12 May 2022

NAIC Bulletin

Highlights of the National Association of Insurance Commissioners meeting

Spring 2022 update

In this issue:

The National Association of Insurance Commissioners (NAIC) recently held its 2022 Spring National Meeting in a hybrid format from Kansas City, Missouri. Our publication highlights key issues that NAIC groups have addressed since the 2021 Fall 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 Risk-Based Capital Investment Risk and Evaluation (E) Working Group was formed to review the risk-based capital investment framework across all sectors and work closely with other NAIC groups in their review of investment-related proposals.
- The Financial Stability (E) Task Force adopted a list of regulatory concerns related to private equity-owned insurers and is coordinating with various NAIC groups to address the identified concerns.
- The NAIC Plenary adopted the redesigned NAIC Climate Risk Disclosure Survey for use by state insurance regulators when requesting information from insurers regarding the assessment and management of their climate-related risks.

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 2021 Fall National Meeting.

Statutory Accounting Principles (E) Working Group

Appendix A in this publication summarizes the actions taken by the Statutory Accounting Principles (E) Working Group (SAPWG) to revise the statutory accounting and reporting guidance in the *Accounting Practices and Procedures Manual* (AP&P Manual) since the 2021 Fall National Meeting. It also includes the effective dates for adopted items and the deadlines for comments on exposed items.

Building a better working world

Statutory accounting principles

SAPWG adopted revisions to SSAP No. 108, *Derivatives Hedging Variable Annuity Guarantees*, to replace the reference to the "standard scenario" with a reference to the conditional tail exception (CTE) 70 guidance for consistency with the reserving requirements of VM-21: *Requirements for Principle-Based Reserves for Variable Annuities* (Ref #2021-18).

SAPWG adopted revisions to SSAP No. 43R, *Loan-Backed and Structured Securities*, to continue to include a summary of the updated NAIC designation and designation category guidance for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) based on revised guidance included in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) (Ref #2021-23).

SAPWG adopted revisions to SSAP No. 72, *Surplus and Quasi-Reorganizations*, to incorporate guidance adopted by the Financial Accounting Standards Board (FASB) related to the accounting for changes in fair value regarding the exchange of a freestanding equity-classified written call option into statutory accounting (Ref #2021-27).

SAPWG adopted revisions to SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, to clarify and, in some cases, narrow the scope of the disclosures for life and health reinsurance contracts required to be included as supplementary information to the annual audited statutory financial statements (Ref #2021-31).

SAPWG exposed a draft issue paper detailing past discussions and concepts in developing the definition for bonds that considers principles-based concepts for use in determining whether an investment (i.e., security) qualifies for reporting as a long-term bond on Schedule D, Part 1 (Bond Project), without proposing revisions to the statutory accounting guidance for investments in the scope of the definition (Ref #2019-21).

NAIC staff highlighted the following key changes to the previous version of the principle-based bond definition that are addressed in the draft issue paper:

- Inclusion of US Treasury Inflation-Protected Securities (i.e., US TIPS) as a stated exception to the definition, which will allow for the treatment of these securities consistent with current guidance
- Clarification of the criteria for pass-through investments that are permitted to be recognized as issuer credit obligations
- Removal of the reference to hybrid securities, which will require securities with both debt and equity components to be reviewed for reporting on Schedule D, Part 1 only if they qualify as issuer credit obligations or asset-backed securities in accordance with the definition
- Clarification of the reference to bond exchange-traded funds identified by the NAIC Securities Valuation Office (SVO) within the definition
- Clarification of "returns" in investments, which will require an investment with a potential for "additional returns" to be assessed as if the additional returns are a component of the investment's interest in determining whether the investment has a variable interest based on equity interests
- Removal of the stapling restriction, which will allow the debt and equity (i.e., residual) tranche of a securitization held by the reporting entity to be separately reported
- Inclusion of a revised example addressing the application of the definition to an investment in a debt instrument issued from a special-purpose vehicle that is collateralized by equity interests

NAIC staff also indicated that the draft issue paper incorporates the previously exposed guidance for defining and determining whether an asset-backed security has a "substantive" credit enhancement to qualify for reporting as a bond on Schedule D, Part 1.

SAPWG directed the NAIC staff to proceed with developing a more robust illustration of proposed reporting revisions to Schedule D, Part 1 for subsequent exposure. The illustration should address potential reporting options for various investments, including surplus notes (no change to current practice), asset-backed securities (creation of a new subschedule to separately identify specific asset-backed securities that qualify as bonds) and investments with entities that qualify as affiliates (include all investments acquired from affiliates or only those that pose actual credit exposure to the reporting entity on affiliate reporting lines).

Interpretations of statutory accounting principles

SAPWG exposed INT 22-01T: *Freddie Mac When-Issued K-Deal (WI Trust) Certificates* to clarify that investments in the Freddie Mac "When-Issued K-Deal" (WI) Program would be captured in the scope of SSAP No. 43R from initial acquisition, as the WI Program is fully guaranteed by Freddie Mac and ensures that the investor will receive pass-through certificates, backed by mortgage loans held in trust, that are representative of the terms of the investment set at original acquisition (Ref #2022-08).

Other matters

SAPWG received an update on the actions taken by the Casualty Actuarial and Statistical (C) Task Force (CASTF) to evaluate the current diversity in practice among reporting entities applying the retroactive reinsurance exception (Ref #2019-49). Paragraph 36 of SSAP No. 62R, *Property and Casualty Reinsurance*, identifies certain agreements that qualify for the retroactive reinsurance exception to be accounted for as prospective reinsurance if certain conditions are met. CASTF formed a small group to develop guidance for inclusion in the Schedule P instructions that would address agreements for which the retroactive reinsurance exception can be applied, as well as when to allocate premium to prior years in Schedule P when multiple years are ceded to the reinsurer.

SAPWG sponsored a Blanks (E) Working Group (BWG) proposal (Ref #2022-02BWG) to supplement the reporting of investments in subsidiary, controlled or affiliated entities in Schedule D, Part 1. The supplemental data to be captured is consistent with the current disclosure requirements in SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities*, and will assist regulators in verifying whether Sub-1 and Sub-2 filings are being submitted by reporting entities and identifying situations where the NAIC-approved value varies significantly from the value reported on Schedule D, Part 6 (Ref #2021-22).

SAPWG sponsored a BWG proposal (Ref #2022-01BWG) to add a new general interrogatory to the annual statement blanks to require the disclosure of cryptocurrencies directly held or permitted for the remittance of premiums (Ref #2021-24).

Blanks (E) Working Group

Appendix B summarizes the actions taken by BWG since the 2021 Fall National Meeting.

Capital Adequacy (E) Task Force

Appendix C summarizes the developments affecting RBC requirements for each of the insurance sectors based on actions taken by the Capital Adequacy (E) Task Force (CATF) and the various NAIC groups that report to it since the 2021 Fall National Meeting.

Life RBC (E) Working Group

The Life RBC (E) Working Group adopted the recommendation of the American Academy of Actuaries (Academy) C2 Mortality Risk Work Group for structural changes to the mortality factors used in the calculation of insurance (i.e., C-2) risk of the Life RBC formula. The structural changes expand the factors into additional categories to address the assumed current mortality rate risk exposure period over the remaining lifetime of an in-force block of business; add three catastrophe components for terrorism, the risk of sustained mortality increase from an unknown event, and pandemic risk; and combine certain categories into one category. The Working Group also exposed the related instructions to implement the structural changes. Comments are due by 25 May 2022.

The Life RBC (E) Working Group referred a proposal to BWG (Ref #2022-11) to update the asset valuation reserve (AVR) factors to correspond with the after-tax RBC factors applicable to the expanded NAIC designation categories for bonds that were adopted for 2021 year-end reporting purposes.

