology.

The proposal was exposed for a 30-day comment period ending, April 24.

Proposal 2024-16-CA (Revised Preamble)

Task force members discussed the Revised Preamble proposal prior to re-exposing the proposal and heard comments from interested parties. The task force discussed possibly only re-exposing Section E of the preamble since the remaining edits to the preamble are straightforward. It was suggested that the task force hold a call to discuss concerns presented by interested parties. The task force agreed to re-expose the entire preamble and discuss changes later. The proposal was re-exposed for 45 days incorporating additional comments and questions.

Updates from the Statutory Accounting Principles (E) Working Group

Julie Gann gave an oral update. The SAP working group adopted the collateral loan proposal. A referral was previously sent to the task force to consider updating RBC factors for collateral loans once the reporting lines became more granular. The Blanks working group currently has the proposal exposed and the comment deadline is April 29. It is expected that the proposal will be considered for adopted on May 29. The result is six new reporting lines that will go through AVR to separate collateral loans based on underlying assets. Once adopted at the Blanks working group, a request will be made to the task force regarding updates to RBC factors.

Any Other Matters Brought Before the Task Force

None.

Accounting Practices and Procedures (E) Task Force

The Accounting Practices and Procedures (E) Task Force met on March 25, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of 2024 Fall National Meeting Minutes

The 2024 Fall National Meeting Minutes were adopted.

Adoption of Statutory Accounting Principles (E) Working Group Report

1. Adopted the following clarifications to statutory accounting guidance:
 - A. Adopted revisions to require restricted asset disclosure for modified coinsurance (modco) and funds withheld assets reported within a ceding company's financial statements. Recommended note illustrations and general interrogatory revisions to improve the restricted asset disclosure. (Ref #2024-20)
 - B. Adopted INT 24-02: Medicare Part D Prescription Payment Plans and minor edits to INT 05-05: Accounting for Revenues Under Medicare Part D Coverage. (Ref #2024-24)
 - C. Adopted annual statement reporting recommendations to provide granular reporting lines on Schedule BA: Other Invested Assets for Collateral Loans. A corresponding blanks proposal is concurrently exposed. (Ref #2023-28)
2. Exposed the following SAP concepts and clarifications to statutory accounting guidance for a public comment period ending June 6, except for agenda items 2024-07, 2025-04, 2025-05, 2025-06, 2025-07, and 2025-08, which are exposed for a public comment period ending May 2:
 - A. Exposed revisions expand the restricted asset reporting to capture information on modco and funds withheld assets that are related to the reinsurer and to require the disclosure in all quarterly and annual financial statements. Received related referral from the Financial Analysis (E) Working Group. (Ref #2025-05)
 - B. Exposed proposed guidance to define interest maintenance reserve (IMR). (Ref #2025-03)
 - C. Exposed a memorandum that recommends removing hypothetical IMR. (Ref #2023-14)
 - D. Exposed revisions to adopt with modification ASU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20), Induced Conversions of Convertible Debt Instruments, for statutory accounting. (Ref #2025-02)
 - E. Exposed revisions to clarify that sale leasebacks with restrictions on access to the cash proceeds do not qualify for sale leaseback accounting and shall be accounted for by the seller using the financing method. (Ref #2025-01)

- F. Exposed consistency revisions to reflect new VM-22, Statutory Maximum Valuation Rates for Income Annuities, principle-based reserve (PBR) requirements. (Ref #2025-09)
- G. Exposed revisions add disclosures on the Medicare Part D prescription payment plan amounts. (Ref #2025-08)
- H. Exposed revisions to the Preamble to clarify the treatment of issue papers in Level 5 of the statutory hierarchy and update the reference to U.S. Securities and Exchange Commission (SEC) rules and interpretations as authoritative U.S. GAAP for SEC registrants. (Ref #2025-12EP)

- a. Annual Statement Blanks:

- i. Exposed revisions to the life/fraternal annual statement blank remove a general interrogatory on dividends received. (Ref #2025-07)
 - ii. Exposed revisions to the life/fraternal annual statement blank remove reporting line 8, “Unrated Multi-Class Securities Acquired by Conversion,” from the asset valuation reserve (AVR). (Ref #2025-06)
 - iii. Exposed revisions remove the “capital structure code” reporting column in Schedule D-1-1: Long-Term Bonds – Issuer Credit Obligations and Schedule D-1-2: Asset-Backed Securities. (Ref #2025-04)
 - iv. Exposed revisions to capture information on modco/funds withheld assets remove the initially proposed Schedule F, Part 7 from the proposal and add a Part 8 to Schedule S for the life/fraternal instructions and blank. The Schedule S draft includes aggregated data and is consistent with AVR reporting. (Ref #2024-07)
- I. The following U.S. GAAP standards were exposed for rejection as not applicable to statutory accounting:
 - a. ASU 2023-07, Improvements to Reportable Segment Disclosures. (Ref #2025-10)
 - b. ASU 2024-03, Disaggregation of Income Statement Expenses and ASU 2025-01, Clarifying the Effective Date of ASU 2024-03. (Ref #2025-11)

- 3. Directed NAIC staff on the following items:

- A. Directed research on possible guidance for certain non-accounting effective derivatives to defer realized gains and losses. (Ref #2024-15)
- B. Deferred concept agenda item for investment subsidiaries to allow for more research and consideration of Delaware Statutory Trusts (DSTs) holding residential mortgage loans. (Ref #2024-21)
- C. Directed development of revisions to clarify guidance for securities lending, repurchase, and reverse repurchase agreements. (Ref #2024-03)

