

# NAIC Bulletin

Highlights of the National Association of Insurance Commissioners meeting

Spring 2024 update

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The National Association of Insurance Commissioners (NAIC) recently held its 2024 Spring National Meeting in a hybrid format from Phoenix, Arizona. Our publication highlights key issues that NAIC groups have addressed since the 2023 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 Statutory Accounting Principles (E) Working Group announced that, with the adoption of guidance addressing the accounting for debt securities that do not qualify as bonds and the measurement of residual interests, the development of statutory accounting guidance for the NAIC bond project has been completed.
- ▶ The Risk-Based Capital (E) Investment Risk and Evaluation Working Group discussed the continued application of the 45% risk charge for investments in residual tranches effective for year-end 2024 reporting.
- ▶ The Property & Casualty (C) Committee initiated a data call for regulators to gather data specific to the homeowners insurance market in their respective states.
- ▶ The NAIC appointed Gary D. Anderson (Massachusetts) as Chief Executive Officer of the NAIC, effective 1 May 2024.

## 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 2023 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 2023 Fall National Meeting. It also includes the effective dates for adopted items and the deadlines for comments on exposed items.



### **Statutory accounting principles**

SAPWG adopted revisions to SSAP No. 21R, *Other Admitted Assets*, to provide additional guidance for the accounting for debt securities that do not qualify as bonds under SSAP No. 26R, *Bonds*, and to incorporate a new measurement method for residual interests regardless of legal form (Ref #2019-21).

- ▶ The guidance for debt securities that do not qualify as bonds requires these investments to be initially reported at acquisition at cost on Schedule BA and subsequently reported at the lower of amortized cost or fair value, with changes in measurement to be reported as unrealized gains or losses in unassigned surplus.
- ▶ The guidance for investments in residual interests requires the use of an “effective yield with a cap” method, with the ability for a reporting entity to elect a practical expedient for the use of the more conservative “cost recovery” method. Additional requirements have been provided if the reporting entity chooses to discontinue the use of the “cost recovery” method once elected. These investments will also be subject to an other-than-temporary impairment (OTTI) assessment on an ongoing basis, with recognition of a realized loss equal to the difference between the book-adjusted carrying value (e.g., amortized cost) and the present value of the expected cash flows for the investment. If the practical expedient is elected, a realized loss would be recognized equal to the difference between book-adjusted carrying value and fair value. Measurement transition guidance has also been provided for investments in residual interests that were previously accounted for under a different SSAP.

These revisions are effective 1 January 2025, with early adoption permitted for the guidance addressing investments in residual interests only.

SAPWG also adopted revisions to SSAP No. 21R to require collateral loans to be reported based on the type of qualifying investment that secures the loan (Ref #2023-28). The revisions define qualifying investment as assets listed in Section 3 of Appendix A-001, *Investments of Reporting Entities*, that qualify for admittance if held by an insurer (e.g., bonds, preferred stock, mortgage loans, real estate investment). The revisions also require disclosure of the total amount of collateral loans and the amount admitted and nonadmitted by qualifying investment type.

SAPWG adopted revisions to SSAP No. 93, *Low-Income Housing Tax Credit Property Investments*, and SSAP No. 94R, *Transferable and Non-Transferable State Tax Credits*, to expand the scope of the existing statutory accounting guidance for tax credits (Ref #2022-14).

- ▶ The revisions to SSAP No. 93 address the accounting treatment to be applied to all federal and state tax credit programs and tax credit investment structures, with guidance for the recognition and impairment of variable tax credits allocated to the reporting entity. A reporting entity is also required to disclose the amount of tax credits allocated and unused as of the end of the reporting period.
- ▶ The revisions to SSAP No. 94R address purchased state and federal tax credits and exclude awarded tax credits from its scope. A reporting entity is also required to disclose any commitment or contingent commitment to purchase tax credits.

Corresponding revisions to clarify the scope of SSAP No. 34, *Investment Income Due and Accrued*, and SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, regarding tax credit investment structures were also adopted.

These revisions are effective 1 January 2025, with prospective application of the guidance required. Transition guidance has been provided for unutilized tax credits that were carried forward from prior to the effective date, and early adoption is permitted for the revisions to SSAP No. 94R only.

SAPWG also adopted revisions to SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities*, to clarify and align the existing guidance on the application of the “look-through” methodology that allows for the admittance of audited investments in subsidiary, controlled or affiliated entities owned by an unaudited downstream noninsurance holding company (Ref #2023-30).