Health RBC (E) Working Group

The Health RBC (E) Working Group adopted revisions to the Health RBC formula to provide benchmarking guidelines for evaluating the investment income adjustment to the underwriting risk factors on an annual basis (Ref #2021-18-H-MOD). The Working Group noted that investment yields for a six-month US Treasury bond remained below 0.5% through the first four weeks of January 2022. Accordingly, no change was proposed to the current investment income adjustment (i.e., 0.5%) for 2022 year-end reporting purposes.

The Health RBC (E) Working Group referred a proposal to BWG (Ref #2022-06BWG) to modify the Health Annual Statement Test in the annual statement instructions to clarify the reporting requirements for insurers that predominantly write health business but currently file the Life and Fraternal annual statement blank to determine whether they should begin filing the Health annual statement blank for 2022 year-end reporting.

The Health RBC (E) Working Group also sent a referral to the Health Actuarial (B) Task Force (HATF) requesting HATF to clarify that all reporting entities with long-term care (LTC) exposure that are subject to asset adequacy testing are required to meet certain requirements, specifically that the asset adequacy test is required when a reporting entity has a reserve ratio of 95% or above, regardless of the type of annual statement blank that is filed.

The Health RBC (E) Working Group heard a presentation 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. The Academy provided the Working Group with a comprehensive report that contained a targeted set of recommendations for improving the underwriting risk factors, including:

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

The Academy will develop a project plan for addressing these recommendations, which will be presented to the Working Group at a future meeting to be scheduled in 2022.

Property and Casualty RBC (E) Working Group

The Property and Casualty (P&C) RBC (E) Working Group heard an update from the Catastrophe Risk (E) Subgroup on the potential for the double-counting of losses in the R5 component of the P&C RBC formula. The P&C RBC formula requires insurers to provide actual catastrophe losses for the past 10 years. The risk charge for the R5 component is based on total industry loss data, which is inclusive of catastrophe losses. As such, the instructions require review of the actual loss data reported to avoid double-counting of losses. The Subgroup requested that industry representatives review the instructions and provide feedback on the current methodology for determining the risk charge.

The Catastrophe Risk (E) Subgroup discussed the potential need to add a flood peril in the Rcat component of the P&C RBC formula. Industry representatives requested that the Subgroup consider the materiality of the flood peril to the industry when evaluating the financial solvency regulations specific to flood.

RBC Investment Risk and Evaluation (E) Working Group

The RBC Investment Risk and Evaluation (E) Working Group was formed by the Financial Condition (E) Committee (E Committee) under the direction of CATF. The Working Group will perform a comprehensive review of the RBC investment framework for RBC investment types, which could include:

- Identifying and acknowledging uses of RBC that extend beyond the purpose of the Risk-Based Capital for Insurers Model Act (Model #312)
- Assessing the impact and effectiveness of potential changes that would contribute to the identification of weakly capitalized companies
- Documenting the modifications made over time to each of the RBC formulas

The Working Group will work closely with SAPWG, the Valuation of Securities (E) Task Force (VOSTF) and other NAIC groups in their review of investment-related proposals (e.g., Bond Project initiated by SAPWG) that affect different areas of the annual statement and financial reporting, including the RBC implications for holding specific investments.

Requirements for principle-based reserving

The Life Actuarial (A) Task Force (LATF) continued its work to update the *Valuation Manual* and address issues related to the implementation of the principle-based reserving (PBR) framework for life and annuity products.

Life and variable annuity products

Valuation Manual amendments

LATF adopted the following amendments to the 1 January 2023 version of the *Valuation Manual* to:

- Add a new section to VM-21 to provide general guidance and requirements for assumptions, similar to VM-20: *Requirements for Principle-Based Reserves for Life Products*, including the information required to be submitted in PBR actuarial reports for regulatory review, and to make the VM-21 expense assumption requirement explicit and consistent with what is specified in Section 9E of VM-20
- Clarify the treatment of the pre-reinsurance ceded reserve and the reserve credit for retrocession arrangements covering non-guaranteed yearly renewable term (YRT) business in Section 8C(18) of VM-20
- Clarify the language in Section 3.F.9.h.ii of VM-31: *PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation* to improve the consistency with VM-21 and add an explicit cross-reference to the VM-21 sections
- Update cross-references and improve the consistency between VM-20 and VM-21

LATF also exposed revisions to the *Valuation Manual* that would:

- Revise the hedge modeling requirements in VM-21 and VM-20 when future hedging strategies are not clearly defined
- Update the prescribed guidance for swap spreads in VM-20 to address the transition to the Secured Overnight Financing Rate (SOFR) from the London Inter-Bank Offered Rate (LIBOR)

Non-variable annuity products

The VM-22 (A) Subgroup discussed the feedback received on the draft PBR framework for non-variable annuity products, which has been organized into the following four tiers based on importance:

- Tier 1: Foundational and critical issues, which include the structure of definitions and scope of requirements, the inclusion of a reinvestment guardrail on the mix of credit qualities, the selection of one of two reserve category definitions for product aggregation, and whether to develop a small company exemption (analogous to the Life PBR Exemption in VM-20)
- Tier 2: Highly substantive comments on topics such as longevity reinsurance, transition period and scope of the exclusion test
- Tier 3: Moderately substantive comments on highly technical topics
- Tier 4: All other comments deemed to be editorial, non-substantive or non-controversial

The Subgroup will prioritize first-tier issues, which have the broadest implications, before progressing to less-substantive items.

The Subgroup is also continuing its work on developing a standard projection amount with separate drafting groups working on the development of mortality assumptions and the development of policyholder behavior assumptions. The Subgroup intends to make a recommendation to LATF once the work on the standard projection amount is complete.

The Subgroup is also targeting a VM-22 field test to be conducted jointly with the Academy, American Counsel of Life Insurers and NAIC later in the year. Participants in the field test will perform reserve and capital calculations based on the requirements in a revised draft of the PBR framework (to be exposed in advance of the field test) and compare the results to current statutory requirements for non-variable annuity products. Draft specifications for the field test have been previously exposed by the Subgroup. The Subgroup may also use a consultant to assist with projections and analysis of the field test results.

Macroprudential activities

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

Liquidity assessment and capital stress testing

The Financial Stability (E) Task Force adopted the 2021 Liquidity Stress Test (LST) Framework, with minor updates from the 2020 LST Framework as the Macroprudential (E) Working Group evaluated the 2020 LST filings and determined the results were in line with expectations. The Working Group also updated the 2021 LST Framework document with Lead State Guidance, providing the outstanding economic variables for the adverse liquidity stress test, along with the templates for the 2021 LST filings that are due 30 June 2022. The results of the 2021 LST filings will serve as a basis for future deliberations by the Working Group on whether and how to modify the LST Framework.

The Macroprudential (E) Working Group is also evaluating issues related to separate accounts, which were excluded from the scope of the 2021 LST Framework except for general account guarantees for separate accounts. The Working Group is considering whether to perform a data call or study of the issue and whether a future LST Framework should be modified to include additional aspects of separate accounts.

The Financial Stability (E) Task Force also adopted the Macroprudential Risk Assessment Process (MRAP), which was designed to support the activities-based approach to macroprudential supervision. The MRAP relies extensively on existing data sources, including the results of macroeconomic surveillance, aggregated industry data and publicly available data, with documentation that explains the inputs of the process and how the information is used in performing the assessment, risk dashboards for use by state insurance regulators to support analysis of risk and trend assessments, and a risk report that summarizes regulators' views on industry developments. Results of the assessment may lead to future requests for the NAIC to perform more studies and the Task Force to have more policy discussions.