4. Received updates on the following:
 - A. IMR Ad Hoc Group activities, noting that its discussions have focused on IMR from reinsurance transactions, reinvestment for sold fixed-income instruments where realized gains/losses are taken to IMR, and guidance on excess withdrawals.
 - B. Referral from Life Risk-Based Capital (E) Working Group requesting comments on a proposal from the American Council of Life Insurers (ACLI) seeking to clarify the LR010 instruction that certain Securities Valuation Office (SVO)-designated non-bond debt securities can obtain asset concentration factor treatment akin to bonds in LR002 (Proposal 2025-05-L).
 - C. Notice of a joint meeting with the Life Actuarial (A) Task Force scheduled for April 10.
 - D. Notice of a Working Group meeting scheduled for May 22.
 - E. Notice that the electronic version of the AP&P Manual is free.
 - F. U.S. GAAP exposures, noting that items will be addressed during the normal process.
 - G. International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group activities, including notice of the application paper on climate risk.
5. Adopted its Dec. 17, 2024, minutes. During this meeting, the Working Group took the following action:
 - A. Adopted revisions to Statement of Statutory Accounting Principles (SSAP) No. 26—Bonds to clarify disclosure reporting by category and subcategory as reported in Schedule D, Part 1, Section 1 (Issuer Credit Obligations) and Section 2 (Asset-Backed Securities). (Ref #2024-26EP)
 - B. Exposed the following statutory accounting principle (SAP) clarifications to statutory accounting guidance for a public comment period that ended Jan. 31, 2025:
 - a. Revisions to SSAP No. 41—Surplus Notes to clarify capital notes references and guidance. A corresponding blanks proposal is concurrently exposed. (Ref #2024-28)
 - b. Revisions to SSAP No. 56—Book Value Separate Accounts to detail the measurement method and process to transfer assets. Revisions from prior exposure are limited to paragraph 18b and paragraph 22. (Ref #2024-10)
 - c. Revisions to the annual statement instructions to clarify that held debt securities that are sold to a special purpose vehicle (SPV) and then reacquired reflecting additional (derivative or other) components shall be reported as a disposal and reacquisition in the investment schedules. (Ref #2024-16)
 - d. Revisions to the preamble of the Accounting Practices and Procedures Manual (AP&P Manual) to classify issue papers in Level 5 of the statutory hierarchy. (Ref #2024-27)

- C. Deferred the following SAP concepts and clarifications to statutory accounting guidance for further consideration at a future interim or national meeting:
- a. Proposed revisions to SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance with direction to schedule a joint call with the Life Actuarial (A) Task Force. (Ref #2024-06)
 - b. Proposed new SAP concept for asset liability management (ALM) derivatives, with direction to continue discussions at the 2025 Spring National Meeting. (Ref #2024-15)
 - c. Proposed revisions to Appendix 791 (A-791), Life and Health Reinsurance Agreements, with direction to schedule a joint call with the Life Actuarial (A) Task Force. (Ref #2024-05)
6. Adopted its Feb. 25, 2025, minutes. During this meeting, the Working Group took the following action:
- A. Adopted the following clarifications to statutory accounting guidance:
- a. Revisions to SSAP No. 16—Electronic Data Processing Equipment and Software to clarify references to the U.S. generally accepted accounting principles (GAAP) Accounting Standards Codification (ASC). (Ref #2024-25)
 - b. Revisions to SSAP No. 54—Individual and Group Accident and Health Contracts to clarify measurement method and prescribe guidance for transfers to/from the general and separate account. (Ref #2024-10)
 - c. Revisions to SSAP No. 41 to clarify capital notes references and guidance. (Ref #2024-28)
 - d. Revisions to clarify terms used for derivative financing premium and to recommend revisions to the annual statement instructions. The exposed revisions to clarify the calculation of realized losses in relation to derivative premium costs were moved to agenda item #2024-15: ALM Derivatives. (Ref #2024-23)
 - e. Revisions to adopt with modification Accounting Standards Update (ASU) 2024-01, Scope Application of Profits Interest and Similar Awards. (Ref #2024-22)
 - f. Revisions to the preamble of the AP&P Manual to classify issue papers as Level 5 in the statutory hierarchy. (Ref #2024-27)
 - g. Adopted Issue Paper No. 170—Tax Credits Project to document the historical discussions in the development of SSAP No. 93—Investments in Tax Credit Structures and SSAP No. 94—State and Federal Tax Credits. (Ref #2022-14)
 - h. Recommended revisions to annual statement instructions to clarify that held debt securities, which are sold to an SPV and then reacquired reflecting the addition of derivative or other components, shall be reported as a disposal and reacquisition in the investment schedules. (Ref #2024-16)
7. Exposed revisions to tentative Interpretation (INT) 24-02: Medicare Part D Prescription Payment Plan to provide guidance for the Medicare Part D program prescription payment plan and edits to INT 05-05: Accounting for Revenues Under Medicare Part D Coverage. (Ref #2024-24)

Adoption of Blanks (E) Working Group Report

1. Adopted its Dec. 2, 2024, and Nov. 6, 2024, minutes, which included the following actions:
 - A. Adopted its Aug. 7, 2024, minutes.
 - B. Exposed eight new proposals.
 - C. Received a Statutory Accounting Principles (E) Working Group memorandum regarding debt securities issued by funds representing operating entities.
 - D. Adopted its editorial listing.
2. Adopted nine proposals and its editorial listing:
 - A. 2024-13BWG Modified – Update annual investment schedules for bond project editorial items.
 - B. 2024-14BWG Modified – Update the 2025 annual (2026 quarterly) investment schedules line category for “Bonds Issued by Funds Representing Operating Entities.”
 - C. 2024-15BWG – Remove the Affordable Care Act (ACA) disclosure on the transitional reinsurance program and the risk corridors program from the Supplemental Health Care Exhibit (SHCE).
 - D. 2024-16BWG – Remove the quarterly investment interrogatory line 13 for reporting mortgages and real estate in short-term investments. Re-number all lines below the line being removed.
 - E. 2024-17BWG – Add a pet insurance line to the Market Conduct Annual Statement (MCAS) premium exhibit.
 - F. 2024-18BWG – Add a footnote to SHCE, Part 2, to report the amount of premium deficiency reserves included in the lines of Part 2.
 - G. 2024-20BWG Modified – Add an electronic-only company contact information field to the annual and quarterly Jurat page for the assessment contact.
 - H. 2024-21BWG – Update Schedule D, Parts 4 and 5, to add clarifying instructions on what should be included in the investment schedule.
 - I. 2024-22BWG – Update Schedule BA definitions for surplus debentures and capital notes to add clarification on what should be reported in these categories.
3. Re-exposed one modified proposal:

2024-19BWG Modified — Update Schedule BA line categories and instructions for the expansion of collateral loans. Add two electronic-only columns to Schedule BA, Part 1, for reporting the fair value of collateral backing and the percentage of the collateral. Update the AVR instructions and blank for the added collateral loan lines.

4. Exposed six new proposals for a 54-day public comment period ending April 29.
5. Received two Statutory Accounting Principles (E) Working Group memorandums:
 - A. Inactive Lloyd’s Syndicates
 - B. Year-End 2024 Impacts to the Annual Statement Notes and Instructions

Valuation of Securities (E) Task Force

The Valuation of Securities (E) Task Force met on March 25, 2025. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Discuss and Consider Adoption of 2024 Fall National Meeting Minutes

The 2024 Fall National Meeting minutes were adopted.

