

# NAIC Summer 2025 National Meeting Update

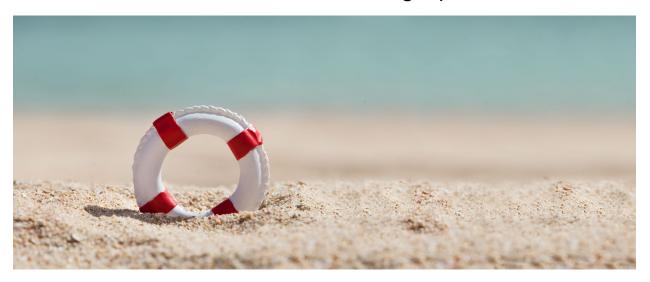


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# NAIC Summer 2025 National Meeting Update





The National Association of Insurance Commissioners (NAIC) recently held its Summer 2025 National Meeting (Summer Meeting). The following summarizes certain activities of the NAIC that took place during the Summer Meeting and in various WebEx Meetings leading up to the Summer Meeting.

# Statutory Accounting Principles (E) Working Group

The following highlights items discussed as part of the Statutory Accounting Principles (E) Working Group's (SAPWG) Hearing and Maintenance agenda items.

Interest Maintenance Reserve (IMR) - SAPWG extended INT 23-01 "Net Negative (Disallowed) Interest Maintenance Reserve" to December 31, 2026, with automatic nullification on January 1, 2027. SAPWG clarified the adjusted capital and surplus calculation adding an additional cap on admittance of up to 10% of unadjusted capital and surplus. Reporting entities admitting net negative IMR are required to complete data capture disclosures, include the net negative IMR in its principles based reserving calculation with a requirement to prepare a reconciliation to ensure that reserves are not overstated, and further clarification on the derivative disclosure roll-forward.

SAPWG reviewed a proposed definition of IMR from NAIC staff. This definition is meant to clarify the purpose of IMR with plans to incorporate this definition into a corresponding issue paper and included as a revision to SSAP No. 7 "Asset Valuation Reserve and Interest Maintenance Reserve" as part of a broader IMR project currently in process.

SAPWG discussed an exposed memo detailing the concept of "hypothetical" IMR noted in the Annual Statement Instructions. The memo produced by the IMR ad hoc group identifies this type of IMR as having practical limitations with no potential benefit. The intent is to incorporate these conclusions into a future issue paper on IMR to retain these conclusions for historical purposes with the removal of the concept as part of the NAIC's broader ongoing IMR project.

Sales Lease Clarification - SAPWG exposed revisions to SSAP No. 22 "Leases" (SSAP No. 22) to clarify that cash or other assets received in a sale leaseback arrangement that are restricted and therefore not available to meet policy holder obligations are non-admitted. This type of transaction does not meet the criteria for sales leaseback accounting and is recorded as a financing arrangement in accordance with SSAP No. 22. Discussions remain ongoing.



Residential Mortgage Loans Held in Statutory Trusts - SAPWG exposed revisions to SSAP No. 37 "Mortgages" (SSAP No. 37) to include qualifying investment trusts holding residential mortgage loans to be reported on Schedule B of the Annual Statement. Key revisions include:

- Proposed updates to permit qualifying statutory trusts to hold cash and cash equivalents, and real
  estate obtained through foreclosure, along with clarification on the applicability of SSAP No. 2R
  "Cash, Cash Equivalents, Drafts and Short-Term Investments" and SSAP No. 40R "Real Estate
  Investments".
- 2. Replacement of the restriction to first-lien mortgages as well as the requirement to hold the entire loan with broader language permitting any single residential mortgage loan eligible under SSAP No. 37 to be held in a qualifying statutory trust.
- 3. Additional criteria for a qualifying statutory trust series which requires the qualifying trust to maintain separate and distinct records from the overall statutory trust and other series.
- 4. Clarification that an insurer may pledge qualifying statutory trust assets as collateral; however, assets encumbered or pledged to a third party by action of the statutory trust itself are non-admitted.
- 5. Eliminated management fee disclosure and added language elsewhere clarifying that statutory trust activities are subject to related party and affiliate disclosure requirements.
- 6. New requirement to disclose a summary of assets and liabilities held within qualifying statutory trusts. Since such balances are to be reported as if directly held by the insurer, this disclosure is intended to provide regulators with a high-level overview of the balances held within the trust(s).

Discussions remain ongoing.

Risk Transfer on Combination Reinsurance Contracts - SAPWG adopted revisions to SSAP No. 61R "Life, Deposit-Type and Accident and Health Reinsurance" (SSAP No. 61R) to incorporate existing risk transfer guidance that is in Exhibit A "Implementation Questions and Answers" of SSAP No. 62R "Property and Casualty Reinsurance". The revisions would require risk transfer to be evaluated in aggregate for reinsurance contracts with interrelated contract features such as experience rating refunds. The proposed revisions would also update the yearly renewable term guidance in SSAP No. 61R to reference the guidance in paragraph 6 of Appendix A-791 regarding the entire reinsurance contract and the effective date of the contract. The revisions are effective immediately for new or amended contacts with a December 31, 2026 effective date for existing contracts to allow time for regulator and industry assessment.