The Group Capital Calculation (E) Working Group directed the NAIC staff to develop a revised template and related instructions for the group capital calculation that would address the following topics:

- Elimination of the stress scenario included in the 2021 trial implementation
- Retention of the aggregate debt allowance at 75% of available capital, excluding debt, with no increase to account for procyclicality
- Elimination of the sensitivity test related to "other debt"
- Inclusion of a 50% non-risk-sensitive factor to be applied to capital from foreign jurisdictions
- Retention of the existing structure addressing the information to be reported for entities included in Schedule 1 and the treatment of asset managers as financial entities within the template

The revised template and related instructions were subsequently exposed and would be effective for 2022 year-end reporting.

Recovery and resolution

The Financial Regulation Standards and Accreditation (F) Committee (F Committee) exposed the recommendation of the Receivership and Insolvency (E) Task Force (RITF) for the 2021 revisions to the Insurance Holding Company System Regulatory Act (Model #440) and related regulation (Model #450) specific to the receivership process to be considered acceptable, but not required, for accreditation purposes. These revisions address the continuation of essential services through affiliates when an insurer is placed into receivership.

RITF exposed a referral from the Restructuring Mechanisms (E) Working Group requesting the development of amendments to the Property and Casualty Insurance Guaranty Association Model Act (Model #540) to address guaranty fund coverage issues that arise in connection with insurance business transfers (IBTs) and corporate division (CD) transactions. Specifically, the amendments would allow policyholders with guaranteed fund coverage prior to an IBT or CD transition to retain such coverage after the transaction.

Other matters

The Financial Stability (E) Task Force adopted the *Regulatory Considerations Applicable (But Not Exclusive) to Private Equity (PE) Owned Insurers* document, which was developed from the previously exposed list of 13 regulatory concerns primarily related to private equity-owned insurers. The Macroprudential (E) Working Group has met with other NAIC groups (e.g., SAPWG, VOSTF, various RBC groups, LATF) to establish a baseline of activities to be performed in response to the identified regulatory concerns. The Working Group reached agreement on how to move forward to address the following items in the list:

- Regulators may not be obtaining clear pictures of risk due to holding companies structuring contractual agreements in a manner to avoid regulatory disclosures and requirements.
- Control is presumed to exist where ownership is greater than or equal to 10%, but control and conflict of interest considerations may exist with less than 10% ownership.
- Regulators should understand the material terms of investment management agreements and whether they are arm's length or could result in conflicts of interest, including the amount and types of investment management fees paid by the insurer, the termination provisions (i.e., how difficult or costly it would be for the insurer to terminate the agreement) and the degree of discretion or control of the investment manager over investment guidelines, allocation and decisions.
- Owners of insurers, regardless of type and structure, may be focused on short-term results, which may not be in alignment with the long-term nature of liabilities in life products.
- Operational, governance and market conduct practices are impacted by the different priorities and level of insurance experience possessed by entrants into the insurance market without prior insurance experience, including, but not limited to, PE owners.
- No uniform or widely accepted definition of PE exists, and there are challenges in maintaining a complete list of insurers' material relationships with PE firms.

The specific responses developed for these items include referrals to other NAIC groups requesting consideration of the identified risks, an evaluation of existing measures to address the risks and determination of whether additional action needs to be taken in response to the risks.

Innovation, Cybersecurity, and Technology

The NAIC formed the Innovation, Cybersecurity, and Technology (H) Committee (H Committee) at the 2021 Fall National Meeting to monitor and address matters related to cybersecurity, data security and privacy protections, innovation, and emerging technology.

The H Committee will focus on the following activities as part of its adopted charges for 2022:

- Discuss developments in cybersecurity and data privacy, including emerging issues related to cybersecurity event reporting and consumer data privacy protections
- Discuss developments in innovation and technology, including the collection and use of data by insurers, producers and state insurance regulators
- Consider and coordinate the development of regulatory guidance and examination standards related to cybersecurity, data privacy, innovation and technology, including the use of big data and artificial intelligence/machine learning in the insurance business
- Follow the work of federal, state and international governmental bodies to avoid conflicting standards and practices

The following working groups will perform these activities and report directly to the H Committee:

- Big Data and Artificial Intelligence (H) Working Group
- Cybersecurity (H) Working Group
- E-Commerce (H) Working Group
- Innovation in Technology and Regulation (H) Working Group
- Privacy Protections (H) Working Group (formerly known as the Privacy Protections (D) Working Group)

The oversight of the Speed to Market (H) Working Group was moved to the Market Regulation and Consumer Affairs (D) Committee to better align its work with the overall objectives of that committee.

Executive Committee

The NAIC Plenary adopted the proposal submitted by the Climate and Resiliency (EX) Task Force (CRTF) to establish a Catastrophe Modeling Center of Excellence (CAT Modeling COE) within the NAIC's Center for Insurance Policy Research. The CAT Modeling COE will operate a permanent support group providing various resources and technical support services to state insurance regulators to address the use of commercial catastrophe models by insurers in rate-making processes, solvency functions and other insurance business decisions. The CAT Modeling COE will report to the Technology workstream of the CRTF quarterly and to the Catastrophe Insurance (C) Working Group as appropriate.

The actions taken by various NAIC groups that report to the Executive (EX) Committee (EX Committee) since the 2021 Fall National Meeting are summarized below.

Climate and Resiliency (EX) Task Force

The NAIC Plenary adopted the redesigned NAIC Climate Risk Disclosure Survey developed by the CRTF as a voluntary risk management tool for state insurance regulators to use when requesting information from insurers regarding the assessment and management of their climate-related risks on an annual, non-confidential basis.

The redesigned NAIC survey comprises a series of narrative and closed-end questions intended to:

- Enhance transparency about how insurers manage climate-related risks and opportunities
- Identify good practices and vulnerabilities
- Provide baseline supervisory information to assess how climate-related risks may affect the insurance industry
- Promote insurer strategic management and encourage shared learning for continual improvement
- Enable better-informed collaboration and engagement on climate-related issues among regulators and industry stakeholders

The survey questions address governance, strategy, risk management, and metrics and targets, which are also included in the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) survey.

In 2021, 14 states and the District of Columbia participated in this process and required insurers with countrywide premium written of at least $100 million that are licensed to write business in any of the participating states or territories to complete and submit a survey. Insurers that have already completed their TCFD survey in 2022 may submit it as is, without modification. However, the submission deadline for the 2022 NAIC survey was extended from 31 August to 30 November to allow additional time for insurers to move to the new reporting structure. Extensions may be granted to the insurer or the lead state for the group filing by the participating state that initiated the request.

The CRTF heard an update on the work being performed by its various work streams to identify and address climate-related risk and resiliency issues affecting the insurance sector, which includes the following topic:

- The Solvency work stream discussed the feedback received on a series of outreach questions intended to gather input on potential enhancements to the NAIC's financial solvency tools. Based on the feedback received, the work stream drafted referrals to the Financial Examiners Handbook (E) Technical Group and the Own Risk and Solvency Assessment (ORSA) Implementation (E) Subgroup proposing enhancements to the *Financial Condition Examiners Handbook* and the *ORSA Guidance Manual*, respectively, that would address climate change risks in insurance operations and their effect on insurer solvency. The enhancements are presented as high-level principles for each group to consider and develop as appropriate for inclusion in the respective publication.

Long-Term Care Insurance (EX) Task Force

The NAIC Plenary adopted the *Long-Term Care Insurance Multistate Rate Review Framework* (LTCI MSA Framework) previously adopted by the LTC Insurance (EX) Task Force to provide a uniform framework for the multistate actuarial review of LTC insurance rates.

