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NAIC update: 2025 Spring National Meeting

Center *for* Regulatory Strategy US

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Introduction

The first of the three 2025 annual meetings of the National Association of Insurance Commissioners (NAIC) usually serves to set the tone for the organization's priorities and approach for the coming year and beyond, as state insurance regulation pillars and values are affirmed and articulated, and projects initiated that will take hold over the coming months and years.[1]

The public sessions and discussions at the spring national meeting, held March 23–26 in Indianapolis, coalesced around a resolve to ensure that insurance markets remain strong, serve consumers, support modernization, and foster innovation.

Under the leadership of North Dakota Insurance Commissioner and 2025 NAIC President Jon Godfread, the NAIC sent a clear message that state regulators are essential in ensuring the future strength and resilience of the US insurance sector and its vital role in maintaining the economic strength of the United States.

Godfread used the backdrop of the host city of Indianapolis, "a city built on competition, resilience, and a love of the game of basketball," to deliver his message. The former NCAA competitor who said he occasionally laces up his basketball sneakers to this day noted that in the insurance world, every day is a time to lace up and confront challenges. Insurance regulators are on the front lines, he said, and can't afford to sit on the sidelines and see what happens next. "In the spirit of (collegiate basketball) March Madness, we have entered the period known as crunch time for our industry, our consumers, and our regulatory system."

Godfread outlined the NAIC's 2025 roadmap, emphasizing sustainable growth, preparedness, adaptability, and global leadership. He urged state regulators to collaborate, a theme echoed in recent meetings, to build a resilient insurance sector for future generations. Titled "Securing Tomorrow: Advancing State-Based Regulation," the roadmap is designed to further advance the NAIC's mission, which is striking a balance between the insurance market and trustworthy and available policyholder protections for consumers, while maintaining solvency—all while embracing local or regional needs for both the market and the consumer.[2]

He highlighted the $3.2 trillion in premiums annually generated by the US insurance sector and its role as a critical part of the country's economic growth.

Godfread also addressed the ongoing challenges posed by natural disasters and economic pressures, such as rising reinsurance costs, inflation, and supply chain disruptions. He commended other state regulators for prioritizing consumer protection during recent natural disasters and emphasized the need for practical problem-solving to keep the reinsurance market strong and sustainable. On the consumer side, Godfread also emphasized the NAIC's commitment to expanding financial literacy initiatives and enhancing transparency in insurance policies.

"Commissioner Mais did a fantastic job last year and led the charge by challenging us to close the gap, and now we must continue that mission," said Godfread, referring to immediate past NAIC President Andrew Mais, the Connecticut insurance commissioner.

"In addition to catastrophe resilience and financial literacy, the NAIC is going to focus on key initiatives, including cybersecurity incidence and market disruption frameworks, enhancing consumer privacy, protections, enforcing annuity protections for consumers monitoring, implementation of the insurance capital standard, and protecting consumer access to health insurance, because again, at the end of the day, our job is to secure tomorrow, to make sure our markets are strong, our the consumers are protected, and the state-based system remains the global leader," Godfread said.

In his address to attendees during the NAIC meeting's opening session, the NAIC president pointed out that this year marks the 80th anniversary of the McCarran–Ferguson Act of 1945, which affirmed state-based insurance regulation as being in the public interest.[3]

Godfread also suggested regulators expand past their comfort zones. He urged state regulators to have important conversations, even when they are difficult, to ensure that consumers are protected and the state-based system remains the global leader.

We will examine key work items from the spring meeting, reflecting the stated NAIC priorities and their subsequent action items, as outlined below.

- Risk-based capital and the US insurance capital system
- Catastrophe management: Addressing extreme weather risks
- Artificial intelligence (AI) and data governance
- Annuity sales oversight

Risk-based capital and the US insurance capital system

Highlighting and fortifying the US capital framework

The intensified and extensive NAIC emphasis on risk-based capital (RBC) resonated throughout the spring meeting.

"The risk-based capital framework has been the cornerstone of insurance regulation. It helps guarantee that insurers are able to meet their promises to their consumers and that our markets continue to operate with strength and stability, but as a financial landscape continues to evolve, our tools must evolve with it," Godfread said.

RBC 'Mojo'

The first in-person public meeting of the Risk-Based Capital Model Governance Task Force (or "RBC Mojo," as some commissioners nicknamed it) took place at the NAIC gathering in Indianapolis, co-chaired by Ohio Department of Insurance Director Judith French and Wisconsin Insurance Commissioner Nathan Houdek.

The RBC Model Governance initiative—of which the task force is a component—is an ongoing holistic review to ensure that capital standards reflect modern realities and emerging risks. NAIC aims to ensure these standards and RBC guardrails are clear, consistent, and effective. To aid this process, an outside consultant will provide independent analysis and technical expertise. According to NAIC leadership, a strong private insurance market reduces reliance on government safety nets.

According to the workplan charges, the first step will be to develop a set of guiding principles for the RBC framework as a strategic foundation under the guiding principle of "Equal Capital for Equal Risk." A comprehensive gap analysis and consistency assessment will follow, to identify and inventory gaps that exist and establish a plan for addressing identified gaps and potential inconsistencies to improve the framework. These efforts aim to ensure that capital requirements remain effective and relevant.

The NAIC announced it will launch a public campaign to highlight the benefits of the RBC framework for US state-based insurance regulation. The various task forces and working groups that deal with insurance capital will be aligned with the RBC initiative and implementation of the guiding principles, according to the NAIC materials. These include the Life Actuarial Task Force (LATF), the Capital Adequacy Task Force (CATF) the Accounting Practices and Procedures Task Force (APPTF), and the Valuation of Securities Task Force (VOSTF).

This "RBC Mojo" executive-level task force will analyze adjustments to RBC calculations, including regular reviews of outcomes and future changes, ensuring alignment with guiding principles. This process will be designed to improve the framework's responsiveness to emerging risks and market trends.[4]

Insurance industry groups have recently expressed support for the RBC Task Force agenda. Life insurance representatives stress the need for a transparent, data-driven process. Life insurance representative groups also have emphasized the need for a transparent, robust process informed by data. Industry representatives also encouraged the new RBC Model Governance Task Force to take a comprehensive view and focus on issues related to structural shifts in the life insurance industry, with, for instance, the creation of an inventory of projects. These shifts include increased offshore reinsurance in Bermuda, cross-border asset-intensive reinsurance, M&A activity, and evolving asset allocations.[5] As the NAIC has explained, "since the financial crisis of 2008, PE firms have become some of the most active participants in insurance sector merger and acquisition (M&A) activity."[6]

The workstreams of all solvency-related subgroup committees will continue apace, but their work will align with the larger RBC framework initiative.

