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NAIC Bulletin

Highlights of the National Association of Insurance Commissioners meeting

Summer 2023 update

In this issue:

The National Association of Insurance Commissioners (NAIC) recently held its 2023 Summer National Meeting in a hybrid format from Seattle. Our publication highlights key issues that NAIC groups have addressed since the 2023 Spring National Meeting. We hope you find it informative, and we welcome your comments. Please contact your local EY professional for more information.

What you need to know

The Statutory Accounting Principles (E) Working Group took the following actions:

- Adopted revisions to statutory accounting guidance that incorporate the principles-based bond definition for use in determining whether an investment (i.e., security) qualifies for reporting on Schedule D, Part 1
- Adopted an interpretation to allow the admission of a net negative balance recorded in the interest maintenance reserve account of up to 10% of adjusted capital and surplus, subject to certain limitations
- Adopted an interpretation addressing the applicability of the corporate alternative minimum tax established by the Inflation Reduction Act and the related statutory accounting requirements for reporting entities to follow for periods ending on or after 31 December 2023

Statutory accounting and risk-based capital developments

This section summarizes the actions taken by various NAIC groups affecting statutory accounting, annual statement reporting and risk-based capital (RBC) requirements since the 2023 Spring National Meeting.

Statutory Accounting Principles (E) Working Group

Appendix A in this publication summarizes the actions taken by the Statutory Accounting Principles (E) Working Group (SAPWG) to revise the statutory accounting and reporting guidance in the *Accounting Practices and Procedures Manual* (AP&P Manual) since the 2023 Spring National Meeting. It also includes the effective dates for adopted items and the deadlines for comments on exposed items.

Statutory accounting principles

SAPWG adopted revisions to SSAP No. 26R, *Bonds*; SSAP No. 43R, *Loan-Backed and Structured Securities*; and other SSAPs (e.g., SSAP No. 21R, *Other Admitted Assets*, and SSAP No. 86, *Derivatives*) to incorporate the principles-based bond definition for use in determining whether an investment (i.e., security) qualifies for reporting on Schedule D, Part 1 into statutory accounting guidance and address the accounting treatment for securities that do not qualify as bonds (Ref #2019-21). SSAP No. 2R, *Cash, Cash Equivalents, Drafts, and Short-Term Investments*, was also revised to exclude asset-backed securities from being reported as a cash equivalent or short-term investment. These revisions are effective 1 January 2025.

SAPWG also exposed revisions to SSAP No. 21R to provide additional guidance for the accounting for debt securities that do not qualify as bonds and the measurement of investments in residual interests. The proposed guidance would require investments in residual interests to be initially reported at cost or allocated cost using proportional fair value if the investments were acquired with debt tranches from the securitization. It would also require investments in residual tranches to be reported at the lower of adjusted cost or fair value after initial acquisition, with reductions in fair value below adjusted cost to be reported as an other-than-temporary impairment. An updated issue paper detailing historical discussions and decisions reached on the guidance developed for the bond project was also exposed.

SAPWG exposed additional revisions to SSAP No. 2R to further restrict the investments that are permitted for reporting as a cash equivalent or short-term investment (Ref #2023-17). The proposed revisions are intended to capture certain investment types (e.g., collateral loans, mortgage loans) on designated reporting lines on Schedule BA and to eliminate the potential to design investments to specifically qualify for short-term reporting. Modifications to the guidance in SSAP No. 2R regarding related party investments and certificate deposits have not been proposed.

SAPWG adopted revisions to SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, to clarify that investment structures captured in its scope that represent residual interests or that predominantly hold residual interests are to be reported on the dedicated residual reporting line on Schedule BA (Ref #2023-12). Corresponding revisions to update SSAP No. 43R and the Schedule BA instructions were also adopted.

SAPWG adopted revisions to SSAP No. 43R to add collateralized loan obligations (CLOs) to the financial modeling guidance and clarify that CLOs are not captured as legacy securities (Ref #2023-02). The revisions align the financial modeling guidance summarized in SSAP No. 43R with the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) guidance that was adopted in February 2023.

SAPWG exposed revisions to expand the scope of (a) SSAP No. 93, *Low-Income Housing Tax Credit Property Investments*, to include all qualifying tax credit investments in programs that are made primarily for the purpose of receiving general federal business tax credits, corresponding state tax credits or state premium tax credits and (b) SSAP No. 94R, *Transferable and Non-Transferable State Tax Credits*, to include state and federal tax credits that are purchased by the reporting entity without being an investor in the entity from which the tax credits were purchased (Ref #2022-14). The proposed revisions to SSAP No. 93 would allow for the application of the proportional amortization method to all qualifying tax credit investments, regardless of their structure, that meet the criteria to be accounted for within the scope of the revised guidance. The proposed revisions to SSAP No. 94R specify the accounting treatment for the recognition of purchased tax credits, with transition guidance for unutilized tax credits that have been carried forward from before the effective date of the revised guidance.

SAPWG adopted revisions to SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets*, and related Issue Paper No. 168, *Updates to the Definition of a Liability*, to incorporate the definition of a liability from Financial Accounting Standards Board (FASB) Concepts Statement No. 8, *Conceptual Framework for Financial Reporting* (Ref #2022-01). The revisions define a liability as a present obligation of an entity to transfer an economic benefit and clarify that the updated definition is applicable unless another authoritative SSAP provides more topic-specific contradictory guidance.

SAPWG adopted revisions to SSAP No. 24, *Discontinued Operations and Unusual or Infrequent Items*, to clarify the intent of the previously adopted disclosures from Accounting Standards Update (ASU) 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, that require unusual or infrequent government assistance transactions to be identified as such, with a description of the terms and provisions of the assistance received (Ref #2023-06). The revisions also reject the US GAAP guidance for the grant and contribution model in ASU 2021-10 for statutory accounting.

SAPWG adopted revisions to clarify and incorporate a practical expedient to the paid-in-kind (PIK) interest aggregate disclosure in SSAP No. 34, *Investment Income Due and Accrued* (Ref #2023-13). The revisions specify how paydowns and disposals would affect PIK interest included in the cumulative principal balance and eliminate the potential inconsistency in applying the guidance without modifying the existing disclosure requirements in SSAP No. 34.

SAPWG adopted revisions to SSAP No. 95, *Nonmonetary Transactions*, and SSAP No. 104R, *Share-Based Payments*, to incorporate the US GAAP guidance in ASU 2019-08, *Compensation — Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements — Share-Based Consideration Payable to a Customer*, with modification to address share-based consideration payable to customers for statutory accounting (Ref #2023-07). However, SAPWG rejected the incorporation of the Topic 606 guidance included in ASU 2019-08 into SSAP No. 47, *Uninsured Plans*.

SAPWG exposed the topics to be included in a long-term project to incorporate accounting guidance for the asset valuation reserve (AVR) and interest maintenance reserve (IMR) in SSAP No. 7, *Asset Valuation Reserve and Interest Maintenance Reserve*, with any revisions from the annual statement instructions identified as part of this project to be captured as a new statutory accounting principles (SAP) concept with a corresponding issue paper to detail the revisions (Ref #2023-14).

SAPWG also exposed revisions to the annual statement instructions to remove the guidance for IMR/AVR that permits the specific allocation of non-interest-related losses to IMR (Ref #2023-15). The proposed revisions clarify the intent of the guidance whereby non-interest-related losses are to be allocated to AVR.

Interpretations of statutory accounting principles

SAPWG adopted revisions to INT 20-01: *ASUs 2020-04 & 2021-01 — Reference Rate Reform* to extend the expiration date of the interpretive guidance to 31 December 2024 (Ref #2023-05).

SAPWG adopted INT 23-01: *Net Negative (Disallowed) Interest Maintenance Reserve* to prescribe a limited-time, optional exception to the statutory accounting guidance in SSAP No. 7 and the annual statement instructions for the disallowance of net negative IMR (Ref #2022-19). The interpretive guidance allows a reporting entity with authorized control level RBC greater than 300%, after adjustment to remove admitted goodwill, electronic data processing (EDP) equipment and operating system software, net deferred tax assets and admitted net negative IMR from its total adjusted capital, to admit net negative IMR recorded in both the general and separate accounts of up to 10% of adjusted capital and surplus. Derivative losses included in the net negative IMR balance would not be excluded if the reporting entity can demonstrate that it has historically recognized realized gains from derivatives carried at fair value in its IMR balance. It also includes application guidance for recognizing and admitting net negative IMR in the general and separate accounts and a disclosure requirement for management to attest to compliance with documented policies and procedures regarding the sales of securities that resulted in the generation of negative IMR. The interpretation will be automatically nullified on 1 January 2026, subject to adjustment based on the status of the long-term project to develop statutory accounting guidance for the recognition of net negative IMR as an admitted asset. INT 23-01 was subsequently adopted by the Financial Condition (E) Committee (E Committee).

SAPWG also formed an ad hoc technical group to assist in the development of statutory accounting guidance for the recognition of net negative IMR as an admitted asset.