*U.S. GAAP Accounting Standards Update* - SAPWG rejected the following as not applicable to statutory accounting:

- FASB ASU 2023-7 Segment Reporting (Topic 280) "Improvements to Reportable Segment Disclosures."
- 2. FASB ASU 2024-03 Income Statement Reporting Comprehensive Income Expense Disaggregation Disclosures (Subtopic 220-40): "Disaggregation of Income Statement Expenses."
- 3. FASB ASU 2025-01 Income Statement Reporting Comprehensive Income Expense Disaggregation Disclosures (Subtopic 220-40): "Clarifying the Effective Date."

- 5. FASB ASU 2017-05 Other Income Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets."
- 6. FASB ASU 2025-02 Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122."

SAPWG adopted the following with modification:

 FASB ASU 2024-4 Debt – Debt with Conversion and Other Options (Subtopic 470-20) "Induced Conversions of Convertible Debt Instruments" with revisions in statutory accounting to provide clarifications on induced conversions, including when the inducement shall be recognized as an expense by the issuer as well as the fair value measurement of that expense.

SAPWG also exposed revisions to adopt with modification FASB ASU 2019-12 Income Taxes (Topic 740) "Simplifying the Accounting for Income Taxes" (FASB ASU 2019-12). The only revisions recommended for adoption are those to ASC 740-270-25-5, as other modifications in FASB ASU 2019-12 provide clarification on topics not applicable to statutory accounting.

Debt Security and Residual Interest Disclosures - SAPWG exposed revisions to propose consistent disclosures for certain reporting elements between SSAP No. 26 "Bonds", SSAP No. 43 "Asset-Backed Securities" (SSAP No. 43) and for non-bond debt securities and residuals in SSAP No. 21 "Other Admitted Assets."

Revisions also propose disclosures for residuals that identify the company's measurement method, whether the company is transitioning from the practical expedient to the allowable earned yield (AEY) method, and for those following the AEY method, information comparable to SSAP No. 43 for impaired securities. The proposed revisions also converge and clarify language across SSAPs and/or remove references that imply quarterly reporting when the disclosure is annually audited only.

Medicare Part D Prescription Payment Plan Receivables - SAPWG adopted revisions to SSAP No. 84 "Health Care and Government Insured Plan Receivables" to include disclosure requirements for Medicare Part D Prescription Payment Plan (MPPP) receivables. Disclosures include MPP amounts included in other healthcare receivables, MPP write-offs and aging of MPP receivables including: 1 to 30 days, 31 to 60 days, 61 to 90 days, over 90 days; nonadmitted and admitted categories. The adoption accompanies a Blanks (E) Working Group proposal to allow for initial reporting for year-end 2025.

Reinsurer Affiliated Assets - SAPWG adopted revisions to SSAP No. 1 "Accounting Policies, Risks and Uncertainties, and Other Disclosures" enhancing disclosures to identify whether investments held under modified coinsurance (modco) or funds withheld (FWH) arrangements are related or affiliated to the reinsurer. This disclosure is required for all annual and quarterly financial statements beginning with year-end 2025.

Other Matters - SAPWG discussed the following other matters during the Summer Meeting:

- 1. Adopted an agenda item to support the deletion of the capital structure reporting code column in both Schedules D-1-1 and D-1-2 for year-end 2025.
- 2. Adopted revisions to Appendix A-791, Life and Health Reinsurance Agreements, to remove the first sentence in the Questions and Answers to paragraph 2c that discusses group term life insurance as it was deemed unnecessary. Revisions are effective immediately.
- 3. Adopted an agenda item proposing revisions to the Life/Fraternal Annual Statement Blank, AVR: Default Component Basic Contribution, Reserve Objective and Maximum Reserve Calculation to remove the reporting line 8 "Unrated Multi-Class Securities Acquired by Conversion."