Aims of the AM

As a complement to the modernization of the RBC governance framework, the spring national meeting hosted the inaugural public meeting of the new Aggregation Method (AM) Implementation Working Group.[7] The new group, chaired by past NAIC President Andy Mais, kicked off its multi-year workplan implementing the US version of the global insurance capital standard (ICS). Late last year, in accepting the AM as a basis for implementation of the global ICS, the International Association of Insurance Supervisors (IAIS) Executive Committee, after a comparability assessment, highlighted two areas for convergence: treatment of interest rate risk and appropriate timing of supervisory intervention.[8]

The new working group aims to facilitate domestic implementation of the AM as a prescribed capital requirement for internationally active insurance groups (IAIGs,) and coordinate with any applicable subgroups under the NAIC's Financial Condition Committee.[9] There are currently about a dozen US IAIGs.[10]

The AM Implementation Working Group's plan includes several key actions: reviewing US capital regulations, considering scalars, and finalizing the AM draft by the second quarter of 2026. Additionally, the group will conduct a self-assessment through 2026, followed by a full IAIS assessment, anticipated to occur no earlier than 2027. The NAIC aims to ensure that the US aggregation method aligns with international standards and establishes a robust framework for insurance regulation. It was noted that while the IAIS timeline will inform the working group's workplan, it will not dictate it.

Disclose, disclose, disclose—by Spring 2026

The proposed reinsurance asset adequacy testing (known as AG ReAAT) guideline, which has been under development by LATF for over a year is another feature in the NAIC's ongoing work to monitor insurers' capital and reserves as part of the structural changes in life insurance over the past decade or more, with a shift toward offshore reinsurance and private equity transactions.[11] The ReAAT had been exposed for a comment period shortly before the spring meeting date, but was discussed in detail at various sessions in Indianapolis.[12]

The proposed asset adequacy actuarial guideline aims to improve transparency in reinsurance activities that affect asset and reserve amounts. LATF members noted instances where total reserves decreased due to purchased insurance, resulting in lower reserves held by both ceding and assuming companies compared to the original reserve. While most reserve decreases are likely explainable, regulators worry about cases based on questionable assumptions. The guideline will provide state regulators with important information regarding reserves and solvency of life and annuity businesses for US policyholders. This initiative was originally referred to LATF by the Reinsurance Task Force.

The guideline will not require more reserves but will be disclosure only as decided in late 2024. "It's important to note, however, that a company may view its results and decide to post additional reserves or domestic regulators will continue to have the right to require additional reserves," a LATF member noted.

Also, after reviewing the first year of disclosures, significant concerns about reserve adequacy could trigger public discussions to be reopened to determine next steps. "We expect that even the guideline exposure being disclosure only, it will help with transparency and consistency regarding seeing the reserve amounts, supporting assets, and underlying assumptions supporting reserve adequacy," he said.

The regulatory actuaries say the disclosure guideline will lead to a better understanding of reserve adequacy following reinsurance transactions and provide a focal point for helpful dialogue between regulators and companies.

LATF members said they expect to consider the guideline for adoption and send it to the Life Insurance and Annuities Committee for its consideration around early summer, and then if all goes well to executive/plenary in time for consideration for adoption at the upcoming summer national meeting. It will then expect to receive the first reports around April 2026.

CLO modeling

After an update from the American Academy of Actuaries on its structured securities RBC project and the evaluation of RBC treatment of collateralized loan obligations (CLOs), the Risk-Based Capital Investment Risk and Evaluation Working Group (RBC IR&E) session featured a discussion on whether this RBC treatment of CLOs could potentially be applied to other types of structured securities or structured assets as they become a significant part of the investments of insurance companies. The RBC IR&E Working Group led this discussion after RBC and CLO updates and presentations from outside groups, such as the American Council of Life Insurers' (ACLI) RBC principles for bond funds presentation.[13]

The RBC IR&E Working Group discussed the idea of looking at formulas for all the funds that have a certain treatment for the life insurance RBC formula and extending them to nonlife insurance as well. Although there was internal support, there was acknowledgment that it would take some time and resources and a proposal; thus, its potential is as yet unfixed.

Catastrophe management: Addressing and managing extreme weather risks

Wildfire experiences, modeling, and potential mitigation reports were thoroughly discussed among regulators, academics, insurers, and consumer advocates during the spring national meeting. Collective mitigation efforts within the insurance and community ecosystems were also a significant focus over the meeting's entirety.

Mission: Mitigation

NAIC President Godfread coalesced the organization's mission regarding natural disasters in his address to meeting attendees: "Together we will navigate the challenges ahead and foster a resilient, relevant, and prosperous insurance sector for generations to come. But make no mistake, this work is already happening … states all across the country are taking proactive, data-driven steps to protect consumers and strengthen their insurance markets. We see it in Louisiana, we see it in Alabama, Oklahoma, Mississippi, and Kentucky. These states and many of yours are leading in home fortification, pre-disaster mitigation, wildfire response and preparation, catastrophe modeling, and consumer outreach. These are not just policies. These are solutions, and they're proof that our system works."

During the joint meeting of the Catastrophe Insurance Working Group and NAIC/Federal Emergency Management Agency (FEMA) Working Group (as well as in other forums), California's wildfire devastation and responses took center stage. Discussions centered on descriptions of coordination among agencies and disaster and emergency response centers, including state insurance regulatory efforts.[14] A recent report on total insured losses in the first quarter estimated they had exceeded $53 billion, with the California wildfires comprising 71% of losses.[15] The discussion extended to reports from other hard-hit regions of the United States, including the East Coast states' extreme flooding in 2024 in the wake of a fall hurricane. Disaster preparedness tips and strategies were in sharp focus, such as keeping the disaster resources page current; issuing notices and bulletins; convening insurance support workshops; disaster recovery centers that work throughout a disaster event and afterwards; communication messaging; and outreach efforts.

The NAIC strategy aims to close coverage gaps and improve recovery from natural disasters by focusing on reducing losses and speeding recovery. The strategy was more formally developed under the coordination of the NAIC's Climate and Resiliency Task Force, which brings together insights and approaches from US insurance regulators representing diverse jurisdictions.

The NAIC has been coordinating activity to help insurers, regulators, and communities respond to national disasters under its national climate resiliency strategy for insurance, with its focus on protecting property markets and increasing mitigation and resilience.

