



February 13, 2026

Dale Bruggerman
Chairperson
Statutory Accounting Principles (E) Working Group
National Association of Insurance Commissioners

Subject: [SAPWG 2025-22 IMR Impact to Reinsurance Collateral](#) Public Exposure

Dear Chair Bruggerman:

On behalf of the Reinsurance Working Group (RWG) of the American Academy of Actuaries,¹ we appreciate the opportunity to provide comments to the Statutory Accounting Principles (E) Working Group (SAPWG) regarding SAPWG 2025-22 IMR Impact to Reinsurance Collateral (SAPWG 2025-22) exposure following the NAIC's Fall 2025 National Meeting. The RWG believes this is an important issue and appreciates SAPWG's consideration of public comments.

In response to the SAPWG 2025-22 exposure, we offer the following commentary in an effort to help balance the posting of collateral, based on the economics of a transaction, with the regulators' need to ensure that policyholder interests are protected.

Reinsurance that meets all regulatory requirements passes risk from the insurer to the reinsurer. As a result, the risk remaining on the cedent's balance sheet is reduced. Under those circumstances, we consider it appropriate that a cedent's surplus could be enhanced using such a reinsurance agreement.

Further, we recognize that reinsurance has proved to be an effective risk mitigation tool and believe that any changes to collateral requirements should avoid disincentivizing insurance companies from implementing appropriate reinsurance solutions.

At the same time, we appreciate the concern about negative IMR being used to reduce collateral below the level of policy reserves. Rather than an all-or-nothing approach to negative IMR, we would propose the following:

1. Allow negative IMR as part of the collateral calculation.
2. In order to allow collateral to be less than policy reserves, require the ceding company actuary to demonstrate, such as by using asset adequacy analysis (AAA), that the level of collateral would be sufficient to mature the reinsurer's liabilities under moderately adverse scenarios. This tested level of collateral would be floored at the policy reserves minus the absolute value of the negative IMR. The AAA could be done on a standalone basis at the

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

treaty level. The results may be aggregated with those of other reinsurance agreements if the collateral may be used to meet the reinsurer's obligations under the other reinsurance agreements.

3. If no testing is performed, then the collateral would be floored at the policy reserves.
4. Posted collateral less than that developed by the cedent's actuary would result in a reduction in the reserve credit equal to the difference between the test collateral amount and the amount actually held.

In the case of Certified Reinsurers, where collateral is required for less than 100% of the ceded policy reserves, the calculations would be done based upon 100% of the ceded policy reserves and then the appropriate percentage would be applied.

We appreciate the opportunity to share these comments and look forward to the continued collaborative conversations between SAPWG and interested stakeholders. If you have any questions or would like to discuss these comments further, please contact Will Behnke, the Academy's policy project manager, risk management and financial reporting (behnke@actuary.org).

Sincerely,

Jeremy Starr, MAAA, FSA
Chairperson
Reinsurance Working Group
American Academy of Actuaries