- 5. Adopted an agenda item with a recommendation to the Blanks (E) Working Group to remove the Life/Fraternal General Interrogatories Disclosure Part 2 #14 as it is not consistently included among all annual statement blanks.
- 6. Adopted a draft of a new reporting schedule to add to Schedule S in the Life/Fraternal Annual Statement a new part to include all assets held under funds withheld arrangements which would include a separate signifier for assets subject to a modified coinsurance arrangement (i.e., modco). Additionally, a recommendation was made to the Blanks (E) Working Group to move forward with this agenda item.
- Adopted an issue paper to document for historical purposes the decisions and final actions
  resulting from the rejection within statutory accounting of the Current Expected Credit Loss Model
  (CECL) in U.S. GAAP and to maintain the pre-CECL U.S. GAAP impairment model within statutory
  accounting.
- 8. Adopted revisions to SSAP No. 108 "Derivatives Hedging Variable Annuity Guarantees" to update the definition of a clearly defined hedging strategy to coincide with revised guidance in VM-01. Revisions are effective immediately.
- Exposed revisions to incorporate a new disclosure to identify private placement securities in the investment schedules and to incorporate an aggregate disclosure that details key investment information by type of security (public and private placement type). This item is proposed to be effective Dec. 31, 2026.
- Exposed revisions to SSAP No. 92 "Postretirement Benefits Other Than Pensions" and SSAP No. 102 "Pensions" to clarify that assets held at net asset value are included in the required fair value disclosures.
- 11. Exposed revisions to eliminate the investment subsidiary concept from the annual statement instructions, effective Dec. 31, 2026 with a recommendation to sponsor a corresponding Blanks (E) Working Group proposal.

# Life Risk-Based Capital (E) Working Group



Life RBC received an update from the American Academy of Actuaries (the Academy) regarding the C-3 Alignment project on which the Academy is currently working. The Academy presented two different phases of this project. C-3 Phase 1 applies to single premium life and non-variable annuities while C-3 Phase 2 applies to variable annuities including registered index linked annuities. The purpose of the project is to align the methodology of both phases as C-3 Phase 2 was recently updated while C-3 Phase 1 has not been updated in several decades. The approach includes adoption of the new economic scenario generator which will be the prescribed generator for C-3 Phase 2. The Academy proposed expanding the scope of its work to include fixed indexed annuities under C3 Phase I. The expanded scope would result in field testing being performed in 2026 with adoption targeted for year-end 2027 RBC filings. Discussions are ongoing.

# Health Risk-Based Capital (E) Working Group



The Health Risk-Based Capital (E) Working Group (Health RBC) exposed the final report of the American Academy of Actuaries (the Academy) review of the underwriting risk (i.e., H2) component and managed care credit calculation project. This includes the Comprehensive Medical, Dental & Vision, Medicare Supplement, and standalone Medicare Part D lines of business. The Academy has identified structural changes, modeling and analyzing risk-based capital factors and reviewing the managed care credit calculation with six areas of focus as follows:

- 1. Refresh factors based upon updated insurer data.
- 2. Develop factors at a more granular product level.
- 3. Develop factors specific to more relevant block sizes and consider an indexing factor for cut points to change over time.
- 4. Model risk factors over an NAIC defined prospective time horizon with a defined safety level that can be refreshed regularly.
- Refresh of the managed care credit formula and factors to be more relevant and reflective of common contracting approaches and other risk factors associated with these contracting approaches.
- 6. Analyze long-term care insurance underwriting performance to create a more nuanced set of risk factors that consider pricing changes over time.

Discussions remain ongoing.

## Reinsurance (E) Task Force



The Reinsurance (E) Task Force (Reinsurance Task Force) discussed a proposal from Interested Parties to allow ceded unearned premium reserve surety bonds to be used for the limited purpose of providing unearned premium reinsurance collateral as an alternative to a bank-issued letter of credit. The Reinsurance Task Force determined that these instruments do not meet any of the definitions of collateral included in Section 3 of the Credit for Reinsurance Model Law (Model #785). If these surety bonds were to be allowed as collateral, they would have to be considered as another form of collateral acceptable to a domicile's insurance commissioner under Section 3D of Model #785. Certain members of the Reinsurance Task Force stated that they would not find these instruments to be acceptable forms of collateral for credit for reinsurance purposes and each state would need to make its own determination regarding the acceptability of this form of collateral.

# Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group



The Risk-Based Capital (RBC) Investment Risk and Evaluation (E) Working Group (Investment RBC) continued discussion with Interested Parties regarding the American Council for Life Insurers (ACLI) previous presentation that supported re-evaluation of risk-based capital charges for bond funds that meet the criteria of bond and preferred stock exchange traded funds (ETFs), SEC registered fixed income-like funds and private bond funds. Discussions focused on initiatives and support for applying consistent risk-based capital charges for funds that invest in these portfolios as currently, depending upon the fund, variations in risk-based capital charges are being applied. Investment RBC exposed revisions that would align the RBC treatment of these bond funds in the Life RBC formula. Discussions are ongoing.