SAPWG adopted INT 23-03: *Inflation Reduction Act — Corporate Alternative Minimum Tax* to address the applicability of the corporate alternative minimum tax (CAMT) for periods ending on and after 31 December 2023 (Ref #2023-04). The interpretive guidance identifies three categories of reporting entities: nonapplicable, applicable and applicable but has a tax-sharing agreement (TSA) that will exclude them from paying the CAMT. It applies the existing guidance in SSAP No. 101, *Income Taxes*, for determining the realizability and admissibility of deferred tax assets, to the extent practicable, with specific disclosure requirements for tax calculations affected by the CAMT. It also provides transition guidance for the reliance on TSA amendments or new TSAs for the 2023 tax year that have not been approved by the reporting entity's domiciliary state regulator but are filed by year-end 2023.

SAPWG also adopted INT 23-02: *Third Quarter 2023 Inflation Reduction Act — Corporate Alternative Minimum Tax* to address the applicability of the CAMT for third quarter 2023 reporting purposes. The interpretive guidance includes disclosure requirements related to a reporting entity's status as an applicable corporation and its ability to make a reasonable estimate for the CAMT liability. It also retained the subsequent events guidance that was previously included in INT 22-02: *Third Quarter 2022 through Second Quarter 2023 Reporting of the Inflation Reduction Act — Corporate Alternative Minimum Tax*. The interpretation will be automatically nullified on 16 November 2023.

Other matters

SAPWG directed the NAIC staff to submit a blanks proposal to the Blanks (E) Working Group (BWG) to revise the reporting lines on Schedule BA to encompass debt securities that do not qualify as bonds (excluding residual interests) and provide a formal notice to the Valuation of Securities (E) Task Force (VOSTF) and the Capital Adequacy (E) Task Force (CATF) regarding the blanks proposal to allow life reporting entities the ability to use existing Schedule BA reporting provisions for NAIC designations assigned by the NAIC Securities Valuation Office (SVO) in determining the RBC requirement for debt securities that do not qualify as bonds (Ref #2019-21).

Blanks (E) Working Group

Appendix B summarizes the actions taken by BWG since the 2023 Spring National Meeting.

Capital Adequacy (E) Task Force

The NAIC Plenary adopted the following requirements applicable to investments in residual tranches in the Life RBC formula that were developed by CATF:

- A base factor of 0.30 for 2023 year-end reporting purposes, which will be replaced with a base factor of 0.45 for 2024 year-end reporting purposes (Ref #2023-09-IRE)
- A factor of 0.15 for the sensitivity test for 2023 year-end reporting purposes (Ref #2023-10-IRE)

CATF received an update from the Risk Evaluation Ad Hoc Group that was formed to take the lead on evaluating various aspects of the RBC framework. The ad hoc group established the following subgroups: Asset Concentration Ad Hoc Subgroup, RBC Purposes and Guidelines Ad Hoc Subgroup, and Geographic Concentration Ad Hoc Subgroup. These ad hoc subgroups expect to meet regularly after the 2023 Summer National Meeting.

Appendix C summarizes the developments affecting RBC requirements for each of the insurance sectors based on actions taken by CATF and the various NAIC groups that report to it since the 2023 Spring National Meeting.

Life RBC (E) Working Group

The Life RBC (E) Working Group exposed a proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the Life RBC formula and related instructions. The industry proposal intends to align the current charge of 1.26% for conforming repurchase agreements with the charge for conforming securities lending programs of 0.2%. It includes the establishment of a "conforming program criteria" option for repurchase agreements through the general interrogatories, which will have clear operational and risk guidelines for repurchase agreements to be considered "conforming," with reporting enhancements that will allow regulators to validate that reported repurchase agreements meet the "conforming" definition. Comments are due by 29 September 2023.

Health RBC (E) Working Group

The Health RBC (E) Working Group discussed the feedback received on the proposed revisions to the premiums and reserves ratio calculations in the health test language for all lines of business in Part 2 of the general interrogatories. The revisions were developed to clarify and provide better transparency in the calculation of the numerator and denominator of these ratios, align the source of the information used in the calculations and require them to be performed on a net basis. The Working Group sent a referral to BWG to update the related instructions in the Health and Property and Casualty (P&C) annual statement blanks for the revised requirements.

The Working Group received an update from the American Academy of Actuaries (Academy) on its work to analyze and review the underwriting risk (i.e., H2) component and managed care credit calculation in the Health RBC formula. The Academy identified nuances in components of the experience fluctuation risk (EFR) formula in the Analysis of Operations by Lines of Business page of the Health annual statement blank, which include:

- Fee-for-service revenue is netted against incurred claims for comprehensive major medical, but not netted against incurred claims for Medicare or Medicaid.

- Fee-for-service revenue netting can result in erratic net loss ratio experience for health plans with significant fee-for-service revenue levels.
- Other health risk revenue is included in the revenue calculation for comprehensive major medical, but excluded from the revenue calculation for Medicare or Medicaid.
- Aggregate write-in revenue (health and non-health) is excluded from the EFR calculation.

The Academy is seeking feedback from the Working Group on potential revisions to the components of the EFR formula. The Working Group exposed the Academy's update letter on the status of this project and will work with Academy representatives to address the identified nuances.

Property and Casualty RBC (E) Working Group

The P&C RBC (E) Working Group received an update from the Academy on its project to recalibrate portions of the reserve and premium risk in the R4 and R5 components of the P&C RBC formula, including the development of updated risk factors, investment income adjustments and line of business diversification factors. The Academy's report highlights the following:

- The impact of changes in the reserve and premium risks on lines of business and industry-authorized control level RBC
- Enhancements to align the time horizon for the investment income adjustment with the risk horizon for the investment portfolio
- New present value methodology for investment income adjustments due to the increase in interest rates experienced in 2022
- Statistical safety level used in the P&C RBC formula
- The adjustments for catastrophe risk captured in the Rcat component of the P&C RBC formula

The Working Group exposed the report to solicit feedback on the Academy's recommendations. Comments are due by 5 November 2023.

The Working Group also discussed the possibility of reviewing the charges in the P&C RBC formula that have not been reviewed since they were developed. Further discussion on this topic is planned at a future meeting to be scheduled by the Working Group.

RBC Investment Risk and Evaluation (E) Working Group

The RBC Investment Risk and Evaluation (E) Working Group (RBCIRE) received an update from the Academy regarding its work to analyze and address CLO investment structures in the RBC formulas. The Academy created a flowchart for use in determining whether an asset class requires modeling and whether securities within an asset class need to be modeled individually to determine the appropriate C1 (i.e., investment risk) factors. The Academy also proposed the use of a principles-based approach to determine the C1 factors for asset classes that require modeling, which include the following seven candidate principles:

- The purpose of RBC is to help regulators identify weakly capitalized insurers; therefore, small inaccuracies in RBC formulaic requirements will seldom justify a change to the RBC formula.
- RBC measures the impact on statutory surplus, and changes in accounting treatment will affect C1 requirements.
- RBC arbitrage can only be measured for asset-backed securities where the underlying collateral has an established asset-class-specific C1 requirement.
- The motivation behind creating an asset-backed securities structure should have no bearing on its C1 requirements.
- C1 requirements on asset-backed securities should treat the collateral as a dynamic pool of assets, incorporating future trading activity that is likely to occur based on historical data or mandated by the structure's legal documents.
- RBC is based on the holdings of an insurer, and assets not owned by an insurer should not impact its RBC.

- C1 requirements for asset-backed securities should be calibrated to different risk measures where appropriate.

Further discussion on this topic is planned at a future meeting to be scheduled by RBCIRE.

Requirements for principle-based reserving

The Life Actuarial (A) Task Force (LATF) continued its work to update the *Valuation Manual* (VM) and address issues related to the implementation of the principle-based reserving (PBR) framework for life and annuity products. The actions taken by LATF include revisions to the guidance in VM-20: *Requirements for Principle-Based Reserves for Life Products* and VM-21: *Requirements for Principle-Based Reserves for Variable Annuities*, which are summarized below.

Life and variable annuity products

The NAIC Plenary adopted 12 amendments to the *Valuation Manual*, which include the following revisions to the 1 January 2023 *Valuation Manual* developed by LATF since the 2023 Spring National Meeting that will:

- Add modeling guidance for index credit hedging to VM-21, whereby index credit hedging will be subject to the "clearly defined" documentation requirements of VM-21, with a requirement to include index credit hedge instruments in the VM-21 "best efforts" and "adjusted" runs, as applicable, and permit these instruments to be modeled with a different, and potentially lower, level of hedge ineffectiveness
- Remove the Company-Specific Market Path method for calculating the standard projection amount in VM-21, effective 1 January 2025, as the method was rarely used and significant effort would be required to update it for the new generator of economic scenarios
- Modify the lag period for the collection of mortality experience data from two years to one year in VM-51: *Experience Reporting Formats*
- Clarify the support necessary to prove compliance with the requirement that mortality experience rates are not to be lower than the mortality rates the company expects to emerge and achieve the objective of the requirement to evidence forward-looking expectations via a discussion of underwriting, distribution channel, pandemic changes and results of ongoing experience monitoring (among other assumptions) in VM-31: *PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation*

LATF also exposed the following amendments to the VM that will:

- Add an aggregate cash surrender value floor for scenario reserves in the VM-20 stochastic reserve calculation and modify the VM-20 net premium reserve calculation for universal life with secondary guarantees to increase or decrease relative to the level of funding of the secondary guarantee
- Require any specific considerations for historical mortality improvement that are adopted by LATF and published on the Society of Actuaries' website to be incorporated into the development of the company's historical mortality improvement assumption in VM-20

Non-variable annuity products

The VM-22 (A) Subgroup continued its work to develop an updated draft of the PBR framework for non-variable annuity products. The current version of the updated draft includes a small-company exemption that will allow certain insurance companies to be exempt from the framework. It also provides guidance to address the exclusion test for payout annuities, investment policy requirements for hedging strategies and the valuation treatment for specific riders. The target date for implementation of the framework remains 1 January 2026, with a three-year transition period for its implementation.

