

NAIC Bulletin

Highlights of the National Association of Insurance Commissioners meeting

Summer 2024 update

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The National Association of Insurance Commissioners (NAIC) recently held its 2024 Summer National Meeting in a hybrid format from Chicago. Our publication highlights key issues that NAIC groups have addressed since the 2024 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 exposed an Implementation Questions and Answers Guide detailing interpretations of how the principles-based bond definition should be applied to specific investment structures or investment characteristics.
- ▶ The Risk-Based Capital Investment Risk and Evaluation (E) Working Group adopted the application of a 45% risk charge for investments in residual tranches in the Life RBC formula for 2024 year-end reporting.
- ▶ The Life Actuarial (A) Task Force exposed an initial draft of an actuarial guideline detailing the proposed requirements for the asset adequacy testing of ceded reinsurance.
- ▶ The Valuation of Securities (E) Task Force delayed the effective date for the implementation of collateralized loan obligation modeling to assign NAIC designations and NAIC designation categories to these securities from year-end 2024 to year-end 2025.

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 2024 Spring National Meeting.

Statutory Accounting Principles (E) Working Group

Appendix A 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 2024 Spring National Meeting. It also includes the effective dates of adopted items and the deadlines for comments on exposed items.



Statutory accounting principles

SAPWG adopted revisions to SSAP No. 2, *Cash, Cash Equivalents, Drafts, and Short-Term Investments*, to eliminate references implying that asset-backed securities, mortgage loans or other Schedule BA assets are permitted to be reported as cash equivalents or short-term investments (Ref #2024-09). These revisions are effective 1 January 2025.

SAPWG adopted revisions to the version of SSAP No. 26, *Bonds*, that will incorporate the principles-based bond definition to clarify that debt securities issued by funds that represent operating entities qualify for reporting as issuer credit obligations (Ref #2024-01). The revisions also clarify that US Securities and Exchange Commission (SEC) registration is a practical safe harbor to determine whether debt securities issued by the fund represent debt issued by an operating entity that is intended only for SEC-registered funds and should not be used as a proxy for other debt securities issued by funds. These revisions are effective 1 January 2025.

SAPWG also adopted revisions to various SSAPs (SSAP No. 26; SSAP No. 30, *Unaffiliated Common Stock*; SSAP No. 32, *Preferred Stock*; SSAP No. 43, *Loan-Backed and Structured Securities*; and SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*) to remove guidance for residual interests from the respective SSAPs and to include a reference to SSAP No. 21, *Other Admitted Assets*, within the respective SSAPs for the definition of and accounting and reporting guidance for residual interests (Ref #2024-08). These revisions are effective 1 January 2025.

SAPWG adopted revisions to SSAP No. 15, *Debt and Holding Company Obligations*, and SSAP No. 86, *Derivatives*, to incorporate the US GAAP guidance in Accounting Standards Update (ASU) 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, with modification to require disclosure for unused commitments and lines of credit, disaggregated by short and long term, and disclosure of the accounting policy for where cash flows associated with derivative instruments are presented in the statement of cash flow (Ref #2023-26).

SAPWG adopted revisions to SSAP No. 19, *Furniture, Fixtures, Equipment and Leasehold Improvements*, and SSAP No. 73, *Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*, to incorporate the US GAAP guidance in ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*, with modification to align the guidance with existing statutory accounting guidance for leasehold improvements associated with a lease between entities under common control. The revisions also reject the practical expedient included in the US GAAP guidance for private companies and not-for-profit entities that are not conduit bond obligors (Ref #2024-02).

SAPWG adopted revisions to SSAP No. 20, *Nonadmitted Assets*, to incorporate the definition of crypto assets in ASU 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, with modification to clarify that directly held crypto assets are nonadmitted assets in accordance with SSAP No. 4, *Assets and Nonadmitted Assets*, for statutory accounting (Ref #2024-03). The revisions do not modify the general interrogatory disclosures that were previously added to the annual statement. INT 21-01: *Accounting for Cryptocurrencies* was also nullified.

SAPWG adopted revisions to SSAP No. 25, *Affiliates and Other Related Parties*, and SSAP No. 63, *Underwriting Pools*, to address the recognition of assets transferred between pool participants when an existing intercompany pooling arrangement is modified (Ref #2022-12). The revisions to SSAP No. 63 include a new disclosure requirement for modifications to an existing intercompany pooling arrangement that involve the transfer of assets with fair values that differ from their statement value. INT 03-02: *Modification to an Existing Intercompany Pooling Arrangement* was also nullified.

SAPWG adopted revisions to SSAP No. 107, *Risk-Sharing Provisions of the Affordable Care Act*, to eliminate the required disclosures for the transitional Affordable Care Act (ACA) reinsurance program and the temporary ACA risk corridor program (Ref #2024-13). The revisions also eliminate the related rollforward disclosure included in Exhibit B of SSAP No. 107. These revisions are effective 31 December 2024.

SAPWG exposed an agenda item to consider the development of statutory accounting guidance for derivatives hedging interest rate risk that do not qualify as effective hedges under SSAP No. 86 and are not captured within the specific variable annuity hedging guidance of SSAP No. 108, *Derivatives Hedging Variable Annuity Guarantees* (i.e., macro-derivative hedges), but are used for asset-liability management (ALM) (Ref #2024-15). While these interest-rate-hedging derivatives do not qualify as effective hedges

under SSAP No. 86, they have been determined to be economically effective (i.e., effective in achieving the hedge intent). Additionally, the guidance in INT 23-01: *Net Negative (Disallowed) Interest Maintenance Reserve* allows realized losses for these derivatives to be allocated to the interest maintenance reserve (IMR) and the related net negative IMR to be admitted if the reporting entity can demonstrate that it has historically recognized realized gains from these derivatives at fair value in its IMR balance.

The new statutory accounting guidance that would be developed is expected to follow the concepts of SSAP No. 108, to the extent applicable, and address the following:

- ▶ The requirements for interest-rate-hedging derivatives, including effectiveness assessments
- ▶ The accounting for the derivatives and the resulting gains or losses, including amortization if those gains or losses are deferred from immediate recognition
- ▶ Disclosure and reporting requirements for the derivatives

Separately, SAPWG exposed revisions to SSAP No. 86 to establish statutory accounting guidance for debt security investments with derivative components or wrappers (Ref #2024-16). The proposed revisions would modify the existing guidance in SSAP No. 86 that explicitly precludes the separation of embedded derivatives to require the separate accounting and reporting of derivatives captured in these investment structures. SSAP No. 26 would also be modified to clarify that the underlying debt security would need to be evaluated for bond reporting under the principles-based bond definition guidance after bifurcation.

Other matters

SAPWG adopted editorial revisions to the AP&P Manual to remove the “Revised” and “R” designations that were used to identify a substantively revised SSAP from the SSAP titles and SSAP references within the AP&P Manual (Ref #2024-14EP).

SAPWG adopted Issue Paper No. 169, *Principles-Based Bond Definition*, detailing the historical discussions and decisions reached on the guidance developed for the principles-based bond definition project, which is effective 1 January 2025 (Ref #2019-21). The issue paper also clarifies that the determination of whether an investment qualifies to be reported as a bond should be made at the time of acquisition based on what was intended by the issuer at the time of origination.

SAPWG also exposed an Implementation Questions and Answers Guide detailing, in response to questions received from industry stakeholders, interpretations of how the principles-based bond definition should be applied to specific investment structures or investment characteristics.

SAPWG adopted revisions to Schedule BA to incorporate more detailed definitions for investments in residual interests and investments captured within the scope of SSAP No. 48 (e.g., non-registered private funds, joint ventures, partnerships or limited liability companies) and reported based on the underlying characteristics of assets. The revisions also require a maturity date to be reported for all Schedule BA investments that have a stated maturity date (Ref #2023-16). These revisions are effective 1 January 2025.

SAPWG exposed revisions to Schedule D, Parts 4 and 5, to clarify that the sale of a debt security investment to a special purpose vehicle or another entity that is then reacquired as a debt security investment with a derivative component or wrapper should be reported as a sale and subsequent acquisition of a debt security (Ref #2024-16).

SAPWG exposed a draft issue paper detailing the historical discussions and decisions reached on the guidance developed for the new market tax credit (NMTC) project, which revised the scope of the existing statutory accounting for tax credits as adopted in SSAP No. 93, *Investments in Tax Credit Structures*, and SSAP No. 94, *Transferable and Non-Transferable Tax Credits* (Ref #2022-14).

SAPWG also exposed a draft issue paper documenting the US GAAP impairment guidance that existed prior to the adoption of ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which has been retained in existing statutory accounting guidance (Ref #2023-24).

Blanks (E) Working Group

Appendix B summarizes the actions taken by the Blanks (E) Working Group (BWG) since the 2024 Spring National Meeting.

Capital Adequacy (E) Task Force

The Capital Adequacy (E) Task Force (CATF) exposed its request to the Financial Condition (E) Committee (E Committee) to establish a new working group to review non-investment-related factors that affect the RBC formula, including:

- ▶ Reviewing the possibility of removing the total adjusted capital (TAC) and authorized control level amounts from the annual statement's five-year historical data page
- ▶ Re-evaluating non-investment risks to determine whether they should be included in the RBC calculation or addressed using other regulatory methods
- ▶ Reviewing non-investment risk factors and instructions that have not been reviewed since their initial development to determine whether modifications should be made

CATF exposed revisions to its procedural document that establishes the guidelines for the submission of proposed amendments to the RBC blanks and instructions. The proposed revisions are intended to align these guidelines with the guidelines for annual statement revisions.

