Draft: 8/19/26

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 from the Financial Condition (E) Committee. The new process was enacted to deliver these technical changes to the industry and affected parties as quickly as possible, allowing them more time to modify their systems and processes in response.

Details of Process Adopted

1. A list of technical items (shown on the page[s] that follow) will be provided by 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 to 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 **August 31, 2026**. Any item(s) that receive an objection will be pulled from this automatic consideration, and a meeting will be scheduled to address the issue.

Action Taken During the 2026 Summer National Meeting

Date Released to Executive (EX) Committee and Plenary Members: August 20, 2026
Objections Due from Executive (EX) Committee and Plenary Members: August 31, 2026

The following technical items were adopted by the Financial Condition (E) Committee during the 2026 Summer National Meeting:

1. ***Accounting Practices and Procedures Manual* (AP&P Manual) Changes and Related Items**
   - Adopted the following statutory accounting principle (SAP) revisions:
     - *Statement of Statutory Accounting Principles (SSAP) No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*: Revisions clarify that the security lending restricted asset reporting category shall reflect the security lent reported in the investment schedules, not collateral. (Ref #2026-05)
     - SSAP No. 1*:* Revisions add restricted asset categories for: 1) collateral assets received and on the balance sheet; 2) assets under modified coinsurance (modco) reinsurance agreements; and 3) assets held under funds withheld reinsurance agreements. (Ref #2025-27)
     - *SSAP No. 52—Deposit-Type Contracts:* Revisions add disclosures for funding agreement-backed notes (FABNs) and other similar structures, as well as a glossary to define the structures. (Ref #2026-01)
     - *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance*: Revisions clarify that derecognized net positive IMR shall increase reinsurer collateral requirements, but that net negative IMR shall not decrease collateral reinsurer requirements (asymmetrical method). (Ref #2025-22)
     - Multiple SSAPs: Editorial revisions that include removing the word "funding" from the beginning of the paragraph that describes Federal Home Loan Bank (FHLB) agreements, replacing the term "CUSIP" with "Security Identifier," and adding "U.S." before generally accepted accounting principles (GAAP) as appropriate. (Ref #2026-03EP)
     - *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve*: Revisions extend the effective date to Dec. 31, 2027, with nullification on Jan. 1, 2028.
     - *Issue Paper 172—Qualifying Statutory Trusts*: Adopted issue paper as historical support for revisions previously adopted to *SSAP No. 37—Mortgage Loans* for residential mortgage loans held in qualifying statutory trusts. *(Ref #2025-13)*
2. ***Financial Condition Examiners Handbook* Changes, Other Examination Tools, and Related Items**
   - None
3. ***Financial Analysis Handbook* Changes and Related Items**
   - Adopted regulator-only analysis guidance.
4. ***Implementation Guide for Annual Financial Reporting Model Regulation* (#205) Changes and Related Items**
   - None
5. **Annual Statement Instructions Changes and Related Items**
   - Adopted the following proposals:
     - 2025-23BWG Modified—Update the Separate Account Assets page by adding "Nonadmitted Assets" and "Net Admitted General Account Assets." Add a new line on the Separate Account Summary of Operations for "Change in Nonadmitted Assets" within the surplus account. Insert a new page "Exhibit

of Nonadmitted Assets" that will detail the current and prior total nonadmitted assets and the change in nonadmitted assets.

- 2025-24BWG—Update Notes to Financial Statements Note 18B – ASC Plans for the disclosure clarifications in *SSAP No. 47—Uninsured Plans*.
- 2025-25BWG—Update Notes to Financial Statements Note #2 – Accounting Changes and Corrections of Errors, by adding the reference to *Valuation Manual* (VM)-20, Requirements for Principle-Based Reserves for Life Products.
- 2025-26BWG Modified—Update the annual statement expense categories and instructions to remove outdated expense terminology and reflect the current types of expenses that exist for companies.
- 2025-27BWG Modified—Add a section to Life/Fraternal Asset Valuation Reserve (AVR) to report collateralized loan obligations (CLOs). Add a footnote to Schedule D, Part 1, Section 2, to report the book/adjusted carrying value (BACV) by NAIC designation for CLOs.
- 2026-01BWG—Update Notes to Financial Statements Note #26 – Intercompany Pooling Arrangements to add instructions for modifications to an existing intercompany pooling arrangement that involved the transfer of assets with fair value that differ from statement value.
- 2026-02BWG Modified—Update Notes to Financial Statements Note #11 – Debt to add a cross-check between Note #11B – FHLB Agreements and General Interrogatory #26.
- 2026-03BWG Modified—Update the Life/Fraternal Annual and Quarterly Blanks and Instructions, Exhibit 5, General Interrogatory lines 27.6 and 27.7, Supplemental Exhibits and Schedules, Variable Annuities Supplement, to clarify how companies should report valuation standards for VM-22, Requirements for Principles-Based Reserves for Non-Variable Annuities, business. Add an annual supplement for VM-22 reserve reporting.
- 2026-04BWG Modified—Add a section to Notes to Financial Statements Note #11 – Debt to disclose funding agreements backing special purpose vehicles (SPV) issuances. Add a footnote to Life Statement, Exhibit 7, to report the amount of total funding agreements backed by SPV issuances.
- 2026-05BWG—Update the instructions to require explicit identification of instances where net asset value (NAV) is used by requiring direct reporting, rather than inference through omission, in the Fair Value Hierarchy Level and Method Used to Obtain Fair Value Code column in Schedules D and BA.
- 2026-06BWG—Update Notes to Financial Statements Note #5L(1) to add a reconciling adjustment line to the illustration to identify the assets pledged under multiple arrangements.
- 2026-07BWG—Add clarifying instruction to Schedule D, Part 1, Sections 1 and 2, for the payment due at maturity column and to specify what reporting categories should be included in this column. Add clarifying instructions to the origination balloon payment percentage column on Schedule D, Part 1, Section 2. For Schedule BA, Parts 1, 2, and 3, add clarification to the maturity date column to complete the column if the investment has a contractual stated maturity date.
- 2026-08BWG Modified—Add a code "O – Other" to the active status column on Schedule T for reporting entities that have a unique, restricted license type that does not fit into one of the other existing categories. Add a field to provide a description of the other license type, for example, captive insurers or international insurers. The proposal changes the "N – None of the Above" status code to "N – None," instances where the existing codes do not apply will be reported through the "O – Other" status code.
- 2026-09BWG—Update the Five-Year Historical to add a line reporting short-term and cash equivalent affiliated investments.

