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State insurance regulators sharpen oversight of private credit

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The National Association of Insurance Commissioners (NAIC) is planning to expand oversight on private credit in the coming months. After years of rapid growth in insurer allocations to private credit, fund finance, structured credit, and other complex investment vehicles, regulators are advancing a more risk-sensitive framework centered on transparency, valuation discipline, and look-through analysis.

Life insurers' provision of private credit expanded to $849 billion, or 14% of their balance sheets, in 2024, largely through private placements, according to the Federal Reserve Bank of Chicago. Private credit has topped more than $2 trillion as of 2024, with insurers as one of the largest providers of private credit through private placements. This private placement lending has more than doubled since 2014.[1] Regulators are responding to this growth with more scrutiny of opaque structures, greater reliance on underlying asset characteristics, and capital treatment that more closely aligns with risk exposure. Insurers will be expected to provide more robust valuation support and greater justification of capital outcomes across private credit portfolios.

Risk-based capital (RBC) recalibrations

The NAIC Life Risk-Based Capital (RBC) Working Group advanced a revised approach for certain collateral loans backed by residual interests and private entity interests on June 11, 2026.[2] Regulators discussed raising capital requirements for some collateral loans and applying more scrutiny, signaling similar treatment for other opaque structures. The new capital treatment for collateral loans backed by residual tranches and interests—as well those backed by investments in joint ventures, limited partnerships, and limited liability companies (LLCs)—would allow a tiered reduction in RBC factors to account for overcollateralization, but establish a 50% floor of the RBC factor relative to the underlying asset.[3] The measure is poised to be implemented in 2027.[4]

Separately, in late June 2026, at the working group and task force levels, new RBC factors for life insurers were accepted in a split vote by state insurance commissioners. The new RBC factors will be effective December 31, 2026, for collateralized loan obligations (CLOs), collateralized bond obligations (CBOs), and collateralized debt obligations (CDOs).[5] The NAIC approved the American Academy of Actuaries' CLO factors and decided to incorporate tranche thickness, which would be based on internal company records, as an additional measure of risk. The resulting 4% thin-tranche surcharge applies only to broadly syndicated loan (BSL) CLOs, where supporting empirical analysis was available. A majority of the working group members rejected a proposal to impose a corporate bond floor on CLO RBC factors. Instead, they favored targeted adjustments tied to specific structural risks. Together, the collateral loan and CLO actions demonstrate more look-through analysis and greater reliance on independently verifiable information.[6]

Stay tuned: RBC could change considerably for some insurer investments after the CLO guidelines are expected to advance this summer.[7] Regulators have indicated they could set a precedent for future work for other asset-backed securities. Looking ahead, the CLO capital framework is likely to be the start of RBC requirements for other structured finance investments.[8]

Key recommendation:

- Inventory collateral loans, CLOs, other loans, fund finance, and other private-credit-backed structures. Model RBC sensitivity under the collateral loan look-through framework, the CLO tranche-thickness approach, and potential future asset-backed securities (ABS) applications.
- Build documentation for collateral type, loan-to-value (LTV), overcollateralization, valuation methodology, valuation ranges, and independent verification. For collateral loans backed by residual tranches/interests as well as collateral loans backed by investments in joint ventures, limited partnerships, and LLCs, insurers should assume that capital relief will depend on credible third-party or independently supported valuation evidence.

Ratings oversight

The NAIC unveiled a proposed Credit Rating Provider (CRP) Due Diligence Framework in May 2026 to strengthen oversight of providers whose ratings are used in the NAIC designation process. As insurers increase allocations to privately originated assets, regulators are seeking greater assurance that capital-related ratings are transparent, consistent, and supported by appropriate governance and ongoing surveillance.[9] The NAIC stressed that the framework is not intended to regulate CRPs but bolster the NAIC's due diligence and reliance decisions regarding credit ratings used to support its own designation process and oversight of insurer investments.[10]

Key recommendation:

- Review reliance on CRPs, private ratings, and NAIC designations. Insurers should document rating provider selection, methodology diligence, surveillance, and rating changes and determine whether ratings are being used consistently across similar assets.

Transparency and disclosure

The Statutory Accounting Principles Working Group (SAPWG)'s private placement disclosure project would significantly expand regulators' visibility into private placement securities, valuation practices, rating sources, concentrations, and potentially affiliated investment structures.[11] Enhanced disclosures should provide regulators with more information about insurer private credit portfolios and may serve as the foundation for future capital, designation, and examination initiatives. This will be effective for 2026 reporting.

Key recommendation:

- Prepare for SAPWG-driven disclosures by enhancing data capture for private placements including rating source, NAIC designation, valuation level in the fair value hierarchy, affiliate involvement, concentration, structure, and potentially private-letter-rating attributes.



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Endnotes

1. Ralf Meisenzahl, Jackson Overpeck, and Andy Polacek, "Life insurers' private credit investments and annuity market share capture," *Working Papers* No. 2025-09, Federal Reserve Bank of Chicago, revised April 27, 2026.
2. National Association of Insurance Commissioners (NAIC), "Life Risk-Based Capital (E) Working Group meeting agenda and materials," June 11, 2026.
3. Ibid.
4. NAIC, "Life Risk-Based Capital (E) Working Group," June 11, 2026.
5. NAIC, "Capital Adequacy (E) Task Force meeting agenda and materials," June 30, 2026.
6. NAIC, "Capital Adequacy (E) Task Force RBC Proposal Form," accessed June 30, 2026.
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8. NAIC, "Risk-Based Capital Investment Risk and Evaluation (E) Working Group meeting agenda and materials," June 23, 2026.
9. NAIC, "NAIC Credit Rating Provider (CRP) Due Diligence Framework – whitepaper," May 4, 2026.
10. NAIC, "Questions and responses for the Proposed Credit Rating Provider Due Diligence Framework," accessed June 30, 2026.
11. NAIC, "Statutory Accounting Principles (E) Working Group - Maintenance Agenda Submission Form - Form A," accessed June 30, 2026.

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