The Subgroup exposed draft requirements for the standard projection amount (SPA), which focuses on the structure and methodology of the SPA as opposed to specific assumptions. No decision has been made on whether the SPA will be included as a minimum floor in the reserve calculation or considered for disclosure-only purposes. Comments are due by 24 October 2023.

Net negative IMR

LATF adopted an amendment to the VM to clarify the treatment of negative IMR in PBR and asset adequacy testing as a result of SAPWG adopting INT 23-01. The revised guidance will be effective on 1 January 2025.

LATF separately adopted an NAIC staff memorandum to provide interim guidance for the allocation of IMR until the effective date of the VM amendment. The interim guidance indicates that the allocation of IMR in VM-20, VM-21 and VM-30: *Actuarial Opinion and Memorandum Requirements* should be principles-based and reasonable. Any non-admitted portion of IMR (or pretax IMR, as applicable) is not required to be allocated. However, any portion of negative IMR that is an admitted asset should be allocated for purposes of VM-20, VM-21 and VM-30. The guidance in this memorandum will apply to year-end 2023 and 2024 reserve valuations to address the current uncertainty and concerns that exist with the potential "double-counting" of losses.

LATF also adopted an optional supplemental IMR reporting template that would be provided as part of the PBR Actuarial Report or Actuarial Memorandum upon request by the reporting entity's domiciliary state regulator. The information required by the template is intended to assist regulators in verifying that the admitted portion of net negative IMR has been appropriately allocated for PBR and asset adequacy testing purposes.

Macroprudential activities

Various NAIC groups continued their work on areas of the NAIC's Macroprudential Initiative to improve the ability of state insurance regulators to monitor and respond to financial and economic risks affecting the US insurance industry as a whole and individual insurance reporting entities.

Liquidity assessment and capital stress testing

The Macroprudential (E) Working Group (MWG) indicated that the NAIC staff is continuing to review the 2022 liquidity stress test (LST) filings and expects to provide summarized results before the 2023 Fall National Meeting. The Working Group will begin to work on the 2023 LST framework and consider whether any modifications need to be made to the stress scenarios. Separate account liquidity requirements and asset sales in stress scenarios will be an area of focus in the work to be performed.

The Group Capital Calculation (E) Working Group adopted revisions to the primary scalar methodology used in the group capital calculation and the corresponding instructions, effective for 2023 year-end reporting purposes. The revisions replace the placeholder scalars, which convert non-US available and required capital amounts into an RBC equivalent on a 1:1 basis, with excess relative ratio scalars that appropriately recognize non-US business in the group capital calculation formula.

Recovery and resolution

The Receivership and Insolvency (E) Task Force adopted revisions to the Property and Casualty Insurance Guaranty Association Model Act (Model #540), which were developed to address restructuring mechanisms and continuity of guaranty fund coverage after insurance business transfers and corporate division transactions. The Task Force exposed further revisions to Model #540 to incorporate changes from the feedback received and address cybersecurity insurance coverage in the payment of obligations to the claimant for an insurer subject to an order of liquidation.

The Task Force also exposed a template for describing the US receivership regime that is intended for use by lead state insurance regulators to provide consistency in discussions with international regulators and assist in developing resolution plans for internationally active insurance groups (IAIGs).

Private equity and other matters

MWG provided a status report on each of the 13 items in the *Regulatory Considerations Applicable (But Not Exclusive) to Private Equity (PE) Owned Insurers* document. The items with changes since the 2023 Spring National Meeting have been summarized below.

Holding company structures

The Group Solvency Issues (E) Working Group (GSIWG) formed a drafting group to develop best practices for regulatory review in this area. Once developed, the drafting group will determine whether any of the best practices should be included in NAIC Handbooks or if other action should be considered.

Ownership and control

GSIWG formed a drafting group to develop best practices for regulatory review in this area. Once developed, the drafting group will determine whether any of the best practices should be included in NAIC Handbooks or whether other action should be considered.

Investment management agreements (IMAs)

The Risk-Focused Surveillance (E) Working Group completed its work to develop guidance to be included in the *Financial Analysis Handbook* and the *Financial Condition Examiners Handbook* to address the regulatory review of transactions and service agreements between insurance companies and their affiliates. The Working Group will begin its work on more targeted guidance to address affiliated IMAs.

Owners of insurers with short-term focus and/or unwilling to support a troubled insurer

LATF is reviewing the findings identified from the information submitted by insurance companies that address the disclosures related to investment return assumptions for complex and high-yielding assets as required by *Actuarial Guideline LIII — Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53). Targeted reviews of these disclosures were performed to determine whether the investment return assumptions are appropriate and not overly optimistic.

Asset manager affiliates and disclaimers of affiliation

SAPWG adopted revisions to SSAP No. 26R and SSAP No. 43R that incorporate the principles-based bond definition for use in determining whether an investment (i.e., security) qualifies for reporting on Schedule D, Part 1 (SAPWG Ref #2019-21). Reporting changes to Schedule D, Part 1 have also been exposed by BWG in response to the actions taken by SAPWG (Ref# 2023-06BWG MOD).

Privately structured securities

RBCIRE's current work on CLOs may contribute to addressing this item.

Pension risk transfer (PRT) business supported by complex investments

MWG reported that the Department of Labor is in the process of updating its fiduciary requirements, which require due diligence in assessing an insurer prior to a PRT transaction.

Offshore/complex reinsurance

The E Committee adopted the Macroprudential Reinsurance Worksheet, which is an optional tool for use by lead state insurance regulators in their review of a cross-border reinsurance transaction involving different regulatory systems. The worksheet is intended to allow regulators to obtain information necessary to understand the economic impacts of a proposed reinsurance transaction on an ad hoc basis and enhance their ability to monitor these transactions.

The work to be performed in response to the above items includes in-process projects and other actions that have yet to be determined.

Innovation, Cybersecurity, and Technology

The Innovation, Cybersecurity, and Technology (H) Committee (H Committee) and the Collaboration Forum on Algorithmic Bias discussed the feedback received on the first draft of the regulatory guidance included in the *NAIC Model Bulletin: Use of Algorithms, Predictive Models, and Artificial Intelligence Systems by Insurers*. The bulletin is intended to be principles-based and direct insurers to existing regulation and model laws addressing the use of predictive models and other artificial intelligence (AI) systems. The overall feedback was supportive of its intention, with clarification requested on various topics, including third-party oversight, definitions and a principles-based approach to setting governance expectations. The H Committee will develop a revised draft of the bulletin, which is expected to be ready for exposure prior to the 2023 Fall National Meeting.

The actions taken by various NAIC groups that report to the H Committee since the 2023 Spring National Meeting are summarized below.

Big Data and AI (H) Working Group

The Big Data and AI (H) Working Group discussed the responses to the AI and machine learning survey distributed to life insurance companies with more than $250 million in premiums on all individual policies issued in 2021, insurance companies that have issued term policies on more than 10,000 lives and specifically selected InsurTech companies. The survey results noted that 70% of companies currently use, plan to use or plan to explore AI and machine learning, as defined by the survey. The reasons indicated by these companies for not using or planning to explore the use of AI and machine learning included a belief that their use did not have a compelling business purpose and a preference to wait until there is more regulatory guidance surrounding the topic.

Privacy Protections (H) Working Group

The Privacy Protections (H) Working Group discussed the feedback received on the second exposure draft of the new Insurance Consumer Privacy Protection Model Law (Model #674), which is being developed to addresses data privacy protections for insurance consumers. The new model would enhance consumer protections and the corresponding obligations of entities licensed by state insurance departments in this area.

A drafting session was held after the 2023 Spring National Meeting where regulators and industry stakeholders collaborated on the development of content to be included in Model #674. However, the feedback received on the current version of the draft model expressed significant concerns on the viability of its adoption by individual states. The Working Group intends to request an extension to the deadline for completing its work once the next version of the draft model is exposed.

Executive Committee

The NAIC Plenary adopted:

- Amendments to the Mortgage Guaranty Insurance Model Act (Model #630), which were developed by the Mortgage Guaranty Insurance (E) Working Group and included the removal of Section 21 — No Private Right of Action in its entirety from the revised Model #630
- Amendments to the Nonadmitted Insurance Model Act (Model #870), which were developed by the Surplus Lines (C) Task Force to modernize and align its provisions with the federal Nonadmitted and Reinsurance Reform Act of 2010

The Executive (EX) Committee (EX Committee) received an update on model law development efforts for the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (Model #171). The Accident and Sickness Insurance Minimum Standards (B) Subgroup continued its work to develop revisions to Model #171, focusing on the content of Section 9 related to required disclosure provisions. The Subgroup will also address the feedback received on proposed revisions to other sections of Model #171 and expects to expose a draft of the revised Model #171 by the end of 2023.