CATF also discussed and exposed a referral from SAPWG regarding its revisions to SSAP No. 93 and SSAP No. 94 to expand the scope of the existing statutory accounting for tax credits that were adopted at the 2024 Spring National Meeting (SAPWG Ref #2022-14). The referral includes consideration to rename the existing low-income housing tax credit (LIHTC) investment lines in the RBC formulas to allow for the inclusion of any type of state or federal tax credit program and to update the RBC factors and related asset valuation reserve (AVR) reporting lines that were specifically developed for investments in LIHTC programs. Further discussion is planned at a future meeting to be scheduled by CATF.

Appendix C summarizes the developments affecting RBC requirements for each insurance sector based on actions taken by CATF and the various NAIC groups that report to it since the 2024 Spring National Meeting.

Life RBC (E) Working Group

The Life RBC (E) Working Group received an update from the American Academy of Actuaries (Academy) on its work to review and analyze the correlation and covariance between and within the components in the Life RBC formula. The Academy presented its considerations for the review and the potential structure for linear correlation between major risk categories of the Life RBC formula (i.e., credit, equity markets and interest rate) and nested correlation used to combine risks that fall within each major risk category. The Academy also presented its goal to establish guiding principles that would: a) provide a consistent measure of aggregate company risk, b) provide a correlation approach that is consistent with a targeted statistical safety level of RBC, and c) be practical to implement. The Academy is continuing its work to gather data from publicly available sources and other regulatory frameworks and expects to provide recommendations to the Working Group at a later date.

The Working Group also received an update from the Academy on its work to review and analyze the interest rate and market risk (i.e., C3) component in the Life RBC formula, which is being performed as part of the development of the principles-based reserving (PBR) framework for non-variable annuity products. The Academy highlighted nine key differences between the frameworks for the C3 Phase 1 and Phase 2 components of the Life RBC formula (i.e., scope, scenarios, metric, models, default costs, assumptions, interim reserves, discounting and floor). The Academy is developing field test instructions for use in the upcoming reserve and capital field testing and expects to provide its proposed instructions to the Working Group for consideration at a later date.

Health RBC (E) Working Group

The Health RBC (E) Working Group submitted a referral to the Financial Analysis Solvency Tools (E) Working Group, the Financial Examiners Handbook (E) Technical Group and the Risk-Focused Surveillance (E) Working Group to evaluate whether pandemic risk should be addressed in the financial analysis and/or financial examination process.

The Working Group also received an update from the 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, which includes the Comprehensive Medical, Dental & Vision, Medicare Supplement and stand-alone Medicare Part D lines of business. The Academy expects to provide its report to the Working Group by the end of 2024.

Property and Casualty RBC (E) Working Group

The Property and Casualty (P&C) RBC (E) Working Group received an update from the Academy on its underwriting risk projects, which include the following research topics:

- ▶ Diversification by line of business for premiums and reserves risks in the P&C RBC formula
- ▶ Consideration for the potential inclusion of wildfire peril and other perils (e.g., severe convective storm and flood) in the Rcat component and the corresponding adjustments to the underwriting risk factors in the R5 component of the P&C RBC formula to mitigate double counting of the perils
- ▶ Recalibration of the premium and reserve risk charges in the P&C RBC formula to reflect more recent experience
- ▶ Monitoring of the extent to which the relationship between risk factors and interest rates continues
- ▶ Assessment of the growth charge in the P&C RBC formula to determine whether recalibration of the charge is necessary

The Academy expects to provide the Working Group with a report on its work on the diversification by line of business for premiums and reserves risks by the end of 2024.

Catastrophe Risk (E) Subgroup

The Catastrophe Risk (E) Subgroup discussed its work to address potential geographic concentration risk exposures. The Subgroup continued to collect in-depth technical information that will be used to enhance the charges in the RBC formula to provide state insurance regulators with an early warning signal regarding an insurer's insolvency. The Subgroup is seeking feedback from industry stakeholders on whether the potential geographic concentration risk exposures can be addressed through the charges in the RBC formula or whether an alternative solution is needed.

The Subgroup also discussed the potential inclusion for informational purposes only of a flood risk peril in the Rcat component of the P&C RBC formula. The Subgroup will collaborate with the Casualty Actuarial and Statistical (C) Task Force (CASTF) to determine the availability of information related to flood risk before beginning its review of vendor models addressing flood in accordance with Actuarial Standards of Practice (ASOP) No. 38, *Catastrophe Modeling (for All Practice Areas)*.

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 the risk charge for structured securities in the RBC formulas, specifically as it relates to the asset (i.e., C1) risk factors for asset-backed securities. The Academy presented a revised timeline to identify comparable attributes for collateralized loan obligations (CLOs) to determine whether C1 risk factors can be determined by a set of easily identifiable attributes or whether modeling of CLOs is necessary. The Academy expects to complete its work by early 2025.

RBCIRE also discussed referrals from SAPWG and the Valuation of Securities (E) Task Force (VOSTF) that were received in 2018 and 2019 related to a comprehensive fund proposal, the NAIC designations for SEC-registered funds and the reporting of the 10 largest equity interests in the Supplemental Investment Risk Interrogatories. The referrals are intended for RBCIRE to perform a holistic review of funds and their related RBC treatment. RBCIRE is soliciting input from regulators and industry stakeholders to develop a comprehensive list of what would be considered as funds for the completeness of RBCIRE's response to the referrals.

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 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*, along with the development of the reserving requirements for non-variable annuities, which are summarized below.

Life and variable annuity products

The NAIC Plenary adopted 14 amendments to the VM, including the following amendments to the 2024 version of the VM that were developed by LATF since the 2024 Spring National Meeting ; they take effect 1 January 2025:

- ▶ Revisions to VM-01: *Definitions for Terms in Requirements* to clarify the definition for and qualification standards that must be met by a “qualified actuary”
- ▶ Revisions to VM-20 to require the *Lapse Experience Under Term-to-100 Insurance Policies*, published in December 2021 by the Canadian Institute of Actuaries, for projection periods in which the cash surrender value is zero or minimal as the industry experience used to establish the assumptions for a universal life policy that guarantees coverage to remain in force as long as the secondary guarantee requirement is met.
- ▶ Revisions to VM-21 to require the full surrender rate for index-linked variable annuity contracts with no guaranteed living benefits to be 3% in policy years 1 through 3 for contracts without surrender charges, 60% in the first year after the surrender change period and 15% in subsequent years, along with other updates to the standard projection amount (SPA) maintenance expense and mortality assumptions
- ▶ Revisions to VM-21 to clarify the calculation of the net asset earned rate by providing additional detail on the selection of additional assets and the reinvestment approach
- ▶ Revisions to VM-21 to correct the order of operations for the application of pretax IMR (PIMR), including allowing the insurer to deduct PIMR from the aggregate reserve rather than the individual scenario reserves for valuation dates before 1 January 2026; however, once an insurer elects this deduction, they must continue to follow the election for future valuations
- ▶ Revisions to VM-22: *Statutory Maximum Valuation Interest Rates for Income Annuities* to allow an insurance company to elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts and allow for the use of monthly rates when determining the discount rate for certain simple deposit-type contracts, with prior approval of the domiciliary state insurance commissioner
- ▶ Revisions to VM-20, VM-21, VM-31: *PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation* and VM-M: *Appendix M – Mortality Tables* to require the use of international mortality tables and mortality improvement rates for blocks of business issued in a foreign country covering insureds who are not US residents, with prior approval by LATF, and add mortality tables that would be eligible for use in future VM-22 reserve and nonforfeiture valuations

LATF also adopted an amendment to the 1 January 2025 version of the VM that will update the Life PBR exemption for changes that were made to the annual statement blanks.

LATF exposed the following amendments to the 1 January 2025 version of the VM that will:

- ▶ Establish a statistical plan for group annuity mortality and designate the NAIC as the experience reporting agent. Comments are due by 25 October 2024.
- ▶ Further clarify how net negative IMR that has been admitted for financial reporting purposes should be treated in asset adequacy testing.
- ▶ Expand the list of criteria for waiver of surrender charges on annuities (e.g., financial hardship, home displacement) to assess the materiality of these waivers and any potential valuation implications.

Non-variable annuity products

The VM-22 (A) Subgroup is currently conducting a field test of the draft VM-22 framework that will run through September 2024. Results of the field test will be used to make key decisions on the reinvestment strategy guardrail, the threshold for the stochastic exclusion ratio test, and modifications to assumptions currently set for the standard projection amount. The Subgroup continues to target 1 January 2026 as the date of adoption for the final VM-22 framework, accompanied by a three-year implementation period that ends on 1 January 2029, after which PBR for non-variable annuity products will be mandatory on a prospective basis.

The Subgroup indicated that initial drafts of VM-22 and the VM-22 PBR Supplement, along with disclosure requirements under VM-31 and edits to VM-G: *Appendix G – Corporate Governance Guidance for Principle-Based Reserves*, have been completed. The current draft of the requirements for the additional SPA and a proposed methodology to be applied to longevity reinsurance have been exposed. Comments are due by 30 September 2024.

Separately, LATF adopted a VM amendment to update the margins for credit disability insurance reserves based on a report issued by the Society of Actuaries (SOA). This amendment was previously adopted by the Health Actuarial (B) Task Force (HATF) and will be effective 1 January 2025.

Macroprudential activities

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

Liquidity assessment and capital stress testing

The Financial Stability (E) Task Force received an update from the Macroprudential (E) Working Group (MWG) related to its work on the liquidity stress testing (LST) framework. MWG determined that the existing LST framework is adequate and that no additional reporting for separate accounts would be required. The 2023 LST filings have been submitted by all required filers. The NAIC staff is currently analyzing the submissions and intends to provide summary results to MWG in September.

Recovery and resolution

The Risk-Focused Surveillance (E) Working Group exposed revisions to the *Financial Condition Examiners Handbook* and the *Financial Analysis Handbook* to incorporate several leading practices for monitoring insurers that have been placed in runoff status in response to a referral from the Financial Analysis (E) Working Group. The leading practices include new guidance on reviewing an insurer's runoff plan, assessing an insurer's record-keeping, maintaining communications with other stakeholders, closely monitoring legal risks, monitoring IT system changes and employee retention, evaluating changes in liquidity and reserving risk, and closely monitoring reinsurance collections and disputes.