# Valuation of Securities (E) Task Force



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The Valuation of Securities (E) Task Force (VOS) adopted or exposed the following proposals to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual):

- Adopted to the P&P Manual requiring receipt of a private rating letter rationale report within ninety-days following the date of an annual rating update, affirmation, confirmation, or rating change.
   Otherwise, the security will be considered ineligible for Filing Exemption. The security can regain eligibility when the Securities Valuation Office receives the private rating letter rationale report for the filing year.
- 2. Adopted to the P&P Manual clarifying content expectations for a private rating letter rationale report (the Report). Revisions clarify that the Report should contain "analytical substance" which includes an explanation of the transaction structure, methodology relied upon, and where appropriate the credit, legal, and operational risks supporting the CRP rating. Currently, private rating letter rationale reports that are being filed are not meeting SVO standards.
- 3. Exposed a proposal to the P&P manual to allow for a thirty-day grace period to provide the private rating letter annual update. Discussions remain ongoing.
- 4. Exposed a proposal to the Annual Statement for security identifiers to combine the CUSIP and ISIN fields into a single field with a new field for the type of identifier. A new validation field was also proposed for purposes of identifying when a security identifier has not been validated on a financial statement investment schedule submission. Discussions remain ongoing.

# Big Data and Artificial Intelligence (H) Working Group





At the 2025 Summer National Meeting, the Big Data and Artificial Intelligence (H) Working Group convened on August 12.

The Working Group heard comments from interested parties on the RFI concerning a possible AI model law, discussed next steps for an AI Systems Evaluation Tool, and referenced the July 16 session at which it had previously received a preliminary summary of RFI comments and a presentation on agentic AI in insurance.

RFI on a possible AI model law was issued May 15 for a 45-day public comment period ending June 30. In total, 33 written responses were received from state departments of insurance, consumer representatives, health provider groups, trade organizations, InsurTechs, an advisory organization, and consultants. Fifteen organizations also provided verbal comments during the Summer Meeting. Topics addressed included: support for a possible AI model law; whether existing laws, regulations, and/or the Model Bulletin on the Use of AI Systems by Insurers are sufficient; goals to consider in an AI model law; reactions to governance, transparency, and accountability as organizing pillars; whether any model should be general or vary by line of business; whether governance should vary by company size; whether to address third-party data and model vendors; and recommendations to reference state legislation and industry templates. The Working Group stated it will use these insights to determine the next steps in developing a possible AI model law.

## **Al Systems Evaluation Tool**

Discussion continued on an AI Systems Evaluation Tool designed as an immediate, standardized resource regulators can use when examining insurers' AI systems. As outlined in the July 16 session, the tool is organized into four exhibits that can be incorporated into market and financial examinations, with each exhibit optional and usable as a checklist. The exhibits allow progressive review of AI governance, testing protocols, high-risk models, data sources, and financial implications.

- **Exhibit A** is used to determine the degree of Al model use and the purpose of those models, including counts of models in use, models with direct consumer or financial impact, the number of new models, whether consumer complaints have been associated with models, and whether additional models are planned.
- **Exhibit B** addresses governance and testing—whether a governance program exists and the elements within it (responsibilities, assessments of effectiveness, identification of AI systems with consumer or financial impact, transparency disclosures, monitoring and risk-mitigation procedures, and due diligence on third-party AI systems).

- **Exhibit C** seeks specific information about high-risk models, including development and testing approaches, the level of human-in-the-loop involvement, and compliance review.
- Exhibit D focuses on the data used in Al models and may be applied in market conduct contexts, such as in response to a consumer complaint or concerns about data sources.

On July 7, the Working Group exposed the tool for public comment. At the July 16 meeting, the exposure was described as a 30-day comment period ending August 6, with feedback to inform potential state pilots and longer-term regulatory solutions; the Working Group noted that comments would conclude just before the Summer Meeting. During the August 12 session, the Working Group reported that the tool was exposed for a 60-day public comment period ending September 5.

#### Context from the July 16 interim session

The July 16 discussion also referenced the NAIC Model Bulletin on the Use of AI Systems by Insurers (issued December 2023) and noted that, to date, 24 states have adopted the bulletin or pursued legislation, with an additional four states undertaking related activity. The Working Group indicated that the Summer Meeting would focus on public comments to the AI model law RFI, with comments on the evaluation tool to be addressed at a later meeting to be scheduled.

# Climate and Resiliency (EX) Task Force



The Climate and Resiliency (EX) Task Force received updates on: the NAIC Disaster Preparedness Handbook; the Center for Insurance Policy and Research (CIPR) Catastrophe Risk Management Center of Excellence (COE); the natural catastrophe risk dashboard; the Alabama Department of Insurance (DOI) and University of Alabama Center for Risk and Insurance Research (CRIR) "FORTIFIED®" roof performance report; and the NAIC Property/Casualty reinsurance roundtable. The Task Force also heard a presentation from Ceres on its climate risk disclosure survey dashboard.

#### **Disaster Preparedness Handbook**

The Task Force confirmed the Handbook's scope: a practical guide covering pre-disaster public education, regulatory actions post-event, after-action reports, FAQs for consumers and local officials, and state case studies. Delivery is targeted for the Fall National Meeting. The draft outline also points DOIs to risk-communication tools (e.g., First Street, NAIC's COE, federal risk assessments) and operational templates (e.g., sample bulletins and claims-village playbooks).