The actions taken by various NAIC groups that report to the EX Committee since the 2023 Spring National Meeting are summarized below.

Climate and Resiliency (EX) Task Force

The Climate and Resiliency (EX) Task Force received an update on the work being performed by its Solvency workstream on the evaluation and development of a regulatory approach to climate scenario analysis. NAIC staff has assisted in the identification of information that would be valuable to regulators in the development of the regulatory approach. The workstream expects to expose a draft referral by September 2023.

The Solvency workstream also provided an update on the referrals that were previously submitted to the Financial Analysis Solvency Tools (E) Working Group, the Financial Examiners Handbook (E) Technical Group and the Own Risk and Solvency (ORSA) Implementation (E) Subgroup for the potential inclusion of proposed climate risk enhancements in the *Financial Analysis Handbook*, the *Financial Condition Examiners Handbook* and the *ORSA Guidance Manual*, respectively. The workstream anticipates the updates to the *Financial Analysis Handbook* and the *Financial Condition Examiners Handbook* will be completed by the end of 2023.

Special (EX) Committee on Race and Insurance

The Special (EX) Committee on Race and Insurance (SCRI) received an update on the work being performed by its various workstreams to identify issues related to race, diversity and inclusion in the insurance sector, and access to insurance products and practices in the insurance sector that potentially disadvantage people of color and historically underrepresented groups.

SCRI's P&C workstream continued to engage with the H Committee's Collaboration Forum on Algorithmic Bias to understand and evaluate the potential for bias to exist in various operational areas (e.g., marketing, access to insurance, underwriting, rating and claims handling) of the P&C insurance market. The workstream also engaged with P&C insurers to understand their underwriting and rating practices to address unfair discrimination in the market and is reviewing recent studies and reports concerning the possibility of unfair bias within underwriting and rating.

SCRI's Life workstream continued to focus on marketing, distribution and access to life insurance products in minority communities. The workstream intends to collaborate with the NAIC Diversity, Equity, and Inclusion Division and state diversity leaders to develop a resource guide of information that state insurance departments can leverage to improve access to and understanding of life insurance products in underserved communities. The workstream also engaged with industry stakeholders to obtain feedback on information to be included in the resource guide.

SCRI's Health workstream continued to focus on examining provider network and benefit structures, as well as consumer engagement and education. The workstream heard presentations on preventive care, particularly for chronic diseases, and the impact of lowering barriers to such preventive care. The workstream is also creating a collaborative workspace to provide a forum for its members to share information on removing barriers to health insurance for historically disadvantaged communities.

Life Insurance and Annuities

The A Committee adopted the charges for the formation of the Generator of Economic Scenarios (E/A) Subgroup and disbanded the Index-Linked Variable Annuities (A) Subgroup, as it had completed its charges with the adoption of *Actuarial Guideline LIV — Nonforfeiture Requirements for Index-Linked Variable Annuity Products* (AG 54).

The actions taken by various NAIC groups that report to the A Committee since the 2023 Spring National Meeting are summarized below.

Life Actuarial (A) Task Force

LATF exposed the Historical Mortality Improvement (HMI) and Future Mortality Improvement (FMI) factors and the related HMI and FMI scale that were developed by the Academy and the Society of Actuaries (SOA) for use in 2023 reserve valuations. The historical and future averaging periods used to develop the HMI factors continue to be 10 years and 20 years, respectively. The development of the recommended factors for the FMI scale follows the same approach that was applied in 2022, incorporating mortality deterioration in the initial years to account for the effects of COVID-19 and grading to a level of long-term mortality improvement at projection year 10, with no additional mortality improvement at projection year 20.

LATF also exposed the 2024 Generally Recognized Expense Tables (GRETs) that were developed by the SOA Research Institute for use in individual life insurance sales illustrations. The methodology for calculating the recommended GRET factors for 2024 is consistent with the methodology applied in prior years.

LATF heard a presentation on the findings from state regulator reviews of AG 53 reports. Approximately 250 life insurance companies submitted reports for 2022 year-end reporting purposes, which were reviewed by a team of actuaries, investment experts and other financial staff. These reviews indicated that a vast majority of life insurers have reasonable net yield assumptions. However, those with outlier assumptions have been identified for follow-up procedures to address the regulatory concern that reserves may turn out to be inadequate if assets underperform.

LATF updated its AG 53 guidance document and exposed an updated version of the AG 53 templates for 2023 year-end reporting purposes. The revised guidance clarifies certain of the requirements for information to be included in the AG 53 report, including sensitivity testing for currently held equities, structured assets by tranche and asset allocations in future-projection years.

LATF continued to review the results of the VM-21 and C3 Phase II field test and heard a presentation on the results of the C3 Phase I field test of the Generator of Economic Scenarios (GOES). LATF plans to expose a comprehensive set of interest rate acceptance criteria for GOES prior to the 2023 Fall National Meeting. Additionally, LATF and NAIC staff are exploring ways in which NAIC model office testing can supplement or replace components of industry field testing to efficiently evaluate the new scenario sets.

Health Insurance and Managed Care

The Health Insurance and Managed Care (B) Committee (B Committee) received a referral from the Financial Analysis (E) Working Group (FAWG) to determine whether it would be beneficial for the Committee and the Centers for Medicare & Medicaid Services (CMS) to discuss the implications of the calculation of the risk adjustment receivable (payable) on the current or prospective financial solvency position of new health insurers entering the exchanges and experiencing significant growth and whether state insurance regulators identify a need for changes to the calculation.

The actions taken by various NAIC groups that report to the B Committee since the 2023 Spring National Meeting are summarized below.

Long-Term Care Actuarial (B) Working Group

The Long-Term Care (LTC) Actuarial (B) Working Group received a referral from the Health RBC (E) Working Group to add clarification to *Actuarial Guideline LI — The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) indicating that asset adequacy testing is required for products in the scope of AG 51 as long as the criteria are met, regardless of the type of blank filed. The LTC Actuarial (B) Working Group will develop a proposal to update the AG 51 instructions for this clarification and present the update for discussion at a future meeting.

The LTC Actuarial (B) Working Group continued its discussion on the *Long-Term Care Insurance Multistate Rate Review Framework* document, specifically as it relates to the Minnesota, Utah and Texas actuarial approaches that were previously exposed for potential use as a single approach in the review of multistate actuarial filings. The feedback received primarily related to how each approach would address large rate increase requests, the absence of explicit cost-sharing provisions, adequacy of premiums and consideration of the duration of policies. The LTC Actuarial (B) Working Group will continue to work on these focus points, with further discussion planned at a future meeting.

The Working Group will also develop revisions to VM-25*: Health Insurance Reserves Minimum Reserve Requirements* to incorporate tables from the Academy and SOA Research Institute's *Long-Term Care Insurance Mortality and Lapse Study*.

Pharmacy Benefit Manager Regulatory Issues (B) Subgroup

The Pharmacy Benefit Manager (PBM) Regulatory Issues (B) Subgroup adopted the *Guide to Understanding Pharmacy Benefit Manager and Associated Stakeholder Regulation* white paper, which will be an informational resource to state insurance regulators on topics that include the pharmaceutical drug pricing ecosystem; enforcement; interaction of federal and state laws regulating PBM business practices; functional issues in areas such as formulary design, rebates, pricing and network adequacy; and state laws applicable to the drug supply chain.

Property and Casualty Insurance

The NAIC Plenary adopted the *Understanding the Market for Cannabis Insurance: 2023 Update* white paper developed by the Cannabis Insurance (C) Working Group. The white paper addresses the following topics:

- Understanding cannabis concepts and terms
- Expansion of states legalizing cannabis
- Recent federal legislative activities
- Current regulatory, licensing and educational landscape for cannabis business
- Evolution of operating and organizational structures for cannabis businesses

- Insurance needs of the cannabis market and current insurance coverage availability
- Market considerations for commercial cannabis insurance
- Emerging issues, such as cannabis product innovation and on-site consumption lounges

The actions taken by various NAIC groups that report to the P&C Insurance (C) Committee since the 2023 Spring National Meeting are summarized below.

Casualty Actuarial and Statistical (C) Task Force

The Casualty Actuarial and Statistical (C) Task Force submitted comments on the proposed Actuarial Standard of Practice (ASOP) on enterprise risk management developed by the Actuarial Standards Board (ASB) of the Academy. The proposed ASOP is intended to replace ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*, and ASOP No. 47, *Risk Treatment in Enterprise Risk Management*, that the ASB adopted in 2012. It would address today's enterprise risk management practices and terminology, provide guidance on topics where the existing ASOPs previously provided little or no guidance (i.e., governance over risk processes, risk identification, risk classification, and considerations related to an organization's own risk and solvency assessment), and align with ASOP No. 55, *Capital Adequacy Assessment*, which addresses topics with strong connections to enterprise risk management.