The strategy includes advocating for home hardening from wildfires, floods, and storms; utilizing catastrophe modeling information; better informing the public of risks; and updating solvency tools to incorporate further analysis of climate risks. One segment of this strategy was the property and casualty market intelligence (PCMI) data call, which collects and analyzes data covering more than 80% of the US property insurance market by premium volume, which attendees heard will pivot to a newly imagined data collection.

A reimagined data call to take shape

The parent Property and Casualty (P&C) Insurance Committee announced its two priorities going forward.[16] The first priority is the "reimagination" of the PCMI data call, a significant project led by the NAIC.[17] Attendees heard from Mike Conway, Colorado insurance commissioner and committee chair, that going forward, the NAIC property market data call would have consensus from the membership, be a living document done on a continuous (ideally annual) basis, and the NAIC would not be sharing data with the Federal Insurance Office (FIO) going forward. "Obviously, that was a component of the PCMI … That is not going to be a component of this data call, moving forward. A task force will be assembled, and there will be a deep conversation about the nature and characteristics of the data call, with the conversation being led by Commissioner [Michael] Yaworsky from Florida and Director [Ann] Gillespie from Illinois," Conway said. "We wanted to make sure that we had an opportunity for everybody with lots of viewpoints from the PCMI … and the different challenges through the PCMI data to be part of the conversation."

In the wake of the spring national meeting, a new Homeowners Market Data Call Task Force was formed under the P&C Insurance Committee with the first call scheduled for May.[18]

The P&C Insurance Committee's second priority is the development of an affordability playbook for homeowners' insurance throughout this year, with the goal of releasing a draft by the end of the year.

Measuring risk and impact from catastrophes

The Climate and Resiliency Task Force continued to explore climate-related risks and mitigation strategies and experiences during its meeting in Indianapolis. The session featured a presentation titled "Impact of Biodiversity in Insurance" and another on wildfire mitigation through full-scale testing of perils it creates in a controlled environment, presented by the Insurance Institute for Business & Home Safety (IBHS), which featured testing work to identify vulnerabilities and formulate ways to mitigate them to help decrease damage, claims, and costs associated with insurance policies and payouts.[19]

Through this work, the IBHS is creating a Wildfire Prepared Neighborhood Standard, a benchmarking system to measure risk and reduce conflagration risk in communities. One core principle is protecting homes from traveling embers, and another is slowing or breaking the spread of fire in neighborhoods. State officials from Colorado to South Carolina to California shared their experiences and hard lessons learned with wildfires, floods, windstorms, and other natural disasters in this session as well as others. Attendees heard that trash cans can be fuel sources, and underinsurance issues often arise post-disaster. Debris removal costs and responsibilities also come into play during events like wildfires.

State insurance regulators and participants at the Joint Meeting of the Property & Casualty RBC Working Group and the Catastrophe Risk Subgroup discussed climate impact disclosures and wildfire modeled losses through various regulatory and actuarial presentations.[20] A report presented on the increasing number of billion-dollar disaster events in the United States examined which climate extreme measurement data is predictive of disasters using the Actuaries Climate Risk Index (ACRI), which illustrates the economic impact of climate risk and its evolution over time. Extreme temperatures, wind, and precipitation were items found to predict US catastrophe losses in preliminary findings, as presented by Steve Kolk, president and consulting actuary of Kolkulations LLC in the joint meeting session.[21]

Regulators discussed disclosures aimed at collecting the impact of climate-related risks on the modeled losses for the perils of hurricane and wildfire. These disclosures will be effective for year-end 2024, 2025, and 2026 statutory reporting. State regulators assured us that these disclosures are for informational purposes only and won't determine a new capital charge. The proposal was exposed for 30 days.

Developing strategies for mitigation and response—and sharing stories

State regulators highlighted the NAIC's Catastrophe Resource Center and its links to multiple agency resources, disaster preparation and response, workshops, consumer assistance, and data.[22] The group sought feedback on the NAIC-designed catastrophe information webpages and what should be more public-facing for use by state insurance departments.

Throughout a myriad of catastrophe-related NAIC sessions, and updates on homeowners' insurance market activity, state insurance regulators spoke poignantly about their states' experiences with devastating flooding, fires, and tornadoes. Both the shared and unique experiences of many states dealing with natural disasters resonated throughout the meeting. Remarks focused on the importance of flood insurance, predictive data, and preparation. Solutions included the need for regulators to have a more automated type of process for reporting on their catastrophe responses and learning from other states' responses.

The NAIC discussed catastrophe and emergency management workshops involving strengthening relationships among agencies and interactions with federal and local emergency management agencies and resource centers.

One southeastern state insurance commissioner noted that he was going to "rob and duplicate"—that is, take the presentations from his colleagues and apply some of the lessons back home to address unexpected new weather that could become a pattern in his state.

The use of first responders who work with state insurance departments was also mentioned as a good method for feedback and good intelligence on what is happening on the ground and as a way to combat some of the misinformation that circulates during and after a weather event.

One regulator from the Pacific Northwest expressed concern for the ongoing monitoring of hurricanes, hailstorms, and atmospheric storms, as well as smoke and ignition predictions that can result in the spread of wildfires.

Oklahoma Insurance Commissioner Glen Mulready and chair of the NAIC/FEMA Working Group shared the experience of dealing with the aftermath of deadly wildfires that occurred in his state just days before the meeting convened. Wildfires are a relatively new disaster to the state—one that was more used to tornadoes—but conditions were just right, with drought and low humidity, he said.[23]

Mulready underscored the response of insurers to the wildfire destruction during the joint meeting of the Catastrophe Insurance Working Group and NAIC/FEMA Working Group. The Oklahoma commissioner shared with fellow regulators and attendees, "I was out there on Saturday late morning. The fires were Friday night and literally, in this neighborhood that was hit hardest in the community of Stillwater, there in the middle, sitting on a burnt lawn, was a tent—a canopy set up by a group of local Stillwater agents who had food and drinks for folks, had a laptop, and were handing out checks."

"Now, I'm not exaggerating," Mulready continued, "when I'm saying smoke was still coming from those burnt homes; it was still going up. It was less than 12 hours after they lost their homes, so seeing that response, and then this past Friday, just few days ago, I was out as well in those two communities and everyone I talked to that was insured, I asked, 'Who is your insurance company? How is that going? Do you have any money in hand?' And there wasn't a single person that I spoke to that did not have a check in hand, literally days later, six days after the event. So, you know, we hear the grief sometimes with industry and claims being denied, but the response too—and I think we need to call that out when we see it."