Discuss and Consider Exposure of:

- 1. A Proposed Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) to Require the Filing of Private Rating Letter Rationale Reports Within 90-days of an Affirmation, Update, or Change*
- 2. A Proposed P&P Manual Amendment to Require that Private Rating Letter Rationale Reports Possess Analytical Substance*

Charles Therriault explained the process of filing a private rating letter rationale report with the SVO to be eligible for the filing exemption process. The first amendment establishes a 90-day deadline to submit a new or updated report following the date of any annual or mid-year rate affirmation, update, or change occurs. If the report is not filed during that time, the security will become ineligible. However, the security can become eligible again once the report is submitted to the SVO. The review process of the rationale reports will be daily and help to ensure efficiency.

The second amendment is intended to satisfy the intent of the policy requiring private letter rationale reports. The private rating letter rationale report is defined as an analytical review of the private rated security. The SVO has received some filings that have not met the definition of a private rating letter rationale report as defined in the P&P Manual. The amendment will clarify that insurers are expected to provide a full report that meets the outlined expectations. The SVO believes that the first amendment will help operationally and that the second amendment will help clarify expectations for the rationale report content. The proposed amendments are not material changes.

The proposed amendments will be exposed for a 30-day public comment period, ending April 25.

Receive NAIC Staff Reports on:

- 1. The Status of Private Rating Letter Rationale Report Filings for 2024*

Charles Therriault explained that the status of each privately rated security has been published. The NAIC systems have been updated to process exemptions. This past year end, Dec. 31, 2024, was the first year that the NAIC systems were able to accurately identify which privately rated securities did not comply with the rationale report filing requirement and will no longer be eligible for a filing

exemption. Also, gave an overview of the amount of missing private letter rationale report filings for the exemption of impacted securities. The privately rated securities that do not have the required rationale report were removed the Filing Exemption list. However, the securities can be reinstated if an insurer submits the missing rationale report.

2. The Securities Valuation Office (SVO) Annual Report on Carry-Over Filings for 2024

Charles Therriault gave an oral overview of the Securities Valuation Office (SVO) Annual Report on Carry-Over Filings for 2024. Gave a comparison of the filings reviewed in 2024 vs 2023. In 2024, there was a 25% increase in filings primarily due to Private Letter Ratings filings increasing 112%. Also, explained the rationale for the rejected filings. The growing carry-over rate for non-private letter rating filings shows the increase of demand for resources on the office, additional staff is needed to process the increase in filing volume.

3. The Projects of the Statutory Accounting Principles (E) Working Group

Julie Gann gave an oral report on the activities of the Statutory Accounting Principles (E) Working Group. The bond definition became effective January 1, 2025. A transition disclosure must be completed with the first quarter financial statement. The details are captured in SSAP 26. Items that moved from Schedule D to Schedule BA, now have six reporting lines. Those that are captured on the non-bond debt securities with an SVO designation, must receive the designation from the SVO. A CRP rating cannot be used. Julie gave an overview of the Investment and Tax Credit Structures. This information is now captured in SSAP 93. The effective date of the guidance was January 1, 2025.

The working group adopted the collateralized loan agenda item. This breaks out the reporting of collateralized loans into 6 granular lines to look at the underlying collateral. It is currently exposed at the Blanks Working Group until April 29 and a call is scheduled for May 29. The proposed effective date is January 1, 2026.

The working group is looking at the investment subsidiary category, the discussion was deferred during the working group call. The working group decided to look at a project on residential mortgage loans that are held in trust. This seems to be the key driver of structures that are being reported as investment subs. The working group proposed to delete the Capital Structure Code. This examines whether the investment is secured and the seniority. The working group noticed inconsistencies in the reporting data. A proposal is currently exposed asking consideration to remove the Capital Structure Code reporting line. The proposal is exposed until May 2.

A restricted assets disclosure regarding modco and funds withheld assets was adopted. This will provide clarity for reporting. Schedule S was disclosed to detail assets for RBC flow through. Another related agenda item was exposed to look at modco and funds withheld assets that are affiliated to the reinsurers. This will require a note 5L in all quarterly and annual financial statements. The working group has had a lot of discussion on interest maintenance reserve. This is the result from

realized gains and losses from noncredit related investment sales. An Ad Hoc group discussing this topic meets every other week and the current exposures are listed on the SAPWG website.

4. The Proposed Collateralized Loan Obligation (CLO) Modeling Methodology

Eric Kolchinsky gave an oral update on the proposed collateralized loan obligation (CLO) modeling methodology. The next ad hoc meeting will be April 2 at 1 pm. New results are posted on the CLO website using a three-bucket reinvestment methodology. There is continued participation with the Academy on the project. A complete package for recommendation and exposure will be presented upon conclusion of the project.

Discuss Any Other Matters Brought Before the Task Force

None.

Joint Meeting of the Catastrophe Risk (E) Subgroup and Property and Casualty Risk-Based Capital (E) Working Group

The Catastrophe Risk (E) Subgroup and Property and Casualty Risk-Based Capital (E) Working Group met jointly on March 24, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The Subgroup and Working Group adopted the 2024 Fall National Meeting Minutes, the February 18 minutes, and the January 16 minutes.

Consider Exposure of Proposal 2025-06-CR

The Subgroup and Working Group exposed proposal 2025-06-CR (Disclosure Climate Condition Cat Exposure Instructions) for a 30-day public comment period set to end April 23.

Update Regarding the CoreLogic Wildfire Model Review

Virginia Christy, from the Wildfire Model Review Ad Hoc Group, gave an update regarding the CoreLogic Wildfire Model review. CoreLogic is being reviewed using the same six-phase approach used in the AIR, RMS, and KCC wildfire models. CoreLogic provided its initial presentation in August in 2024 and an abstract technical presentation in September 2024. Then the Ad Hoc Group review team gathered and expressed questions and concerns to CoreLogic in December 2024. The Ad Hoc Group met with CoreLogic on February 13, 2025, to address the group's questions. The Ad Hoc Group elected to proceed to the next step of the model review, the impact analysis. The impact analysis phase will begin the first week of April.

Discussion of the Wildfire Losses Impact Analysis Report

Wanchin Chou discussed the Wildfire Modeled Losses Impact Analysis Report.