Actuarial Opinion (C) Working Group

The Actuarial Opinion (C) Working Group exposed the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2023* (2023 Regulatory Guidance). The 2023 Regulatory Guidance includes minor revisions to eliminate guidance on COVID-19 and to provide guidance on steps to take when a material error is identified.

The Working Group also discussed proposed revisions to the *2024 P&C Actuarial Opinion Instructions*, which would require appointed actuaries to only provide qualification documentation upon initial appointment and eliminate the requirement for the appointed actuaries to provide such documentation annually thereafter.

The Working Group submitted its response to a referral from FAWG regarding the use of predictive models in reserving. FAWG identified a case reserving model using predictive analytics to establish ultimate case reserves for open claims based on the specifics of each open claim. The Working Group highlighted that regulators should review any type of predictive model with a focus on evaluating management's understanding and use of the model, rather than obtaining a deeply technical understanding of the model mechanism. The Working Group also suggested that FAWG leverage the model and data regulatory questions being developed by the Big Data and AI (H) Working Group to help regulators in their review of predictive models.

Catastrophe Insurance (C) Working Group

The Catastrophe Insurance (C) Working Group received a status report on its project to update the *Catastrophe Modeling Primer* that addresses the basics of catastrophe modeling. The primer document is intended to provide state departments of insurance with a resource to inform new and non-expert staff about the basics of catastrophe modeling and be a bridge to the training being developed by the NAIC's Catastrophe Modeling Center of Excellence. The drafting group expects to complete its work to update the primer document by the 2023 Fall National Meeting.

Market Regulation and Consumer Affairs

The Market Regulation and Consumer Affairs (D) Committee (D Committee) adopted revisions to the *Market Regulation Handbook*. The revisions clarify the best practices for regulators to follow when engaging in multistate settlement negotiations and drafting multistate settlement agreements (MSAs), specifically as they relate to which state leads negotiations, content to be included in an MSA and confidentiality protocols.

The D Committee also adopted the Voluntary Market Regulation Certification Program, which was developed from a pilot program involving 18 states to establish minimum standards that promote sound practices relating to the market conduct examination, market analysis and related activities performed for insurance consumer protection.

The actions taken by various NAIC groups that report to the D Committee since the 2023 Spring National Meeting are summarized below.

Antifraud (D) Task Force

The Antifraud (D) Task Force and the Improper Marketing of Health Insurance (D) Working Group continued their work to develop revisions to the Unfair Trade Practices Act (Model #880). The revisions will define a health insurance lead generator, identify the marketing-related activities of health insurance lead generators that are unfair trade practices and provide state insurance regulators with the authority to regulate those activities in the health insurance marketplace. The revised Model #880 is targeted for approval by the end of 2023.

Financial Condition

The E Committee exposed a draft of the *Framework for Regulation of Insurer Investments* document that provides background on recent NAIC initiatives to address gaps in the regulatory framework for insurer investments. The document provides a holistic review of ongoing projects that are intended to address a material, observable shift in insurer investment strategies — primarily, but not limited to, life insurance and reinsurance — toward more private assets, structured assets and complex assets. It also highlights potential regulatory enhancements that would modernize the role and capabilities of the NAIC SVO, Investment Analysis Office and Structured Securities Group for investment risk assessment and guidelines for developing changes in the RBC factors for investments that would encourage consistency across asset classes and address areas where inconsistent treatment would result in a capital charge that is not commensurate with the underlying asset risk. Comments are due by 2 October 2023.

The actions taken by various NAIC groups that report to the E Committee since the 2023 Spring National Meeting are summarized below.

Financial Analysis Solvency Tools (E) Working Group

The Financial Analysis Solvency Tools (E) Working Group exposed the following revisions to the *Financial Analysis Handbook*:

- Revisions to incorporate risks that address the potential effect of climate change and energy transition on invested assets for property and casualty insurers
- Revisions to provide considerations for exempting risk retention groups from the group capital calculation
- Revisions to improve efficiency in quarterly and/or annual risk assessment documentation
- Revisions to address the role of the financial analyst in the examination process
- Revisions to include a reference to the memorandum of understanding (MOU) template as part of the considerations for troubled insurance companies that are in pre-liquidation situations
- Revisions to include a footnote to reference the additional guidance in the *Receiver's Handbook for Insurance Company Insolvencies* and the *Troubled Insurance Company Handbook* as part of the considerations for the crisis management group established by the group-wide supervisor with the objective of enhancing preparedness for, and facilitating the recovery and resolution of, an IAIG

Financial Examiners Handbook (E) Technical Group

The Financial Examiners Handbook (E) Technical Group adopted the following revisions to the *Financial Condition Examiners Handbook* (FCEH):

- Revisions to Exhibit G — Consideration of Fraud and related guidance to align the risk-focused examination approach and encourage financial examiners to leverage the work performed by others (especially external auditors) when considering fraud in financial condition examinations
- Revisions to clarify the sections of Exhibit G that are required to be completed by financial examiners, except that the Fraud Risk Factor Checklist is not required to be completed if the external auditor's fraud testing is deemed to be reliable

- Revisions to include a reference to the MOU template in Section 1 Part III — General Examination Considerations to facilitate transitional planning and preparation, communication, and information sharing as part of the examination of potentially troubled insurance companies that are in a pre-liquidation situation
- Revisions developed by the Risk-Focused Surveillance (E) Working Group to provide guidance for the regulatory review of transactions and service agreements between insurance companies and their affiliates, including whether any fees charged to an affiliate for services performed are based on a fair and reasonable rate

The Technical Group exposed the following revisions to the FCEH:

- Revisions to incorporate guidance related to the role of a financial analyst in an examination and requirements for the inclusion of significant changes to the planned examination approach in examination status reports
- Revisions to update the information requested at the onset of an exam to gain an understanding of the insurance company's exposure to and management of climate change risks, along with updates to various repositories to incorporate climate change risks for the examiner to consider in the investment, underwriting and reinsurance activities of the insurance companies

The Technical Group also received a referral from FAWG to consider incorporating additional guidance on strategic and operational risks faced by health insurers (e.g., failure to maintain adequate CMS star ratings, failure to properly identify and code member health status, failure to plan for variation in membership levels, challenges in provider contracting) in the FCEH. A drafting group was formed to address these considerations.

Reinsurance (E) Task Force

The Reinsurance (E) Task Force received an update from the Reinsurance FAWG on its review of foreign reinsurers for passporting. The Reinsurance FAWG has approved 61 reciprocal jurisdiction reinsurers and 41 certified reinsurers for passporting as of July 2023. The list of passported reinsurers is available on the NAIC website.

Restructuring Mechanisms (E) Working Group

The Restructuring Mechanisms (E) Working Group discussed the feedback received on its proposed revisions to the foundational principles and best practices guidance addressing insurance business transfers and corporate division laws for restructuring insurance companies. The Working Group requested feedback on the changes that were made to various sections of the guidance to address matters that were discussed at a previous meeting. New language addressing the feedback on pro forma financials, evaluating policyholder impacts and not creating monoline insurers, and policyholder advocate will be exposed at a later date in 2023.

Valuation of Securities (E) Task Force

VOSTF continued its work to amend the P&P Manual to clarify the instructions, modify various administrative procedures and improve the compilation function of the NAIC SVO.

VOSTF adopted an amendment to Part Two of the P&P Manual to update the Notice for Credit Deterioration guidelines for the List of Qualified US Financial Institutions maintained by the NAIC SVO. The amendment revises the guidelines for the removal of a financial institution from the List of Qualified US Financial Institutions to include actions either announced or taken by the financial institution's primary regulator(s).

VOSTF also adopted an amendment to Part Three of the P&P Manual to clarify the meaning of repurchase agreements in the derivatives transaction definition for funds. The amendment aligns the guidance in the P&P Manual with SSAP No. 103R, *Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, and eliminates any misconception that a fund cannot be the purchaser of securities or the lender of cash.

VOSTF discussed the feedback received on its proposed amendment to the P&P Manual that would update the definition of an NAIC designation. The proposed amendment would consolidate the explanations and definitions of an NAIC designation currently included in separate parts of the P&P Manual into Part One and clarify the meaning of an NAIC designation, including its use, purpose and risks addressed. The proposed amendment would also update the definition of "other non-payment risks" for securities assigned a subscript "S" and include illustrations of other non-payment risks warranting the assignment of this subscript in the P&P Manual. VOSTF directed the NAIC SVO staff to continue to work with industry stakeholders on the development of a revised definition of an NAIC designation.

VOSTF also discussed the feedback received on its proposed amendment to the P&P Manual that would authorize the procedures for the NAIC SVO to have discretion over NAIC designations assigned through the filing-exempt process. The proposed amendment is intended to address the NAIC's current level of reliance on ratings determined by credit rating providers, including situations where private placements and privately rated transactions do not provide transparency in the ratings process, but not prevent insurers from using the ratings determined by credit rating providers to determine the NAIC designation for specific investments. It would establish the process and procedures for the NAIC SVO to follow when challenging an NAIC designation assigned from a credit rating provider. Due to the volume of feedback received, VOSTF directed the NAIC SVO staff to develop a modified proposal incorporating the actionable feedback provided by industry stakeholders.