The LTC Insurance Multistate Rate Review (EX) Subgroup continues to work on implementing the process for multistate actuarial review of LTC insurance rates (MSA Process), with a goal of being fully operational by September 2022. While the LTCI MSA Framework outlines a high-level basis for the development of the MSA Process, the Subgroup plans to continue refining the process based on feedback expected to be provided by insurers and state insurance regulators. To successfully implement the MSA Process in accordance with the stated timeline, implementation activities have been identified and allocated to various NAIC groups, including the Subgroup, the Task Force and the EX Committee.

The NAIC staff has been tasked with addressing several of the operational items needed to implement the MSA Process, including:

- Determining whether technical updates for the NAIC's System for Electronic Rates & Forms Filings (SERFF) application are needed to incorporate the LTCI MSA Framework and differentiate the related content from other types of filings
- Drafting content for the LTCI MSA Framework, including filing instructions, checklists, legal forms and disclaimers subject to review and approval by the Subgroup, and setting up a web page to provide insurers with access to the content
- Developing instructions for the multistate actuarial review team that document communication channels, review controls, process instructions and other useful information, which will continue to be refined as the process evolves over time
- Creating a new Multistate Actuarial Associate Program

The Subgroup and Task Force will focus their efforts on developing a plan to promote the MSA Process to both insurers and state insurance regulators to encourage its use, determine how feedback will be requested and received, and develop improvements to the process over time.

The EX Committee will engage with stakeholders on more strategic considerations related to the MSA Process, such as whether additional resources are needed to support the process (i.e., full-time NAIC employees) and whether insurers should be charged filing fees for using the process.

Separately, the Task Force disbanded the LTC Insurance Reduced Benefit Options (EX) Subgroup after the Subgroup had completed its stated charges in 2021.

Life Insurance and Annuities

The Life Insurance and Annuities (A) Committee (A Committee) adopted the *Accelerated Underwriting in Life Insurance Educational Report* that discusses the use of external data and data analytics in accelerated underwriting. The report provides context and background for issues previously identified by various NAIC working groups (e.g., input data, algorithms/machine learning, transparency/privacy) with recommendations intended for use by regulators, industry, consumer advocates and other stakeholders in understanding the aspects of accelerated underwriting programs and what the regulatory structure is or should be for these programs in the context of current laws.

The actions taken by various NAIC groups that report to the A Committee since the 2021 Fall National Meeting are summarized below.

Life Actuarial (A) Task Force

LATF continued its work on the development of economic scenario generator (ESG) baseline scenarios prescribed for use in modeling equity securities, treasuries and corporate bonds for statutory reserve and regulatory capital valuations. Field testing of the ESG models and scenarios is currently planned for June 2022. In preparation of the field test, LATF is performing activities to:

- Determine whether any further refinement to the ESG models is needed
- Develop field test specifications, instructions for participants and a results template
- Select participants and product coverage
- Prepare the ESG models and scenarios for delivery to the participants

To develop field testing specifications, LATF solicited feedback on the Economic Scenario Generator Reserves and Capital Field Test Specifications, including an overview of the field test objectives, tentative timeline, structure, reserve and capital frameworks covered, survey questions, and valuation date, as well as the assumption and model specifications, attribution analysis, and additional resources available.

After the initial field testing of the ESG models is conducted, LATF will analyze the results to determine whether any adjustments to the ESG models are needed, develop the Simplified Corporate Bond model to replace the Conning Corporate Bond model and finalize its plan for the performance of additional field testing in 2023.

LATF re-exposed a draft of its actuarial guideline for asset adequacy testing (Actuarial Guideline AAT), which is intended to provide uniform guidance and clarify the requirements for the appropriate support of certain assumptions used in the asset adequacy analysis performed by life insurers. The actuarial guideline focuses on the modeling of complex or high-yielding assets in asset adequacy testing and was developed in response to concerns that insurers and reinsurers may be supporting liabilities related to legacy deferred annuity products with high crediting rate guarantees by increasing their exposure to nontraditional assets. Specifically, the actuarial guideline:

- Helps identify reserve adequacy and claims-paying ability under moderately adverse conditions, including conditions negatively affecting cash flows from complex assets
- Clarifies how margins for uncertainty are established such that the greater the uncertainty the larger the margin and resulting reserve
- Provides recognition that higher expected gross returns from assets are, to some extent, associated with higher risk, and that assumptions fit reasonably within the risk-return spectrum
- Requires sensitivity testing of complex assets that are currently supporting or assumed to provide future support for life insurance business
- Identifies expectations for the valuation of complex assets
- Establishes a process for researching and monitoring the risks associated with complex assets
- Responds to the regulatory concern by focusing on high-yield assets
- Requires additional documentation of investment fee income relationships with affiliated entities or entities close to the insurance company

LATF referred a proposal to BWG (Ref #2022-09BWG) to modify the VM-20 Reserves Supplement to the Life and Fraternal annual statement blank by adding a question to determine when the Life PBR Exemption was actively filed, requiring confirmation of the eligibility criteria in the case of ongoing exemptions and correcting references to a state "granting" an exemption, with modification to the instructions as appropriate. The referral also adds instructions to the Supplemental Exhibits and Schedules Interrogatories included in the quarterly statement blank to provide guidance on how to respond if the reporting entity is utilizing the ongoing exemption.

LATF discussed the feedback received on whether insurers should be allowed to use certain subsets of history in which uncapped volatility-controlled funds performed better than capped S&P 500 funds in the illustration of indexed universal life insurance policies. Their use creates a scenario in which only a portion of the hedge budget is used to provide upside potential and the remainder is used to fund a fixed bonus to the policyholder, resulting in an illustration depicting returns on the volatility-controlled funds plus the fixed bonus to the policyholder more favorably than a traditional, capped S&P 500 index. Based on the feedback received, LATF is evaluating different options ranging from implementing a short-term fix to address the issue at hand to performing a more comprehensive study of life illustration issues.

LATF assumed responsibility for the functions of the Guaranteed Issue Life Valuation (A) Subgroup and disbanded the Subgroup.

Index-Linked Variable Annuity (A) Subgroup

The Index-Linked Variable Annuity (A) Subgroup solicited feedback on a revised draft actuarial guideline for index-linked variable annuity (ILVA) products to clarify how the Standard Nonforfeiture Law for Individual Deferred Annuities (Model #805) and the Variable Annuity Model Regulation (Model #250) would apply to ILVAs. The actuarial guideline was developed to address consumer protection concerns that ILVA products are not currently subject to the safeguards of nonforfeiture requirements and have unitized separate account values at surrender like variable annuity products but are not regulated like variable annuity products. To address these concerns, the actuarial guideline would establish interim values for ILVA products that vary according to the investment experience of the assets in the underlying separate account, which would allow them to be considered variable annuities and receive the same consumer protections. The revised draft of the actuarial guideline was less prescriptive in defining the way an insurer should determine interim values; however, to the extent an insurer determines an interim value using an alternate method to the method illustrated in the actuarial guideline, the insurer is required to demonstrate that the interim values produced by the alternative method are materially consistent with the illustrated method.

Health Insurance and Managed Care

The actions taken by various NAIC groups that report to the Health Insurance and Managed Care (B) Committee (B Committee) since the 2021 Fall National Meeting are summarized below.

Health Actuarial (B) Task Force

HATF referred a proposal to BWG (Ref #2022-07BWG) to modify the instructions to the Health annual statement blank as well as the Health Statement of Actuarial Opinion to clarify the treatment of actuarial assets and liabilities within the scope of the opinion issued by the appointed actuary for 2022 year-end reporting. BWG exposed the proposal, which will supersede the NAIC guidance memo that was issued for 2021 year-end reporting purposes upon adoption.