### **Other matters**

SAPWG adopted revisions to the annual statement instructions to clarify that realized gains and losses on perpetual preferred stock, including Securities Valuation Office (SVO)-identified preferred stock exchange-traded funds, and mandatory convertible preferred stock are to be excluded from the interest

maintenance reserve (IMR) regardless of NAIC designation (Ref #2023-29). The revisions also clarify that these investments are required to be measured using fair value in accordance with SSAP No. 32R, *Preferred Stock*, and reported through the asset valuation reserve (AVR).

SAPWG also directed the NAIC staff to submit a blanks proposal to the Blanks (E) Working Group (BWG) to update the annual statement reporting categories for tax credit investment structures, to notify the Life RBC Working Group regarding the planned reporting line changes and to draft an issue paper detailing the historical discussions and decisions reached in the development of the revised guidance adopted in SSAP No. 93 and SSAP No. 94R (Ref #2022-14).

### **Blanks (E) Working Group**

Appendix B summarizes the actions taken by BWG since the 2023 Fall National Meeting.

### **Capital Adequacy (E) Task Force**

The Capital Adequacy (E) Task Force (CATF) received an update from the following subgroups of the Risk Evaluation Ad Hoc Group that was formed to evaluate various aspects of the RBC framework:

- ▶ The RBC Purposes and Guidelines Ad Hoc Subgroup continued its work to develop clarifying edits to the RBC Preamble that are intended to emphasize the purpose and intended use of RBC. The ad hoc subgroup has also suggested removing the total adjusted capital (TAC) and authorized control level (ACL) that are currently presented on the five-year historical table in the annual statements. CATF will assume the responsibility for the completion of this work and disbanded the ad hoc subgroup.
- ▶ The Asset Concentration Ad Hoc Subgroup continued its work to discuss concepts and issues related to asset concentrations and review NAIC data for potential asset concentration considerations. The ad hoc subgroup continued to refine a flow chart developed for use in identifying unique assets that would need additional research to assess their risk and potential charge to be included in the RBC formula, with a walkthrough of the flow chart focusing on sector concentration completed. CATF indicated that the responsibility for the completion of this work will be assumed by the RBC Investment Risk and Evaluation (E) Working Group (RBCIRE) and disbanded the ad hoc subgroup.
- ▶ The Geographic Concentration Ad Hoc Subgroup continued its work to collect in-depth technical information on how to enhance the charges in the RBC formula to provide state insurance regulators with an early warning signal regarding an insurer's insolvency. The ad hoc subgroup heard presentations from rating agencies to gain a better understanding of their rating process and continued to collaborate with Louisiana regulators to gain a better understanding of how potential geographic concentration risk is monitored and managed in Louisiana. CATF indicated that the responsibility for the completion of this work will be assumed by the Catastrophe Risk (E) Subgroup and disbanded the ad hoc subgroup.

CATF discussed and exposed the referral from SAPWG regarding its proposal to expand the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan and incorporate a new disclosure on Schedule BA to report aggregate collateral loans by type of qualifying investment collateral (SAPWG Ref #2023-28). Comments are due by 1 May 2024.

Appendix C summarizes the developments affecting 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 2023 Fall National Meeting.

### **Life RBC (E) Working Group**

The Life RBC (E) Working Group exposed a proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the Life RBC formula (Ref #2024-03-L). The ACLI proposal intends to align the current charge of 1.26% for conforming repurchase agreements with the charge for conforming securities lending programs of 0.2% by establishing a "conforming program criteria" option for repurchase agreements through the general interrogatories of the annual statement. The Working Group submitted a referral to both SAPWG and CATF requesting consideration on the accounting and reporting aspects of the proposal and its possible application to other RBC formulas, respectively. The Working Group discussed SAPWG's response, which requested that consideration of the ACLI proposal be deferred to allow for the assessment and convergence of statutory accounting and reporting requirements for repurchase agreements and securities lending. Further discussion is planned at a future meeting to be scheduled by the Working Group.