Update from the American Academy of Actuaries on Current Underwriting Risk Projects

Ron Wilkins, from the American Academy of Actuaries (the "Academy"), gave an update on the Academy's current underwriting risk projects. Wilkins discussed R4/R5 loss/premium concentration factors and P&C RBC project planning priorities for 2025. The Academy proposed the following eight topics to prioritize in 2025:

- (1) R4/R5 Concentration Factors (Dependency) (Project currently underway)
- (2) RBC Line 1 (industry average) on pages PR017 and PR018 (Project currently underway)
- (3) Line 4 Risk Factors – Pooling
- (4) Line 4 Risk Factors – Payment Patterns (used in Investment Income Adjustment factors)

- (5) Line 4 Risk Factors – Catastrophe Overlap Adjustment
- (6) Line 4 Risk Factors – Determine indicated Line 4 premium and reserve risk factors and Investment Income Adjustment factors reflecting the results of project three through five.
- (7) Insolvency History – Research the history of U.S. P&C insolvencies to investigate extent to which RBC provided an early warning.
- (8) Process Improvement

Discussion of the 2025 Underwriting Risk Factors

Tom Botsko led a discussion of the 2025 Underwriting Risk Factors. During the April 25, 2024, meeting, the Working Group adopted the proposal 2024-11-P, which included the proposed underwriting line (4) and (8) factors with the 50% indicated change with capped international product liability in 2024, and 100% indicated change with capped international and product liability in 2025. The proposal also included the underwriting Line (4) and (7) underwriting factors with the 50% indicated change with capped international and product liability in 2024, and 100% indicated change with capped international and product liability in 2025. There were no comments received during the exposure period for the proposal. Line 1 factors will be exposed before May 15.

Discussion on the Insights Into Catastrophe Trends

Wanchin Chou and Stephen L. Kolk, from Kolkulations, led a discussion on insights into catastrophe trends from the Actuaries Climate Index (ACI) and U.S. billion-dollar disasters. Kolk began by discussing the Actuaries Climate Risk Index (ACRI) which integrates information about perils, exposures, and susceptibility to illustrate the economic impact of climate risk and its evolution over time. Kolk also discussed predictive climate extreme measures. Kolk also discussed weather and climate disasters that caused over \$1 billion of damage in the U.S. in 2024. These costly disasters are becoming increasingly common.

Risk-Based Capital Investment Risk and Evaluation (E) Working Group followed by Life Risk-Based Capital (E) Working Group

The Risk Based Capital Investment Risk and Evaluation (E) working group met on March 24, 2025. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Feb. 11, 2025, and Oct. 22, 2024, Meeting Minutes

The Feb. 11, 2025, and October 22, 2024, meeting minutes were adopted.

Update from the American Academy of Actuaries (Academy) on the Structured Securities Risk-Based Capital (RBC) Project

Steve Smith (Academy) gave an update on the structured securities risk-based capital (RBC) project. The main purpose of the update is to provide a means of tracking the progress of the project. Steve explained that the data flow diagram included in the meeting materials represents the progress of the project. Future updates will be given by using the data flow diagram and the color key indicated on the presentation slides. Three topics on the diagram have been identified as “in progress”.

The Collateral Model is one of the items that is currently in progress. This models the credit losses on the collateral pool of bank loans. The main objective is to provide consistency with C-1 bond factors. The same model will be used that underlies C-1 bond factors. Currently, the Academy is working with the ACLI, with help from Moody’s, developed a model that may be helpful as the group explores various scenarios. Once the model is complete, other stages of the project can be completed.

CLO Dynamics is one of the items that is currently in progress. Once, you know how the underlying credit inside of the pool in a CLO has performed. Assumptions and modeling are needed to determine how performance flows through to each specific tranches in the CLO and the waterfall structure. An agreement is in place to allow use of Moody’s waterfall structure.

C-1 Methodology is one of the items that is currently in progress. C-1 Methodology converts cashflows into capital charges. The Academy has spent a lot of time working on this in the last couple of weeks. The following key issues must be determined before moving forward: discounting, GPVAD, potential of inner vs outer loops, risk premium, scenario compression, alignment with statutory accounting, and treatment of PIK.

The C-1 Methodology is currently in progress while the Academy is waiting on information from ACLI regarding CLO dynamics.

Comments on the American Council of Life Insurers' (ACLI's) RBC Principles for Bond Funds Presentation and the NAIC's Memorandum of Bond Funds Reported in 2023 Annual Statement Filings

A. Payden & Rygel

Payden & Rygel presented oral comments on a letter that is in support of the conclusions presented in the ACLI letter. Payden & Rygel, an investment management firm, manages two mutual funds currently receiving NAIC designations and listed on the NAIC Fixed Income-Like SEC Registered Fund List. The insurers that invest in those funds value the information and clarity provided by the SVO designation. The commenter emphasized that Schedule BA treatment is not consistent across all three lines and requested that the working group consider this work on all 3 lines of insurance.

B. Alternative Credit Council

Brenda Hagen, Alternative Credit Council, gave oral comments in support of the proposal to harmonize capital charges applied to mutual bond fund principles and bond ETF's. Breanda summarized three key points as to why harmonization would lead to sound risk-based regulation. The key points are as follows: the capital treatment of bond funds is not justified, in support of the NAIC's use of the WARF based approach and suggests that harmonizing capital treatment is aligned with NAIC's principles of risk-based regulation. The ACC request the working group to adopt a harmonized WARF based capital framework that treats bond mutual funds and bond ETF's according to the risk of its underlying assets. The ACC proposes that this will enhance regulatory fairness and enhance investment efficiency.

C. PineBridge Investments

PineBridge Investent gave oral comments in support of the working group's objectives and efforts to harmonize statutory treatment for funds regardless of their legal forms. The commentator stated that if the exposure is adopted, it will allow life insurers to use mutual fund designations for RBC purposes. Emphasis was placed on the fact that most funds are held on non-life insurance balance sheets. 96% mutual funds with SVO designations reside on non-life insurers balance sheet. Overall, 45% of all funds with a designation are held by non-life insurers. Smaller insurers use fund vehicles more often than larger insurers. This directly impacts market access for smaller insurers. PineBridge is advocating for non-life insurers to use SVO designated funds and for more consistency with fund type and insurance type.

Phillip Barlow led a discussion on next steps. Barlow stated that there is potential for developing an RBC proposal. The working group will also consider looking at the other formulas for non-life insurers regarding the treatment of bond funds and other funds that receive bond-like treatment. The working group will also consider looking at adopting something that will be applicable to other similar assets as they become significant to the investment of insurance companies. It will take some time to develop a proposal by the NAIC staff, it will most likely not come into fruition in 2025. It was

suggested that the working group begin working on a proposal for Life and then the working group will consider a proposal for other lines of insurance such as Health.

Updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group

Update from the Valuation of Securities (E) Task Force

The Valuation of Securities Task Force will continue work in coordination with the Academy on CLO modeling. The task force will be working on minor updates on the process of receiving private letter rating rationale letters and guidance related to the topic.

Update from the Statutory Accounting Principles (E) Working Group

The Statutory Accounting Principles Working Group provided an update on its work. The working group is discussing the impact of capital notes and referrals that were sent to related working groups to consider the impact. Investment and tax credit line items were completed last year. An overview was given of upcoming projects regarding collateral loans and more granular reporting lines and proposals regarding modco and funds withheld reporting. A project is in the works detailing more information. Lastly, investment subsidiary, an older concept, is proposed to be eliminated.

Any Other Matters Brought Before the Working Group

Phillp Barlow mentioned that the NAIC staff pulled data from annual statement on residual tranches looking at how the information is reported and treated. A regulator-only only call will be set up to discuss the data since it is company specific.

Life Risk-Based Capital (E) Working Group

Life Risk Based Capital Group (E) Working Group met on March 24, 2025. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its Feb. 21, 2025, and Oct. 23, 2024, Meeting Minutes

The Feb.21,2025 and Oct. 23,2024 meeting minutes were adopted.

Updates from its Subgroups

A. Generator of Economic Scenarios (GOES) (E/A) Subgroup

The GOES Subgroup gave an oral update. Following the 2024 GOES field test, feedback from discussion with participants yielded several key changes. The key changes include: a revised initial treasury yield fitting method, replacing the flooring method with a dynamic generalized fractional floor, and recalibrating the equity model. The model office testing was performed on scenario sets reflecting the changes and the results were within expectations. The subgroup will now work on implementing the generator in the valuation manual for the Life RBC blanks and instructions to be effective for 2026 reserve and capital calculations.

The Subgroup discussed amendment proposal form (APF) 2025-04. Referrals have been made to the Variable Annuities Capital and Reserve (E/A) subgroup and the Life Risk-Based Capital (E) subgroup to amend the Life RBC blanks and instructions to utilize the generator for C-3 phase 1 and C-3 phase 2 calculations. A draft model governance for the generator is in progress.

B. Longevity Risk (E/A) Subgroup

The Subgroup has not met since Fall 2024. The subgroup will continue its work once the VM 22 is finalized. Meetings are likely to resume in May/June 2025.

C. Variable Annuities Capital and Reserve (E/A) Subgroup

The Subgroup's last meeting was in February. Discussed and exposed concept of changes to the variable annuities supplement in the annual statement. Incorporated comments into the supplement and exposed draft blank changes until April 7th. The draft will be discussed once the comment period ends. The Subgroup received a referral from LATF to look at the capital metric, to reflect the new generator.

Referral from the GOES (E/A) Subgroup on Amendments to the Life Risk-Based Capital (RBC) Blanks and Instructions

Received a referral from the GOES (E/A) Subgroup requesting amendments to the Life RBC blanks and instructions to facilitate the implementation of the new economic scenario generator. The referral is exposed for a 30-day comment period, ending April 23, 2025.

Presentation from the American Academy of Actuaries (Academy) on C-3

The Academy gave a presentation on the C-3 alignment project. C-3 Phase 1 applies to Single Premium Life and Non-Variable Annuities (excluding Fixed Index Annuities- FIA) and has not been updated in decades. C-3 Phase 2 applies to Variable Annuities including Registered Index Linked Annuities and was recently updated and tested. The purpose of the project is to harmonize C-3 Phase 1 and C-3 Phase 2 methodology. The Academy is proposing a phased approach with some changes being reflected by year-end 2026, this is consistent with current NAIC practices. Also, gave an overview of the timeline, adoption, and phase in period.

The Academy is hoping that most changes will be instructional changes and not structural changes. The economic scenarios will also be updated. The ultimate goal is a C-3 framework with consistent scenarios, metrics, and legal entity level aggregations for all products. The Academy proposes reviewing other products at a future date. Discussed the two different approaches for discounting. Proposing to use Phase 2 discounting rates which allow the use of the NAER for discounting or direct iteration. Discussed current assumptions and models being used. The Academy recommends a short-term solution starting year end 2026, a bifurcated approach using PBR and CFT models. Recommend updating default cost assumption in C-3 Phase 1 to more conservative CTE70 level. Generally, adjustments are not made in the RBC framework for potential deficiencies or excess in other components. Recommend further study to explore an optional credit that would address the double counting. Similar to default costs, double counting of RBC related to general account (GA) equity (or equity-like) assets is being reviewed. Considerations for companies with a material equity exposure in the GA are being discussed. Regarding the C-3 floor amount, the recommendation by the Academy is to retain the current factors and floors for year-end 2026. It should be reviewed in greater detail after efforts to adopt year-end 2026 recommendations are complete. The metric and scalar options for C-3 Phase 1 and C-3 Phase 2 will be built out during the field testing.

The Academy stated that ideally there are no difference between C-3 Phase 1 and Phase 2 methodology. However, aggregation will have to be revisited by the subcommittee. The metric and scalar options for C-3 Phase 1 and C-3 Phase 2 will be built out during the field testing. Next steps include providing recommendations on the following remaining topics: (1) metric and solar, (2) working reserves and interim measurement, (3) time horizon, (4) stochastic equity risk. The design of the field test is also one of the next steps. The Academy plans to leverage the VM 22 field test, but this will be a separate field test.

Exposure of Proposal 2025-04-L (Other Long-Term Assets) (LR008)

Proposal 2025-04L (Other Long-Term Assets) (LR008) was exposed for a 30-day public comment period ending April 23,2025. The proposal reorganizes LR008 to ensure Schedule BA assets of the same risk components are grouped to facilitate proper modified coinsurance (modco)/funds withheld reinsurance agreement adjustments withing LR008.

Any Other Matters Brought Before the Working Group

A call for the working group will be scheduled for May 1,2025 to discuss exposures once the comment period ends. The working group plans to consider all comments and adopt applicable proposals.

Health Risk-Based Capital (E) Working Group

The Health Risk-Based Capital (E) Working Group met March 24, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Meeting Minutes

The Working Group adopted the minutes from its July 25, 2024, meeting.