Private equity and other matters

MWG provided a status update on the work being performed to address the 13 items in the *Regulatory Considerations Applicable (But Not Exclusive) to Private Equity (PE) Owned Insurers* document.

MWG indicated that the following three items have been completed with no further actions planned to address these items at this time:

- ▶ Definition of private equity
- ▶ Identifying related party-originated investments (including structured securities)
- ▶ Asset manager affiliates and disclaimers of affiliation

Recent developments in the work performed by various NAIC groups to address the remaining 10 items are summarized below:

Holding company structures

The Financial Analysis Solvency Tools (E) Working Group exposed revisions to the *Financial Analysis Handbook* to incorporate additional Form A (i.e., change of control) review procedures and new guidance for use by regulators in evaluating disclaimer of control/affiliation filings in response to a referral received from the Group Solvency Issues (E) Working Group.

Ownership and control

The work performed for the above item will also contribute to addressing this item.

Investment management agreements

The Risk-Focused Surveillance (E) Working Group developed guidance for inclusion in the *Financial Condition Examiners Handbook* and the *Financial Analysis Handbook* for use by regulators in reviewing affiliated investment management services and agreements and referred the proposed revisions to these NAIC publications to the Financial Examiners Handbook (E) Technical Group and the Financial Analysis Solvency Tools (E) Working Group, respectively, for consideration.

The Financial Analysis Solvency Tools (E) Working Group adopted the proposed revisions to the *Financial Analysis Handbook*.

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

LATF's review of *Actuarial Guideline LIII – Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) filings considers the potential conflict of interest between the owners of insurers with a short-term focus and the insurer. The review of AG 53 reports for year-end 2023 is in process, with more refined information being reviewed to determine whether reserve adequacy associated with long-term liabilities is achieved. This information includes projected portfolio allocations, structured assets by tranche, and payment-in-kind features in assets that may affect the availability of future cash flows to support claim payments.

The Financial Analysis Solvency Tools (E) Working Group received a referral from the Risk-Focused Surveillance (E) Working Group to consider the development of regulatory guidance addressing the interest rates for surplus notes, including whether floating rates are appropriate, and when it might be appropriate to request a capital maintenance agreement and ways to make them stronger.

Operational, governance and market conduct practices

No actions have been taken on this item since the 2024 Spring National Meeting.

Identifying underlying affiliated/related party investments and/or collateral in structured securities

The AG 53 reviews being performed by LATF will also contribute to addressing this item.

Privately structured securities

RBCIRE adopted the application of a 45% risk charge for investments in residual tranches in the Life RBC formula for 2024 year-end reporting (CATF Ref #2024-19-I).

The work performed by VOSTF for the below item will also contribute to addressing this item.

Reliance on rating agencies

The E Committee adopted an amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) developed by VOSTF to authorize the procedures for the NAIC Securities Valuation Office (SVO) to have discretion over NAIC designations assigned through the filing exemption and private letter rating processes. Refer to the **Financial Condition** section for further discussion.

Pension risk transfer (PRT) business supported by complex investments

SAPWG indicated that NAIC staff completed its review of the 2023 disclosures for PRT transactions in the annual statement blank. While the data collected provides overall detail for PRT product balances in the separate accounts, continued regulator discussion is anticipated to determine whether further granularity is necessary for regulator review.

The work currently being performed by the VM-22 (A) Subgroup to develop a PBR framework for non-variable annuity products may also contribute to addressing this item. Refer to the [Non-variable annuity products](#) subsection for further discussion.

Offshore/complex reinsurance

LATF exposed an initial draft of an actuarial guideline detailing the proposed requirements for the asset adequacy testing of reinsurance ceded. Refer to the [Life Actuarial \(A\) Task Force](#) subsection for further discussion.

MWG also received an update on the work performed by NAIC staff to enhance its ability to aggregate counterparty exposure data from NAIC internal databases. The NAIC can now identify exposures timelier and more accurately and provide states with a breakdown of exposures for their regulated companies. Initial steps have been taken on quantifying credit risk using counterparty nationally recognized statistical rating organization ratings, probability of default and loss given default tables.

Innovation, Cybersecurity, and Technology

The Innovation, Cybersecurity, and Technology (H) Committee (H Committee) received an update from the Artificial Intelligence (AI) Systems Evaluation and Training Collaboration Forum on its project to broadly examine how state insurance regulators update market conduct processes for AI systems. Specific charges are being developed for the evaluation work to proceed under a new working group.

The actions taken by various NAIC groups that report to the H Committee since the 2024 Spring National Meeting are summarized below.

Big Data and AI (H) Working Group

The Big Data and AI (H) Working Group is developing the health insurance AI/machine learning survey and AI training content for state insurance regulators. The purpose of the survey is to understand how the industry is using AI, how the use of AI is governed, and how products and systems are being developed to guide future discussion on next steps. Questions related to data usage, arrangements with third parties and coordination of governance with existing health provider governance standards will be included in the survey, with an intention to align the questions with the content of the *NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers*. The launch of the survey is planned for November 2024.

Third-Party Data and Models (H) Task Force

The Third-Party Data and Models (H) Task Force heard presentations of different risk-based approaches to assist in its decision on whether to create a method to regulate third-party data and models. It was suggested that regulators work collectively at the NAIC to implement a nationwide and market-wide approach to identify risk. This approach may need to be more focused on individual state interests and the risks in those individual states as the use of specific models (e.g., hurricane models) will vary by state. Further discussion is planned at a future meeting to be scheduled by the Task Force.

Executive Committee

The Executive (EX) Committee (EX Committee) received an update on the following model law development efforts:

- ▶ Amendments to 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 received additional feedback from industry stakeholders on the previously exposed revised draft of Model #171 and will continue to review and discuss the additional feedback received at future meetings to be scheduled by the Subgroup.
- ▶ Amendments to the Public Adjuster Licensing Model Act (Model #228) to enhance regulatory standards governing the conduct of public adjusters by addressing issues related to individuals acting as unlicensed public adjusters, contractors who are also acting as public adjusters on the same claim, inappropriate assignment of benefit rights and excessive fees charged by public adjusters. The Producer Licensing (D) Task Force exposed a revised draft of Model #228 and will discuss the feedback received at a future meeting to be scheduled by the Task Force.

- ▶ Amendments to the Privacy of Consumer Financial and Health Information Regulation (Model #672), which replaces the model law development efforts for the new Insurance Consumer Privacy Protection Model Law. The Privacy Protections (H) Working Group continues to collaborate with regulators and industry stakeholders to understand the current state privacy law landscape and plans to form a drafting group to develop revisions to Model #672. In the interim, a chair draft of amendments to Model #672 was exposed to incorporate the feedback previously received from regulators, industry stakeholders and consumer representatives on core privacy principles into Model #672.

The actions taken by various NAIC groups that report to the EX Committee since the 2024 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 Climate Risk Disclosure workstream to analyze climate risk disclosures that have been submitted by insurers and highlight best practices for the completion of the Climate Risk Disclosure Survey by small and medium-sized insurance companies. The workstream discussed trends that have been identified in the completion of these disclosures and heard presentations on insurers' processes supporting their climate risk disclosure filing. The workstream continues to identify ways to educate insurers on this topic.

The Task Force also received an update on the development of a climate risk dashboard that includes physical risk indicators, transition risk indicators and coverage trends for several protection gap measures. This dashboard addresses one of the action items included in the *NAIC National Climate Resilience Strategy for Insurance* document and is intended to be a tool for regulators to better understand climate risk (i.e., wildfire risk, convective storm risk, flood risk) and the related protection gaps. The Task Force plans to form a drafting group to continue developing the dashboard and determine how the dashboard's results would be communicated to regulators and industry stakeholders.

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 workstreams to identify issues related to race, diversity and inclusion in the insurance sector, as well as access to insurance products and practices in the insurance sector that potentially disadvantage people of color and historically underrepresented groups.

SCRI's Life workstream adopted the *Financial Wellness Resource Guide*, developed in collaboration with the NAIC Diversity, Equity, and Inclusion (DE&I) team and state diversity leaders. The guide provides information that state insurance regulators can leverage to improve access to and understanding of life insurance products in underserved communities and includes state initiatives and programs that address financial literacy. The workstream also adopted an endorsement supporting state legislation requiring a financial literacy course as a prerequisite to high school graduation. The workstream continued its work to address barriers to life insurance products for people in underserved communities, focusing on criminal history. A draft survey was exposed seeking information about insurers' use of criminal history in life insurance underwriting. The workstream will discuss the feedback received at a future meeting.

SCRI's P&C workstream continued to focus on understanding issues related to potential bias and unfair discrimination in the P&C insurance market and examining underserved communities' ability to access P&C insurance products. The workstream heard a presentation from the NAIC's General Counsel on the various definitions of discrimination in the insurance industry (e.g., unfair discrimination, disparate treatment, disparate impact, proxy discrimination). The workstream also engaged with regulators, consumer representatives and industry stakeholders to discuss intentional and unintentional bias in the P&C insurance market.

SCRI's Health workstream plans to continue its work to build out and drive engagement on its collaborative workspace on the NAIC Connect webpage to provide a platform for its members to share information on removing barriers to health insurance for historically disadvantaged communities, health equity and other related topics. The workstream also plans to focus on the information needed by insurers to promote health equity. Meetings will be scheduled by the workstream to discuss this topic before the 2024 Fall National Meeting.