The Working Group received an update from the American Academy of Actuaries (Academy) on its work to review and analyze the interest rate and market risk (i.e., C3) component in the Life RBC formula, which is being performed as part of the development of the principles-based reserving (PBR) framework for non-variable annuity products. The Academy presented its considerations and suggestions to align the C3 methodology between the C3 Phase 1 component of the Life RBC formula (i.e., use of cash flow testing models) that applies to all non-indexed fixed annuities and the C3 Phase 2 component of the Life RBC formula (i.e., use of principles-based reserving models) that applies to all variable annuities. The Academy has requested feedback from the Working Group on its considerations and suggestions. Further discussion is planned at a future meeting to be scheduled by the Working Group.

The Working Group also received a referral from SAPWG to provide feedback on SAPWG's proposed revisions to the reporting lines on Schedule BA (SAPWG Ref #2023-28) and consider the allocation of collateral loans through AVR. The Working Group directed the NAIC staff to draft a response to the referral. Further discussion is planned at a future meeting to be scheduled by the Working Group.

### **Health RBC (E) Working Group**

The Health RBC (E) Working Group discussed the feedback received on the previously exposed Academy presentation on the health care receivables factors included in the credit risk (i.e., H3) component in the Health RBC formula, which includes a proposal for a tiered health care receivables factor. The feedback addresses the degree of aggregation of non-pharmacy health care receivables; the inclusion of Life, Accident and Health annual statement data in the Academy's analysis on health care receivables; entities with no receivable collections; and the weighting of data points in the Academy's analysis. Further discussion is planned at a future meeting to be scheduled by the Working Group.

The Working Group also received an update 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, which includes the Comprehensive Medical, Dental & Vision, Medicare Supplement and standalone Medicare Part D lines of business. The Academy has identified three categories for its work on this project: (1) structural changes, (2) modeling and analysis of RBC factors, and (3) managed care credit calculation. The Working Group anticipates the Academy's work will result in changes to the RBC structure and factors on pages XR013 through XR015 in the Health RBC formula, with corresponding changes to the Property & Casualty (P&C) RBC and Life RBC formulas.

### **Property and Casualty RBC (E) Working Group**

The P&C RBC (E) Working Group exposed revisions to the underwriting risk factors in the R4 and R5 components of the P&C RBC formula (Ref #2024-11-P). The revised factors were based on the results indicated in a 2023 report issued by the Academy summarizing its work to recalibrate portions of the reserve and premium risk by line of business, with a comparison of RBC action level between the current P&C RBC formula and the P&C RBC formula with the proposed factors.

### **Catastrophe Risk (E) Subgroup**

The Catastrophe Risk (E) Subgroup continued its work to evaluate the implications of wildfire and convective storm risks on P&C insurance companies. The Convective Storm Model Review Ad Hoc Group continues to progress in the performance of an in-depth technical study and impact analysis of the assumptions and limitations of different vendor models addressing severe convective storms, which is targeted for completion by April 2024. Further discussion is planned at a future meeting to be scheduled by the Subgroup.

### **RBC Investment Risk and Evaluation (E) Working Group**

RBCIRE received an update from the Academy regarding its work to analyze and address the risk charge for structured securities in the RBC formulas, specifically as it relates to the asset (i.e., C1) risk factors for asset-backed securities. The Academy presented its workstreams for this topic:

- ▶ Comparable attributes for collateralized loan obligations (CLOs): The Academy plans to identify comparable attribute candidates for CLOs to determine whether C1 risk factors can be determined by a set of easily identifiable attributes or whether modeling of individual CLOs is necessary. The Academy expects to complete its work on this workstream by the 2024 Fall National Meeting.

- ▶ Credit rating provider (CRP) rating methodologies: The Academy plans to study the rating methodologies used by CRPs (e.g., Moody's, S&P) with a focus on tail risk and review the historical data used by CRPs to assess default and loss experience by rating. The Academy expects to complete its work on this workstream by the 2024 Summer National Meeting.
- ▶ Oliver Wyman residual tranche risk analysis: The Academy plans to review the risk analysis performed by Oliver Wyman regarding the appropriate C1 risk factors for investments in residual tranches. The Academy expects to complete its work on this workstream in April 2024.

RBCIRE also discussed the Oliver Wyman residual tranche risk analysis regarding the appropriateness of the 45% RBC factor for investments in residual tranches that is effective for year-end 2024. Oliver Wyman performed a quantitative analysis of the relative risk of residual tranches of asset-backed securities and identified potential losses under historically calibrated stress scenarios on portfolios of residual tranches. RBCIRE received oral comments from ACLI on the Oliver Wyman residual tranche risk analysis and exposed the risk analysis for feedback from regulators and industry stakeholders.

