

### ***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 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 **April 25, 2022**. Any item(s) receiving an objection will be pulled from this automatic consideration, and a meeting will be scheduled to address the issue.

*Financial Condition (E) Committee Technical Changes*  
**Action Taken During 2022 Spring National Meeting**

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

April 14, 2022

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

April 25, 2022

The following technical items were adopted by the Financial Condition (E) Committee during the 2022 Spring National Meeting:

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

- Adopted the following clarifications to statutory accounting guidance:
  - *Statement of Statutory Accounting Principles (SSAP) No. 22R—Leases*: Revisions reject *Accounting Standards Update (ASU) 2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments* for statutory accounting. (Ref #2021-29)
  - *SSAP No. 43R—Loan-Backed and Structured Securities*: Revisions reflect updated NAIC designation and designation category guidance for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). (Ref #2021-23)
  - *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*: Revisions reflect clarifications to life and health reinsurance disclosures and provide guidance to address audit inquiries. The revisions were effective for year-end 2021 reporting. (Ref #2021-31)
  - *SSAP No. 68—Business Combinations and Goodwill*: Revisions reject *ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events* for statutory accounting. (Ref #2021-28)
  - *SSAP No. 72—Surplus and Quasi-Reorganizations*: Revisions reject *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* for statutory accounting while incorporating guidance on how to account for changes in fair values for written call options. (Ref #2021-27)
  - *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*: Revisions remove reference to the “standard scenario” to ensure consistency with VM-21, Requirements for Principle-Based Reserves for Variable Annuities. The revisions were effective for year-end 2021 reporting. (Ref #2021-18)
  - Various: Adopted editorial revisions to update various terminology references of “substantive” and “nonsubstantive” to reflect “new SAP concept” and “SAP clarification.” (Ref #2021-26EP)
  - Appendix D—Nonapplicable GAAP Pronouncements: Revisions reject *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* as not applicable for statutory accounting. (Ref #2021-30)

**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**

- None.

**5. Annual Statement Instructions Changes and Related Items**

- Adopted footnote to Exhibit 7 in the Life/Fraternal statement and the Health statement (Life Supplement) to capture Federal Home Loan Bank (FHLB) Funding Agreements reported in Columns 1 through 6 of the exhibit. (2021-15BWG)
- Adopted changes to Note 9 – Income Taxes, to remove the 9C illustration instructions for the deferred income tax asset (DTA) and deferred income tax liability (DTL) components to address inconsistencies for variable lines. Added formulas for the calculation of total and subtotal on the illustration. For Note 15 – Leases, modified the illustrations to add a “Thereafter” line and add a formula for a “Total” line. (2021-16BWG)
- Adopted modifications to the Analysis of Operations by Lines of Business in the Health Blank to include all health lines of business included in the Life/Fraternal Analysis of Operations by Lines of Business – Accident and Health. Added instructions for the new columns and adjusted the column references. Added the Health Blank Analysis of Operations by Lines of Business as a supplement to the Life/Fraternal Blank with the appropriate instructions and crosschecks. Added crosscheck to the Health Blank Analysis of Operations by Lines of Business to the Life/Fraternal Analysis of Operations by Lines of Business – Accident and Health instructions. (2021-17BWG)
- Adopted changes to add columns and lines to underwriting and investment (U&I) (Parts 1, 2, 2A, 2B, and 2D) and the Exhibit of Premiums, Enrollment, and Utilization in the annual statement to bring the lines of business reporting in line with Life/Fraternal and Property. Added columns and lines to the Exhibit of Premiums, Enrollment, and Utilization and U&I Analysis of Claims Unpaid quarterly pages. (2021-19BWG)
- Adopted changes starting at Line 72 of the Life/Fraternal Five-Year Historical to add or delete lines that do not capture the specific lines of business reported on the Life/Fraternal Analysis of Operations by Lines of Business detail pages for life (individual and group), annuities (individual and group), and accident and health (A&H) for Line 33 of those pages. (2021-20BWG Modified)
- Adopted changes to add instruction to the Investment Schedules General Instructions to exclude residual tranches or interests from being reported as bonds on Schedule D, Part 1 and added lines to Schedule BA for the reporting of those investments. (2021-21BWG)
- Adopted changes to add a line category for Residual Tranches or Interests in the Asset Valuation Reserve Equity and Other Invested Asset Component blank and renumbered lines below the addition. Modified instructions, as appropriate, for the added lines. (2021-23BWG)
- Adopted editorial listing.

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

- Adopted amendments to the P&P Manual to add instructions directing the Securities Valuation Office (SVO) to rely upon a parent entity’s NAIC designation or NAIC credit rating provider (CRP) rating equivalent for unguaranteed and unrated subsidiary obligors in working capital finance investment (WCFI) transactions, with discretion granted to the SVO to notch an NAIC designation down or decline to assign an NAIC designation. The Valuation of Securities (E) Task Force acknowledged that reliance upon the NAIC designation or NAIC CRP rating equivalent of the obligor’s parent entity in the absence of a binding legal obligation for the parent to assume the financial obligations of the obligor, such as a guarantee, is not a generally accepted technique or methodology.

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

- Adopted the final 2021 Catastrophe Event List.
- Adopted Investment Income Guidance to provide alternative language for evaluating the investment income adjustment within the underwriting risk factors.
- Approved a third-party vendor for commercial catastrophe models.
- Adopted information-only wildfire peril.
- Adopted an R3 factor adjustment to eliminate double counting of operational risk charge.

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

- None.

**9. *NAIC Own Risk and Solvency Assessment 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**

- None.

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

- None.

**14. *Troubled Insurance Company Handbook* Changes and Related Items**

- None.

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

- None.

**16. Group Capital Calculation (GCC) Instructions and Template**

- None.

**17. Financial Stability/Macroprudential Risk Assessment Tools and Related Items**

- List of Regulatory Considerations – Private Equity (PE)-Related and Other.
- 2021 Liquidity Stress Testing Framework (LST Framework).
- Macroprudential Risk Assessment.