Life Insurance and Annuities

The Life Insurance and Annuities (A) Committee (A Committee) reviewed company illustrations to assess compliance with the current requirements of *Actuarial Guideline XLIX-A – The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold (on or after December 14, 2020)* (AG-49a). The latest revisions to the actuarial guideline appear effective in addressing concerns regarding the maximum illustrated rate. However, certain insurers included hypothetical returns and historical averages in their illustrations. Regulators are following up with these insurers to better understand why they believe this fits within the current requirements.

The actions taken by various NAIC groups that report to the A Committee since the 2024 Spring National Meeting are summarized below.

Life Actuarial (A) Task Force

LATF exposed an initial draft of an actuarial guideline detailing the proposed requirements for the asset adequacy testing of ceded reinsurance. The actuarial guideline is intended to address the risk that domestic life insurers may enter into reinsurance transactions that materially lower the amount of reserves and thereby facilitate releases of reserves that prejudice the interests of their policyholders. It establishes additional safeguards within the domestic cedent to determine whether the assets supporting reserves continue to be adequate based on moderately adverse conditions. Feedback has been requested on various questions included in the exposure, including the scope and application of the actuarial guideline and the level of aggregation of results by line of business by counterparty. Comments related to Section 2, *Scope*, and Sections 5.C and 7, *Aggregation*, are due by 3 October 2024. Comments related to remaining sections of the draft actuarial guideline are due by 11 October 2024.

LATF adopted the Historical Mortality Improvement (HMI) and Future Mortality Improvement (FMI) factors and the related HMI and FMI scales that were developed by the Academy and the SOA for use in 2024 reserve valuations. The historical and future averaging periods used to develop the HMI factors continue to be 10 years and 20 years, respectively. However, the development of the factors for the HMI scale now follows the pre-COVID-19 approach that was not applied in 2023. No adjustment has been made to historical data to account for the effects of COVID-19. For the FMI scale, a linear grade to the long-term mortality improvement rate (LTMIR) at projection year 10, which remains level at the LTMIR for the next five years, and a linear grade to zero until projection year 20 have been applied, along with a margin to reduce the base FMI rates by 25%.

LATF also exposed a draft of the Academy's *Life Knowledge Statements* document that recommends the level of knowledge necessary for life actuaries signing statements of actuarial opinion for PBR. The document highlights the scope of an actuarial opinion and the knowledge that an appointed actuary should have related to the following areas:

- ▶ Assessment of the effect of the legal environment on reserves
- ▶ Assessment of the effect of changes in insurance coverages on reserves
- ▶ Assessment of the effect of underwriting and marketing on reserves
- ▶ Assessment of the effect of reinsurance on reserves
- ▶ Understanding and application of reserving methods, analysis and diagnostics to derive actuarial reserves, including understanding of an insurer's operations and data involved to derive actuarial reserves
- ▶ Professionalism and business skills to perform actuarial services in an ethical manner and adhere to the Code of Professional Conduct, ASOPs and the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*

Fulfillment of the knowledge statements does not imply that an actuary is qualified to provide an opinion; rather, additional knowledge may be required depending on the topics covered under the actuarial opinion. It is anticipated that separate knowledge statements for the qualified actuary and the illustration actuary will be drafted and submitted to LATF for consideration prior to the end of 2024.

LATF received an update from the Generator of Economic Scenarios (E/A) Subgroup on its work to develop scenario sets and acceptance criteria for the generator of economic scenarios (GOES) that will be used in the reserve and capital valuations for life and annuity products. The Subgroup indicated that variable annuity and life model office results have been shared with regulators, but a final recommendation is not expected, as additional time is needed to conclude the 2024 field testing. Key findings will then be summarized for public discussion and recommendation to LATF and the Life RBC (E) Working Group to adopt necessary changes to the VM and RBC instructions, respectively. The Subgroup also indicated that the adoption of GOES will not be required sooner than 1 January 2026.

LATF also adopted the 2025 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 2025 is consistent with the methodology applied in prior years.

Accelerated Underwriting (A) Working Group

The Accelerated Underwriting (A) Working Group adopted the *Accelerated Underwriting in Life Insurance Regulatory Guidance and Considerations* document. The regulatory guidance is divided into three areas of focus (i.e., regulatory considerations, strategies for review and requests for information) and intended for use by regulators when reviewing the accelerated underwriting programs of life insurers to determine whether the programs are fair and transparent and comply with insurance regulations.

The Working Group also sent a referral to the Market Conduct Examination Guidelines (D) Working Group to consider revising the *Market Regulation Handbook* based on the adopted regulatory guidance.

Health Insurance and Managed Care

The NAIC Plenary adopted revisions to *Actuarial Guideline LI – The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) to clarify that regardless of which annual statement blank is filed by an insurer, an AG 51 filing must be made if the AG 51 filing requirement criteria are met.

The Health Insurance and Managed Care (B) Committee (B Committee) adopted revisions to VM-26: *Credit Life and Disability Reserve Requirements* to remove the 12% increase in the claim incidence rates for newly issued contracts from Section 3B.

The actions taken by various NAIC groups that report to the B Committee since the 2024 Spring National Meeting are summarized below.

LTC Insurance (B) Task Force

The Long-Term Care (LTC) Insurance (B) Task Force received an update from the LTC Actuarial (B) Working Group on its work to develop a single actuarial approach to multistate LTC insurance rate reviews. The Working Group discussed the feedback received on how best to address rate increases for policyholders with an attained age of 85, a policy duration of at least 25 years and cumulative rate increases greater than 400% (the “85/25/400” issue). Two proposals (i.e., the Minnesota approach with adjustments to haircut percentages and cumulative rate increase ranges of the cost-sharing formula and an alternative method recommended by Missouri) were exposed to address this issue.

The Task Force also received an update on industry trends that could adversely affect the reserves and solvency of LTC insurance companies. Key areas of regulatory focus include the effect of cost of care inflation specifically for inflation-protected products, morbidity and morbidity incidence improvement assumptions with COVID-19 considerations, future rate increase approvals and their potential effect on reserve adequacy testing (if assumed), the performance of assets supporting blocks of LTC insurance (i.e., AG 53 considerations), and the effect of wellness initiatives on LTC event prevention.

The Task Force heard a presentation from the NAIC’s Center for Insurance Policy and Research (CIPR) on its study of reduced benefit option (RBO) letters to consumers and consumer choices. The CIPR is seeking to understand if the letter notifying the consumer of a rate increase can affect whether the rate increase or an RBO is accepted. The CIPR will continue to model the data received from the study and consider whether there are ways to improve RBO checklists or better educate consumers about their choice. Results are expected to be presented to the Task Force in Spring 2025.

Property and Casualty Insurance

The P&C Insurance (C) Committee (C Committee) received an update on the P&C market intelligence data call that was issued by states to gather data that will allow regulators to better understand changes in the homeowners insurance market in their respective states, including the existence of any availability or coverage issues. The requested data has been received from most insurers, and the NAIC staff has been reviewing the data and following up with insurers about data anomalies identified as part of its review. The regulator steering committee established by the C Committee to focus on technical issues related to the data call is also continuing its work to analyze the data that has been gathered and anticipates providing a summary of its analysis later this year.

The actions taken by various NAIC groups that report to the C Committee since the 2024 Spring National Meeting are summarized below.

Casualty Actuarial and Statistical (C) Task Force

CASTF exposed revisions to Appendix B of the *Regulatory Review of Predictive Models* white paper, *Information Elements and Guidance for a Regulator to Meet Best Practices' Objectives (When Reviewing Regularized Generalized Linear Models)*, to include examples of regularized generalized linear models (RGLMs). The proposed revisions would clarify the main distinguishing features of RGLMs (e.g., lasso, derivative lasso, lasso credibility, ridge, elastic net, accurate generalized linear models) while indicating that the appendix should only be referenced in the review of rate filings based on RGLMs.

CASTF heard a presentation from the Academy on its Cyber Risk Toolkit that provides an overview of the challenges and emerging issues in the cyber insurance market and addresses issues related to cyber risk insurance and cyber exposure. The following topics were covered by this presentation:

- ▶ An overview of the current cyber insurance market, including current cyber insurance coverage and how current cyber insurance premiums are determined
- ▶ An overview of the current cyber threat landscape, including information on various cyber risks (e.g., ransomware, cyber risk related to autonomous vehicles, cyber risks related to digital assets)
- ▶ The challenges driven by "silent cyber" (i.e., cyber perils that are not explicitly included or excluded in cyber insurance policies) that can lead to unexpected payouts
- ▶ The limited availability of cyber data that would allow insurers to evaluate underwriting risks for cyber insurance
- ▶ The challenges and emerging issues related to cyber risk accumulation, including the impact on the modeling of cyber risks
- ▶ An overview of the reinsurance of cyber insurance

CASTF also discussed the inconsistencies in insurers' interpretation of the instructions to the Private Flood Insurance Supplement (i.e., the writing of flood insurance by endorsement combined with other perils and not completing the supplement, differing interpretations of the definition of "first dollar in excess"). A drafting group has been formed to draft a proposal that would revise the Private Flood Insurance Supplement and align the reporting of private flood insurance data with information reported by foreign insurers to the NAIC International Insurers Department (IID) for consideration by CASTF and subsequent referral to BWG.

Actuarial Opinion (C) Working Group

The Actuarial Opinion (C) Working Group discussed proposed revisions to the *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion, Actuarial Opinion Summaries, and Actuarial Reports for the Year 2024* (2024 Regulatory Guidance). The proposed revisions to the 2024 Regulatory Guidance would:

- ▶ Align the guidance with the revised content for the *2024 P&C Statement of Actuarial Opinion Instructions* that will require an appointed actuary to only provide qualification documentation upon initial appointment and eliminate the requirement for an appointed actuary to provide such documentation annually thereafter.

- ▶ Align the guidance with the revised guidance in ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss, Loss Adjustment Expense, or Other Reserves*, that will be effective on 1 October 2024.
- ▶ Incorporate the changes to the SOA's educational plan that will be implemented in 2025.