## Requirements for principle-based reserving

The Life Actuarial (A) Task Force (LATF) continued its work to update the *Valuation Manual* (VM) and address issues related to the implementation of the PBR framework for life and annuity products. The actions taken by LATF include revisions to the guidance in VM-20: *Requirements for Principle-Based Reserves for Life Products* and VM-21: *Requirements for Principle-Based Reserves for Variable Annuities*, along with the development of the reserving requirements for non-variable annuities, which are summarized below.

### Life and variable annuity products

LATF adopted an amendment to remove references to RBC in VM-20 and VM-21 that are inconsistent with the purpose, scope and intended use of RBC for consistency with improvements made in the related sections of the draft VM-22 framework for non-variable annuity products.

LATF adopted an amendment to clarify the definition of equity-like instruments and the requirements for the development of equity return assumptions when the form of asset adequacy analysis is cash flow testing in VM-30: *Actuarial Opinion and Memorandum Requirements*.

LATF also adopted an amendment to include a reference to the availability of governance documentation for variable annuities, including that required by VM-G, *Appendix G – Corporate Governance Guidance for Principle-Based Reserves* in VM-31: *PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation*.

LATF exposed the following amendments to the *Valuation Manual* that will:

- ▶ Update VM-20 to require that industry experience used to establish the assumptions for a universal life policy that guarantees coverage to remain in force as long as the secondary guarantee requirement is met would be the *Lapse Experience Under Term-to-100 Insurance Policies* published in December 2021 by the Canadian Institute of Actuaries for projection periods in which the cash surrender value is zero or minimal.
- ▶ Update the current version of VM-22: *Statutory Maximum Valuation Interest Rates for Income Annuities* to allow an insurance company to elect to consistently determine statutory maximum valuation interest rates for non-jumbo contracts as if they were jumbo contracts, with prior approval of the domiciliary state insurance commissioner. Feedback has been requested on whether the use of jumbo rates for non-jumbo contracts, if elected, should be required for all non-jumbo contracts, all non-jumbo contracts issued after a given date or a company-selected subset of contracts with justification from the insurance company. Feedback has also been requested on whether the election should be permanent and whether approval from the domiciliary state should be required for the initial election of jumbo rates or any subsequent changes between jumbo and non-jumbo rates. Comments are due by 3 May 2024.

LATF re-exposed revisions to VM-20, VM-21, VM-31 and VM-M: *Appendix M – Mortality Tables* to allow for the use of international mortality tables for relevant assumed business, with guidance to address the application of non-US mortality tables and mortality improvement rates for a block of business covering insureds who are not US residents, and add mortality tables that would be eligible for use in future VM-22 reserve and nonforfeiture valuations.

LATF also re-exposed revisions to VM-01: *Definitions for Terms in Requirements* to clarify the definition for and qualification standards that must be met by a “qualified actuary” in the *Valuation Manual*.

### **Non-variable annuity products**

The VM-22 (A) Subgroup exposed updated specifications for the field test of the draft VM-22 framework, including a timeline and key milestones for its completion. The performance of the field test is targeted to occur from July through September 2024 and will include the following product classes: deferred annuities with guaranteed living benefits, deferred annuities without guaranteed living benefits, and payout annuities. Key objectives of the field test include measuring the effect of the proposed reserve and capital frameworks to determine whether they are working as intended and testing the effect of the key outstanding items of the draft VM-22 framework (i.e., aggregation, reinvestment guardrail mix, stochastic exclusion ratio test threshold and standard projection amount assumptions).

The NAIC will establish a model office prior to the start of the field test, with the results of model office testing of the draft VM-22 specifications to be compared to the field test results to assess products or scenarios that might pose difficulty for the field test participants to address. The Subgroup continues to target 1 January 2026 as the date of adoption for the final VM-22 framework, accompanied by a three-year implementation period, after which PBR for non-variable annuity products will become mandatory on a prospective basis.

### **Macroprudential activities**

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

### **Liquidity assessment and capital stress testing**

The Financial Stability (E) Task Force received an update from the Macroprudential (E) Working Group (MWG) related to its work on the liquidity stress testing (LST) framework. A final version of the *2023 LST Framework with Lead State Guidance* document was made available on the [NAIC website](#). This document establishes NAIC values for certain market indicators (e.g., market capacity assumptions, economic variables for adverse scenarios, credit assumptions, year-end structured spread baseline values) as lead state guidance and should be used by insurers for their 2023 LST filings. The lead state guidance will be incorporated into the LST framework at a later date.