Mulready also reflected on the support he received from other state insurance departments offering help and encouragement amid a disaster—an experience that fosters support and collaboration among the disparate state insurance regulatory offices.

Other state insurance commissioners raised efforts in their states, including legislative initiatives that have stalled, to mitigate wildfire risk and stabilize the homeowners insurance market.

Federal: The NAIC briefed attendees on congressional interest in solutions to disaster resilience and mitigation strategies and funding and flood reform initiatives. The cost of homeowners insurance and its impact as various events and market economics drive up prices is a sticky issue for both chambers and will continue to be a focal point of discussions with industry, the public, and the NAIC.

Jonathon Dixon of IAIS discussed initiatives to expand insurability by reducing risks and protecting against national catastrophes. Subsequently, IAIS released a paper on climate-related risk supervision, highlighting that past weather trends may not predict future impacts, necessitating scenario analysis and stress testing. IAIS expects an increase in large natural catastrophes, leading to more property and casualty insurance claims, and potentially affecting mortality rates in life and annuity sectors due to temperature changes. The IAIS expressed concern that these shifts are not reflected in historical data sets used for underwriting risk.

Indeed, Deloitte reported in a recent paper on drivers of M&A activity: "In the insurance business, climate-related risks could force companies to keep more capital on hand and adjust underwriting practices based on location of insured assets."[24]

AI and data governance

The Big Data and Artificial Intelligence Working Group held a substantive meeting on its path forward to continue to develop regulatory tools and guidelines for insurers' AI systems. The NAIC issued the Model Bulletin on the Use of Artificial Intelligence Systems by Insurers in December 2023, which has been adopted or incorporated into rules by more than half of US states.[25]

The working group is focused on developing more oversight approaches to governance, transparency, and accountability in AI systems. It plans to provide guidance on AI program oversight, consumer disclosures, and prohibited practices. The group will also be developing AI risk evaluation tools and standardized examination tools for regulators.

One of the tasks assigned to the Big Data and Artificial Intelligence Working Group is to create new regulatory tools or guidance to help regulators review AI systems used by licensees, including AI programs implemented by insurers.

There appears to be some appetite—and even a directive—among the NAIC and state regulators to perhaps create a new AI model law for adoption by state legislatures. This would expand on the current *AI model guidance*. Specifically, the working group indicated in Indianapolis that it might seek to develop regulations on its new "three pillars" of AI oversight developed by the group: governance, transparency, and accountability. The expanded regulatory scope of the AI work would seek a uniform approach on the market conduct and financial examination oversight. Examples of regulatory language could include a recourse for consumers to appeal or fix inaccurate data, complaint tracking, and AI model drift detection. The working group chair, Pennsylvania Insurance Commissioner Mike Humphreys, said that the NAIC and states want an efficient and standardized examination tool.

Humphreys mentioned a potential new model act while discussing the next steps for building out these three pillars. The Pennsylvania regulator said the working group plans to consult other state insurance departments on a uniform approach to financial regulation of AI systems. The working group will present these findings to the broader group and eventually to the public. Humphreys expressed his intention to enhance transparency and accountability, which could potentially lead to a new model law over the coming months. "Whether that ultimately rolls into an additional bulletin or potentially lends itself to new general model legislation, I think that's something that I want to tackle over the next several months for the remainder of this year," Humphreys explained.

The Big Data and AI Working Group is looking for feedback and believes it will pursue a path toward some set of tools under a possible model law and will be giving a more concrete picture of what this might look like and whether it will precede as described in the future.[26]

Peter Kochenburger, an NAIC consumer advocate and visiting professor at Southern University Law Center, addressed the Big Data Working Group on AI principles adopted in August 2020. He questioned whether consumers are better informed and protected now, urging for swift action. Kochenburger expressed concern that AI guidance lacks consumer rights, claiming no improvement for insurance consumers over the last four to five years. He further stressed the need for speed and action, highlighting transparency, access to information, error correction, and understanding of data usage and sharing.

Regulators disagreed, in part, noting that states are driving home the point that consumers have rights under insurance laws that apply to insurance companies. Humphreys agreed that the NAIC's work must proceed faster, which they are trying to accomplish this year.[27]

Regulators also reviewed survey results on the use of AI in private passenger auto insurance and found that companies varied greatly on the spectrum of maturity for AI systems governance.

State officials discussed the need for regulators to oversee data/model vendors directly, rather than through insurers. Wanchin Chou, with the Connecticut Insurance Department, emphasized that authority within insurance departments is crucial for consistent regulation. Chou, the department's assistant deputy and chief actuary, noted that NAIC's next steps involve tools to evaluate various systems and stressed the importance of having the right personnel and processes to review data models and vendors effectively.

A question was raised about why the group isn't requiring companies to be licensed as third-party data providers when they perform similar functions even as the Third-Party Data and Models Working Group is currently investigating this issue.[28] Pennsylvania Commissioner Humphreys mentioned the need for regulatory oversight of third-party data providers, and the discussion will continue in the working group.

The Privacy Protections Working Group did not convene at the NAIC spring national meeting, but its chair provided an update, with public comments on revised section four assembled and regulator-only meetings to consider comments.[29] The drafting group is making progress on revising Model #672, the Privacy of Consumer Financial and Health Information Regulation Model Act.[30] Once the section-by-section review is completed, the group aims to release the full draft for comment by year end. It is an incremental process. Currently, the group is working on the fourth of nine sections, with the definition section expected to take additional time.[31]

Another Innovation, Cybersecurity and Technology Committee subgroup, previously named the Third-Party Task Force, will be transitioning to a working group but had recently completed a survey of the group's members. It also did not convene in Indianapolis. There is a May 22 call to discuss its work plan.[32]