   - 2026-11BWG—Update Notes to Financial Statements Note #5A – Mortgage Loans by adding a paragraph to disclose residential mortgage loans acquired through a qualifying statutory trust.
   - 2026-12BWG—Update the AVR factors to zero in columns 7 and 9 for the Collateral Loan section.

- Adopted its editorial listing.

6. ***Purposes and Procedures Manual of the NAIC Investment Analysis Office*** **(P&P Manual) and Related Items**
   - Adopted the following amendments:
     - Update to the List of NAIC Credit Rating Providers (CRP) to reflect a name change for "HR Ratings de Mexico, SA de CV" to "HR Ratings LLC" on the Office of Credit Ratings (OCR) web page listing the current nationally recognized statistical rating organizations (NRSROs).
     - Update to clarify assessment of parent-subsidiary situations. The P&P Manual delineates certain prescribed guidelines for the use of the financial statements of an issuing subsidiary's parent, but the Securities Valuation Office (SVO) can also rely on other information that it deems satisfactory to support such use. The update clarifies that analytic latitude is permitted.

7. **NAIC Risk-Based Capital (RBC) Formula Changes and Related Items**
   - Adopted the following proposals:
     - 2025-14-L MOD (C-3 GOES Implementation)—Technical changes for C-3 Phase I and C-3 Phase II to update for the adoption of the generator of economic scenarios (GOES).
     - 2025-15-CA MOD (A&H Underwriting Risk Structure Change)—Structure changes based on the American Academy of Actuaries (Academy's) H-2 Underwriting Risk Report.
     - 2025-16-L MOD V.3 (Collateral Loans)—Effectuate a look-through approach in assessing RBC charges for collateral loans backed by certain investments, effective year-end 2027 filings.
     - 2025-21-P (Premium Loss Concentration Factors)—Update loss and premium concentration factors.
     - 2025-22-IRE MOD V.2 (CLO RBC Structure)—Incorporate granular reporting of long-term bonds into two buckets: i) CLOs and ii) all other long-term bonds to facilitate the implementation of differentiated charges for CLOs.
     - 2026-01-L (AVR Changes)—Incorporate changes to the instructions and blanks of the AVR – Default Component & Equity and Other Invested Asset Component tables.
     - 2026-02-L (BA Residential Mortgages)—Incorporate explicit treatment of "Unaffiliated BA Mortgage – Residential – All Other – In Good Standing."
     - 2026-03-CA (Underwriting Risk Investment Income Update)—Annual update of the underwriting factors for comprehensive medical, Medicare supplement, and dental and vision for the investment income adjustment.
     - 2026-05-CA (Remove Affiliate Code 4)—Remove the investment subsidiary category in the blanks, instructions, and formulas for all lines of business.
     - 2026-06-L MOD (LR027 Annual Statement Source)—Editorial changes to the Interest Rate Risk and Market Risk page to reflect the current annual statement source.
     - 2026-07-L (Longevity Reinsurance)—Add structural and instructional changes to consider RBC treatment for longevity reinsurance products.
     - 2026-08-CR (PR027 INT Item D Modification)—Eliminate questions D13 and D14 because there are currently no clearly defined areas that are considered prone to convective storms.

- 2026-09-L MOD (L008 Schedule BA Collateral Loans Annual Statement Source 2026)—Incorporate enhanced granularity for collateral loans.
- 2026-10-CA (Collateral Loan Source Update P/C & Health)—Changes to the annual statement source for collateral loans, residual tranches or interests, and tax credit investments.
- 2026-11-P (Underwriting Risk Line 1 Factors)—Annual update to the industry underwriting factors, including premium and reserve.
- 2026-12-IRE MOD—Incorporate CLOs' modeled C-1 factors.
- RBC Preamble—Revisions articulate the purpose, use, and limitations of the RBC formula and filings. The revised RBC Preamble included a newly developed section titled "Principles for RBC Requirements." These principles are intended to provide a shared framework for how transparency, consistency, and accountability are considered in the RBC adjustment process.

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

- None

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

- Adopted revisions to the ORSA Guidance Manual on capital transparency, compliance with state-specific filing dates, clarification of controls reporting, use of the group capital calculation (GCC) tool by U.S.-based internationally active insurance groups (IAIGs), and various other minor edits.

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

- None

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

- None

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

- None

16. Financial Stability/Macroprudential Risk Assessment Tools and Related Items

- None