The 2023 LST framework excludes non-guaranteed separate accounts liquidity concerns. MWG provided an update on the work of the LST Study Group, which is focused on considering whether and how to address potential separate account asset sales in a stress scenario. The study group has conducted a data call for lead state regulators to require participant life insurance groups to provide information on the specific asset types included in the insurers’ separate accounts. MWG will analyze the results of the data call and determine the next steps for separate account LST.

MWG also discussed its work on a climate risk dashboard that includes physical transition risk indicators and coverage trends for several protection gap measures. MWG presented a preliminary dashboard to the Climate and Resiliency (EX) Task Force to solicit feedback on its development of the climate risk metrics included therein. MWG will also update the macroprudential risk assessment dashboard to incorporate these climate risk metrics. Further discussion is planned at a meeting to be scheduled by MWG.

The Group Capital Calculation (E) Working Group adopted the 2023 excess relative ratio (ERR) scalars proposed by ACLI, which allow insurers to appropriately recognize non-US business in their group capital calculation formula. The work to develop these scalars was focused on the life and health sectors for selected jurisdictions, with other factors to be carried forward from the prior year. The Working Group also discussed the process to update the scalars on an ongoing basis and directed the NAIC staff to document the process used by ACLI to develop the 2023 ERR scalars, which can be reviewed in the future and potentially adopted as a methodology.

## Recovery and resolution

The Receivership and Insolvency (E) Task Force discussed its 2021 memorandum to state insurance departments on receivership and guaranty fund laws that highlighted NAIC model amendments, guidelines and provisions of receivership laws that are critical to a multi-jurisdiction receivership. The Task Force encouraged state insurance regulators to consider whether updates to their state laws are necessary to incorporate the amendments to the Property and Casualty Guaranty Association Model Act (Model #540) that were adopted at the 2023 Summer National Meeting.

## Private equity and other matters

MWG provided a status update on the work being performed to address the 13 items in the *Regulatory Considerations Applicable (But Not Exclusive) to Private Equity (PE) Owned Insurers* document.

MWG indicated that the following three items have been completed with no further actions planned to address these items at this time:

- Definition of private equity
- Identifying related-party-originated investments (including structured securities)
- Asset manager affiliates and disclaimers of affiliation

Recent developments in the work performed by various NAIC groups to address the remaining 10 items are summarized below:

### *Holding company structures*

The Group Solvency Issues (E) Working Group (GSIWG) adopted a *Sound Practices* document for regulators to use in their review of complex ownership structures of insurers. The Working Group also submitted a referral to the Financial Analysis Solvency Tools (E) Working Group to consider incorporating additional Form A (i.e., change of control) review procedures and new guidance for use by regulators in evaluating disclaimer of control/affiliation filings into the *Financial Analysis Handbook*.

### *Ownership and control*

The work performed by GSIWG for the above item will also contribute to addressing this item.

### *Investment management agreements*

The Risk-Focused Surveillance (E) Working Group formed the Affiliated Investment Management Agreement Drafting Group to address issues related to solvency monitoring guidance for affiliated investment management agreements and capital maintenance plans, as well as concerns related to ownership structures of insurers and surplus note issuance. The Working Group exposed revisions to the *Financial Analysis Handbook* and the *Financial Condition Examiners Handbook* that were developed by the drafting group to provide additional guidance to regulators in reviewing investment advisory services provided by an affiliate and guidance related to reasonableness of investment management fees. Comments are due by 30 April 2024.

The drafting group also developed a blanks proposal to update the general interrogatories to clarify that all investment advisors with discretion to make investment decisions on behalf of the reporting entity, including sub-advisors, are required to be disclosed (BWG Ref #2024-05BWG).

The Working Group referred consideration for the development of regulatory guidance addressing the appropriate interest rates for surplus notes, including whether floating rates are appropriate, to the Financial Analysis Solvency Tools (E) Working Group.

### *Owners of insurers with short-term focus and/or unwilling to support a troubled insurer*

LATF's review of *Actuarial Guideline LIII – Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) filings considers the potential conflict of interest between the owners of insurers with short-term focus and the insurer. The areas of focus include high net yield assumptions, attribution analysis of net yield assumptions, investment expense assumptions and reinsurance collectability.