Referral Letters from the Statutory Accounting Principles (E) Working Group

The Working Group received two referral letters from the Statutory Accounting Principles (E) Working Group:

1. Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions and Answers – This referral, sent to the Property and Casualty RBC, Life RBC, and Health RBC Working Groups, addresses differences in reporting under the life blank. It discusses the use of an SVO-assigned designation for non-bond debt securities reported on Schedule BA and the expanded scope of capital notes, which may now use NAIC designations for RBC impact under the life blank. The referral includes comments received by the Statutory Accounting Principles (E) Working Group regarding the potential need for more granular RBC reporting in these areas.
2. Interpretation (INT) 24-02: Medicare Part D Prescription Payment Plan – This referral informs the Working Group of an interpretation providing guidance on the accounting treatment of receivables arising from the Medicare Part D Prescription Payment Plan, which became effective on January 1, 2025. The interpretation was exposed for comment, with revisions made based on industry feedback. The Statutory Accounting Principles (E) Working Group planned to discuss its adoption later the same day.

Consider Exposure of Proposal 2025-03-CA

Steve Drutz (WA) led the discussion on Proposal 2025-03-CA, which contains the annual update to the underwriting risk factors for comprehensive medical, Medicare supplement, dental, and vision lines of business. The update reflects an investment yield of 4.24% to 4.3% for the six-month U.S. Treasury bond in January 2025. Consistent with guidance adopted in 2022, the adjustment is rounded up to the nearest 0.5%, resulting in a 4.5% investment income adjustment being applied. The proposal affects all lines of business. The Working Group agreed to expose the proposal for a 30-day comment period ending April 23 before referring it to the Capital Adequacy (E) Task Force. There were no objections.

Hear a Presentation from the American Academy of Actuaries (Academy) on the H2—Underwriting Risk Report

Steven Guzski of the American Academy of Actuaries presented the H2—Underwriting Risk Report, which was developed in response to an April 2021 request from the Health Risk-Based Capital (E) Working Group. The Working Group had asked the Academy to conduct a comprehensive review of the underwriting risk component and the managed care credit (MCC) calculation in the Health RBC formula—marking the first such review since the late 1990s. The Academy’s review focused on six key areas: updating the underwriting risk factors with more recent data, developing more granular product-level factors, refining premium tier thresholds, introducing indexing to allow cut points to adjust over time, modeling risk factors over multiple time horizons, and updating the MCC methodology to reflect modern provider contracting arrangements.

Guzski explained that the work was organized into three tracks. The first involved redesigning the experience fluctuation risk pages (XR013 and XR014), including breaking out comprehensive medical coverage into more detailed categories such as individual, group, and Medicaid. The proposed changes would also align the risk presentation with how companies typically measure performance—such as in terms of loss and combined ratios—and eventually allow for the incorporation of company-specific data. The second track focused on developing tiered RBC factors based on ten years of historical data. These factors were modeled across different safety levels, time horizons, and premium tiers to reflect changes in the health market since the 1990s. The third track addressed the redesign of MCC pages (XR018 and XR019), with proposed updates to annual statement Exhibit 7, Part 1 to collect data on evolving provider contracting practices. These changes would support future revisions to the MCC categories and credit structure.

During discussion, Guzski responded to several questions from working group members and interested parties. He confirmed that while the current proposal is based on aggregate data, the goal is to allow for more tailored RBC calculations over time as company-level data becomes available and credibility thresholds are defined. He acknowledged that ongoing changes in Medicaid may affect the analysis in future updates and explained that the five-year review cycle recommended by the Academy would help ensure continued responsiveness to such shifts. On the topic of long-term care insurance, Guzski noted that while the initial proposal deferred this analysis to the Life RBC Working Group, the Academy would be open to further discussion if Health RBC wished to take the lead. He also addressed questions about the treatment of Medicaid risk tiers, explaining that due to limited data and outliers in lower premium tiers, the report recommends a single-tier approach for Medicaid.

Consider Exposure of the H2—Underwriting Risk Report

Steve Drutz (WA) noted that the Working Group had planned to consider formal exposure of the H2—Underwriting Risk Report at this meeting but did not yet have a final proposal in hand. A follow-up call is expected in late April to review the completed report and determine whether to proceed with exposure. No formal action was taken.

Other Matters

NAIC staff noted that they are working with the Academy to develop a blanks proposal related to the proposed enhancements to Exhibit 7, Part 1 of the annual statement. This proposal is expected to be introduced in the near future.

Statutory Accounting Principals (E) Working Group

The Statutory Accounting Principles (E) Working Group met on November 17, 2024. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The minutes from prior sessions were adopted by motion without further discussion

Review of Comments on Exposed Items

1. Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures - SSAP No. 101—Income Taxes: Adopted revisions reject, with modification, Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures. The adoption also removes an existing SSAP disclosure. (Ref #2024-11)
2. Ref #2024-17: Clearly Defined Hedging Strategy - SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees: Adopted revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01, Definitions for Terms in Requirements. (Ref #2024-17)
3. Ref #2024-18: Clarification to NMTC Project - SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies, SSAP No. 93— Investments in Tax Credit Structures, and SSAP No. 94—State and Federal Tax Credits: Adopted clarifications expand and update guidance on tax credit investments effective Jan. 1, 2025. (Ref #2024-18)
4. Ref #2024-19: ASU 2024-02, Codification Improvements, Amendments to Remove References to the Concepts Statements - Appendix D—Nonapplicable U.S. Generally Accepted Accounting Principles (GAAP) Pronouncements: Rejected ASU 2024-02, Codification Improvements as not applicable to statutory accounting. (Ref #2024-19)
5. Ref #2019-21: INT 24-01 - Principles-Based Bond Definition Implementation Questions & Answers - Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions & Answers (Q&A): Adopted the exposed Q&A, updated for interested parties' comments, in a new interpretation. (Ref #2019-21)

Maintenance Agenda - Pending List

1. Ref #2024-20: Restricted Asset Clarification - SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures: Exposed revisions to the SSAP and the existing Annual Statement Instructions/Illustrations for the restricted asset disclosure in Note 5L specify how modified coinsurance (modco) and funds withheld assets reported within a ceding company's

financial statements shall be captured. This exposure also includes a reconciliation of items reported as restricted between Note 5L and the general interrogatories. (Ref #2024-20)