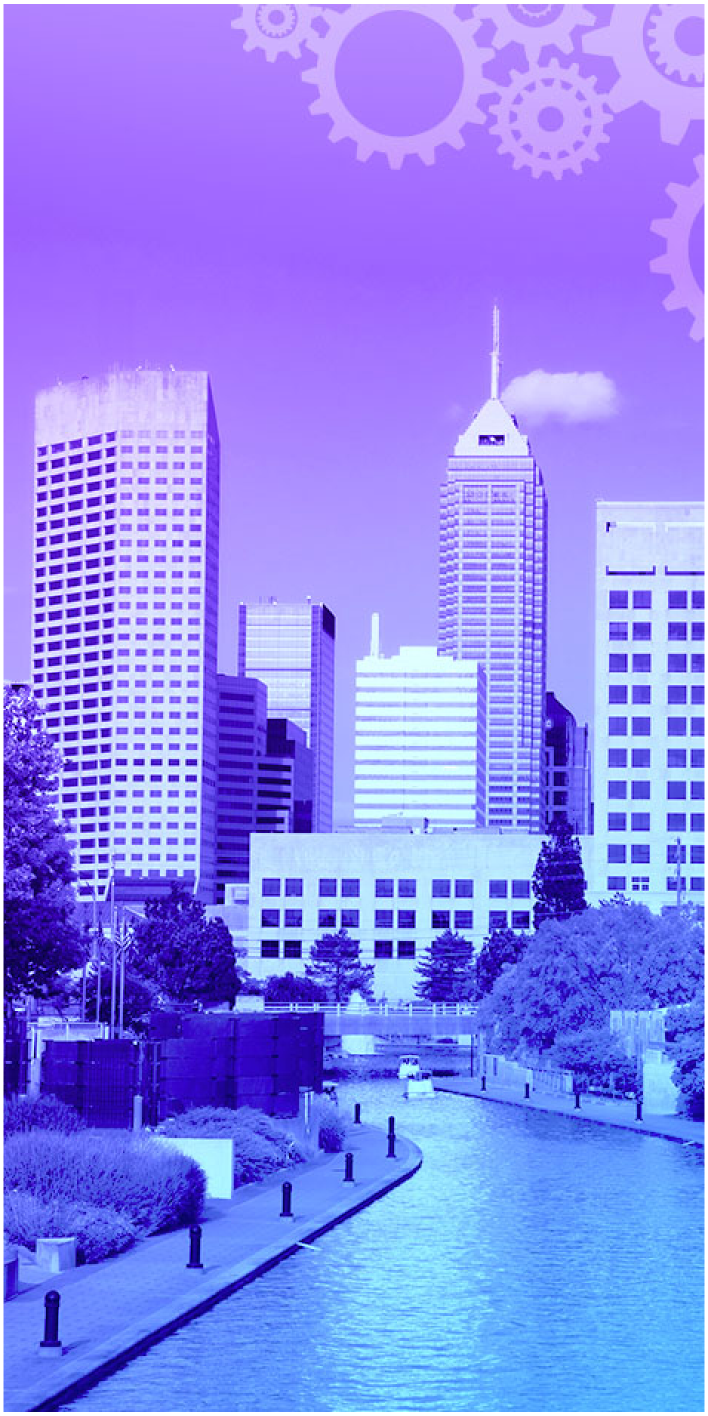
AI in fraud-fighting

The Coalition Against Insurance Fraud (CAIF) presented at the Antifraud Task Force and said it was continuing to invest in future use of technology, including AI, machine learning, predictive modeling, automated workflow, and Generative AI.[33]

The CAIF has prioritized conducting research into fraud and reported in Indianapolis it was finalizing questions for an AI study with an external contractor planned for the upcoming months. The three-part survey will examine how insurance carriers, fraud bureaus, and prosecutors are utilizing AI in their antifraud efforts, as well as how AI is being used against them, including what fraud bureaus and prosecutors are encountering. The study will look at what challenges they are encountering with prosecutions and investigations to determine potential training and educational opportunities based on the results.

The CAIF anticipates receiving the results by the time of the summer national meeting in Minneapolis. Insurers are also increasingly using AI to detect fraud.

Attendees at the meeting received an update from the National Insurance Crime Bureau (NICB) regarding the mandate by most states for fraud reporting to insurance departments' fraud bureaus. The NICB stated its commitment to modernizing and enhancing fraud reporting.



Annuity sales oversight

Annuity suitability in focus

The NAIC is exploring ways to make state insurance department administrative law decisions, especially decisions involving annuity suitability, easily accessible. Training for the enforcement of annuity suitability is being organized in coordination with the 2025 Insurance Summit. The NAIC discussed the development of a new database, or perhaps the use of existing databases, for officials in state administrative law decisions on annuity best interest standards and suitability. The database could also be utilized to check in on how other states are interpreting Model Law #275 and making their decisions. As revised, the model law now reflects a "best interest" duty, with requirements under a care obligation, a disclosure obligation, a conflict-of-interest obligation, and a documentation obligation.[34]

The NAIC's 2020 revised model law on annuity transactions requires insurance producers to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise recommendations so that the insurance needs and financial objectives of consumers at the time of the transaction are effectively addressed.[35] The vast majority of states have adopted the model law, with New York having its own best interest standard for the sale of annuities.[36]

Attendees learned that the NAIC is planning annuity suitability enforcement training during the 2025 Insurance Summit taking place in Kansas City, Missouri, in September.[37]

Life insurance regulatory actuaries discussed revisions to *Actuarial Guideline 49, XLIX-A—The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold on or After December 14, 2020*, during the Saturday LATF meeting in Indianapolis.[38]

That 'little' IUL illustration matter

Actuaries discussed how best to illustrate some annuity products and the use of historical experience, as well as their communications with the parent Life Insurance and Annuities Committee and overlaps with another model regulation. "When is the NAIC going to be ready for this enormous project that cusps all life and annuities, not just this little indexed universal life (IUL) matter?," one key state regulatory actuary asked, noting it was part of a larger life insurance oversight discussion.

Another actuary on LATF offered a word of caution. "If you're listening to this and you are an illustration actuary or supporting an illustration actuary, one important takeaway," he said, "is that we are having actuarial regulators take a look at DCS [discipline current scale] testing, so it is really important that [insurers] take a look at the Actuarial Standard of Practice section on Communications and Disclosures."[39] Insurers will want to make sure they have their disclosure documentation in order, the LATF actuary warned, "because we're going around and checking this."

Perhaps in the past there's been sometimes a lack of documentation in this area, thinking it's just filed away, but that's just not the case anymore, the LATF life actuary warned. "I just want to make sure that companies are clear that that's our expectation going forward," he said.

Initially, the LATF met in October 2023 to discuss how states review life insurance illustrations, DCS testing, and Actuarial Guideline (AG) 49 calculations, according to the NAIC timeline of events.[40] An informal multi-state review group then assembled and reviewed 10 insurers selling whole life, universal life, and IUL.