VOSTF discussed the status of the CLO modeling methodology project that is based on the results of the annual CLO stress tests performed by the NAIC Structured Securities Group, with assumptions over the mechanics of the modeling process and cash flow. The CLO Ad Hoc Group has finalized its work on the assumptions for prepay purchases and purchase pricing on CLO transactions, adopting a no-prepayment and no-discount purchase approach for CLO transactions. The Ad Hoc Group is continuing its work to illustrate the scenarios and probabilities under the CLO modeling methodology. Further discussion is planned at a future meeting to be scheduled by the Ad Hoc Group.

VOSTF also discussed the final list of questions for NAIC credit rating providers that incorporate feedback received by the NAIC SVO. The **list of questions** is available on the NAIC website. Discussions with credit rating providers to review the NAIC's credit assessment processes that are dependent upon credit ratings are planned at future meetings to be scheduled by VOSTF.

Financial Regulation Standards and Accreditation

The Financial Regulation Standards and Accreditation (F) Committee adopted the 2020 revisions to the Insurance Holding Company System Regulatory Act (Model #440) and related Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (Model #450). The revisions incorporate the group capital calculation and liquidity stress test requirements for the purpose of group solvency supervision and macroprudential surveillance, respectively, as significant elements of Part A: Laws and Regulations of the accreditation standards, effective 1 January 2026, with provisions to allow a state insurance commissioner to grant an exemption to the group capital calculation for groups meeting the standards set forth in Section 21A and Section 21B of Model #450 without the requirement to file at least once. This exemption primarily applies to risk retention groups.

International Insurance Relations

The International Insurance Relations (G) Committee (G Committee) received an update on the following implementation and assessment activities of the International Association of Insurance Supervisors (IAIS):

- Progress monitoring activities for the Targeted Jurisdictional Assessment are underway, which will culminate in a report by the end of 2023 that will be delivered to the Financial Stability Board.
- The development of a scope and thematic focus for a forthcoming implementation assessment of the Common Framework for the Supervision of IAIGs (i.e., ComFrame) is underway, with the assessment scheduled to launch before the end of 2023.
- A public consultation on a "candidate" version of the insurance capital standard (ICS) ahead of its adoption as a prescribed capital requirement for IAIGs in late 2024 has been released. Input has been solicited from stakeholders to support an economic impact assessment of the ICS.
- Specifications for data collection for both the ICS and Aggregation Method (AM) will be released by the end of April 2024, with the data due to the IAIS by the end of August 2024.

US IAIS members have committed to producing a document describing the provisional AM that is being used in the IAIS comparability assessment before the process begins. This document is intended to provide information about the AM beyond what is already available and address how the AM will be used in the comparability assessment. A final version will be provided to the IAIS in September 2023.

The G Committee approved the comments that the NAIC submitted to the IAIS on the following document:

- Issue Paper on the Roles and Functioning of Policyholder Protection Schemes (PPSs), which provides an overview of global practices regarding PPSs and their roles in insurance resolution and related activities

Any new documents released by the IAIS for public consultation will be reviewed by the NAIC staff and discussed at future G Committee meetings before the respective deadlines for submission.

Stay tuned

The NAIC's 2023 Fall National Meeting is scheduled for 30 November–4 December in Orlando, Florida. A **schedule of interim NAIC group meetings** is available on the NAIC website.

Appendix A — Statutory Accounting Principles Working Group

This chart summarizes actions taken by SAPWG since the 2023 Spring National Meeting. Comments on exposed items are due by 29 September 2023, unless otherwise noted. More information on SAPWG exposed items is available on the NAIC website.

Topic/issue	Status	Discussion	Effective date
New SSAP or New SAP Concepts in an Existing SSAP[1]			
SSAP No. 26R and SSAP No. 43R — Bond Project **(Ref #2019-21)**	Adopted	Adopted revisions to SSAP No. 26R, SSAP No. 43R and other SSAPs (e.g., SSAP No. 21R and SSAP No. 86) to incorporate the principles-based bond definition for use in determining whether an investment (i.e., security) qualifies for reporting on Schedule D, Part 1 into statutory accounting guidance and address the accounting treatment for securities that do qualify as bonds. SSAP No. 2R was also revised to exclude asset-backed securities from being reported as a cash equivalent or short-term investment.	1 January 2025
	Exposed	Exposed revisions to SSAP No. 21R to provide additional guidance for the accounting for debt securities that do not qualify as bonds and the measurement of investments in residual interests. An updated issue paper detailing historical discussions and decisions reached on the guidance developed for the bond project was also exposed.	TBD
	BWG proposal	Directed the NAIC staff to submit a corresponding blanks proposal to BWG to revise the reporting lines on Schedule BA to encompass debt securities that do not qualify as bonds (excluding residual interests) and provide a formal notice to VOSTF and CATF regarding the blanks proposal to allow life reporting entities the ability to use existing Schedule BA reporting provisions for NAIC designations assigned by the NAIC SVO in determining the RBC requirement for debt securities that do not qualify as bonds.	
New Market Tax Credits **(Ref #2022-14)**	Exposed	Exposed revisions to expand the scope of (a) SSAP No. 93 to include all qualifying tax credit investments in programs that are made primarily for the purpose of receiving general federal business tax credits, corresponding state tax credits or state premium tax credits and (b) SSAP No. 94R to include state and federal tax credits that are purchased by the reporting entity without being an investor in the entity from which the tax credits were purchased. The proposed revisions to SSAP No. 93 would allow for the application of the proportional amortization method to all qualifying tax credit investments, regardless of their structure, that meet the criteria to be accounted for within the scope of the revised guidance. The proposed revisions to SSAP No. 94R specify the accounting treatment for the recognition of purchased tax credits, with transition guidance for unutilized tax credits that have been carried forward from before the effective date of the revised guidance.	TBD
SSAP No. 7 — Interest Maintenance Reserve **(Ref #2022-19)**	Further analysis needed	Directed the NAIC staff to consider the following topics as part of the long-term project to develop statutory accounting guidance for the recognition of net negative IMR as an admitted asset: ▸ Recommendation for a referral to be sent to LATF for further consideration regarding the implications of negative IMR on asset adequacy testing ▸ Recommendation for a referral to be sent to CATF to consider eliminating any admitted net negative IMR from total adjusted capital in the RBC calculation and incorporating sensitivity testing with and without negative IMR ▸ Development of guidance that would allow for the admission of negative IMR up to 5% of surplus using the type of limitation calculation similar to that used for goodwill admittance, with a provision for a downward adjustment if the reporting entity's RBC ratio is less than 300% ▸ Review and update any annual statement instructions for excess withdrawals, related bond gains and losses, and non-effective hedge gains and losses to clarify that those gains and losses would be recognized through the AVR ▸ Development of accounting and reporting guidance to require the use of a special surplus account or reporting line for net negative IMR ▸ Development of governance-related documentation to address the reinvestment of proceeds from sales of bonds in other bonds ▸ Development of a disclosure requirement for quarterly and annual reporting The adoption of INT 23-01 prescribes a limited-time, optional exception to the statutory accounting guidance in SSAP No. 7 and the annual statement instructions for the disallowance of negative IMR. The interpretive guidance will be automatically nullified on 1 January 2026.	TBD

[1] The terms "substantive" and "nonsubstantive" in these headings have been replaced with "New SSAP or New SAP Concepts in an Existing SSAP" or "SAP Clarification," respectively, when referencing the different types of revisions to statutory accounting guidance. The terms used in previously adopted SSAPs, issue papers and agenda items have been retained, with the new terms to be used prospectively when considering future revisions to statutory accounting guidance.

[2] Ibid.

[*] No action was taken on this topic/issue since the 2023 Spring National Meeting.