The Working Group also discussed proposed revisions to the *2025 P&C Statement of Actuarial Opinion Instructions*, which will incorporate the SOA's educational plan within the instructions.

Further discussion is planned at a future meeting to be scheduled by the Working Group.

Surplus Lines (C) Task Force

The Surplus Lines (C) Task Force adopted amendments to the NAIC IID plan of operation that added language to clarify the scope of analysis to be completed on insurers applying for or admitted to the NAIC *Quarterly Listing of Alien Insurers*. The revised plan of operation is effective 1 January 2025.

The Task Force also exposed a draft surplus lines service of process form that includes new language regarding the location of a lawsuit as defined in the Nonadmitted Insurance Model Act (Model #870). Comments are due by 30 September 2024.

Catastrophe Insurance (C) Working Group

The Catastrophe Insurance (C) Working Group received a status report on its project to update the *Catastrophe Modeling Primer* document that addresses the basics of catastrophe modeling. The primer document is intended to provide state insurance departments with background on catastrophe models and their use by regulators who need an introduction to catastrophe modeling, and to be a bridge to the training the CIPR's Catastrophe Modeling Center of Excellence is developing. The Working Group anticipates that the updated primer document will be presented for adoption by the 2024 Fall National Meeting.

Market Regulation and Consumer Affairs

The Market Regulation and Consumer Affairs (D) Committee (D Committee) adopted revisions to the life and annuity Market Conduct Annual Statement (MCAS) blank to incorporate language in the Life Insurance and Annuities Replacement Model Regulation (Model #613) that clarifies replacements of policies and contracts of affiliated companies are internal replacements.

The D Committee also adopted a requirement for fraternal organizations to report MCAS annually to participating MCAS jurisdictions.

Financial Condition

The E Committee adopted an amendment to the P&P Manual to authorize the procedures for the NAIC SVO to have discretion over NAIC designations assigned through the filing exemption and private letter rating processes, effective 1 January 2026. The amendments establish the process for the NAIC SVO to follow when challenging an NAIC designation assigned from a credit rating provider (CRP), limit their discretion over an NAIC designation to the specific CRP rating under review and require the NAIC SVO to provide insurers with full transparency into its assessment process.

The E Committee exposed a revised draft of the *Framework for Regulation of Insurer Investments – A Holistic Review* document and recommended work plan for the E Committee. The investment framework document and recommended work plan provide background information on recent NAIC initiatives and ongoing projects to address gaps in the regulatory framework for insurer investments, and the revised draft incorporates the feedback received from industry stakeholders on the action items included in the previously exposed draft. A chart summarizing the work being performed by various NAIC groups related to the investment framework is included in the exposure.

The E Committee also exposed a draft request for proposal (RFP) to hire an independent consultant to design and help the NAIC implement a strong due diligence framework over its ongoing use of CRPs. The due diligence framework would include quantitative and qualitative parameters for the CRPs to adhere to for their ratings to be used as NAIC designations. Input is being solicited from regulators and industry stakeholders on a series of questions related to the objectives of the due diligence framework, RFP response requirements, and the selection process and assessment criteria that would help in the development of the RFP.

Comments on exposed items are due by 14 October 2024.

The actions taken by various NAIC groups that report to the E Committee since the 2024 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 new guidance for use by regulators in reviewing the catastrophe risk interrogatory on page PR027 of the P&C RBC formula related to an insurer's catastrophe reinsurance program
- ▶ Revisions to incorporate additional guidance for use by regulators in reviewing the requirement for insurers to file the Own Risk and Solvency Assessment (ORSA) Summary Report and Form F (i.e., Enterprise Risk Report)
- ▶ Revisions to the credit risk repository to incorporate additional considerations for the review of credit risks and to incorporate references for guidance on custodial expectations and the review of affiliated investment management agreements
- ▶ Revisions to incorporate additional guidance for use by regulators in reviewing the pricing and underwriting risks of health insurers in response to a referral received from the Financial Analysis (E) Working Group

Information Technology (IT) Examination (E) Working Group

The IT Examination (E) Working Group discussed a referral received from the Cybersecurity (H) Working Group to consider enhancing the cybersecurity review guidance in the IT examination process. The Working Group formed a drafting group to perform an analysis on the existing guidance within Exhibit C: Evaluation of Controls in Information Technology (IT) of the *Financial Condition Examination Handbook*, consider other guidance related to cybersecurity risks and draft proposed guidance that would better prioritize cybersecurity risks in the IT examination process.

The drafting group determined that the guidance in the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) 2.0 would be the main source for the proposed guidance due to its similarity with the existing guidance within Exhibit C and additional review procedures that are currently not included in the IT examination process. The drafting group is continuing its work to identify overlapping guidance between Exhibit C and the NIST CSF 2.0 and incorporate additional procedures from the NIST CSF 2.0. The Exhibit C guidance will also be reviewed for areas that may be reduced or removed as part of this project. Further discussion is planned at a future meeting to be scheduled by the Working Group.

Restructuring Mechanisms (E) Working Group

The Restructuring Mechanisms (E) Working Group exposed a revised draft of its *Best Practices Procedures for Insurance Business Transfers (IBT)/Corporate Divisions* document that includes foundational principles and leading practices addressing IBTs and corporate division laws for state insurance regulators to use in reviewing the restructuring transactions of insurance companies.

The Working Group also exposed a draft of the *Restructuring Mechanisms* white paper, which addresses the following topics:

- ▶ Overview of IBT and corporate division laws and mechanics
- ▶ History of restructuring in the United Kingdom
- ▶ Survey of US restructuring statutes and regulations
- ▶ Impact of IBTs and corporate divisions to personal lines of insurance business
- ▶ Legal impacts of IBT and corporate division laws
- ▶ Recommendations from the Working Group regarding issues related to restructuring transactions

Feedback received on the revised drafts will be discussed by the Working Group at a future meeting.

Reinsurance (E) Task Force

The Reinsurance (E) Task Force received an update from the Reinsurance Financial Analysis (E) Working Group on its review of foreign reinsurers for passporting. The Working Group has approved 85 reciprocal jurisdiction reinsurers and 41 certified reinsurers for passporting as of July 2024. The [list of passported reinsurers](#) is available on the NAIC website.

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 the following amendments to the P&P Manual:

- ▶ Revisions to update the definition of an NAIC designation, which consolidate the explanations and definitions of an NAIC designation included in separate parts of the P&P Manual into Part One; clarify the meaning of an NAIC designation, including its use, purpose and risks addressed; and remove all references to subscript "S" and the application of subscript "S" to securities for other than non-payment risks
- ▶ Revisions to delay the effective date for the implementation of CLO modeling to assign NAIC designations and NAIC designation categories to these securities from year-end 2024 to year-end 2025
- ▶ Revisions to Part One of the P&P Manual to update the abbreviations for various US government agency and other US government obligations; the revisions eliminate conflicting abbreviations used for these types of securities and address space limitations in the annual statement blank
- ▶ Revisions to Part One of the P&P Manual to permit the assignment of NAIC designations to short-term asset-backed securities in the scope of the revised SSAP No. 43 for the principles-based bond definition that will be effective on 1 January 2025
- ▶ Revisions to Part Two of the P&P Manual to add Spain to the List of Foreign (Non-US) Jurisdictions Eligible for Netting for Purposes of Determining Exposures to Counterparties for Schedule DB, Part D, Section 1; the revisions permit Spain to be included in the calculation of credit risk exposures to counterparties
- ▶ Revisions to Part Two of the P&P Manual to clarify that insurers are permitted to self-assign an NAIC 6* designation to securities that do not have the appropriate documentation to receive an SVO-assigned NAIC designation and do not meet the requirements for an NAIC 5.B GI designation; the revisions also clarify that insurers are permitted to self-assign an NAIC 6* designation to securities that possess the credit characteristics of securities assigned an NAIC 6 designation
- ▶ Revisions to Part Two of the P&P Manual to update the list of NAIC SVO processes to identify the processes that are currently performed by the NAIC SVO
- ▶ Revisions to Part Three of the P&P Manual to update the SSAP references within the P&P Manual guidance for subsidiary, controlled and affiliated entities and related party bond and preferred stock investments; the revisions remove references to specific paragraphs of SSAP No. 43 and add a note regarding the SSAP title change for SSAP No. 43 that will be effective on 1 January 2025

VOSTF exposed the following amendments to Part Three of the P&P Manual:

- ▶ Revisions to require an annual review of regulatory transactions by either the NAIC SVO or the NAIC Structured Securities Group (SSG); the proposed amendments would update the instructions for the SVO analytical values assessment for regulatory transactions, require insurers to notify the NAIC SVO or the NAIC SSG of any material changes to a regulatory transaction, and clarify the limited ability for an insurer to self-assign an SVO analytical value with a subscript "Z" designation.
- ▶ Editorial revisions to update the list of NAIC CRPs

VOSTF also 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 SSG, with assumptions over the mechanics of the modeling process and cash flow. The CLO Ad Hoc Group has completed its revised analysis of the CLO modeling methodology that incorporates feedback from industry stakeholders on the cash flow results for its 10 proposed scenarios and intends to present its results at a future meeting to be scheduled by VOSTF.

Financial Regulation Standards and Accreditation

The Financial Regulation Standards and Accreditation (F) Committee (F Committee) adopted a referral from the Receivership and Insolvency (E) Task Force recommending that the 2023 revisions to the Property and Casualty Insurance Guaranty Association Model Act (Model #540) be considered an acceptable element of Part A: Laws and Regulations of the accreditation standards but not required for accreditation purposes. The 2023 revisions to Model #540 address the continuity of guaranty fund coverage for policyholders subject to restructuring mechanisms, specifically insurance business transfers and corporate division transactions, and clarify the guaranty fund coverage for cybersecurity insurance.