2. Ref #2024-21: Investment Subsidiary Classification - SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities: Exposed concept agenda item with requests for comments on the options offered to include: 1) clarifying statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries; 2) sponsoring a blanks proposal to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held by an investment subsidiary; or 3) referrals to the Capital Adequacy (E) Task Force and related risk-based capital working groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets within an investment subsidiary. (Ref #2024-21)
3. Ref #2024-22: ASU 2024-01, Scope Application of Profits Interest and Similar Awards - SSAP No. 104—Share-Based Payments: Exposed revisions to adopt with modification ASU 2024- 01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards, which provides clarifications on the application of the guidance to profit interests and similar awards. (Ref #2024-22)
4. Ref #2024-23: Derivative Premium Clarifications - SSAP No. 86—Derivatives: Exposed revisions ensure consistent terminology for financing derivatives and clarify that derivative premium shall not be captured as a realized gain or loss and shall not be included in the interest maintenance reserve (IMR). (Ref #2024-23)
5. Ref #2024-24: Medicare Part D – Prescription Payment Plan - INT 24-02: Medicare Part D Prescription Payment Plans and INT 05-05: Accounting for Revenues Under Medicare Part D Coverage: Exposed INT 24-02 and minor edits to INT 05-05 to provide accounting and reporting for the Medicare Part D prescription payment plan. Notification of the exposure will be provided to the Health Insurance and Managed Care (B) Committee and Health Risk-Based Capital (E) Working Group, and an annual statement blanks proposal and disclosures will be developed for future discussion. (Ref #2024-24)
6. Ref #2024-25: SSAP No. 16 ASU Clarification - SSAP No. 16—Electronic Data Processing Equipment and Software: Exposed revisions clarify references to accounting standards codification (ASC) by including the relevant ASUs. (Ref #2024- 25)
7. Ref #2024-26EP: Fall 2024 Editorial Revisions - SSAP No. 26: Exposed editorial revisions clarify the scope of the annual audited disclosure. The disclosure shall include investments receiving bond treatment by reporting categories. (Ref #2024-26EP)
8. Ref #2023-28: Collateral Loan Reporting - Annual Statement Blanks: Re-exposed revisions to provide more granular reporting lines on Schedule BA Other Invested Assets for Collateral Loans. This action allows concurrent exposure with the Blanks (E) Working Group on its corresponding blanks proposal. (Ref #2023-28)

Directed NAIC staff on the following items

1. Directed NAIC staff to prepare an agenda item to classify issue papers in level 5 of the statutory hierarchy.
2. Ref #2024-16: Repack and Derivative Investments - SSAP No. 86: Directed NAIC staff to modify the agenda item proposing to bifurcate embedded derivatives and capture limited revisions to clarify reporting when a bond is sold and reacquired from a special purpose vehicle (SPV) with derivative wrappers (or other components). (Ref #2024- 16)

Any Other Matters Brought Before the Working Group

1. Review of U.S. GAAP Exposures - Items will be addressed during the normal maintenance process.
2. Update IMR Ad Hoc Group - Discussions have focused on IMR from reinsurance transactions and has directed a reassessment of existing guidance.
3. The Bond Project Implementation Small Group, which has concluded its regular meetings. The Small Group addressed the items presented and referred the Q&A guide to the Working Group. The Small Group may resume future discussions if necessary.
4. Use of third-party vendors and checklists to determine bond definition compliance and classification.
5. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the application paper on climate risk.
6. Reinsurance exposures. The comment deadline for three reinsurance-related agenda items (2024- 05, 2024-06, 2024-07) exposed at the Summer National Meeting was delayed at the request of the American Council of Life Insurers (ACLI) to Dec. 9 and Dec 16. The ACLI provided short verbal comments.
7. Lloyd's has submitted requests that resulted in the removal of several inactive syndicates from the NAIC Listing of Companies. NAIC staff is coordinating with Lloyd's to determine if a guidance memorandum needs to be sent to the Blanks (E) Working Group regarding year-end reporting instructions.

Innovation, Cybersecurity and Tech (H) Committee

The Innovation, Cybersecurity, and Technology (H) Committee met on March 27, 2025. The agenda can be found [here](#). The meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of Minutes

The Task Force adopted its 2024 Fall National Meeting minutes and adopted the Third-Party Data and Models (H) Task Force's 2024 Fall National Meeting minutes.

Adoption of Task Force and Working Group Reports

The Committee adopted the following Working Group and Task Force Reports:

- A. *Big Data and Artificial Intelligence (H) Working Group.*
- B. *Cybersecurity (H) Working Group*
- C. *Privacy Protections Drafting Group*
- D. *SupTech Subgroup*
- E. *Third Party Data and Models (H) Task Force*
- F. *Data Call Study Group*

Adoption of Revised Committee Charges

The Committee adopted its revised charges. The revised charges include converting the Third-Party Data and Models (H) Task Force into a Working Group.

Presentation from Travelers on the Responsible Use of Artificial Intelligence

David McMichael, from Travelers, gave a presentation regarding the responsible use of artificial intelligence ("AI"). McMichael discussed the Travelers Responsible AI Framework which sets forth the foundational principles that guide Travelers' development and the use of AI including advanced analytics and modeling. It was developed over the course of many conversations by a cross-functional team five years ago. The objectives of the framework are to develop a framework that uses the right data to produce the correct business outcomes, to increase stakeholder trust in AI, and to establish employee trust in the outcomes produced through the use of AI under the framework. The framework is organized according to four "pillars". The four pillars are "people-centric," "fair," "responsible," and "trustworthy". A "people-centric" AI framework is one that utilizes human oversight and judgment and diverse perspectives. A "fair" AI framework is one that is lawful and mindful of potential bias. A "responsible" AI framework is one that keeps the AI system accountable. A "trustworthy" AI framework is one that is transparent and discloses to relevant stakeholders when an insurer is using AI. The framework is available on the "ethics and responsible business practices" section of the sustainability page on the Traverlers.com website.