Regulatory Framework (B) Task Force

The Regulatory Framework (B) Task Force received an update on the work being performed by the Accident and Sickness Insurance Minimum Standards (B) Subgroup to develop revisions to the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (Model #171) and its planned approach to address supplemental products, short-term, limited-duration plans and indemnity products in the NAIC model. The Subgroup indicated that indemnity products have different plan designs and are subject to differing state approaches to regulation and complex federal law and regulation, all of which will need to be considered when considering revisions to Model #171.

The Task Force also received an update from the Employee Retirement Income Security Act (ERISA) (B) Working Group, which exposed a revised draft case summary of *Rutledge v. Pharmaceutical Care Management Association (PCMA)* for inclusion in the *Health and Welfare Plans Under the Employee Retirement Income Security Act: Guidelines for State and Federal Regulation* (ERISA Handbook).

Property and Casualty Insurance

The Property and Casualty Insurance (C) Committee (C Committee) reappointed the Pet Insurance (C) Working Group with the charge to complete the development of a model law to establish appropriate regulatory standards for the pet insurance industry. The C Committee also approved an extension for NAIC model law development to provide the Working Group with sufficient time to complete its work to revise the draft Pet Insurance Model Act that was previously proposed.

The actions taken by various NAIC groups that report to the C Committee since the 2021 Fall National Meeting are summarized below.

Casualty Actuarial and Statistical (C) Task Force

CASTF adopted the revisions to the P&C Statement of Actuarial Opinion instructions developed by the Actuarial Opinion (C) Working Group. The revisions address various topics, including continuing education requirements, qualification documentation and formatting of the actuarial opinion. CASTF sponsored a BWG proposal (Ref #2022-08BWG) to include the modified instructions in the P&C annual statement blank for 2022 year-end reporting.

CASTF adopted an NAIC staff proposal on the regulatory review of random forest models, which are predictive actuarial models that use decision trees. The adopted proposal includes a glossary of random forest model terminology. However, the appendix of general linear models included in the NAIC's *Regulatory Review of Predictive Models* white paper will not be modified to apply to the review of random forest models until CASTF has created a package of similar documents for other models.

Catastrophe Insurance (C) Working Group

The Catastrophe Insurance (C) Working Group discussed its project to update the *Catastrophe Modeling Handbook*. An ad hoc drafting group consisting of several insurance regulators has been formed, with plans to send a survey to states to better understand state regulations addressing catastrophe models. The feedback received will be used by the regulators in developing updates to the publication.

Financial Condition

The E Committee approved the extension of NAIC model law development requested by the Mortgage Guaranty Insurance (E) Working Group to provide additional time to complete its work on revisions to the Mortgage Guaranty Insurance Model Act (Model #630), which is expected to be completed by the 2023 Spring National Meeting.

The actions taken by various NAIC groups that report to the E Committee since the 2021 Fall National Meeting are summarized below.

National Treatment and Coordination (E) Working Group

The National Treatment and Coordination (E) Working Group heard an update on the work of its ad hoc drafting group to respond to the questions received from the Chief Financial Regulator Forum on domestic surplus lines insurers (DSLI). The drafting group developed a DSLI chart to provide insurers with information needed to become a DSLI. Only states that allow for DSLI carriers are included on the chart, and most states use the Uniform Certificate of Authority Application (UCAA) as the primary application for the authorization of a DSLI. The Working Group approved the responses submitted by the drafting group to the Chief Financial Regulator Forum.

Reinsurance (E) Task Force

The Reinsurance (E) Task Force exposed the revisions to the *Uniform Checklist for Reciprocal Jurisdiction Reinsurers* recommended by the Reinsurance Financial Analysis (E) Working Group to provide updated guidance on the process for passporting certified and reciprocal jurisdiction reinsurers.

Restructuring Mechanisms (E) Working Group

The Working Group exposed a list of comments received from regulators and industry stakeholders on its previously exposed white paper addressing insurance business transfer and corporate division laws for restructuring insurance companies. The Working Group requested that the responding party develop specific language that could be added to the white paper to address the comment, with the feedback to be discussed at future meetings scheduled in 2022.

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 revisions to the P&P Manual that permit the SVO to assign NAIC designations to transactions with unguaranteed and unrated subsidiary obligors under a Working Capital Finance Investment (WCFI) program, based on the implied support from the obligor's parent that is rated by an NAIC Credit Rating Provider (CRP). The revisions clarify that if the SVO notches the NAIC designation of a subsidiary obligor down from that of its parent to result in a credit assessment below an NAIC 2 designation, the WCFI program would not be eligible for an NAIC designation because it would no longer meet the definition of an eligible obligor in SSAP No. 105R, *Working Capital Finance Investments*.

VOSTF exposed a proposed referral to be sent to BWG to add fixed income analytical risk measures to investments reported on Schedule D, Part 1, including current market yield, market price, purchase yield, weighted average life, spread to average life, option adjusted spread, effective duration and convexity. Comments are due by 20 May 2022.

VOSTF discussed the feedback received on the NAIC staff report for the use of NAIC designations by other jurisdictions in the regulation of insurers. The report indicated that an NAIC designation is not a functional equivalent to a credit rating provided by an NAIC CRP and is not appropriate for use by non-member jurisdictions without following the NAIC process for authorization of use. VOSTF recommended that the NAIC should take the following actions in response to this matter: develop a memorandum of understanding to be signed by the non-member jurisdiction that addresses the intended purpose for NAIC designations, with an acknowledgment that the use of these designations by the requesting regulator may deviate from those purposes; create a process to amend the P&P Manual to authorize and rescind authorization of the requesting jurisdiction; and request that the Mutual Recognition of Jurisdictions (E) Working Group evaluate the non-member jurisdiction. VOSTF also referred the matter to the EX Committee for further direction on the appropriate response.

Financial Regulation Standards and Accreditation

The F Committee adopted the 2021 revisions to various NAIC publications (AP&P Manual, P&P Manual, annual statement blanks and instructions, RBC formulas and instructions, *Financial Condition Examiners Handbook*, *Valuation Manual*) that are required for accreditation purposes. All revisions were deemed insignificant, except for revisions to the *Financial Condition Examiners Handbook* related to examination coordination. The F Committee exposed the recommendation of the Financial Examiners Handbook (E) Technical Group to align the accreditation guidelines with the revised guidance included in the *Financial Condition Examiners Handbook* addressing the roles and responsibilities of each state for examinations of holding company groups with insurers domiciled in multiple states.

The F Committee also exposed revisions to the Preamble of the *Accreditation Program Manual* to reference VM-21 to address captives that reinsure variable annuity business in the accreditation standards.

International Insurance Relations

The International Insurance Relations (G) Committee (G Committee) discussed international efforts on sustainability and climate-related issues affecting the insurance sector, including the work performed by the Sustainable Insurance Forum (SIF) in that area:

- The SIF has developed issue papers addressing climate change risks to the insurance sector and the implementation of TCFD recommendations by insurance supervisors.
- The SIF has partnered with the International Association of Insurance Supervisors (IAIS) Climate Risk Steering Group on an issue paper to map climate risks to the IAIS Insurance Core Principles.

The G Committee also received an update on the recent activities and priorities of the IAIS. The global monitoring exercise (GME) for 2022 was launched by the IAIS in March. The inputs to the 2022 GME have been revised to capture data on reinsurance activities, along with a new request for data addressing cyber and climate risks on an individual insurer and a sector-wide basis, respectively.

The G Committee approved the comments that the NAIC submitted to the IAIS on its public consultation document addressing the Development of Liquidity Metrics: Phase 2. These metrics will provide the IAIS with a regulatory tool to facilitate its monitoring of the global insurance industry's liquidity risk and allow the IAIS to assess insurers' liquidity exposure, which may be critical, as insurers have been exposed to liquidity shortfalls in previous crises.