The NAIC stated that compliance concerns were limited or isolated, other than in disclosures. However, in this area of disclosures, regulators acknowledged IUL product disclosure compliance with AG 49, but also noticed something that concerned them in their review. This concern centers on some insurers' supplementation of IUL illustrations with comparisons between the AG 49-A maximum illustrated rates and the 10- and 20-year historical averages, which were higher than those maximum rates and included indices that did not exist over the associated historical period.[41] It goes against the updated guidelines, where higher results for enhanced products are not permitted.

As the NAIC has stated in the language of AG 49-A, adopted in 2020, "In 2019, the NAIC decided that illustrations of products with multipliers, cap buy-ups, and other enhancements should not illustrate better than products without such features."[42] The newly identified issue around disclosures is still under discussion with steps to expose an amendment to a section of AG 49-A to address perceived issues around disclosures.[43] After the exposed amendment is released, the Life and Annuity Illustration Subgroup will commence meetings to discuss comments related to the exposure under the plan. This subgroup plan includes a measure to limit change to only section 7 of AG 49-A and provide recommendations for the consideration of changes to the *Life Insurance Illustrations Model Regulation* (#582) to LATF, if needed.

Conclusion

The NAIC will hold its summer national meeting in Minneapolis from August 10–13. Key topics will continue to include natural disaster mitigation, especially as a potentially active US hurricane season gets underway June 1, solvency and disclosure, and enhancing the Catastrophe Modeling Center of Excellence communication among state agencies regarding disaster preparedness and responses.[44]

The Kansas City–based organization, founded in 1871, will be advancing the NAIC's RBC framework and holistic solvency oversight priorities—and protecting consumer privacy, access, and accurate information in an age of technological innovations—advances which the NAIC leadership wants to foster in the industry and among regulators, as well.[45] While a new AI oversight model or framework might be teased, we will hear more about efforts and proposed revisions to the RBC framework to uphold its place as the cornerstone of US insurance regulatory oversight under the banner of "equal capital for equal risk."

These priorities will kick off debate and discussions around the perceived need for various added disclosures, guidelines, and model laws centered on fair outcomes and consumer protections against bias, lack of transparency and bad actors. Discussions will also cover state-level enforcement of annuity suitability regulations and the implementation of ICS through the AM methodology, with a work plan for self-assessment by late next year.

NAIC accounting update

This section of the National Association of Insurance Commissioners (NAIC) update focuses on accounting and reporting changes discussed, adopted, or exposed by the Statutory Accounting Principles (E) Working Group (SAPWG), the Accounting Practices and Procedures (E) Task Force, and the Financial Condition (E) Committee during the 2025 Spring National Meeting. New Statutory Accounting Principles (SAP) Concepts (formerly known as substantive changes), which are changes in accounting principles or method of applying the principles, have explicit effective dates as documented below. All SAP Clarifications (formerly known as *nonsubstantive changes*), which are changes that clarify existing accounting principles, are effective upon adoption, unless otherwise noted.

Statutory Accounting Principles (E) Working Group

Current developments: SAPWG did not adopt any New SAP Concepts during the 2025 Spring National Meeting. SAPWG adopted the following SAP Clarification items as final during the 2025 Spring National Meeting or interim meetings.

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-20	**SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures**	P&C Life Health	Adopted revisions to the restricted assets footnote disclosure to clarify the reporting of assets held under modified coinsurance and funds withheld reinsurance agreements. In addition, the Working Group made referral recommendations to address this topic in the following areas: • Annual statement interrogatories • Risk-Based Capital reporting Changes could ultimately affect risk-based capital.	N	Y	2025
2024-25	**SSAP No. 16—Electronic Data Processing Equipment and Software**	P&C Life Health	Adopted revisions to correct GAAP references.	N	N	2025

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-26EP	**SSAP No. 26—Bonds**	P&C Life Health	Previously, the Blanks (E) Working Group adopted revisions in the annual statement blanks and instructions to include updated categories and subcategories in the Annual Statement Schedule D – Part 1, Section 1, and Section 2. SAPWG adopted revisions to require disclosure of book/adjusted carrying values, fair values, excess of book/carrying value over fair value, or fair value over book/adjusted carrying values by these revised categories and subcategories.	N	Y	2025
2024-24	**SSAP No. 47—Uninsured Plans** **SSAP No. 54R—Individual and Group Accident and Health Contracts** **SSAP No. 66—Retrospec-tively Rated Contracts** **SSAP No. 84—Health Care and Government Insured Plan Receivables** **INT 05-05: Accounting for Revenues Under Medicare Part D Coverage**	P&C Life Health	Adopted *INT 24-02: Medicare Part D Prescription Payment Plans and revisions to INT 05-05: Accounting for Revenues Under Medicare Part D Coverage*, to provide updated guidance for Medicare Part D prescription payment plans. The updated plan requires insurers to pay pharmacies the out-of-pocket costs at the point of sale and requires installment payments from the enrollees to the insurer reimbursing for the enrollee costs.	Y	N	2025

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-28	**SSAP No. 41—Surplus Notes**	P&C Life Health	Adopted revisions to include Capital Notes within the scope of the statement. • Debt securities treated as regulatory capital by the issuer's primary regulatory authority and fail the bond definition solely because interest can be cancelled in the event of financial stress in a non-resolution scenario without triggering an event of default. Usually issued by domestic or foreign banks. Other revisions in SSAP No. 41 and recommendations to the Blanks (E) Working Group include the following: • Admission criteria for capital notes. • Valuation measured based on designation or lower of amortized cost or fair value. • Updated disclosures. • Recommended clarifying changes to Schedule BA: Other Long-Term Invested Assets.	Y	Y	2025

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective

2024-10	**SSAP No. 56—Separate Accounts**	P&C
		Life
		Health
			Working with the interest maintenance reserve (IMR) Ad Hoc Subgroup, adopted revisions as follows:
			• Clarify and improve reporting consistency for separate account (SA) assets measured as if held in the general account (GA) (at book value).
			    ◦ Improve guidance for fund accumulation contracts (GICs), pension risk transfer (PRTs) contracts, bank-owned life insurance (BOLI), and registered index-linked annuities (RILAs).
			• Establish the basis for transfers between the GA and the SA for asset sales for cash, including impacts to IMR.
			    ◦ Fair value SA – Receive cash and dispose asset at fair value. Sold from GA – Realized gain/loss through IMR.
			    ◦ Book value SA
			        – Seller receives cash and disposes asset at fair value with realized gain/loss through IMR unless credit related. If credit related, allocate to the asset valuation reserve (AVR).
			        – Purchaser of asset at book-adjusted carrying value from the selling account. Difference between book value and fair value through IMR of the purchasing account.
			• Clarify accounting for transfers that are not sales transactions, and note such transfers are subject to domiciliary state approval (asset-to-asset swaps, contributions of GA assets to support SA deficiencies, dividends of assets from the SA to the GA, etc.).
			• Made other AVR and IMR reporting clarifications.
			• Seed money – Only admissible assets.
			• Additional disclosures:
			    ◦ For PRT, RILA, and similar contracts with no stated yield or death benefit guarantees that have GA serving as a final backstop, provide if a risk charge was assessed by the GA and assert whether included in asset adequacy testing.
			    ◦ Added repurchase/reverse repurchase agreements to the securities lending transactions disclosure.
			    ◦ Transfers that do not reflect sales.
			Effective: January 1, 2026, with early adoption permitted.
				Y	Y	2026