CIPR Catastrophe Risk Management Center of Excellence (COE) and Resilience Hub
CIPR reported that regulator training is available now—CAT 101: Basics of Cat Modeling and CAT 201:
Basics of Severe Convective Storm Modeling—with additional application-focused courses in
development, including modules on regulatory use of CAT models in rate fillings, reinsurance and
alternative risk transfer, climate risk for financial regulators, and resilience. The COE team outlined its
advisory, actuarial, and data-analytics support. The Resilience Hub provides program coordination, peer
learning, consumer-education partnerships, funding resources, and analytics to assist regulators with
mitigation program design, premium discounts, rate filing and reinsurance reviews, and program
tracking.

#### **National Natural Catastrophe Risk Dashboard**

A national dashboard capturing metrics to understand catastrophes and protection gaps is undergoing final revisions, with consideration scheduled for a future Task Force meeting.

Alabama DOI & University of Alabama CRIR: FORTIFIED® Roof Performance in Hurricane Sally Alabama DOI and the University of Alabama's Center for Risk and Insurance Research presented an analysis of more than 40,000 policies and 8,600 claims in areas south of I-10 affected by Hurricane Sally. Across multiple empirical approaches, homes with IBHS FORTIFIED designations showed statistically significant improvements versus conventional construction: estimated claim frequency reductions of ~55%—74%, claim severity reductions of ~14%—40%, and loss-ratio reductions of ~51%—72%. Scenario estimates indicated that if all homes in the sample had been built to FORTIFIED Gold, total insurer losses would have been about 75% lower. The study also compared FORTIFIED designations with homes subject to similar local codes without third-party FORTIFIED evaluation, finding performance differences by designation level and inspection approach.

#### Property/Casualty Reinsurance Roundtable (Pasadena, July 24, 2025)

The Task Force received an update on a regulator convening that included an on-site visit to wildfire-impacted areas and sessions on reinsurance market trends, catastrophe models and secondary perils, links between reinsurance and regulatory risk assessment, public-private risk-transfer mechanisms, and the development of community resilience programs.

#### Climate Risk Disclosure: Ceres Dashboard and Findings

Ceres briefed the Task Force on the latest analysis aligned with the NAIC Climate Risk Disclosure Survey/TCFD framework. In the current cycle, 526 insurance groups submitted responses. Reporting prevalence by TCFD pillar was Risk Management 99%, Strategy 97%, Governance 87%, and Metrics & Targets 29%. A companion focus on measurement and targets highlighted gaps across a reviewed subset and illustrated a distribution of industry reporting maturity (leaders, followers, laggards). Ceres also noted training resources available for state insurance departments and an interactive dashboard for further analysis.

# Property and Casualty Insurance (C) Committee



The Property & Casualty (C) Committee heard an update on the Affordability and Availability Playbook for homeowners insurance. Earlier this year, the committee outlined two 2025 priorities: 1) reimagining the property/casualty market information data call through the new Homeowners Market Data Call (C) Task Force and 2) drafting a homeowners Affordability and Availability Playbook to catalogue state actions by peril; a drafting group was to be formed with the goal of producing a draft by year-end.

## Highlights from task forces and working groups:

Casualty Actuarial & Statistical (C) Task Force: The task force reported adoption of the 2023 Auto Insurance Database Average Premium Supplement, the 2023 Profitability by Line by State report, the 2023 Competition Database report, and the homeowners/dwelling fire data report for 2022. It exposed the NAIC Model Review Manual for public comment; continued work to improve the usefulness of SERFF data, including rate indices; and held a series of predictive-modeling "book club" sessions. The task force also discussed handling unknown risk characteristics in rating and noted coordination with the Third-Party Data and Models (H) Working Group. The Actuarial Opinion (C) Working Group report recognized CAS and SOA property/casualty educational materials as meeting NAIC educational standards; the Statistical Data (C) Working Group discussed potential changes to the Statistical Handbook.

**Homeowners Market Data Call (C) Task Force:** Reported discussion of proposed changes to the homeowner's data call template and definitions, with written comments due September 8. Topics included confidentiality, data sharing, company participation requirements, and how states are using data.

**Surplus Lines (C) Task Force:** Reported adoption of spring minutes; approval of one insurer for inclusion on the NAIC Quarterly Listing of Alien Insurers; 2026 proposed charges unchanged from 2025; and a summary of 2024 surplus lines financial results posted on the working group web page.

**Cannabis Insurance (C) Working Group:** Heard updates from NORML on the policy landscape and from ATACH on state approaches to hemp-derived intoxicants, including themes of youth access, potency, taxation, and alignment of synthetic cannabinoid rules with broader cannabis policy.

Catastrophe Insurance (C) Working Group & NAIC/FEMA (C) Working Group (joint session, August 12): Federal updates noted nearly \$1 billion announced across 15 preparedness grant programs and ongoing FEMA Review Council activity. Missouri and Texas provided brief event updates, including St. Louis—area severe convective storms and Texas flooding response. A panel discussed current uses of NOAA weather data from modeling, reinsurance, and IBHS perspectives.