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 to be scheduled before the respective deadlines for submission.

Stay tuned

The NAIC's 2022 Summer National Meeting is scheduled for 9-13 August 2022 in Portland, Oregon. A schedule of interim meetings that will be held by NAIC groups can be found at: https://content.naic.org/naic-public-calendar/

Appendix A — Statutory Accounting Principles Working Group

This chart summarizes actions taken by SAPWG since the 2021 Fall National Meeting. Comments on exposed items are due by 3 June 2022, unless otherwise noted. More information on exposed items is available at **https://content.naic.org/cmte_e_app_sapwg.htm**.

Topic/issue	Status	Discussion	Effective date
New SSAP or New SAP Concepts in an Existing SSAP[1]			
SSAP No. 26 and SSAP No. 43R — Bond Project **(Ref #2019-21)**	Further analysis needed	Exposed a draft issue paper detailing past discussions and concepts in developing the definition for bonds that considers principles-based concepts for use in determining whether an investment (i.e., security) qualifies for reporting as a long-term bond on Schedule D, Part 1, without proposing revisions to the statutory accounting guidance for investments in the scope of the definition. Directed the NAIC staff to proceed with developing a more robust illustration of proposed reporting revisions to Schedule D, Part 1 for subsequent exposure. The illustration should address potential reporting options for various investments, including surplus notes (no change to current practices), asset-backed securities (creation of a new subschedule to separately identify specific asset-backed securities that qualify as bonds) and investments with entities that qualify as affiliates (include all investments acquired from affiliates or only those that pose actual credit exposure to the reporting entity on the affiliate reporting lines).	TBD
Derivatives Hedging Fixed Indexed Products **(Ref #2020-36)**	Deferred*	Previously directed the NAIC staff to send a referral to LATF seeking input on whether it would consider changes to the reserve framework for fixed indexed annuity products. LATF's response and the actions taken by the Index-Linked Variable Annuity (A) Subgroup will influence the development of accounting guidance for derivatives hedging these products.	TBD
SAP Clarification[2]			
SSAP No. 62R — Retroactive Reinsurance Exception **(Ref #2019-49)**	Further analysis needed	Received an update on the actions taken by CASTF to evaluate the diversity in practice that currently exists among reporting entities applying the retroactive reinsurance exception, which allows certain reinsurance contracts to be accounted for prospectively in accordance with SSAP No. 62R.	TBD
SSAP No. 53, SSAP No. 54R and SSAP No. 66 — Premium Refunds and Other Adjustments **(Ref #2020-30)**	Deferred*	Deferred consideration of this agenda item to provide additional time for the NAIC staff to develop more explicit guidance that would address the recognition of return of premium and other premium adjustments for P&C and accident and health insurance policies based on input received from industry representatives.	TBD
SSAP No. 107 — State ACA Reinsurance Programs **(Ref #2021-09)**	Deferred*	Previously directed the NAIC staff to continue developing revisions to the statutory accounting guidance in SSAP No. 107, *Risk-Sharing Provisions of the Affordable Care Act*, to clarify that state-based reinsurance programs being run under Section 1332 waivers should follow the hybrid accounting approach provided by SSAP No. 107 if they operate in a similar manner to the Affordable Care Act transitional reinsurance program. Specifically, revisions are needed to address the diversity in which state-based reinsurance programs operate as identified in feedback received.	TBD
SSAP No. 108 — VM-21 Scenario Consistency Update **(Ref #2021-18)**	Adopted	Adopted revisions to SSAP No. 108 to replace the reference to the "standard scenario" with a reference to the CTE 70 guidance for consistency with the reserving requirements of VM-21.	31 December 2021

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

[2] Ibid.

* No action was taken on this topic/issue since the 2021 Fall National Meeting.

Topic/issue	Status	Discussion	Effective date
SSAP No. 86 — Effective Derivatives (Ref #2021-20)	Exposed Further analysis needed	Exposed revisions to SSAP No. 86, *Derivatives*, that would expand the statutory accounting guidance to determine highly effective hedging derivatives for consistency with the US GAAP requirements for the assessment of effective hedge relationships in Accounting Standards Update (ASU) 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The revisions would replace the current Exhibit A and Exhibit B in SSAP No. 86 with a new Exhibit A that adopts with modification the US GAAP guidance in determining hedge effectiveness, revises the measurement method required for different types of excluded components in hedging instruments (e.g., foreign currency forward points, cross-currency spread basis, non-foreign currency excluded components), and expands the investment schedule reporting and disclosures for derivatives. Directed the NAIC staff to continue to work with industry representatives to develop proposed revisions to SSAP No. 86 that address other elements within ASU 2017-12, including the use of the partial-term hedging and last-of-layer portfolio method.	TBD
SSAP No. 25 and SSAP No. 43R — Related Party Reporting (Ref #2021-21)	Vote scheduled on 24 May 2022	Exposed revisions to SSAP No. 25, *Affiliates and Other Related Parties,* and SSAP No. 43R to clarify the identification and reporting requirements for affiliate transactions and incorporate new reporting codes in the investment schedules to identify investments that involve related parties. The new reporting requirements would identify investments acquired through, or in, related parties, regardless of whether they meet the definition of an affiliate for 2022 year-end reporting.	TBD
SSAP No. 97 — Schedule D-6-1, Supplemental Reporting (Ref #2021-22)	Adopted	Sponsored a BWG proposal (Ref #2022-02BWG) to supplement the reporting of investments in subsidiary, controlled or affiliated entities in Schedule D, Part 1. The supplemental data to be captured is consistent with the current disclosure requirements in SSAP No. 97 and will assist regulators in verifying whether Sub-1 and Sub-2 filings are being submitted by reporting entities and identifying situations where the NAIC-approved value varies significantly from the value reported on Schedule D, Part 6.	Immediately
SSAP No. 43R — Financial Modeling (Ref #2021-23)	Adopted	Adopted revisions to SSAP No. 43R to continue to include a summary of the updated NAIC designation and designation category guidance for RMBS and CMBS in SSAP No. 43R based on revised guidance included in the P&P Manual.	Immediately
Cryptocurrency General Interrogatory (Ref #2021-24)	Adopted	Sponsored a BWG proposal (Ref #2022-01BWG) to add a new general interrogatory to the annual statement blanks to require the disclosure of cryptocurrencies directly held or permitted for the remittance of premiums.	Immediately
SSAP No. 19 and SSAP No. 73 — Leasehold Improvements After Lease Termination (Ref #2021-25)	Further analysis needed	Directed the NAIC staff to continue to work with industry representatives to refine the previously exposed revisions to statutory accounting guidance to clarify that the amortization of leasehold improvements will immediately end when a lease is terminated and require that any remaining, unamortized leasehold improvement balance be immediately expensed.	TBD
Various SSAPs — Editorial Update (Ref #2021-26EP)	Adopted	Adopted revisions to change certain remaining terminology references of "substantive" and "nonsubstantive" to "New SAP Concept" and "SAP Clarification," respectively, throughout various sections of the AP&P Manual.	Immediately
SSAP No. 72 — ASU 2021-04, *Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* (Ref #2021-27)	Adopted	Adopted revisions to SSAP No. 72 to incorporate the FASB guidance related to the accounting for changes in fair value regarding the exchange of a freestanding equity-classified written call option into statutory accounting.	Immediately
SSAP No. 61R — Life Reinsurance Disclosure Clarifications (Ref #2021-31)	Adopted	Adopted revisions to SSAP No. 61R to clarify and, in some cases, narrow the scope of the disclosures for life and health reinsurance contracts required to be included as supplementary information to the annual audited statutory financial statements.	31 December 2021
SSAP No. 4, SSAP No. 5R, Preamble — Conceptual Framework Updates (Ref #2022-01)	Exposed	Exposed two issue papers detailing revisions to SSAP No. 4, *Assets and Nonadmitted Assets,* SSAP No. 5R, *Liabilities, Contingencies and Impairments for Assets,* and the Preamble to the AP&P Manual that would incorporate updates from FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, into the statutory accounting framework. The revisions identify factors to consider when deciding how items should be displayed in the financial statements, without modifying current statutory guidance, and update the definition of an asset and a liability to remove the term "probable" (asset and liability) and the phrases "future economic benefit" (asset), "past transactions or events" (asset) and "in the future as a result of past transactions or events" (liability).	TBD