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-23	**SSAP No. 86—Derivatives**	P&C Life Health	Adopted revisions to SSAP No. 86 terminology for derivative financing premiums to be consistent with the annual statement instructions. Also adopted revisions to clarify that derivative premium amortization is not captured as a realized gain or loss and is therefore not included in the IMR.	T	N	TBD
2024-16	**SSAP No. 86—Derivations** **Annual Statement Blanks and Instructions Recommendation**	P&C Life Health	Previously developed proposed revisions to SSAP No. 86 to address accounting and reporting for debt securities with derivative components (Credit Repack Investments) that do not qualify as structured notes. • Special-Purpose Vehicle (SPV) acquires a debt security and a derivative. The SPV combines the cash flows of the debt and derivative and issues a repackaged debt security reflecting the combined cash flows. Adopted an annual statement blanks and instructions recommendation to clarify that the sale of a security to a SPV that is subsequently acquired back from the SPV with a derivative wrapper (or other components) is reported as a disposal and acquisition. • The acquired derivative wrapped security is then evaluated under *SSAP No. 43—Asset-Backed Securities.*	Y	N	2025
2024-22	**SSAP No. 104—Share-Based Payments**	P&C Life Health	Adopted revision to adopt, with modification, *ASU 2024-01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards.* Revision provides guidance on determination of whether profits interest are within the scope of the SSAP.	Y	N	2025
2022-14	**SSAP No. 93—Investments in Tax Credit Structures** **SSAP No. 94—State and Federal Tax Credits**	P&C Life Health	Adopted *Issue Paper No. 170—Tax Credits Project* to capture historical discussions and conclusion related to the new SAP Concepts adopted in 2024 and effective January 1, 2025.	Y	N	2025

SAPWG exposed the following items for written comments by interested parties:

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2025-05	**SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures**	P&C Life Health	**Proposed SAP Clarification** In response to a referral from the Financial Analysis (E) Working Group (FAWG), the Working Group exposed proposed revisions to SSAP No. 1 and annual statement blanks to expand the restricted asset reporting to capture information related to modified coinsurance (MODCO) and funds withheld (FWH) reinsurance assets. Under examination, regulators found that MODCO and FWH assets were managed by parties other than the ceding entity, usually in offshore reinsurance transactions. Some MODCO and FWH assets were replaced with affiliated and related-party investments making it difficult for regulators to identify concentration risk. Restricted asset disclosure proposed to be included in all annual and quarterly financial statements. Blanks exposure proposes to capture MODCO and FWH restricted assets for each investment schedule each quarterly and annual statement. Proposed effective date for both the disclosure and annual statement blank revisions is December 31, 2025.	Y	Y	2025
2025-03	**SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve**	Life	**Proposed New SAP Concept** Exposed a proposed definition and purpose for the IMR. • Exposure includes the definition and purpose recommended by the American Council of Life Insurers (ACLI) along with NAIC staff recommendations.	Y	TBD	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2023-14	**SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve**	Life	**Proposed New SAP Concept** This agenda item relates to the broader project to bring the accounting guidance into SSAP No. 7 and remove the guidance in the annual statement instructions. The Working Group exposed proposed revisions to remove hypothetical IMR. • In a reinsurance transaction, current guidance requires a three-step process to determine the interest-related gain/loss for the block. Hypothetical IMR is the IMR balance and future amortization that would result if the remaining assets associated with the block of liabilities were sold.	Y	TBD	TBD
2025-02	**SSAP No. 15—Debt and Holding Company Obligations**	P&C Life Health	**Proposed SAP Clarification** This agenda item relates to A*SU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20), Induced Conversions of Convertible Debt Instruments.* • Clarifies GAAP when and how conversion of a convertible debt instrument involves inducement and the resulting accounting. The Working Group exposed proposed revisions to adopt the ASU with modification, requiring the issuer reporting entity to recognize, as expense, equal to the fair value of the additional securities granted or other consideration issued based on the terms of conversion of the existing debt instrument. Other guidance in the ASU was rejected.	Y	TBD	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2025-01	**SSAP No. 22—Leases**	P&C Life Health	**Proposed SAP Clarification** Proposed revision clarifies that if the cash received in a sale-leaseback transaction prevents/restricts the reporting entity from use under the agreement, then the transaction does not qualify as a sale-leaseback transaction and is considered a financing lease.	Y	TBD	TBD
2025-09	**SSAP No. 51—Life Contracts**	Life	**Proposed SAP Clarification** This agenda item coordinates changes made in the Valuation Manual with the guidance in the SSAP related to principles-based reserving for non-variable annuities. Adds reference to the reserve requirements and reserving methods.	Y	TBD	TBD
2025-08	**SSAP No. 84—Health Care and Government Insured Plan Receivables**	P&C Life Health	**Proposed SAP Clarification** Exposed proposed revisions to add disclosures in SSAP No. 84 and recommended data-capture table in the annual statement blank for Medicare Part D Prescription Payment Plan receivables due from participants, along with aging and write-offs.	N	Y	TBD

The SAPWG deferred action on the following items previously exposed.