Topic/issue	Status	Discussion	Effective date
SSAP No. 7 — AVR and IMR (Ref #2023-14)	Exposed	Exposed the topics to be included in a long-term project to incorporate accounting guidance for the AVR and IMR in SSAP No. 7, with any revisions from the annual statement instructions identified as part of this project to be captured as a new SAP concept with a corresponding issue paper to detail the revisions.	TBD
IMR/AVR Specific Allocations (Ref #2023-15)	Exposed to 18 October 2023	Exposed revisions to the annual statement instructions to remove the guidance for IMR/AVR that permits the specific allocation of non-interest-related losses to IMR. The proposed revisions also clarify the intent of the guidance whereby non-interest-related losses are to be allocated to AVR.	TBD
Short-Term Investments (Ref #2023-17)	Exposed	Exposed revisions to SSAP No. 2R to further restrict the investments that are permitted for reporting as a cash equivalent or short-term investment. The proposed revisions are intended to capture certain investment types (e.g., collateral loans, mortgage loans) on designated reporting lines on Schedule BA and to eliminate the potential to design investments to specifically qualify for short-term reporting. Modifications to the guidance in SSAP No. 2R regarding related party investments and certificate deposits have not been proposed.	TBD
SAP Clarification[2]			
SSAP No. 107 — State ACA Reinsurance Programs (Ref #2021-09)	Deferred*	Previously directed the NAIC staff to continue developing revisions to the statutory accounting guidance in SSAP No. 107, *Risk-Sharing Provisions of the Affordable Care Act*, to clarify that state-based reinsurance programs being run under Section 1332 waivers should follow the hybrid accounting approach provided by SSAP No. 107 if they operate in a similar manner to the Affordable Care Act (ACA) transitional reinsurance program. Specifically, revisions are needed to address the diversity in which state-based reinsurance programs operate as identified in feedback received.	TBD
SSAP No. 5R — Conceptual Framework Updates — Liabilities (Ref #2022-01)	Adopted	Adopted revisions to SSAP No. 5R and related Issue Paper No. 168 to incorporate the definition of a liability from FASB Concepts Statement No. 8. The revisions define a liability as a present obligation of an entity to transfer an economic benefit and clarify that the updated definition is applicable unless another authoritative SSAP provides more topic-specific contradictory guidance.	Immediately
SSAP No. 21R — Collateral for Loans (Ref #2022-11)	Re-exposed to 12 September 2023	Re-exposed revisions to SSAP No. 21R to clarify that an asset pledged as collateral in a collateral loan must qualify as an admitted invested asset for the collateral loan to be admitted. The proposed revisions clarify that, for qualifying investments that would be in the scope of SSAP No. 48 or SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities*, and are pledged as collateral in a collateral loan, only the proportionate net audited equity value of the qualifying investment would support the admissibility of the collateral loan. The excess of the collateral loan over the net audited equity value of the qualifying investment would be nonadmitted.	TBD
INT 03-02: Modification to an Existing Intercompany Pooling Arrangement (Ref #2022-12)	Re-exposed	Re-exposed an intent to nullify INT 03-02: *Modification to an Existing Intercompany Pooling Arrangement*, effective 31 December 2023, as it is inconsistent with the guidance in SSAP No. 25, *Affiliates and Other Related Parties*, for the recognition of economic and noneconomic transactions between related parties. Directed the NAIC staff to work with industry stakeholders on the development of examples that illustrate the recognition of assets transferred between pool participants when an existing intercompany pooling arrangement is modified during the re-exposure period.	TBD
Review Annual Statement Instructions for Accounting Guidance (Ref #2023-01)	Further analysis needed	Directed the NAIC staff to review the annual statement instructions to determine whether accounting guidance is properly incorporated within the SSAPs (e.g., measurement, valuation, admittance or nonadmittance and when assets and liabilities should be recognized or derecognized within the statutory financial statements).	TBD
SSAP No. 43R — CLO Financial Modeling (Ref #2023-02)	Adopted	Adopted revisions to SSAP No. 43R to add CLOs to the financial modeling guidance and clarify that CLOs are not captured as legacy securities. The revisions align the financial modeling guidance summarized in SSAP No. 43R with the P&P Manual guidance that was adopted in February 2023.	Immediately
New C2 Mortality Risk Note (Ref #2023-03)	Deferred	Deferred consideration of previously exposed revisions to SSAP No. 51R, *Life Contracts*; SSAP No. 59, *Credit Life and Accident and Health Insurance Contracts*; and SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, to include new disclosures that would provide detail to support the calculation of the net amount at risk for the categories included in the C2 mortality risk charges of the Life RBC formula.	TBD

Topic/issue	Status	Discussion	Effective date
INT 23-03: Corporate Alternative Minimum Tax Guidance (Ref #2023-04)	Adopted	Adopted interpretive guidance to address the applicability of the CAMT for periods ending on and after 31 December 2023. The interpretive guidance identifies three categories of reporting entities: nonapplicable, applicable and applicable but has a TSA that will exclude them from paying the CAMT. It applies the existing guidance in SSAP No. 101 for determining the realizability and admissibility of deferred tax assets, to the extent practicable, with specific disclosure requirements for tax calculations affected by the CAMT. It also provides transition guidance for the reliance on TSA amendments or new TSAs for the 2023 tax year that have not been approved by the reporting entity's domiciliary state regulator but are filed by year-end 2023.	31 December 2023
ASU 2022-06, Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848 (Ref #2023-05)	Adopted	Adopted revisions to INT 20-01 to extend the expiration date of the interpretive guidance to 31 December 2024.	Immediately
Additional Updates on ASU 2021-10, Government Assistance (Ref #2023-06)	Adopted	Adopted revisions to SSAP No. 24 to clarify the intent of the previously adopted disclosures from ASU 2021-10 that require unusual or infrequent government assistance transactions to be identified as such, with a description of the terms and provisions of the assistance received. The revisions also reject the US GAAP guidance for the grant and contribution model in ASU 2021-10 for statutory accounting.	Immediately
ASU 2019-08, Codification Improvements to Topic 718 and Topic 606 (Ref #2023-07)	Adopted	Adopted revisions to SSAP No. 95 and SSAP No. 104R to incorporate the US GAAP guidance in ASU 2019-08, with modification to address share-based consideration payable to customers for statutory accounting. The revisions also reject the incorporation of the Topic 606 guidance included in ASU 2019-08 into SSAP No. 47.	Immediately
Various SSAPs — Editorial Update (Ref #2023-11EP)	Adopted	Adopted various editorial revisions to the AP&P Manual (e.g., streamline references to the P&P Manual, provide consistent use of the "%" sign throughout the SSAPs and modify a disclosure category in SSAP No. 86 from "intrinsic value" to "volatility value").	Immediately
Residuals in SSAP No. 48 Investments (Ref #2023-12)	Adopted	Adopted revisions to SSAP No. 48 to clarify that investment structures captured in its scope that represent residual interests or that predominantly hold residual interests are to be reported on the dedicated residual reporting line on Schedule BA. Corresponding revisions to update SSAP No. 43R and the Schedule BA instructions were also adopted.	31 December 2023
PIK Interest Disclosure Clarification (Ref #2023-13)	Adopted	Adopted revisions to clarify and incorporate a practical expedient to the PIK interest aggregate disclosure in SSAP No. 34. The revisions specify how paydowns and disposals would affect PIK interest included in the cumulative principal balance and eliminate the potential inconsistency in applying the guidance without modifying the existing disclosure requirements in SSAP No. 34.	Immediately
Schedule BA Reporting Categories (Ref #2023-16)	Exposed	Requested feedback from regulators and industry stakeholders on a proposal to revise Schedule BA to incorporate more detailed definitions and provide examples for investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests and reported based on the underlying characteristics of assets.	TBD
ASU 2016-19, Technical Corrections and Improvements (Ref #2023-18)	Exposed	Exposed revisions to SSAP No. 5R; SSAP No. 92, *Postretirement Benefits Other Than Pensions*; SSAP No. 102, *Pensions*; and SSAP No. 103R to adopt the US GAAP guidance in ASU 2016-19, *Technical Corrections and Improvements*, with modification for consistency with the language in the applicable statutory accounting guidance. Revisions to SSAP No. 92 were also proposed to streamline the use of "annuity contracts" in statutory accounting guidance.	TBD
Removal of Transition Guidance from SSAP No. 92 and SSAP No. 102 (Ref #2023-21)	Exposed	Exposed revisions to SSAP No. 92 and SSAP No. 102 to remove the transition guidance that was included in the initial adoption of SSAP No. 92 and SSAP No. 102 as it is past the 10-year effective period for transition.	TBD
Actuarial Guideline 51 and Appendix A-010 Interaction (Ref #2023-22)	Exposed	Exposed revisions and an illustration to SSAP No. 54R, *Individual and Group Accident and Health Contracts*, to clarify that gross premium valuation (under Appendix A-010, *Minimum Reserve Standards for Individual and Group Health Insurance Contracts*) and cash flow testing (under AG 51) are both required if indicated to determine when additional reserves for LTC insurance are necessary.	TBD

Topic/issue	Status	Discussion	Effective date
INT 23-01: Net Negative (Disallowed) IMR (Ref #2022-19)	Adopted	Adopted interpretive guidance to prescribe a limited-time, optional exception to the statutory accounting guidance in SSAP No. 7 and the annual statement instructions for the disallowance of net negative IMR. The interpretive guidance allows a reporting entity to admit net negative IMR recorded in both the general and separate accounts of up to 10% of adjusted capital and surplus, subject to certain limitations. It also includes a disclosure requirement for management to attest to compliance with documented policies and procedures regarding the sales of securities that resulted in the generation of negative IMR. The interpretation will be automatically nullified on 1 January 2026, subject to adjustment based on the status of the long-term project for the recognition of negative IMR as an admitted asset.	Immediately
INT 23-02: Third Quarter 2023 Inflation Reduction Act — Corporate Alternative Minimum Tax	Adopted	Adopted interpretive guidance to address the applicability of the CAMT for third quarter 2023 reporting purposes. INT 23-02T includes disclosure requirements related to a reporting entity's status as an applicable corporation and its ability to make a reasonable estimate for the CAMT liability. It also retained the subsequent events guidance that was previously included in INT 22-02. The interpretation will be automatically nullified on 16 November 2023.	Immediately

US GAAP guidance rejected or exposed for rejection/disposal

Rejected as not applicable to statutory accounting:

- ASU 2019-07, *Codification Updates to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates* (Ref #2023-08)
- ASU 2020-09, *Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762* (Ref #2023-09)
- ASU 2022-05, *Financial Services — Insurance (Topic 944): Transition for Sold Contracts* (Ref #2023-10)