The F Committee affirmed their intention for risk retention groups to be subject to the group capital calculation requirements, but not the liquidity stress test requirements, that were previously incorporated as significant elements of Part A: Laws and Regulations of the accreditation standards, effective 1 January 2026.

The F Committee exposed revisions to the Review Team Guidelines and Self-Evaluation Guide in Part B1: Financial Analysis of the accreditation standards for consistency with existing guidance in Part B2: Financial Examinations of the accreditation standards. The proposed revisions would modify the results-oriented guideline and process-oriented guideline to include contractors when assessing whether a state insurance department has qualified staff and resources to effectively review the financial condition of its domestic insurers. The revisions would also clarify that evidence of the state insurance department's oversight of a contractor's supervisory review of financial analysis should be maintained. Additional fields for contractor information, including the number of contractors used by the state insurance department and whether the state insurance department designee had an oversight role of the contractors, would be included in the Self-Evaluation Guide.

The F Committee also sent a referral to the Risk-Focused Surveillance (E) Working Group seeking additional guidance on the use and supervision of independent contractors in conducting financial analysis and financial examinations that accreditation review teams can use when conducting accreditation reviews. The referral seeks guidance not currently included in the *Financial Condition Examiners Handbook* or the *Financial Analysis Handbook* to address the following areas:

- ▶ Consideration for a results-oriented guideline in addition to the existing process-oriented guideline
- ▶ Consideration for defined timeliness requirements for the state insurance department's oversight review
- ▶ Consideration for the qualifications and role of the state insurance department designee when a financial examination is conducted by a contractor
- ▶ Consideration for whether the state insurance department designee should be able to demonstrate their level of overall understanding of the financial examination and its risks and findings at a high level
- ▶ Clarification on the *Financial Condition Examiners Handbook's* guidance that the state insurance department designee's review should be timely

International Insurance Relations

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

- ▶ The IAIS continued its work on the comparability assessment that will determine whether the Aggregation Method (AM) developed for the US system of state-based insurance regulation provides comparable outcomes to the Insurance Capital Standard. The final decision on comparability will be made in the fourth quarter of 2024.
- ▶ The IAIS continued its work on the peer review process for Insurance Core Principle (ICP) 16, *Enterprise Risk Management for Solvency Purposes*. Individual reports have been submitted to each jurisdiction, and the IAIS is in the process of reviewing responses and preparing an aggregate report. The final report will be posted on the IAIS website in the fourth quarter of 2024.

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

- ▶ Draft revisions to supervisory material related to the Holistic Framework for Systemic Risk in the Insurance Section (Holistic Framework) in ICP 12, *Exit from the Market and Resolution*, and ICP 16 to address recommendations resulting from the IAIS' targeted jurisdictional assessment of the Holistic Framework and other relevant developments that highlight the need for robust recovery and resolution planning for insurers
- ▶ Draft revisions to ICP 15, *Investments*, and ICP 16 to address climate risk in selected ICP guidance and supporting material
- ▶ Draft application paper on considering diversity, equity and inclusion (DEI) from a governance, risk management and corporate culture perspective, which highlights the significance of DEI and illustrates practical considerations for it in the context of ICP 7, *Corporate Governance*, and ICP 8, *Risk Management and Internal Controls*

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

Stay tuned

The NAIC's 2024 Fall National Meeting is scheduled for 16-19 November in Denver. A [schedule of interim NAIC group meetings](#) is available on the NAIC website.

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Appendix A – Statutory Accounting Principles Working Group

This chart summarizes actions taken by SAPWG since the 2024 Spring National Meeting. Comments on exposed items are due by 27 September 2024, 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 SSAP¹			
Principles-Based Bond Definition Project (Ref #2019-21)	Adopted	Adopted Issue Paper No. 169 detailing the historical discussions and decisions reached on the guidance developed for the principles-based bond definition project. The issue paper also clarifies that the determination of whether an investment qualifies to be reported as a bond should be made at the time of acquisition based on what was intended by the issuer at the time of origination.	1 January 2025
	Exposed	Exposed an Implementation Q&A Guide detailing, in response to questions received from industry stakeholders, interpretations of how the principles-based bond definition guidance should be applied to specific investment structures or investment characteristics.	TBD
New Market Tax Credit (NMTC) Project (Ref #2022-14)	Exposed to 8 November 2024	Exposed a draft issue paper detailing the historical discussions and decisions reached on the guidance developed for the NMTC project, which revised the scope of the existing statutory accounting for tax credits as adopted in SSAP No. 93 and SSAP No. 94.	TBD
SSAP No. 7 – Interest Maintenance Reserve (Ref #2022-19)	Deferred*	<p>Previously directed the NAIC staff to consider the following topics as part of a long-term project to develop statutory accounting guidance for the recognition of net negative IMR as an admitted asset:</p> <ul style="list-style-type: none"> ▶ 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 for the admission of net negative IMR 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 noneffective 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 <p>The adoption of INT 23-01 in August 2023 prescribes a limited-time, optional exception to the statutory accounting guidance in SSAP No. 7, <i>Asset Valuation Reserve and Interest Maintenance Reserve</i>, and the annual statement instructions for the disallowance of net negative IMR. The interpretive guidance will be automatically nullified on 1 January 2026.</p>	TBD
SSAP No. 7 – AVR and IMR (Ref #2023-14)	Deferred*	Previously directed the NAIC staff to establish a long-term project to incorporate accounting guidance for the AVR and IMR from the annual statement instructions into 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
ALM Derivatives (Ref #2024-15)	Exposed to 8 November 2024	Exposed the agenda item to consider the development of statutory accounting guidance for derivatives hedging interest rate risk that do not qualify as effective hedges under SSAP No. 86 and are not captured within the specific variable annuity hedging guidance of SSAP No. 108 (i.e., macro-derivative hedges) but are used for ALM.	TBD

¹ The terms "New SSAP or New SAP Concepts in an Existing SSAP" and "SAP Clarification" reference the different types of revisions to statutory accounting guidance. The terms used in previously adopted SSAPs, issue papers and agenda items (i.e., "substantive" and "nonsubstantive") 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 2024 Spring National Meeting.

Topic/issue	Status	Discussion	Effective date
Repacks and Derivative Wrapper Investments (Ref #2024-16)	Exposed	Exposed revisions to SSAP No. 86 to establish statutory accounting guidance for debt security investments with derivative components or wrappers. The proposed revisions would modify the existing guidance in SSAP No. 86 that explicitly precludes the separation of embedded derivatives to require the separate accounting and reporting of derivatives captured in these investment structures. SSAP No. 26 would also be modified to clarify that the underlying debt security would need to be evaluated for bond reporting under the principles-based bond definition guidance after bifurcation. Exposed revisions to Schedule D, Parts 4 and 5, to clarify that the sale of a debt security investment to a special purpose vehicle or another entity that is then reacquired as a debt security investment with a derivative component or wrapper should be reported as a sale and subsequent acquisition of a debt security.	TBD
SAP Clarification²			
Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement (Ref #2022-12)	Adopted	Adopted revisions to SSAP No. 25 and SSAP No. 63 to address the recognition of assets transferred between pool participants when an existing intercompany pooling arrangement is modified. The revisions to SSAP No. 63 include a new disclosure requirement for modifications to an existing intercompany pooling arrangement that involve the transfer of assets with fair values that differ from their statement value. INT 03-02 was also nullified.	Immediately
Review Annual Statement Instructions for Accounting Guidance (Ref #2023-01)	Deferred*	Previously 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
Schedule BA Reporting Categories (Ref #2023-16)	Adopted	Adopted revisions to Schedule BA to incorporate more detailed definitions for investments captured within the scope of SSAP No. 48 (e.g., non-registered private funds, joint ventures, partnerships or limited liability companies) or residual interests and reported based on the underlying characteristics of assets. The revisions also require a maturity date to be reported for all Schedule BA investments that have a stated maturity date.	1 January 2025
Current Expected Credit Loss (CECL) (Ref #2023-24)	Exposed to 8 November 2024	Exposed a draft issue paper documenting the US GAAP impairment guidance that existed prior to the adoption of ASU 2016-13, which has been retained in existing statutory accounting guidance.	TBD
ASU 2023-06 – Disclosure Improvements (Ref #2023-26)	Adopted	Adopted revisions to SSAP No. 15 and SSAP No. 86 to incorporate the US GAAP guidance in ASU 2023-06 with modification to require disclosure for unused commitments and lines of credit, disaggregated by short and long term, and disclosure of the accounting policy for where cash flows associated with derivative instruments are presented in the statement of cash flow.	Immediately
Collateral Loan Reporting (Ref #2023-28)	Exposed Further analysis needed	Exposed revisions to the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan. The proposed revisions would also add a new category within the AVR reporting schedule to capture collateral loans. Directed the NAIC staff to sponsor a corresponding blanks proposal to update the annual statement reporting lines for Schedule BA and the AVR reporting schedule, and to notify CATF and the various NAIC groups that report to it regarding the planned reporting line changes.	TBD
Model 630 – Mortgage Guaranty Insurance (Ref #2023-31)	Deferred*	Previously directed the NAIC staff to work with state insurance regulators on the development of revisions to SSAP No. 58, <i>Mortgage Guaranty Insurance</i> , and Appendix A-630, <i>Mortgage Guaranty Insurance</i> , to incorporate the 2023 revisions to the Mortgage Guaranty Insurance Model Act (Model #630).	TBD
Bond Definition – Debt Securities Issued by Funds (Ref #2024-01)	Adopted	Adopted revisions to the version of SSAP No. 26 that will incorporate the principles-based bond definition to clarify that debt securities issued by funds that represent operating entities qualify for reporting as issuer credit obligations. The revisions also clarify that US SEC registration is a practical safe harbor to determine whether debt securities issued by the fund represent debt issued by an operating entity that is intended only for SEC-registered funds and should not be used as a proxy for other debt securities issued by funds.	1 January 2025
ASU 2023-01 – Leases (Topic 842), Common Control Arrangement (Ref #2024-02)	Adopted	Adopted revisions to SSAP No. 19 and SSAP No. 73 to incorporate the US GAAP guidance in ASU 2023-01 with modification to align the guidance with existing statutory accounting guidance for leasehold improvements associated with a lease between entities under common control. The revisions also reject the practical expedient included in the US GAAP guidance for private companies and not-for-profit entities that are not conduit bond obligors.	Immediately