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-12	**SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures**	P&C Life Health	**Proposed SAP Clarification** Previously exposed revisions to remove the reference to *FASB Statement No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk* for excluded items and explicitly list the exclusions within the SSAP. In addition, the Working Group exposed recommended annual statement changes to explicitly include the items for disclosure, including an example. The Working Group deferred action on this item to allow consideration of comments received relating to potential redundancy of disclosed information.	Y	Y	TBD
2023-31	**SSAP No. 58—Mortgage Guaranty Insurance** **Appendix A-630—Mortgage Guaranty Insurance**	PC	Resulting from recent revisions to the Mortgage Guaranty Insurance Model Act (#630), the Working Group directed the development of revisions to SSAP No. 58 and Appendix A-630. The revisions to the model primarily relate to capital requirements. No exposure at this time.	TBD	TBD	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-06 2024-05	**SSAP No. 61R—Life, Deposit-Type, and Accident and Health Reinsurance** **Appendix A-791—Life and Health Reinsurance Agreements**	Life Health	**Proposed SAP Clarification** Re-exposed revisions to require risk transfer to be evaluated in the aggregate for contracts with interrelated contract features, such as experience refunds. Also exposed revisions to refer to *Appendix A-791, Life and Health Reinsurance Agreements*, paragraph 6, when reinsurance agreements also combine a yearly-renewable-term contract to ensure the entirety of the agreement must be evaluated for risk transfer. SAPWG also decided to evaluate and re-expose the following issue and noted that it will be addressed along with other Life and Health reinsurance open agenda items. At the request of the Valuation Analysis (E) Working Group, exposed a deletion of a sentence to the question/answer section of Section 2.c. related to reimbursement to the reinsurer for negative experience. Question/Answer – If group term life business is reinsured under a YRT reinsurance agreement (which includes risk-limiting features such as with an experience refund provision that offsets refunds against current and/or prior years' losses (i.e., a "loss carryforward" provision), under what circumstances would any provisions of the reinsurance agreement be considered "unreasonable provisions which allow the reinsurer to reduce its risk under the agreement" thereby violating subsection 2.c.? • The following sentence in the answer to the above question is being discussed. "Unlike individual life insurance where reserves held by the ceding insurer reflect a statutorily prescribed valuation premium above which reinsurance premium rates would be considered unreasonable, group term life has no such guide."	Y	N	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-15	**SSAP No. 86—Derivatives**	P&C Life Health	**Proposed SAP Clarification** Interest-rate hedging derivatives that do not qualify as effective hedges but are utilized by industry for asset-liability management (ALM). Under consideration: • Regulator support for a special accounting treatment for these "Macro Hedges" • Special criteria • Deferred losses (reported as assets), admissibility, and limitations. • Amortization time frame SAPWG exposed the agenda item with the above-noted considerations noting that further regulator and industry discussion will occur during the interim period.	Y	TBD	TBD
2024-21	**SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities**	P&C Life Health	**Proposed New SAP Concept** This item exposes options and requests comments regarding investment subsidiaries: • Accounting guidance • Annual statement proposed revisions • Risk-Based Capital Working Groups for calculation of impact on underlying assets Action on this item was deferred to consider Delaware Statutory Trusts holding residential mortgage loans.	Y	TBD	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-04	**SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities**	P&C Life Health	**Proposed SAP Clarification** Exposed the agenda item and directed NAIC staff to work with industry in determining current application/interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral for possible consistency revisions. Newly exposed memo describing similarities and difference in securities lending and repurchase agreements. Considering to adopt, with modification, certain disclosures from *ASU 2023-06*, Disclosure Improvements, including the following. • Accrued interest from repos and securities borrowing • Separate disclosure of significant (10% of admitted assets) reverse repos • Counterparty disclosures for repos and reverse repos that are significant (10% of adjusted capital and surplus).	Y	TBD	TBD
2023-24	**Various SSAPs and INT 06-07: Definition of Phrase "Other Than Temporary Impairment**		Earlier this year, SAPWG rejected ASU 2016-13 *Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (CECL).* SAPWG documented the analysis supporting rejection in an issue paper and exposed for public comment.	N	N	TBD

The SAPWG also provided the following updates.

Ref#	Title	Ins. type	Project updates	F/S Impact	Disclosure	Effective
2023-28	**Annual Statement Blanks and Instructions**	P&C Life Health	SAPWG adopted a Blanks Working Group recommendation for additional reporting lines on Schedule BA: Other Long-Term Invested Assets. Also adopted a Blanks Working Group recommendation for additional reporting lines for collateral loans in the AVR, which flows into RBC requirements. The adoption expands reporting lines for collateral loans providing more granularity and adds to the AVR and to the RBC requirements.	N	N	2025
2024-07	**Annual Statement Blanks**	P&C Life Health	Re-exposed new reporting schedules that proposed to add a new part to the reinsurance Schedule S in the Life/Fraternal and Health annual statement blanks, which is similar in structure to Schedule DL. Re-exposure no longer includes revisions to Schedule F. Include aggregated totals by investment category for all assets held under a funds withheld arrangement and would include a separate signifier for modified coinsurance assets.	N	Y	TBD
	Statutory Accounting Principles – Issue Papers	P&C Life Health	• SAPWG adopted a revision adding issue papers to Level 5 of Section V. Statutory Hierarchy in the Preamble of the NAIC Accounting. • The Working Group exposed editorial revisions to further clarify treatment of issue papers in Level 5 and reference SEC rules and interpretations as sources of authoritative US GAAP for SEC registrants.	N	N	2025
2025-07 2025-06	**Annual Statement Recommendation**	Life	Exposed proposed recommendations to: • Remove a general interrogatory on dividends received. (2025-07) • Remove reporting line 8, “Unrated Multi-Class Securities Acquired by Conversion,” from AVR. (2025-06)	Y	Y	TBD

Ref#	Title	Ins. type	Project updates	F/S Impact	Disclosure	Effective
2025-04	**Annual Statement Recommendation**	P&C Life Health	Exposed a proposed recommendation to 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. (2025-04)	Y	N	TBD
2025-10 2025-11	**Appendix D—Nonapplica-ble GAAP Pronouncements**	P&C Life Health	The following US GAAP standards were exposed for rejection as not applicable to statutory accounting. • *ASU 2023-07, Improvements to Reportable Segment Disclosures. (2025-10)* • *ASU 2024-03, Disaggregation of Income Statement Expenses and ASU 2025-01, Clarifying the Effective Date of ASU 2024-03. (2025-11)*	NA	NA	TBD
	Life Risk-Based Capital (E) Working Group	Life	Seeking clarification for certain Securities Valuation Office (SVO) designated non-bond debt securities and whether they can obtain asset concentration factor treatment like bonds.	NA	NA	NA

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8. International Association of Insurance Supervisors (IAIS), "IAIS Executive Committee approves Insurance Capital Standard for adoption by IAIS members and concludes Aggregation Method comparability assessment," press release, November 14, 2024.
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