Topic/issue	Status	Discussion	Effective date
SSAP No. 48 — Alternative Valuation of Minority Ownership Interests (Ref #2022-02)	Exposed	Exposed two options for possible revisions to the US GAAP audit exception in SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*. The first option would remove audited US tax basis equity as a permissible valuation method to support the admissibility of the investment as this method does not appear to be utilized by insurers. The second option would retain this valuation method with clarification that the audit must be performed at the investee level.	TBD
Premium Adjustments Allocated to Jurisdictions (Ref #2022-03)	Vote scheduled on 24 May 2022	Sponsored a BWG proposal (Ref #2022-10BWG) that would modify the instructions to Schedule T, State Pages and the Accident and Health Policy Experience Exhibit to clarify the guidance for the reporting of premium adjustments by jurisdiction.	TBD
SSAP No. 24 — ASU 2021-10, *Government Assistance* (Ref #2022-04)	Exposed	Exposed revisions to SSAP No. 24, *Discontinued Operations and Unusual or Infrequent Items*, to incorporate certain disclosures from ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, that would supplement existing disclosures by requiring unusual or infrequent government assistance transactions to be identified as such, with a description of the terms and provisions of the assistance received.	TBD
SSAP No. 104R — ASU 2021-07, *Stock Compensation* (Ref #2022-06)	Exposed	Exposed revisions to SSAP No. 104R to incorporate the practical expedient for the current prince input included in ASU 2021-17, *Compensation — Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share*, which is a required component for option-pricing models utilized in the determination of fair value for share-based payments. The practical expedient is available for use when a reporting entity is not able to reasonably estimate the current fair value of its shares.	TBD
INT 22-01T: Freddie Mac When-Issued K-Deal (WI Trust) Certificates (Ref #2022-08)	Further analysis needed	Exposed a temporary interpretation of statutory accounting guidance to clarify that investments in the Freddie Mac "When-Issued K-Deal" (WI) Program would be captured in the scope of SSAP No. 43R from initial acquisition, as the WI Program is fully guaranteed by Freddie Mac and ensures that the investor will receive pass-through certificates, backed by mortgage loans held in trust, that are representative of the terms of the investment set at original acquisition.	TBD

US GAAP guidance rejected or exposed for rejection/disposal

Rejected as not applicable to statutory accounting:

- ASU 2021-04, *Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)* (Ref #2021-27)
- ASU 2021-03, *Intangibles — Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events* (Ref #2021-28)
- ASU 2021-05, *Leases (Topic 842): Lessors — Certain Leases with Variable Lease Payments* (Ref #2021-29)
- ASU 2021-06, *Presentation of Financial Statements (Topic 205), Financial Services — Depository and Lending (Topic 942), and Financial Services — Investment Companies (Topic 946): Amendments to SEC paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants* (Ref #2021-30)

Exposed to reject as not applicable to statutory accounting:

- ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities* (Ref #2022-05)
- ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (Ref #2022-07)

SAPWG agenda items from prior years with an extended period of no action taken
Substantive listing: ‣ ASU 2016-13, *Credit Losses* (Ref #2016-20) ‣ SSAP No. 41R — Amortization and Accretion Surplus Notes (Ref #2017-12) ‣ ASU 2017-12, *Derivatives and Hedging* (Ref # 2017-33) **Nonsubstantive listing:** ‣ SSAP No. 26R and SSAP No. 43R — Measurement Method for NAIC 5 Designations (Ref #2015-17) ‣ Aging and Revenue Recognition of Multi-Peril Crop Policies (Ref #2015-33) ‣ Appendix C Introduction (Ref #2016-42) ‣ SSAP No. 61R — Reinsurance Credit (Ref #2017-28) ‣ SSAP No. 41R — Surplus Note Accounting (Ref #2018-07) ‣ SSAP No. 68 and SSAP No. 97 — ASU 2014-17, *Business Combinations — Pushdown Accounting* (Ref #2019-12) ‣ SSAP No. 68 and SSAP No. 97 — Attribution of Goodwill (Ref #2019-14) ‣ SSAP No. 51R, SSAP No. 53, SSAP No. 54R and SSAP No. 59 — Expand MGA and TPA Disclosures (Ref #2019-36)

Appendix B — Blanks Working Group

This chart summarizes actions taken by BWG since the 2021 Fall National Meeting. More information on exposed items is available at **https://content.naic.org/cmte_e_app_blanks.htm**.

Adopted items	Statement type(s)[3]	Filing(s)	Effective date
2021-15BWG: Adds a footnote to Exhibit 7 included in both the Life and Fraternal annual statement blank and the Life Supplement of the Health annual statement blank to capture the amount of Federal Home Loan Bank funding agreements reported in columns 1 through 6 of Exhibit 7 in response to actions taken by SAPWG (SAPWG #2021-16).	L/F, H	Annual	Annual 2022
2021-16BWG MOD: Modifies Note 9 — Income Taxes to eliminate the instruction for adding additional lines to Note 9C for deferred tax asset and deferred tax liability components that are greater than 5% but not specifically detailed in the illustration to conform with the data capture element of the disclosure and add a total and subtotal line in the Note 9C illustration. Modifies Note 15 — Leases to add a "Thereafter" line to aggregate amounts for the remaining years after the five years specifically shown in the illustration and a formula for the total line.	L/F, P/C, H, T	Annual	Annual 2022
2021-17BWG MOD: Modifies the Analysis of Operations by Lines of Business in the Health annual statement blank to include all of the health lines of business currently reported in the Analysis of Operations by Lines of Business — Accident and Health in the Life and Fraternal annual statement blank and include it as a new supplement to the Life and Fraternal annual statement blank to provide consistency in the information reported for revenue and expenses by line of business, with modification to the instructions as appropriate.	L/F, H	Annual	Annual 2023
2021-19BWG MOD: Modifies the Underwriting and Investment Exhibit (Parts 1, 2, 2A, 2B and 2D) and the Exhibit of Premiums, Enrollment and Utilization of the Health annual statement blank, as well as the Exhibit of Premiums, Enrollment and Utilization and Underwriting and Investment Analysis of Claims Unpaid of the Health quarterly statement blank, to provide consistency in the information reported for health lines of business across annual statement types, with modification to the instructions as appropriate.	H	Annual and Quarterly	Annual 2022
2021-20BWG MOD: Adds or deletes certain lines of the Five-Year Historical Data Exhibit to conform to the lines of business reported on the Life and Fraternal Analysis of Operations by Lines of Business detail pages for life (individual and group), annuities (individual and group) and accident and health policies.	L/F	Annual	Annual 2023
2021-21BWG MOD: Modifies the general instructions to the Investment Schedules to exclude non-rated residual tranches or interests from being reported as bonds on Schedule D, Part 1, and adds lines to Schedule BA for the reporting of those investments in response to actions taken by SAPWG (SAPWG #2021-15).	L/F, P/C, H, T	Annual and Quarterly	Annual 2022
2021-23BWG MOD: Adds lines for reporting residual tranches or interests in the Asset Valuation Reserve Equity and Other Invested Asset Component schedule that correspond with the newly proposed lines for reporting non-rated residual tranches or interests in Schedule BA, with modification to the instructions as appropriate.	L/F, SA	Annual	Annual 2022