Update on Federal Activities Related to AI, Cybersecurity, and Technology

Shana Oppenheim gave the Committee an update on federal activities related to AI, cybersecurity and technology. Cybersecurity, regulatory harmonization, cyber insurance, data privacy and AI continue to be big areas of concern for the federal government and Congress. The NAIC is ahead of the federal government in many ways, most especially on AI oversight efforts and data privacy model work. The Trump administration has put in place its new Cybersecurity leadership team. President Trump nominated Sean Plankey to be the Director of the Cybersecurity and Infrastructure (CISA) signaling a shift in focus towards risk reduction and addressing threats from China. The Office of Personnel Management is currently investigating whether cuts by the Department of Government Efficiency have created any cybersecurity concerns. Lawmakers have continued to push for harmonization of cybersecurity regulations to ease compliance burdens. Cyber insurance has gained some legislative attention recently. Representative Eric Swalwell (CA) was exploring credentialing third party cybersecurity contractors to aid small and medium-sized businesses in active cyber defenses. The Insurance Cybersecurity Act of 2025 has been reintroduced by Senator Hickenlooper (CO), which would mandate the NTIA to establish a working group on cyber insurance to provide guidance for issuers, customers, and state regulators. The House Energy and Commerce Chair is drafting a new data privacy bill following opposition to previous legislative efforts. Representative Maxine Waters (CA) has asked that GAOs study the impact of AI on the insurance industry, particularly in underwriting claims and risk assessment as well as regulatory oversight and data transparency issues.

Big Data and Artificial Intelligence (H) Working Group

The Big Data and Artificial Intelligence (H) Working Group met on March 25, 2025. The agenda and meeting materials can be found [here](#). Below is a summary of the meeting:

Adoption of its March 11 Minutes

The March 11, 2025, meeting minutes were adopted.

Brief Presentation on the Health Artificial Intelligence (AI)/Machine Learning (ML) Survey

Commissioner Micheal Humphreys and Shannen Logue gave a presentation on the Health Artificial Intelligence (AI)/Machine Learning (ML) Survey and Recommendations. The purpose of the Health AI/ML survey is to understand the status of AI/ML use by comprehensive major medical and student health insurers. The final touches are being done on the survey, but it is not completed. 16 states participated in the survey. Selected health insurance companies were subject to the following criteria: (1) written business in one or more of the participating 16 states, (2) countrywide 2023 earned premiums of at least \$250,000,000 or (3) significant market share in one or more of the participating states.

The presentation detailed the product lines and functional areas surveyed. Additionally, Commissioner Humphreys and Ms. Logue spoke about a potential next step, that may include looking at other medical plans in the future. The survey looked at the respective companies' principles and how they are aligned with NAIC AI/ML principles. Gave an overview of the AI/ML adoption survey results. Health insurers have the highest level of AI adoption. Most companies that participated in the survey are actively using AI in operations. 7 of 93 companies are not currently using AI.

The survey also looked at AI adoption among other lines of insurance, the adoption of AI in health insurance is more recent and frequent. 92% of health insurers use AI. The plan is to keep tracking the use of AI among other lines of insurance. An overview of the reasons for which some insurers are not adopting AI. Some insurers simply reported not having a compelling reason to use AI or lack of resources to adopt AI. Some insurers are waiting on regulatory guidance before implementing AI in operations. Commissioner Humphreys and Ms. Logue gave an overview of machine learning techniques used by the different types of carriers. The survey also looked at third-party data usage by the participating insurers.

AI/ML model testing is an important topic for regulators. Survey questions looked at how the data is being used and where it is being implemented. 82% of insurers are documenting the accuracy of AI/ML models. Over 90% of insurers have developed AI governance that complies with NAIC AI governance. A more detailed report of the Health AI/ML survey is expected to be released in April.

Update on the Regulatory Framework for the Use of AI Systems

Commissioner Michael Humphreys and Commissioner Doug Ommen gave an update on the regulatory framework for the use of AI systems roadmap, emphasizing that the focus of the regulatory framework needs to be on governance and overseeing AI programs. Topics that should be explored within transparency include information that should be made aware to consumers and other stakeholders regarding the operational use of AI. The framework should focus on the importance of having a human in the loop. Guidance is needed on the level of human involvement with AI.

The AI Systems Regulatory Framework Roadmap includes several steps: (1) define principles and assess insurer's AI use, (2) develop AI risk evaluation tools, (3) regulatory oversight and accountability, and (4) identify and address gaps in AI evaluation. Step 1 has been completed. The working group is now moving forward with completing steps 2 through 4. The discussion focused on steps 2 and 3.

Step 2: Develop AI Risk Evaluation Tools. Several states are already exploring AI evaluations and began discussion on how states are assessing market and financial risk associated with an insurance company's use of AI. The goal is to provide regulators with the standardized data collection tools to assess risk associated with AI use and provide insurance companies with guidance and/or tools that align with regulator expectations. Tasks for 2025 include developing new regulatory tools, training, and creating a self-audit questionnaire.

Step 3: Regulatory Oversight and Accountability. The goal is to have a holistic approach promoting collaboration across committee and working groups. The key pillars are governance, transparency, and accountability. Next steps include further building out the three pillars. The working group will spend the rest of the year working on Step 3. The working group will have discussions with the Pennsylvania Department of Insurance and other state insurance departments regarding a uniform approach on the financial or market conduct implications based on the use of AI.

At the end of the presentation, the presenters requested feedback on the three pillars from working group members and interested parties. Members of the working group discussed continuing down the path of the three pillars. Suggestions were made to build in regular reporting from other groups that are working on similar topics.

The discussion of interested parties focused on transparency, consumer rights, and speed. The working group agrees that speed is important and that it does need to move faster with adopting legislation. Particularly guidance on consumer interaction with data and AI. Some interested parties also expressed interest in how the framework will apply to different lines of insurance. Emphasis was placed on the importance of consumer disclosures.

The impact of AI on anti-fraud practices was discussed as well. For example, user data is often stripped from photos that are used to document auto insurance claims. This makes it hard to

determine instances of foul play and fraudulent insurance claims. The working group expressed interest in furthering the discussion and working with the Anti-Fraud Task Force to address the issues presented.

Presentation on How Missing Data is Treated and Implications in Ratemaking

Kevin Burke gave a brief presentation on how missing data is treated and implications in ratemaking. The Pennsylvania Department of Insurance is in the process of developing a regulation to address this matter. The actuarial community has been behind the rest of statistical community on handling missing data. The issue of missing data first became prevalent with credit-based insurance scores. The main issue was rating people with thin hits or no hits. Generally, some people were listed as no credit or an average of those with credit was taken to calculate scores to compensate. This resulted in inaccurate data and insurance scores. Currently, insurance companies are buying and using third-party data and merging it with internal company data. In some instances, company data is incomplete or missing. Once the data is merged, the companies are using the inaccurate data to make risk classifications. These practices are not consistent with ASOP 12- Risk Classification and it changes the result of the model. Ultimately, this results in inaccurate ratemaking.

Discuss Any Other Matters Brought Before the Working Group

None.