Topic/issue	Status	Discussion	Effective date
ASU 2023-08 – Accounting for and Disclosure of Crypto Assets (Ref #2024-03)	Adopted	Adopted revisions to SSAP No. 20 to incorporate the definition of crypto assets in ASU 2023-08 with modification to clarify that directly held crypto assets are nonadmitted assets for statutory accounting. INT 21-01 was also nullified.	Immediately
Conforming Repurchase Agreements (Ref #2024-04)	Exposed to 16 December 2024 Further analysis needed	Exposed a draft memo that identifies the current application and interpretation of existing statutory guidance (accounting, reporting and RBC treatment) between securities lending and repurchase agreement transactions. Feedback has been requested from regulators and industry stakeholders on the documented processes and questions included in the draft memo. Directed the NAIC staff to include the proposed revisions to SSAP No. 103, <i>Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i> , to incorporate the US GAAP guidance in ASU 2023-06 with modification as part of this agenda item. The proposed revisions would revise the disclosures of accrued interest from repurchase and reverse repurchase agreements, with separate disclosures (including counterparty disclosures) for significant repurchase agreements and reverse repurchase agreements.	TBD
A-791 Paragraph 2c (Ref #2024-05)	Re-exposed	Re-exposed revisions to Appendix A-791, <i>Life and Health Reinsurance Agreements</i> , to remove the first sentence in the Q&A to paragraph 2c that discusses group term life insurance and clarify that this section within Appendix A-791 does not provide a safe harbor based on the Commissioner's Standard Ordinary (CSO) rates for yearly renewable term (YRT) rates.	TBD
Risk Transfer Analysis on Combination Reinsurance Contracts (Ref #2024-06)	Re-exposed	Re-exposed revisions to SSAP No. 61, <i>Life, Deposit-Type and Accident and Health Reinsurance</i> , to incorporate existing risk transfer guidance that is in Exhibit A, <i>Implementation Questions and Answers</i> , of SSAP No. 62, <i>Property and Casualty Reinsurance</i> . The proposed revisions would require risk transfer to be evaluated in aggregate for reinsurance contracts with interrelated contract features such as experience rating refunds or recapture provisions. The proposed revisions would also update the YRT guidance in SSAP No. 61 to reference the guidance in paragraph 6 of Appendix A-791 regarding the entire reinsurance contract and the effective date of the contract. Feedback has been requested on the extent that the risk transfer conclusion for existing reinsurance contracts would be affected by the proposed revisions and specific language regarding the concept that interdependent contract features should be analyzed in aggregate to support the risk transfer determination.	TBD
Reporting of Funds Withheld and Modco Assets (Ref #2024-07)	Exposed to 16 December 2024	Exposed a draft of the new reporting schedules that would add a new part to Schedule S - Reinsurance in the Life and Health annual statement and Schedule F - Reinsurance in the P&C and Title annual statements to identify all assets held under a funds withheld arrangement and a separate signifier for modified coinsurance (i.e., modco) assets. Feedback has been requested to understand how amounts are determined for the reduction in asset risk charges allowed for funds withheld and modco assets in the Life RBC formula and the reporting of the fair value of collateral in Schedule S and Schedule F if these assets cannot be identified.	TBD
Consistency Revisions for Residuals (Ref #2024-08)	Adopted	Adopted revisions to various SSAPs (SSAP No. 26; SSAP No. 30; SSAP No. 32; SSAP No. 43; SSAP No. 48) to remove guidance for residual interests from the respective SSAPs and to include a reference to SSAP No. 21 within the respective SSAPs for the definition of and accounting and reporting guidance for residual interests.	1 January 2025
SSAP No. 2R – Clarification (Ref #2024-09)	Adopted	Adopted revisions to SSAP No. 2 to eliminate references implying that asset-backed securities, mortgage loans or other Schedule BA assets are permitted to be reported as cash equivalents or short-term investments.	1 January 2025
SSAP No. 56 – Book Value Separate Accounts (Ref #2024-10)	Exposed to 8 November 2024	Exposed revisions to SSAP No. 56, <i>Separate Accounts</i> , to allow for the initial review and consideration of potential changes to update the measurement method guidance and specify the process to transfer assets for cash between the general and book value separate accounts. Feedback has been requested from regulators and industry stakeholders on information related to seed money and other asset transfers that are not included in the proposed revisions.	TBD
ASU 2023-09 – Improvements to Income Tax Disclosures (Ref #2024-11)	Exposed	Exposed revisions to SSAP No. 101, <i>Income Taxes</i> , to remove the disclosure of the cumulative amount of each type of temporary tax difference when a deferred tax liability is not recognized for undistributed foreign earnings.	TBD

Topic/issue	Status	Discussion	Effective date
Updates to SSAP No. 27 (Ref #2024-12)	Deferred	Previously exposed revisions to SSAP No. 27, <i>Off-Balance-Sheet and Credit Risk Disclosures</i> , to remove the references to FASB Statement No. 105, <i>Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk</i> , and specifically identify the financial instruments that are excluded from its scope. The proposed revisions would also update the annual statement blank to add an "Other" derivatives category, disclosure examples and instructions for non-derivative financial instruments with off-balance sheet credit risks.	TBD
Update SSAP No. 107 Disclosures (Ref #2024-13)	Adopted	Adopted revisions to SSAP No. 107 to eliminate the required disclosures for the transitional ACA reinsurance program and the temporary ACA risk corridor program. The revisions also eliminate the related rollforward disclosure included in Exhibit B of SSAP No. 107.	31 December 2024
Accounting Practices and Procedures Manual Editorial (Ref #2024-14EP)	Adopted	Adopted editorial revisions to the AP&P Manual to remove the "Revised" and "R" designations that were used to identify a substantively revised SSAP from the SSAP titles and SSAP references within the AP&P Manual.	Immediately
SSAP No. 86 – VM-01 (Ref #2024-17)	Exposed	Exposed revisions to SSAP No. 108 to update the definition of a clearly defined hedging strategy (i.e., CDHS) and align it with the revised guidance in VM-01: <i>Definition for Terms in Requirements</i> of the VM.	TBD
Clarifications to NMTC Project (Ref #2024-18)	Exposed	Exposed revisions to the version of SSAP No. 93 and SSAP No. 94 that will incorporate the revised statutory accounting guidance for tax credit investments to clarify and align the accounting guidance with the example journal entries for the recognition and utilization of tax credits. Corresponding revisions to clarify the scope of SSAP No. 48 regarding tax credit investment structures were also exposed.	TBD

US GAAP guidance exposed for rejection

Exposed to reject as not applicable to statutory accounting:

- ▶ ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (Ref #2024-11)
- ▶ ASU 2024-02, *Codification Improvements – Amendments to Remove References to the Concepts Statements* (Ref #2024-19)

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

Substantive listing:

- ▶ SSAP No. 41 – Amortization and Accretion Surplus Notes (Ref #2017-12)
- ▶ Derivatives Hedging Fixed Indexed Products (Ref #2020-36)

Nonsubstantive listing:

- ▶ SSAP No. 26 and SSAP No. 43 – 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. 61 – Reinsurance Credit (Ref #2017-28)
- ▶ SSAP No. 41 – 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. 51, SSAP No. 53, SSAP No. 54 and SSAP No. 59 – Expanded MGA and TPA Disclosures (Ref #2019-36)
- ▶ SSAP No. 62 – Retroactive Reinsurance Exception (Ref #2019-49)
- ▶ SSAP No. 53, SSAP No. 54 and SSAP No. 66 – Premium Refunds and Other Adjustments (Ref #2020-30)
- ▶ SSAP No. 107 – State ACA Reinsurance Programs (Ref #2021-09)

Appendix B – Blanks Working Group

This chart summarizes actions taken by BWG since the 2024 Spring National Meeting.