Exposed items	Statement type(s)[3]	Filing(s)	Proposed effective date
2021-18BWG: Modifies the Life Insurance (State Page) to include the line of business detail currently reported on the Analysis of Operations by Lines of Business pages to provide consistency in the information reported between the two schedules. Creates an Exhibit of Claims Settled During the Current Year and a Policy Exhibit to include detail captured by state on the existing Life Insurance (State Page) that was not previously reported due to space issues. Adds definitions for life and annuity products to the lines of business definitions in the instructions to the Health annual statement blank.	L/F, H	Annual	Annual 2023
2021-22BWG MOD: Adds new reporting requirements for investment transactions with related parties (e.g., direct loans in related parties, securitizations or similar investments where the related party is sponsor/originator) to capture investments issued by a related party or acquired through a related-party transaction or arrangement, regardless of whether the specific affiliate definition in Model #440 has been met or if there has been a disclaimer of affiliation or control in response to actions taken by SAPWG (SAPWG #2021-21).	L/F, P/C, H, T	Annual and Quarterly	Annual 2022
2022-01BWG: Adds new questions to Part 1 of the General Interrogatories to determine whether cryptocurrency is accepted for payment of premiums, the types of cryptocurrency that are accepted, and whether cryptocurrencies are held for investment or immediately converted to cash in response to actions taken by SAPWG (SAPWG #2021-24).	L/F, P/C, H, T	Annual	Annual 2022

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

Exposed items	Statement type(s)[3]	Filing(s)	Proposed effective date
2022-02BWG: Adds four new electronic-only columns to Schedule D, Part 6 (Prior Year Book/Adjusted Carrying Value, Prior Year Nonadmitted Amount, Prior Year Sub-2 Verified Value, and Prior Year VISION Filing Number) to assist regulators in verifying whether Sub-1 and Sub-2 filings are being submitted by reporting entities and identifying situations where the NAIC-approved value varies significantly from the value reported on Schedule D, Part 6 in response to actions taken by SAPWG (SAPWG #2021-22).	L/F, P/C, H, T	Annual	Annual 2022
2022-03BWG: Disaggregates Line 5 of Part 1 – Loss Experience and Part 2 – Direct Premiums Written of the quarterly statement blank into Line 5.1 – Commercial multiple peril (non-liability portion) and Line 5.2 – Commercial multiple peril (liability portion) to provide consistency with the reporting of this information on the annual statement blank.	P/C	Quarterly	First quarter 2023
2022-04BWG: Adds a new supplement to provide regulators with more granular detail of the premium and losses for lines of business reported on Lines 17.1, 17.2 and 17.3 of the Exhibit of Premiums and Losses of the annual statement blank.	P/C	Annual	Annual 2023
2022-05BWG: Adds line numbers to the status data points in the Schedule T footnote to clarify the information to be reported.	L/F, P/C, H, T	Annual and Quarterly	Annual 2022
2022-06BWG: Modifies the Health Annual Statement Test in the annual statement instructions to clarify the reporting requirements for insurers that predominantly write health business but currently file the Life and Fraternal annual statement blank to determine whether they should begin filing the Health annual statement blank.	L/F, P/C, H	Annual	Annual 2022
2022-07BWG: Modifies the instructions to the Health annual statement blank as well as Health Statement of Actuarial Opinion to clarify the treatment of actuarial assets and liabilities within the scope of the opinion issued by the appointed actuary.	H	Annual	Annual 2022
2022-08BWG: Modifies the instructions to the P&C Statement of Actuarial Opinion in response to actions taken by the Actuarial Opinion (C) Working Group related to topics, including continuing education requirements, qualification documentation and formatting of the actuarial opinion.	P/C	Annual	Annual 2022
2022-09BWG: Modifies the VM-20 Reserves Supplement to the Life and Fraternal annual statement blank by adding a question to determine when the Life PBR Exemption was actively filed, requiring confirmation of the eligibility criteria in the case of ongoing exemptions, and correcting references to a state "granting" an exemption, with modification to the instructions as appropriate. Adds instructions to the Supplemental Exhibits and Schedules Interrogatories included in the quarterly statement blank to provide guidance on how to respond if the reporting entity is utilizing the ongoing exemption.	L/F	Annual and Quarterly	Annual 2022
2022-10BWG: Modifies the instructions to Schedule T, State Pages and the Accident and Health Policy Experience Exhibit to clarify the guidance for the reporting of premium adjustments by jurisdiction in response to actions taken by SAPWG (SAPWG #2022-03).	L/F, P/C, H	Annual and Quarterly	Annual 2022
2022-11BWG: Modifies the AVR factors to correspond with the after-tax RBC factors applicable to the expanded NAIC designation categories for bonds.	L/F	Annual	Annual 2022

Withdrawn or rejected items	Statement type(s)[3]	Frequency	Effective date
2021-13BWG MOD: Adds a new supplement to capture premium and loss data by more granular lines of business for Lines 17.1, 17.2 and 17.3 of the Exhibit of Premium and Losses.	P/C	N/A	N/A

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 2021 Fall National Meeting.

Topic/issue	NAIC group	Status	Discussion	Effective date
Health RBC				
Benchmarking Guidelines for Investment Income Adjustment in the Health Underwriting Risk Factors (Ref #2021-18-H-MOD)	Capital Adequacy Task Force	Adopted	Adopted revisions to the Health RBC formula to provide benchmarking guidelines for evaluating the investment income adjustment to the underwriting risk factors on an annual basis. The guidelines require the yield of a six-month US Treasury bond as of 1 January to be evaluated each year to determine whether the adjustment should be modified based on current market conditions, with any change rounded up to the nearest 0.5%.	2022
P&C RBC				
R3 Credit Risk Factor Adjustment (Ref #2021-14-P)	Capital Adequacy Task Force	Adopted	Adopted revisions to remove the embedded 2% operational risk charge in the R3 credit risk component of the P&C RBC formula. Operational risk is separately addressed as a standalone capital add-on in the RBC formula and its inclusion in the calculation of the charge for reinsurance recoverable credit risk is duplicative.	2022
KCC Models (Ref #2021-15-CR)	Capital Adequacy Task Force	Adopted	Adopted revisions to add the Karen Clark & Company (KCC) earthquake and hurricane models among the approved third-party commercial vendor catastrophe models for use in calculating the catastrophe risk charge in the Rcat component of the P&C RBC formula.	2022
Wildfire Risk Peril (Ref #2021-17-CR)	Capital Adequacy Task Force	Adopted	Adopted revisions to add wildfire as one of the risk perils in the calculation of the charge for catastrophe risk in the Rcat component of the P&C RBC formula, with a requirement for reporting entities to provide information (i.e., modeled results) addressing their exposure to wildfire catastrophe risk for informational purposes only for 2022 year-end reporting.	2022
Wildfire Risk Peril Informational Only Reporting Exemption (Ref #2021-17-CR-MOD)	Catastrophe Risk Subgroup	Adopted	Adopted a reporting exemption to PR027C to allow reporting entities to not provide modeled results addressing their exposure to wildfire catastrophe risk during the informational only period in situations where the modeling requirements would impose a cost and compliance burden. Reporting entities that qualify for the exemption would be required to provide their best estimate of exposure to wildfire losses on a gross and net of reinsurance basis in lieu of model-based reporting.	2022
Trend Test (Ref #2022-01-P)	P&C RBC Working Group	Exposed	Exposed revisions to PR033 to remove the informational only footnote to the P&C trend test.	2022