The work performed by the Risk-Focused Surveillance (E) Working Group for the above item will also contribute to addressing this item. In addition, the Working Group referred consideration for the development of regulatory guidance addressing when it might be appropriate to request a capital maintenance agreement and ways to make them stronger to the Financial Analysis Solvency Tools (E) Working Group.

#### ***Operational, governance and market conduct practices***

No actions have been taken on this item since the 2023 Fall National Meeting.

#### ***Identifying underlying affiliated/related party investments and/or collateral in structured securities***

The Financial Analysis Solvency Tools (E) Working Group and the Financial Examiners Handbook (E) Technical Group are continuing their work to determine whether additional guidance should be included in the NAIC handbooks or other regulatory reports or tools should be developed related to the AG 53 requirements developed by LATF.

#### ***Privately structured securities***

RBCIRE's current work on CLOs may also contribute to addressing this item. Refer to the [RBC Investment Risk and Evaluation \(E\) Working Group](#) section for further discussion.

The work performed by the Valuation of Securities (E) Task Force (VOSTF) for the below item will also contribute to addressing this item.

#### ***Reliance on rating agencies***

VOSTF's proposal to amend the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to authorize the procedures for the NAIC SVO to have discretion over NAIC designations assigned through the filing-exemption (FE) and private letter rating (PLR) processes will contribute to addressing this item. Refer to the [Valuation of Securities \(E\) Task Force](#) section for further discussion.

#### ***Pension risk transfer (PRT) business supported by complex investments***

SAPWG indicated that the NAIC staff completed its review of the 2022 disclosures for PRT transactions in the annual statement blank. The results of that review indicated the issues related to the reporting of PRT transactions persisted (e.g., most reporting entities are still broadly grouping PRT activity for reporting purposes). The NAIC staff is in process of reviewing the 2023 disclosures for PRT transactions, the results of which will allow regulators to consider whether additional revisions to the annual statement instructions are necessary.

MWG indicated that the Department of Labor has revised its fiduciary requirements, which require due diligence in assessing an insurer prior to approving a PRT transaction.

The work currently being performed by the VM-22 (A) Subgroup to develop a PBR framework for non-variable annuity products may also contribute to addressing this item. Refer to the [Non-variable annuity products](#) section for further discussion.

#### ***Offshore/complex reinsurance***

MWG is continuing its work to monitor the offshore reinsurance market by assessing ceded reserves by transaction type (i.e., modified coinsurance, coinsurance, funds withheld reinsurance). MWG is also collaborating with the Bermuda Monetary Authority on a cross-border reinsurance initiative and developing enhancements to the reinsurance worksheet that was previously adopted.

LATF's proposal to consider requiring asset adequacy testing for reinsurance transactions will also contribute to addressing this item.

## **Innovation, Cybersecurity, and Technology**

The Innovation, Cybersecurity, and Technology (H) Committee (H Committee) adopted the *Cybersecurity Event Response Plan* (CERP) that was developed by the Cybersecurity (H) Working Group. The CERP is intended to support state insurance departments in their response following notification or otherwise becoming aware of a cybersecurity event at a regulated insurance entity (i.e., licensee). However, it does not specifically address which events must be reported by a licensee, as laws and regulations vary by



state. The guidance in the CERP was developed based on the definitions and provisions of the Insurance Data Security Model Law (Model #688), specifically the process for notification of a cybersecurity event. This guidance would need to be adjusted if a state has adopted a modified version of Model #688 or adheres to other laws and regulations. Each state would also defer to its specific confidentiality requirements for the information submitted in response to reported cybersecurity events.

The actions taken by various NAIC groups that report to the H Committee since the 2023 Fall National Meeting are summarized below.

### **Third-Party Data and Models (H) Task Force**

The Third-Party Data and Models (H) Task Force adopted the following charges:

- ▶ Research and gather information as to what types of artificial intelligence (AI)/machine learning (ML) models are currently being used by insurance companies that are provided from third parties that may require regulation.
- ▶ Monitor and report on the regulatory efforts of third-party models at the federal and international levels.

The Task Force intends to focus on the first charge over the course of 2024, with a plan to draft a regulatory framework that would be presented to the H Committee for review and approval in 2025.

### **Big Data and AI (H) Working Group**

The Big Data and AI (H) Working Group discussed its plan for collaboration with the NAIC's Center for Insurance Policy and Research (CIPR) and NAIC staff to perform additional analysis of AI/ML survey results, with subsequent comparison of the survey results to the *NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers* to identify areas where the survey can be improved or where obtaining additional information from industry stakeholders should be considered.

