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 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 conference call 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 Dec. 13, 2018. Any item(s) receiving an objection will be pulled from this automatic consideration, and a conference call will be scheduled to address the issue.
The following technical items were adopted by the Financial Condition (E) Committee at the 2018 Fall National Meeting:

   
   - Adopted the following substantive revisions to statutory accounting guidance:
     
     - **Statement of Statutory Accounting Principles (SSAP) No. 21—Other Admitted Assets**: Revisions, effective Dec. 31, detail that periodic-certain structured settlements acquired in accordance with state and federal laws are admitted assets. Life-contingent structured settlements and periodic-certain structured settlements not acquired pursuant to state and federal laws are nonadmitted assets. (Ref #2018-17)
     
     - **SSAP No. 30R—Unaffiliated Common Stock and Issue Paper No. 158—Unaffiliated Common Stock**: Revisions, effective Jan. 1, 2019, update the common stock definition to include U.S. Securities and Exchange Commission (SEC) registered closed-end funds and unit-investment trusts within scope. (Ref #2017-32)
     
     - **SSAP No. 62R—Property and Casualty Reinsurance**: Revisions, effective Jan. 1, 2019, clarify the determination of reinsurance credit and incorporate language from EITF 93-6, Accounting for Multiple-Year Retrospectively Rated Contracts by Ceding and Assuming Enterprises and EITF D-035, FASB Staff Views on Issue No. 93-6. (Ref #2017-28)
     
     - **SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees and Issue Paper 159—Special Accounting for Limited Derivatives**: Effective, Jan 1, 2020, with early adoption permitted Jan. 1, 2019, new SSAP prescribes guidance for derivatives that hedge interest rate risk of variable annuity guarantees. (Ref #2016-03)
     
   - Adopted the following nonsubstantive revisions to statutory accounting guidance:
     
     - **SSAP No. 15—Debt and Holding Company Obligations and SSAP No. 25—Affiliates and Other Related Parties**: Revisions reference existing guidance in SSAP No. 72—Surplus and Quasi-Reorganizations for when there has been forgiveness of a debt owed. (Ref #2018-20)
     
     - **SSAP No. 22—Leases**: Revisions reject ASU 2018-01, Leases – Land Easement Practical Expediting for Transition to Topic 842. Reference of this rejection will also be captured in the proposed substantively revised SSAP No. 22R—Leases from the review of ASU 2016-02, Leases. (Ref #2018-25)
     
     - **SSAP No. 43R—Loan-Backed and Structured Securities**: Revisions, effective March 31, 2019, with early adoption permitted Dec. 31, 2018, remove the modified filing exempt (MFE) process for determining NAIC designations. (Ref #2018-19)
     
     - **SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies**: Revisions, effective Dec. 31, require the SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities loss-tracking disclosure when a reporting entity’s share of losses exceeds its investment. (Ref #2018-27)
     
     - **SSAP No. 51—Life Contracts, SSAP No. 52—Deposit-Type Contracts and SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance**: Revisions, effective Dec. 31, 2019, add life liquidity disclosures and expand variable annuity liquidity disclosures. (Ref #2018-28)
     
     - **SSAP No. 68—Business Combinations and Goodwill**: Revisions clarify that statutory mergers include scenarios in which the stock of an owned entity is cancelled, with the parent entity reporting the assumed assets and liabilities. These scenarios are subject to the statutory accounting restatement guidance. (Ref #2018-23)
     
     - **SSAP No. 72**: Revisions clarify that when a reporting entity provides a distribution that is a return of capital, it shall be reported with a charge to gross paid in and contributed surplus. (Ref #2018-21)
2. **Financial Condition Examiners Handbook Changes, Other Examination Tools and Related Items**

- Adopted the following revisions to the Financial Examiners Handbook (Handbook):
  - 2019 examiners’ suggested salary expressed as a daily rate.
  - Investments and Underwriting examination repositories.
  - Efficiency revisions intended to align the examination and analysis functions, when appropriate.
  - Exhibit K (key activity matrix) to remove the rows for Overall Risk Statement (row 1b) and Analytical Assessment (row 1c) as these rows add little value to the information provided in the matrix.
  - Considerations when examining troubled insurance companies.
  - Considerations when using Jumpstart reports (regulator only reports).
  - Removal of references to the Analyst Team System (ATS), as the program was eliminated in 2017.
  - Addition of reference to the updated guidance for Service Organization Control (SOC) reports and add reference to the newly created SOC for Cybersecurity reports.
  - Addition of reference to the General Data Protection Regulation within the list of topics an information technology (IT) examiner may discuss as part of the interview and discussion process within the exam.
  - Addition of discussion to Cyber Risk Analytics as a potential report type that regulators can use during the IT review.

3. **Financial Analysis Handbook Changes and Related Items**

- Adopted the 2018 Annual/2019 Quarterly revisions to the Financial Analysis Handbook, which includes: 1) clarifying risk-focused analysis guidance for use of the risk repositories; 2) documentation expectations; 3) risk assessment definition considerations; 4) Form D reviews; 5) examiner/analyst planning; and 6) cybersecurity procedures and guidance.
- Adopted a change to the 2018 Annual benchmarks for property & casualty (P&C) Insurance Regulatory Information System (IRIS) Investment Yield Ratio.
- Adopted regulator only guidance.
Financial Condition (E) Committee Technical Changes

   o None.

5. Annual Statement Instructions Changes and Related Items
   o Adopted the following changes to the financial annual statement blanks and/or instructions:
     o 2018-02BWG—Update the rows in the investment categories column on the Summary Investment Schedule to tie into the different investment schedules. Add column 2 heading reference. Add new publicly traded and other categories for industrial and miscellaneous and parents, subsidiaries and affiliates for common stock so that publicly traded and non-publicly traded common stock can be identified. Remove aggregate categories for mortgage loans available for use by property, health and title companies.
     o Editorial/nonsubstantive listing.

   o Adopted the following amendments to the P&P Manual:
     o Moved the description of financial modeling to the Structured Securities Group’s (SSG) website.
     o Added administration of filing exemption (FE) to on-going Securities Valuation Office (SVO) operations.
     o Modified the Administrative Symbol from “NR” (not rated) to “ND”.
     o Deleted an outdated clause from numerous asset specific instructions.
     o Aligned notching guidance with the NAIC Designation Category framework.
     o Editorial revisions to bring the P&P Manual into compliance with NAIC Standard Procedures for Amending Manuals/Handbooks.
     o Added text to the compilation instructions to further explain the relationship of NAIC reinsurance standards to the SVO List of Investment Securities.
     o Revisions to modernize credit substitution methodology used when the NAIC Designation is based on an enforceable third-party promise to pay the insurer obligations of a lower or unrated obligor.

7. NAIC Risk-Based Capital (RBC) Formula Changes and Related Items
   o Adopted the 2018 Catastrophe Event List.

8. Uniform Certificate of Authority Application (UCAA), Company Licensing Best Practices Handbook and Related Items
   o Adopted revisions to the proforma excel templates for all lines of business.

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9. **NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual** (ORSA Guidance Manual) and Related Items
   - None

    - None

11. Process for Developing and Maintaining the **NAIC List of Qualified Jurisdictions** and Related Items
    - None.

12. Process for Developing and Maintaining the **NAIC List of Certified Reinsurers** and Related Items
    - None.

13. **NAIC Enterprise Risk Report (Form F) Implementation Guide** and Related Items
    - None