Exposed to reject as not applicable to statutory accounting:

- ASU 2018-09, *Codification Improvements* (Ref #2023-19)
- ASU 2020-10, *Codification Improvements* (Ref #2023-20)

SAPWG agenda items from prior years with an extended period of no action taken

Substantive listing:

- ASU 2016-13, *Credit Losses* (Ref #2016-20)
- SSAP No. 41R — Amortization and Accretion Surplus Notes (Ref #2017-12)
- Derivatives Hedging Fixed Indexed Products (Ref #2020-36)

Nonsubstantive listing:

- SSAP No. 26R and SSAP No. 43R — Measurement Method for NAIC 5 Designations (Ref #2015-17)
- Aging and Revenue Recognition of Multi-Peril Crop Policies (Ref #2015-33)
- Appendix C Introduction (Ref #2016-42)
- SSAP No. 61R — Reinsurance Credit (Ref #2017-28)
- SSAP No. 41R — Surplus Note Accounting (Ref #2018-07)
- SSAP No. 68 and SSAP No. 97 — ASU 2014-17, *Business Combinations — Pushdown Accounting* (Ref #2019-12)
- SSAP No. 68 and SSAP No. 97 — Attribution of Goodwill (Ref #2019-14)
- SSAP No. 51R, SSAP No. 53, SSAP No. 54R and SSAP No. 59 — Expanded MGA and TPA Disclosures (Ref #2019-36)
- SSAP No. 62R — Retroactive Reinsurance Exception (Ref #2019-49)
- SSAP No. 53, SSAP No. 54R and SSAP No. 66 — Premium Refunds and Other Adjustments (Ref #2020-30)

Appendix B — Blanks Working Group

This chart summarizes actions taken by BWG since the 2023 Spring National Meeting. Comments on exposed items are due by 12 October 2023. More information on BWG exposed items is available on the NAIC website.

Adopted items	Statement type(s)[1]	Filing(s)	Effective date
2022-17BWG MOD: Modifies the instructions for Note 8 — Derivative Instruments and Schedule DB by adding a new disclosure paragraph and illustration for Note 8, along with new electronic-only columns and related instructions for Schedule DB, Part A and Part B for both Section 1 and Section 2, to address derivatives with excluded components in response to actions taken by SAPWG (SAPWG #2021-20).	L/F, P/C, H, T	Annual and Quarterly	Annual 2023
2023-01BWG MOD: Modifies the Property and Casualty blank to separate pet insurance from the inland marine line of business by adding a new line of business for pet insurance plans to the Appendix for Property and Casualty Lines of Business and the Underwriting and Investment Exhibit, Exhibit of Premiums and Losses (State Page), and Insurance Expense Exhibit, along with a new section to Schedule P, Parts 1 through 4 specific to pet insurance.	P/C	Annual and Quarterly	First quarter 2024
2023-02BWG MOD: Adds an exhibit to identify premiums that are reportable for Market Conduct Annual Statement (MCAS) purposes and support the accurate identification of required MCAS filing submissions.	L/F, P/C, H	Annual	Annual 2023
2023-03BWG: Removes the life cross-checks to Exhibit 6 for Columns 2, 6 and 10 on the Accident and Health Policy Experience Exhibit, as the information in these columns is presented on a direct basis and Exhibit 6 is presented on an assumed basis.	L/F, P/C, H	Annual	Annual 2023
2023-04BWG MOD: Adds instructions for the appointed actuary and qualified actuary to the Jurat electronic-only section so that these individuals can be contacted to address actuarial questions that arise.	L/F, P/C, H, T	Annual	Annual 2023
2023-08BWG: Adds additional instructions to clarify that mutual insurance companies should be included on Schedule Y, Part 3.	L/F, P/C, H, T	Annual	Annual 2023
2023-10BWG MOD: Updates the three primary issue periods on the Long-Term Care Experience Reporting Form 2 as these issue periods are fixed and are not supposed to change each year.	L/F, P/C, H	Annual	Annual 2023
2023-11BWG MOD: Adds instructions and an illustration for additional information to be disclosed for interest in Note 7 — Investment Income in response to actions taken by SAPWG (SAPWG #2022-17).	L/F, P/C, H, T	Annual	Annual 2023

Re-exposed items	Statement type(s)[1]	Filing(s)	Proposed effective date
2023-05BWG MOD: Modifies the Cybersecurity Insurance Coverage Supplement to aid in the collection of better cyber insurance data by removing the reference to identity theft insurance from the General Instructions, the interrogatory questions from Part 1 that pertain to identity theft insurance and the column for identity theft insurance from Parts 2 and 3, the claims-made and occurrence breakdown and the first-party and third-party breakdown from data collection, and the interrogatory question regarding tail policies.	P/C	Annual	Annual 2024
2023-06BWG MOD: Modifies Schedule D, Part 1 by splitting it into two sections: one for issuer credit obligations and the other for asset-backed securities. Other parts of the blank that reference this information will also be updated in response to actions taken by SAPWG relating to the bond project (SAPWG #2019-21).	L/F, P/C, H, T, SA	Annual and Quarterly	First quarter 2025
2023-07BWG MOD: Updates the code column and deletes the Legal Entity Identifier (LEI) column for various investment schedules (i.e., Schedules A, B, BA, D Part 2, D Part 6 and E Part 1), with revisions to the code column and related instructions to address restricted assets and situations when an asset is bifurcated between the insulated and non-insulated separate account filing, for consistency with the proposed updates to Schedule D, Part 1.	L/F, P/C, H, T, SA	Annual and Quarterly	First quarter 2025
2023-09BWG: Adds a new disclosure (i.e., Note 37 — Life Insurance Net Amount at Risk by Product Characteristics) to the annual statement blank to create a direct link to a financial statement source for the net amounts at risk for the categories included in the C2 worksheet of the Life RBC formula in response to actions taken by SAPWG (SAPWG #2023-03).	L/F	Annual	Annual 2023

[1] L/F = Life and Fraternal; P/C = Property and Casualty; H = Health; T = Title; SA = Separate Accounts.

Appendix C — Risk-based capital developments

This chart summarizes developments that affect RBC requirements for each of the insurance sectors based on actions taken by CATF and the various NAIC groups that report to it since the 2023 Spring National Meeting.

Topic/issue	NAIC group	Status	Discussion	Effective date
All RBC				
Revised Affiliated Investments Structure and Instructions (Ref #2022-09-CA-MOD)	Capital Adequacy Task Force	Adopted	Adopted editorial revisions to clarify the examples in the Indirectly Owned Alien Insurance Affiliates/Subsidiaries section (XR002–XR004 and PR003–PR005) of the Health RBC and P&C RBC instructions and to add a footnote to the Percent Owned column in the related RBC blanks.	2023
Underwriting Risk Factors — Investment Income Adjustment (Ref #2022-16-CA)	Capital Adequacy Task Force	Adopted	Adopted revised underwriting factors for Comprehensive Medical, Medicare Supplement and Dental & Vision on pages XR013, LR019, LR020, PR019 and PR020 resulting from the change in the investment income adjustment from 0.5% to 5.0%.	2023
Stop Loss Instructions (Ref #2023-01-CA)	Capital Adequacy Task Force	Adopted	Adopted revisions to clarify the instructions for stop loss premiums in the Underwriting Risk — Experience Fluctuation Risk, Other Underwriting Risk and Stop Loss Interrogatories pages (XR013, XR015–XR017, LR019, LR023, LR024 and PR019–PR026) in each of the RBC formulas.	2023
Life RBC				
Comfort Trusts (Ref #2023-08-L)	Life RBC Working Group	Further analysis needed	Discussed the feedback received on proposed revisions to the instructions for LR016 in the Life RBC formula that would allow a reporting entity to avoid an overstatement of credit risk on a reinsurance transaction that provides collateral in the form of a custody control account (i.e., custodied collateral).	2023
Residual Tranche Factor (Ref #2023-09-IRE)	Capital Adequacy Task Force	Adopted	Adopted a base factor of 0.30 for investments in residual tranches in the Life RBC formula for 2023 year-end reporting purposes, which will be replaced with a factor of 0.45 for 2024 year-end reporting purposes.	2023
Sensitivity Test Factor (Ref #2023-10-IRE)	Capital Adequacy Task Force	Adopted	Adopted a factor of 0.15 for the sensitivity test for investments in residual tranches in the Life RBC formula.	2023
Health RBC				
XR014 Fee-for-Service and Other Risk Revenue Medicare & Medicaid (Ref #2023-11-H)	Health RBC Working Group	Exposed	Exposed revisions to include and provide consistent treatment of Medicare and Medicaid amounts throughout Column (1), Line (4) — Other Health Risk Revenue and Line (10) — Fee for Service Offset of pages XR013 and XR014 in the Health RBC formula.	2024
P&C RBC				
Underwriting Risk Line 1 Factors (Ref #2023-02-P-MOD)	Capital Adequacy Task Force	Adopted	Adopted revised underwriting factors for reserves due to the incorrect calculation of reserve factors for the H/F, WC and CMP lines of business on PR017 in the P&C RBC formula.	2023