The Working Group intends to develop and distribute a health AI/ML survey. The health insurance products that are being considered for the survey include comprehensive major medical (individual and group) plans, student health plans, limited benefit plans and stop-loss/excess loans plans. Consistent with previous surveys, the Working Group intends to engage with insurance companies to solicit feedback on the initial survey design, with results expected to be reported by the 2024 Summer National Meeting.

### **E-Commerce (H) Working Group**

The E-Commerce (H) Working Group adopted the *E-Commerce Modernization Guide*, which is intended to advise regulators on state e-commerce laws and regulations and provide uniform guidance on various topics organized into the following five broad categories: e-signature, e-notices, policy issues, claims and a general "other" category. The guidance was compiled based on an understanding of the exceptions to state laws and regulations that were implemented during the COVID-19 pandemic to allow electronic commerce, transactions and communications to take place when in-person methods were not possible. Input was also solicited from insurers and industry stakeholders to identify specific technologies, communications, transactions, or any other forms and methods of electronic commerce that may currently impede their ability to conduct business electronically, in part because many of the exceptions to state laws and regulations that were put in place during the pandemic may no longer be in effect.

## **Executive Committee**

The NAIC Plenary adopted:

- ▶ Amendments to the Unfair Trade Practices Act (Model #880), which were developed by the Antifraud (D) Task Force to define a health insurance lead generator, identify the marketing-related activities of health insurance lead generators that are unfair trade practices and provide state insurance regulators with the authority to regulate those activities in the health insurance marketplace. The amendments also clarify that the lead generator is prohibited from engaging in unfair trade practices as set forth in Model #880.
- ▶ Amendments to the Market Conduct Annual Statement (MCAS) data element revision process, which were developed by the MCAS Blanks (D) Working Group to incorporate leading practices for the development of and revisions to MCAS interrogatories and MCAS data elements.

- ▶ The NAIC's *National Climate Resilience Strategy for Insurance* document developed by the Climate and Resiliency (EX) Task Force that identifies how insurance regulators collaborate to address climate resilience at the state level, highlights the accomplishments and diversity in state approaches, and provides clear goals and objectives related to climate resilience with a focus on state authority and jurisdiction.

The NAIC Plenary also approved the request from the Public Adjuster Licensing (D) Working Group for NAIC model law development to amend the Public Adjuster Licensing Model Act (Model #228). The amendments will enhance regulatory standards governing the conduct of public adjusters by addressing issues related to individuals acting as unlicensed public adjusters, contractors who are also acting as public adjusters on the same claim, inappropriate assignment of benefit rights and excessive fees charged by public adjusters.

The Executive (EX) Committee (EX Committee) received an update on the model law development efforts for the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (Model #171). The Accident and Sickness Insurance Minimum Standards (B) Subgroup received feedback from industry stakeholders on the previously exposed revised draft of Model #171 and has continued to develop revisions to Model #171 in consideration of the feedback received.

The EX Committee also received an update on the model law development efforts for the new Insurance Consumer Privacy Protection Model Law (Model #674). The Privacy Protections (H) Working Group is continuing to collaborate with regulators and industry stakeholders to understand the current state privacy law landscape and evaluate the status of Model #674 against this landscape. An NAIC legal team will create an issues matrix that aggregates the insights obtained from subject-matter experts that will be used by the Working Group to understand the central issues and provisions of Model #674 and draft a model law that is representative of the best privacy regime.

The actions taken by various NAIC groups that report to the EX Committee since the 2023 Fall National Meeting are summarized below.

### **Climate and Resiliency (EX) Task Force**

The Climate and Resiliency (EX) Task Force received an update on the work being performed by its Solvency workstream on the development of a regulatory approach to climate scenario analysis. The workstream discussed the feedback received on its RBC proposal submitted to the Catastrophe Risk (E) Subgroup that would require an insurer to disclose information related to its climate scenario analysis for "hurricane" and "wildfire" risk perils in its P&C RBC filings to provide regulators with an ability to better understand the quantitative impact of climate change on insurer solvency (Ref #2023-17-CR). The workstream continues to seek constructive and actionable feedback from regulators and industry stakeholders on its proposal and potential alternatives for obtaining data that is relevant to this topic.