**Title Insurance (C) Working Group:** Reviewed its 2025 work plan (industry updates; settlement fraud, including wire-fraud and deepfake risks; collaboration with CFPB; consumer shopping tool update; draft bulletin on alternative title products). Briefings covered the FHFA title-acceptance pilot for certain refinances without traditional title insurance and FinCEN's new reporting rule for specified real-estate transactions. The group also highlighted outreach with title agents and settlement service providers.

**Transparency & Readability of Consumer Information (C) Working Group:** Reported drafting updates to *A Shopping Tool for Homeowners Insurance*, including clearer explanations of ACV vs. RCV, percentage deductibles, and potential additions on roofs and wind/hail deductibles. Drafting work also contemplates new content on credit-based insurance scores, roof types, electrical systems, smart-home technology, and formats such as infographics and a revised introduction for accessibility.

## **Catastrophe Modeling Primer**

The committee took up consideration of the NAIC Catastrophe Modeling Primer. The primer explains model components (hazard, vulnerability, exposure, and financial modules), common outputs (average annual loss; occurrence and aggregate exceedance probability curves; return periods; PML), and regulator-focused topics such as applications in solvency assessment and ratemaking, variability among models, and confidentiality constraints. It also outlines selected state approaches, including California's regulations permitting models for earthquake, flood, fire following earthquake, terrorism, and wildfire, and Florida's Commission on Hurricane Loss Projection Methodology for hurricane and flood model review.

## Affordability & Availability Playbook update

An update was provided on the homeowners Affordability and Availability Playbook effort. As previously outlined, the playbook is intended to compile innovative state actions by peril and assess broader market impacts; the committee's stated plan earlier in the year was to develop a draft by year-end under a designated drafting group.

#### **Featured Briefings**

- **IBHS Wildfire Prepared Neighborhood:** IBHS presented its Wildfire Prepared Neighborhood program, including a cost estimate indicating that enhancing wildfire resilience in California can add less than \$3,000 for new construction over Chapter 7A. The presentation emphasized a neighborhood-level standard, technical guidance, and implementation challenges such as "Zone 0" and collective action.
- Research on transparency in policy language (University of Minnesota/University of Georgia): Researchers described online experiments with 2,500 U.S. homeowners across seven vignettes (e.g., earthquake damage, termite-related deck collapse, slip-and-fall liability, electrical fire) comparing accuracy with and without relevant policy text from an ISO HO-3. In three of the seven articles, providing policy language reduced correct understanding; access to policy language increased respondent confidence but not accuracy, with similar patterns across income and race/ethnicity groups. Example exclusions discussed included earth movement, with coverage for ensuing fire.

# Cybersecurity (H) Working Group





The Working Group discussed regulatory coordination for Model #668 oversight, the design considerations for a common notification portal, adjusted data collection through the Cyber Supplement, and current threat activity affecting the sector.

## Model #668 Compliance & Enforcement Guide

Members and interested parties provided feedback on the exposed compliance and enforcement guide for Model #668. Six written comments were received—from state departments of insurance, trade organizations, and the Center for Internet Security—and three organizations offered verbal remarks. The Working Group indicated it will re-expose the guide for an additional public comment period. Comment themes included support for reducing duplicative oversight across and within departments and for promoting regulatory convergence and standardization.

Stakeholders also raised specific points: health insurance commenters urged alignment with HIPAA (including options such as safe harbor, deference to existing federal oversight, and cross-walk/gap-analysis tools), and trade associations asked for clearer expectations around confidentiality, documentation practices, and references to regulator-only tools such as TeamMate+ and FEETS.

The Chief Financial Regulatory Forum referral response presented to the group outlines a framework that centers on gap analysis, primary reliance on domestic regulators in adopting states, coordinated state communication, and use of secure regulator platforms to share work products. It also discusses confidentiality infrastructure that leverages existing NAIC systems.

## **Cybersecurity Event Notification Portal**

The Working Group discussed next steps on a portal intended to streamline event notifications and address the "one-to-many" reporting problem. Current notification practices vary by state and medium, contributing to delays and inefficiencies; states collectively receive more than 1,000 notifications annually under Model #668. The project vision is an NAIC-hosted platform aligned with Section 6B, with real-time alerts, auditable trails, and the ability for licensees to amend notices, all designed with confidentiality and integrity in mind. Early planning identified the need for additional legal research to accommodate state-specific implementations. Outreach and research are ongoing, and early interest has been noted from multiple states and industry groups.

## **Annual Statement Cyber Supplement**

NAIC staff outlined revisions to the Property & Casualty Annual Statement Cybersecurity and Identity Theft Supplement for the 2024 data year. Identity-theft reporting was removed, and the prior two-way split of cyber policies (stand-alone vs. packaged) was replaced with a three-way split: primary, excess, and endorsement. The change is intended to provide more granular insight into how coverage is structured and sold; it also introduces complexity for longitudinal comparisons.