Adopted items	Statement type(s) ¹	Filing(s)	Effective date
2023-12BWG MOD: Modifies Schedule BA to provide categories for debt securities that do not qualify as bonds and are captured in the scope of SSAP No. 21 and clarify the reporting of investments on Schedule BA in response to actions taken by SAPWG relating to the bond project (SAPWG Ref #2019-21 and #2023-16).	L/F, P/C, H, T, SA, PC	Annual and Quarterly	First quarter 2025
2024-01BWG: Updates the general instructions for the investment schedules to clarify that investments in common stock and preferred stock that are in-substance residual interests are to be reported on the dedicated reporting line for residual interests on Schedule BA in response to actions taken by SAPWG (SAPWG Ref #2023-23).	L/F, P/C, H, T, SA	Annual and Quarterly	Annual 2024
2024-02BWG MOD: Modifies Schedule DA, Part 1, and Schedule E, Part 2, to remove investment categories that are to be reported on Schedule BA and update the general instructions for the investment schedules to clarify the investments that are permitted to be reported in the Other Short-Term Investments or Other Cash Equivalent categories and those that should be reported on Schedule BA, with corresponding revisions to the AVR, in response to actions taken by SAPWG (SAPWG Ref #2023-17).	L/F, P/C, H, T, SA	Annual and Quarterly	First quarter 2025
2024-03BWG MOD: Updates the General Interrogatories to clarify the instructions for the information to be reported for private letter rating securities.	L/F, P/C, H, T	Annual	Annual 2024
2024-04BWG: Updates the annual statement instructions to clarify that the reserves reported in the VM-20 Supplement should include amounts related to separate accounts, where applicable to the policies in scope.	L/F, SA	Annual	Annual 2024
2024-05BWG: Updates the General Interrogatories to clarify that all investment advisors with discretion to make investment decisions on behalf of the reporting entity, including sub-advisors, are required to be disclosed.	L/F, P/C, H, T	Annual and Quarterly	Annual 2024
2024-06BWG: Modifies the P&C annual statement instructions to limit the requirement for the Appointed Actuary to provide qualification documentation to the Board of Directors only at initial appointment and not annually thereafter and updates the Title annual statement instructions to maintain an overall level of consistency with the P&C annual statement instructions.	P/C, T	Annual	Annual 2024
2024-07BWG: Modifies the illustration under Note 5S(A) – Investments for the reporting of net negative IMR to include a breakout for separate accounts and adds a new general interrogatory for a company attestation for separate accounts in response to the adoption of INT 23-01 by SAPWG.	L/F, P/C, H, T, SA	Annual	Annual 2024
2024-08BWG: Modifies the IMR and AVR instructions to include specific allocation guidance for NAIC designation changes related to debt securities (excluding loan-backed and structured securities), mortgage loans and perpetual preferred stocks in response to actions taken by SAPWG (SAPWG Ref #2023-15 and #2023-29).	L/F	Annual	Annual 2024
2024-09BWG MOD: Adds new instructions and an illustration to Note 5 – Investments to require the reporting of aggregate collateral loans by qualifying investment collateral in response to actions taken by SAPWG (SAPWG Ref #2023-28).	L/F, P/C, H, T, SA	Annual and Quarterly	Annual 2024
2024-10BWG MOD: Modifies the annual statement instructions to remove the disclosures in Note 24 – Retrospectively Rated Contracts & Contracts Subject to Redetermination related to the transitional ACA reinsurance program and the temporary ACA risk corridor program in response to actions taken by SAPWG (SAPWG Ref #2024-13).	L/F, P/C, H	Annual and Quarterly	Annual 2024
2024-11BWG MOD: Modifies the instructions for various sections of the annual statement blank (e.g., Assets page, required disclosures, AVR, Schedule BA, Part 1 and Part 3) to incorporate the revised statutory reporting requirements for tax credit investment structures in response to actions taken by SAPWG (SAPWG Ref #2022-14).	L/F, P/C, H, T, SA, PC	Annual and Quarterly	First quarter 2025
2024-12BWG MOD: Modifies the quarterly investment schedules for editorial items related to the bond project (e.g., Schedule D Verification; Schedule D, Part 1B; Schedule D, Part 3 and Part 4; Schedule DL, Part 1 and Part 2; Schedule E, Part 1 and Part 2) and updates the general instructions for the quarterly investment schedules for the changes that were adopted to the general instructions for the annual investment schedules (Ref #2023-06BWG MOD).	L/F, P/C, H, SA, T	Quarterly	First quarter 2025

¹ L/F = Life and Fraternal; P/C = Property and Casualty; H = Health; T = Title; SA = Separate Accounts, PC = Protected Cell.

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 2024 Spring National Meeting.

Topic/issue	NAIC group	Status	Discussion	Effective date
All RBC				
Residual Tranches Structure for P&C and Health (Ref #2024-02-CA)	Capital Adequacy Task Force	Adopted	Adopted revisions to update the structure for investments in residual tranches in the Health RBC and P&C RBC formulas for consistency with the revised structure in the Life RBC formula that was adopted in 2023. The revisions add a new reporting line for the total amount of residual tranches on page XR008 of the Health RBC formula and page PR008 of the P&C RBC formula and related instructions and facilitated the development and application of a factor specific to this category (Ref #2024-18-CA).	2024
Repurchase Agreements for P&C and Health (Ref #2024-06-CA)	Capital Adequacy Task Force	Deferred*	Previously exposed a proposal to modify the treatment of repurchase agreements in the Health RBC and P&C RBC formulas for consistency with the ACLI proposal exposed by the Life RBC Working Group (Ref #2024-03-L).	TBD
Column 12 Affiliated Investments (Ref #2024-08-CA)	Capital Adequacy Task Force	Adopted	Adopted revisions to remove the references to “H0 Component” and “R0 Component” on page XR002 of the Health RBC formula and page PR003 of the P&C RBC formula, respectively.	2024
Underwriting Risk Factors – Investment Income Adjustment (Ref #2024-09-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 5.0% to 5.5% for 2024 reporting purposes.	2024
Receivables for Securities Factors (Ref #2024-13-CA)	Capital Adequacy Task Force	Adopted	Adopted revisions to update the factors for receivables for securities in each of the RBC formulas based on a weighted average calculation of bonds, common stock, preferred stock and hybrid stock investments.	2024
Revised Preamble (Ref #2024-16-CA)	Capital Adequacy Task Force	Further analysis needed	Discussed the feedback received on the proposed revisions to the RBC Preamble to clarify and emphasize the purpose and intent for the use of the RBC calculation.	TBD
Residual Tranches Factor for P&C and Health (Ref #2024-18-CA)	Capital Adequacy Task Force	Adopted	Adopted a factor of 0.20 for residual tranches or interests reported on page XR008 of the Health RBC formula and page PR008 of the P&C RBC formula.	2024
Life RBC				
Comfort Trusts (Ref #2023-08-L)	Life RBC Working Group	Further analysis needed*	Previously discussed the feedback received on proposed revisions to the instructions for page LR016 of 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).	TBD
Repurchase Agreements (Ref #2024-03-L)	Life RBC Working Group	Deferred	Previously exposed the ACLI proposal to modify the treatment of repurchase agreements on page LR017 of the Life RBC formula and related instructions, which would establish a “conforming program criteria” option for repurchase agreements through the general interrogatories of the annual statement and align the current charge of 1.26% for conforming repurchase agreements with the charge for conforming securities lending programs of 0.2%. The ability to use the lower charge would only apply to counterparties rated BBB or higher. Repurchase agreements that do not meet the criteria or a counterparty rated BB or lower would continue to be subject to the 1.26% charge.	TBD
TAC Adjustment for Non-Admitted Affiliates (Ref #2024-04-L)	Capital Adequacy Task Force	Adopted	Adopted revisions to page LR033 of the Life RBC formula to address the treatment of non-admitted insurance affiliates in the calculation of total adjusted capital for consistency with the Health RBC and P&C RBC formulas.	2024

* No action was taken on this topic/issue since the 2024 Spring National Meeting.

Topic/issue	NAIC group	Status	Discussion	Effective date
Schedule BA Mortgages (Ref #2024-05-L)	Capital Adequacy Task Force	Adopted	Adopted revisions to add a new line item to page LR009 of the Life RBC formula for consistency with line 44 of the AVR Equity Component in the Life annual statement blank. The revisions facilitated the development and application of a factor specific to this category (Ref #2024-17-L).	2024
Other Long-Term Assets (Ref #2024-07-L)	Life RBC Working Group	Deferred	Previously exposed revisions to page LR008 of the Life RBC formula to appropriately capture modco adjustments for residual tranches and reorganize the presentation of items with asset (i.e., C1 and C1cs) risks.	TBD
Collateral Loans (Ref #2024-15-L)	Capital Adequacy Task Force	Adopted	Adopted revisions to page LR008 of the Life RBC formula to exclude any collateral loan amounts that are reported elsewhere in the Life RBC formula (e.g., collateral loans backed by mortgages that are reported on page LR009).	2024
Schedule BA Mortgages – AVR Line Factor (Ref #2024-17-L)	Capital Adequacy Task Force	Adopted	Adopted a factor of 0.0068 for the Affiliated Mortgages - Residential - All Other Line on page LR009 of the Life RBC formula.	2024
Residual Tranche Factor (Ref #2024-19-I)	RBCIRE Working Group	Adopted	Adopted revisions to apply a base factor of 0.45 (45%) to investments in residual tranches in the Life RBC formula.	2024
Health RBC				
Health Care Receivables Factors (Ref #2024-12-H-MOD)	Capital Adequacy Task Force	Adopted	Adopted revisions to apply a tiered factor to pharmaceutical and non-pharmaceutical receivables in aggregate on page XR021 of the Health RBC formula. The aggregated non-pharmaceutical receivables include claim overpayment receivables, loans and advances to providers, capitation arrangement receivables, risk sharing receivables and other health care receivables.	2024
P&C RBC				
Climate Scenario Analysis (Ref #2024-20-CR-MOD)	E Committee	Adopted	Adopted revisions to page PR027 of the P&C RBC formula to include disclosures that will provide information to address the quantitative impact of climate-related risks on the modeled losses for the "hurricane" and "wildfire" risk perils for informational purposes only. These disclosures will be effective for year-end 2024, 2025 and 2026 reporting. The adopted proposal replaces Ref #2023-17-CR, which was adopted by CATF on 30 April 2024.	2024
Other Health Line (Ref #2024-10-P)	Capital Adequacy Task Force	Adopted	Adopted revisions to Line (25) – Other Health on page PR019 to eliminate the double-counting of stop-loss premium in the P&C RBC formula.	2024
Underwriting Risk Lines 4 and 8 (Ref #2024-11-P)	Capital Adequacy Task Force	Adopted	Adopted revisions to the underwriting risk factors for reserves on page PR017 and for premiums on page PR018 of the P&C RBC formula based on the results indicated in a 2023 report issued by the Academy. These factors are set at 50% of the indicated change for 2024 and 100% of the indicated change for 2025, with the reserve factors capped for international and product liability lines and the premium factors capped for the financial mortgage guaranty line each year.	2024/2025
Underwriting Risk Line 1 Factors (Ref #2024-14-P)	Capital Adequacy Task Force	Adopted	Adopted the annual update of the industry underwriting factors for premium and reserves in PR017 and PR018 of the P&C RBC formula.	2024