

Financial Condition (E) Committee Technical Changes

Background Information. At the 2009 Fall National Meeting, the NAIC membership approved a new process for the final adoption of technical matters coming from the Financial Condition (E) Committee. The new process was enacted to provide these technical changes to the industry and affected parties as quickly as possible in an effort to allow them more time to modify their systems and processes for such changes.

Details of Process Adopted

1. A list of technical items (shown on the page(s) that follow) will be provided from the Financial Condition (E) Committee to the Executive (EX) Committee and Plenary within one week of the completion of the national meeting.
2. The list contains only what the Financial Condition (E) Committee considers technical and routine, and it does not include items that are significant by NAIC standards (e.g., it would not include proposed model laws, model regulations or guidelines) or items considered controversial.
3. Members of the Executive (EX) Committee and Plenary have 10 days to review the attached list and voice any objection with respect to a specific item.
4. If no objections are raised on a particular item, or any of the items, each and all items will be considered adopted by the Executive (EX) Committee and Plenary, similar to the consent agenda process.
5. If there is an objection on any one or multiple items, a joint meeting of the Executive (EX) Committee and Plenary will be scheduled to address the particular item(s).
6. Items receiving no objection will be considered adopted and thus inserted into the appropriate publication and/or made available to the industry and other parties for implementation.

Request for Approval. Under the above process, the Executive (EX) Committee and Plenary members are hereby requested to review the attached list and voice any objections to a specific item(s) by **Sept 7, 2021**. Any item(s) receiving an objection will be pulled from this automatic consideration, and a meeting will be scheduled to address the issue.

Action Taken During 2021 Summer National Meeting

Date Released to Executive (EX) Committee and Plenary Members:
Objections Due from Executive (EX) Committee and Plenary Members:

Aug. 26, 2021
Sept. 7, 2021

The following technical items were adopted by the Financial Condition (E) Committee during the 2021 Summer National Meeting:

1. Accounting Practices and Procedures Manual (AP&P Manual) Changes and Related Items

- Adopted the following nonsubstantive revisions to statutory accounting guidance:
 - *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds*: Revisions reject *Accounting Standards Update (ASU) 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs* for statutory accounting. (Ref #2021-02)
 - *SSAP No. 47—Uninsured Plans*: Revisions reject *ASU 2021-02, Franchisors – Revenue from Contracts with Customers* for statutory accounting. (Ref #2021-08)
 - *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Revisions incorporate disclosure elements and a data-capture template for where an entity has transferred assets but retains economic interest within the reporting entity, its related parties, or another member within the holding company group. (Ref #2021-03)
 - Adopted agenda items supporting disaggregated product identifiers to be used for each separate account product reported in the general interrogatories. This adoption does not result in statutory revisions, but it is reflected in blanks proposal 2021-03BWG. (Ref #2020-37 and Ref #2020-38)
 - Appendix B—Interpretations of Statutory Accounting Principles:
 - *Interpretation (INT) 20-01: ASU 2020-04 – Reference Rate Reform*: This interpretation provides optional guidance, allowing for the continuation of certain existing hedge relationships and thus does not require hedge dedesignation for derivative instruments affected by changes to interest/reference rates due to reference rate reform. (Ref #2021-01)
 - *INT 21-01: Accounting for Cryptocurrencies*: This interpretation clarifies that directly held cryptocurrencies neither meet the definition of cash in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* nor when directly held meet the definition of an admitted asset per *SSAP No. 4—Assets and Nonadmitted Assets*. (Ref #2021-05)
 - Appendix D—Nonapplicable GAAP Pronouncements: Revisions reject *ASU 2020-11, Financial Services – Insurance: Effective Date and Early Application* as not applicable for statutory accounting. (Ref #2021-07)
 - Adopted editorial revisions (Ref #2021-06EP) to *SSAP No. 53—Property Casualty Contracts—Premiums*, *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, and the *SSAP Glossary*.

2. Financial Condition Examiners Handbook Changes, Other Examination Tools and Related Items

- None

3. Financial Analysis Handbook Changes and Related Items

- None

4. Implementation Guide for the Annual Financial Reporting Model Regulation (#205) Changes and Related Items

- Adopted changes to the guidance in Section 11 of the Implementation Guide to facilitate the collection of additional information on the external audit firm’s lead engagement partner through the “Communication of Internal Control Related Matters Noted in an Audit” filing each year.

5. Annual Statement Instructions Changes and Related Items

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- Adopted change to remove language in quarterly General Interrogatories Part 1, line 4.1 that requires filing of a quarterly merger/history form. The annual form is still required (2021-10BWG).
- Adopted Health Actuarial Statement of Opinion Guidance for the 2021 reporting year.

6. *Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) and Related Items*

- Adopted the following amendments to the P&P Manual:
 - Incorporated requirements for the filing of private rating letter rationale reports with the Securities Valuation Office (SVO) beginning Jan. 1, 2022. The amendment includes provisions for deferring and waiving the submission for private letter rating securities in certain situations.
 - Added additional instructions for the review of funds to clarify fund leverage and the use of derivatives.
 - Incorporated provisions to permit securities that are credit tenant loan (CTL)-like and ground lease financing (GLF)-like transactions to use NAIC credit rating provider (CRP) ratings through the filing exemption (FE) process if they are structured as securities.
 - Updated guidance to conform to the Statutory Accounting Principles (E) Working Group's adopted change to *SSAP No. 105R—Working Capital Finance Investments*.

7. *NAIC Risk-Based Capital (RBC) Formula Changes and Related Items*

- Adopted a number of factor and instruction changes for the RBC formulas:
 - Underwriting risk for investment income.
 - Receivables for securities factors.
 - Health bond factors.
 - Real estate factors.
 - Life bond factors.
 - Longevity risk factors and instructions.
 - Credit risk instructions modification.
 - Underwriting risk line 1 factors.
 - Property/casualty (P/C) bond factors.
 - Edits to the underwriting risk for investment income adjustment.

8. *Uniform Certificate of Authority Application (UCAA), Company Licensing Best Practices Handbook, and Related Items*

- Adopted the Primary Application forms and instructions.
- Adopted the Redomestication application forms and instructions.
- Adopted edits to the Form A review in the *Company Licensing Best Practices Handbook*.

9. *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual (ORSA Guidance Manual) and Related Items*

- None

10. *Receiver's Handbook for Insurance Company Insolvencies and Related Items*

- None

11. *Process for Evaluating Qualified and Reciprocal Jurisdictions and Related Items*

- Adopted revisions to incorporate provisions for terminating the status of a qualified jurisdiction or reciprocal jurisdiction and to create a passporting process for reciprocal jurisdiction reinsurers.

12. *NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items*

- None

13. Troubled Insurance Company Handbook Changes and Related Items

- None

14. Risk Retention Group (RRG) Regulatory Tools and Related Items

- None

15. Group Capital Calculation (GCC) Instructions and Template

- Adopted a revised template for use in the 2021 GCC trial implementation, including changes to gather data on a stress scenario.
- Adopted clarifying edits to the GCC instructions that will be used for the 2021 GCC trial implementation.