## **Threat briefing - Scattered Spider**

Coalition briefed the Working Group on the cyber actor commonly referred to as "Scattered Spider," describing tactics such as SIM-swap social engineering, MFA "push-bombing," and help-desk impersonation to reset credentials and enroll new MFA devices. The briefing referenced 2023–2025 activity, including Snowflake-related targeting, subsequent adoption of universal MFA, and incidents affecting U.S. insurance carriers. Defensive measures discussed included stronger identity verification for MFA resets, tested incident-response plans with immutable backups, phishing-focused security awareness training, and rigorous third-party/managed-service-provider assessments.

## **Executive Committee**





Actions adopted from the August 10 joint session with the Internal Administration (EX1) Subcommittee included adopting the joint session report, and through that report recorded the following actions and updates:

- Approved the fiscal impact statement to retain a risk-based capital (RBC) model governance consultant.
- Reappointed RubinBrown as the financial audit firm for the 2025 audit; affirmed the 2026 Audit Committee charter; received the June 30 financial update and an overview of proposed 2026 revenues.
- Received 2024/2025 SOC 1 and SOC 2 audit reports; heard updates on zone financials, the Enterprise Resource Planning (ERP) project, and the 2026 budget calendar; and received a presentation on the 2025 operating reserve analysis.
- Adopted the Internal Administration (EX1) Subcommittee report, which included receipt of the March 31 Long-Term Investment Portfolio and Defined Benefit Portfolio reports; approval of investment policy statements for the Long-Term Funds Portfolio and the defined contribution plan; and an update on the termination of the Defined Benefit Pension Plan.
- Received an update on the Financial Data Repository (FDR) re-engineering project.

## **Adoption of Prior Meeting Reports**

The Committee adopted its June 24 and May 5 meeting reports. Those sessions included a 2025 financial update and an overview of the proposed 2026 budget; updates from the Center for Insurance Policy and Research (CIPR) Advisory Council and the Consumer Participation Board of Trustees; a briefing from the NAIC chief information security officer; updates on task force work; and approval of the fiscal impact statement to retain an RBC model governance consultant.

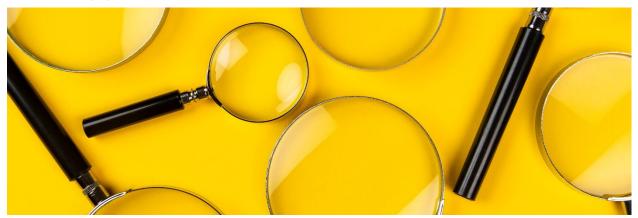
## **Task Force and Council Reports Adopted**

Reports were adopted from the Climate and Resiliency (EX) Task Force, the Government Relations (EX) Leadership Council, and the Risk-Based Capital Model Governance (EX) Task Force.

## **Model Law Development Status**

A status report was received on amendments to the Privacy of Consumer Financial and Health Information Regulation (672). Work remains focused on amending the existing model rather than creating a new one. Most recently, the Privacy Protections (H) Working Group met on August 1 to discuss comments on Article V and will continue receiving comments on additional sections ahead of exposing a full draft.

# Antifraud (D) Task Force



The Task Force discussed workers' compensation premium fraud. Matthew Capece of the United Brotherhood of Carpenters described schemes the union has observed and outlined the resulting financial impacts on the market.

The Task Force reviewed a letter from the Coalition Against Insurance Fraud concerning the Online Fraud Reporting System and agreed to add a long-term care (LTC) fraud category to the system.

The Task Force also adopted the report of the Improper Marketing of Health Insurance (D) Working Group. That report summarized a regulator-to-regulator session on April 24, and a May 22 meeting that included a Blue Cross Blue Shield Association presentation on market-destabilizing schemes and residential treatment center fraud and a roundtable discussion on improper marketing in the Affordable Care Act health market.

Stakeholder updates rounded out the session. The National Insurance Crime Bureau and the Coalition Against Insurance Fraud provided reports on current antifraud activity; presenters included Craig Sepich and Rich DiZinno (NICB) and Brent Walker and Michelle Rafeld (CAIF).

# Third-Party Data and Models (H) Working Group





The Working Group met on August 13, 2025, and adopted July 10 and May 22 minutes. Those earlier sessions focused on hearing comments on how to define "third-party data and models vendor" and reviewing the 2025 work plan.

## **Central Discussion**

Members walked through the decision points needed to arrive at a common definition. Topics included: (1) scope—what types of organizations count as third parties; (2) what a data vendor does (maintains, processes, stores, and provides consumer data); (3) what constitutes third-party data; (4) what a model vendor does (develops or licenses tools, including predictive models, for insurer use); and (5) whether the definition should focus on specific insurance operations. Draft language and comment-letter proposals surfaced options for inclusion (e.g., agents or reinsurers only if they are providing vendor services) and potential exclusions (e.g., governmental public-record providers such as motor vehicle or court records). Discussion also noted proposals to concentrate on operations with the greatest consumer impact—pricing/rating, underwriting, claims, and fraud detection—and to exclude internal business functions like HR. These items were discussion points, not final decisions.

## Current Oversight of 3rd Party's

States reported that existing tools already touch third-party activity—particularly P/C rating and underwriting (with emphasis on personal lines), oversight of advisory/rating organizations, financial analysis/exams, and Market Conduct Annual Statements work on life accelerated underwriting. Regulators also cited use of bulletins, filing requirements (including System for Electronic Rates & Forms Filing (SERFF)), and general laws such as the Unfair Trade Practices Act and Unfair Claims Settlement Practices Act, while noting that a number of jurisdictions license advisory organizations directly.

Against that backdrop, the Working Group highlighted three issues a framework must address: the ability to assess fairness (including testing for unfair discrimination and verifying model outputs), governance/controls over third-party models and data, and the ability to determine whether rates are excessive, inadequate, or unfairly discriminatory when third-party inputs are used.

## Regulator and Stakeholder Input

Pennsylvania described a straightforward definition approach—an organization that collects, stores, and furnishes insurance data or machine-based systems to persons or organizations licensed by or registered with the department—paired with a registration mechanism to obtain needed information, while excluding government entities and affiliates. Colorado flagged vendor concerns about protection of intellectual property and confidential information.

Other comments clarified key boundaries: independent and exclusive agents act on behalf of insurers and therefore are not third parties when gathering application information; "third-party data" was described as information external to the insurance transaction that informs decisions such as underwriting, rating, or risk segmentation; and several commenters urged care to avoid sweeping in unrelated services and suggested a risk-based, graduated approach to vendor types and data sources.

## **Next Steps Announced at the Session**

The Working Group will compile wording across the discussion topics into a full draft definition and then expose that working definition for public comment. Leadership will continue coordinating with the Big Data and Artificial Intelligence (H) Working Group on related AI topics.

# Innovation, Cybersecurity, and Technology (H) Committee



The Committee met on August 13 and conducted the following business:

#### **Actions Taken:**

- Adopted its Spring National Meeting minutes.
- Adopted reports from its groups: Big Data and Artificial Intelligence Working Group; Cybersecurity
  Working Group; Privacy Protections Working Group; SupTech/GovTech Subgroup; and Third-Party
  Data and Models Working Group.

#### **Key Points From Adopted Group Reports:**

- 1. Big Data & Artificial Intelligence (BDAI) Working Group
- Collected broad feedback on a possible AI model law: 33 written responses to the RFI (from DOIs, consumer representatives, health provider groups, trades, InsurTechs, an advisory organization, and consultants) with additional oral comments. Themes addressed governance, transparency, accountability, line-of-business scope, company size, and treatment of third-party vendors.
- Advanced an Al Systems Evaluation Tool—four optional exhibits covering governance, testing, high-risk models, data sources, and financial implications—exposed July 7 for a 60-day public comment period through September 5.
- 2. Cybersecurity (H) Working Group
- Discussed the Model #668 compliance and enforcement guide (exposed July 17); six written and three oral comments were received. Based on feedback, the guide will be re-exposed for additional public comment.
- Reviewed development of a cybersecurity event notification portal intended to streamline multi-state reporting; ongoing legal research is mapping state-specific implementations of Model #668 to inform a design that maintains confidentiality and security.
- Noted changes to the P&C Annual Statement Cybersecurity Supplement for the 2024 data year, moving to primary/excess/endorsement reporting to better reflect coverage layering.

- 3. Privacy Protections (H) Working Group
- Continued section-by-section revisions to Model #672 (Privacy of Consumer Financial and Health Information Regulation). Article III was revised and posted (no comments requested until a complete draft is re-exposed). Subsequent open sessions addressed Article IV notice provisions. A full revised draft will be brought forward once the section-by-section review is complete.
- 4. SupTech/GovTech (H) Subgroup
- Formalized as a Subgroup with defined charges and a public page. Work will focus on regulator
  education; a survey of regulators is planned to identify needs and pain points, with many sessions
  anticipated to be regulator-only.
- 5. Third-Party Data and Models (H) Working Group
- Worked toward a definition of "third-party data and models vendor," including scope, what
  constitutes a data/model vendor, and whether to focus on specific insurer operations. Leadership
  plans to compile wording across topics and expose a draft definition for public comment;
  coordination with the BDAI Working Group will continue.

## **Educational Sessions Heard by the Committee:**

- A presentation from Sixfold on human-centered uses of AI in insurance.
- An NAIC staff update on the International Actuarial Association's work on an AI governance framework.

# Connect With Us

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