### **Special (EX) Committee on Race and Insurance**

The Special (EX) Committee on Race and Insurance (SCRI) received an update on the work being performed by its workstreams to identify issues related to race, diversity and inclusion in the insurance sector, as well as access to insurance products and practices in the insurance sector that potentially disadvantage people of color and historically underrepresented groups.

SCRI's Life workstream distributed the draft financial wellness resource guide that was developed in collaboration with the NAIC Diversity, Equity, and Inclusion (DE&I) team and state diversity leaders. The guide is intended to provide information that state insurance regulators can leverage to improve access to and understanding of life insurance products in underserved communities. The workstream intends to expand the guide to include additional state initiatives and programs that address financial literacy and exposed a draft endorsement supporting state legislation requiring a financial literacy course as a prerequisite to high school graduation. The workstream will also focus on addressing barriers to life insurance products (e.g., criminal history) through panel discussions and presentations by other groups that are also exploring this issue at future meetings.

SCRI's P&C workstream intends to examine the growth of residual markets and other trends that may reflect market availability and affordability pressures, as well as underserved communities' ability to access other financial structures (e.g., premium financing and structured settlements). The workstream also expects to continue to engage with P&C industry representatives to understand issues related to potential bias and unfair discrimination in the P&C insurance market.

SCRI's Health workstream has completed its work related to its focus on examining provider network and benefit structures, as well as consumer engagement and regulator education on benefit design relating to preventive care and mental health coverage. The workstream will consider developing a document that would be used to refer identified issues to other NAIC groups for additional action. The workstream also expects to continue its work to build out and drive engagement on the collaborative workspace on its NAIC Connect webpage and support the work of the Big Data and AI (H) Working Group on the development and analysis of the health AI/ML survey.

## Life Insurance and Annuities

The Life Insurance and Annuities (A) Committee (A Committee) received a report on the work being performed by the Indexed Universal Life (IUL) Illustration (A) Subgroup to review company illustrations for compliance with current requirements (e.g., *Actuarial Guideline XLIX-A – The Application of the Life Illustrations Model Regulation to Policies with Index-Based Interest Sold (on or after December 14, 2020)*). The scope of this review is not limited solely to IUL products but includes illustrations for other life insurance products and annuities. Regulators are attempting to determine whether companies are overpromising returns or understating the downside risks in their illustrations for these products. The Subgroup will continue to update the A Committee on any developments as the work progresses, which could include presenting a summary of enforcement activity for compliance with existing rules or a recommendation for new or revised requirements at a future meeting.

The actions taken by various NAIC groups that report to the A Committee since the 2023 Fall National Meeting are summarized below.

### Life Actuarial (A) Task Force

LATF exposed a proposal that would require the performance of asset adequacy analysis using a cash flow testing methodology for certain life and annuity reinsurance transactions at the line of business and treaty level. The proposal focuses on business that heavily relies on asset returns, with an intent to establish a safeguard for the reinsurance of asset-intensive business by using a cash flow testing methodology to determine whether there are enough assets to support future liabilities based on the requirements of the US statutory framework. Feedback has been requested on when the concept of testing for reserve adequacy for ceded business should be applied (e.g., when the assuming company does not submit a VM-30 actuarial memorandum to a US state insurance regulator, the assuming company holds reserves lower than US statutory reserves, collectability risk associated with the assuming company is significant, or the treaty involves an affiliated transaction), along with various considerations for the proposed requirements (e.g., materiality, level of aggregation, retroactivity) and the potential for the application of an alternative methodology that would appropriately demonstrate the adequacy of reserves and assets supporting such reserves. Comments are due by 17 May 2024.

LATF received a report from the Generator of Economic Scenarios (E/A) Subgroup on its work to develop scenario sets and acceptance criteria for the generator of economic scenarios (GOES) that will be used in the reserve and capital valuations of life and annuity products. The Subgroup indicated that decisions have been reached in the following areas: equity-treasury linkage, corporate model for bonds, scenario stratification, deterministic ratio and stochastic exclusion ratio test scenario methodology and treasury flooring methodology. Scenario sets have been created to allow for the GOES field test to begin once the next calibration of the model is confirmed, with an intent to be completed by 30 June 2024.

LATF also received a report from the Variable Annuities Capital and Reserve (E/A) Subgroup indicating that the Subgroup will begin its consideration of potential updates to VM-21 assumptions for the standard projection amount to align the prescribed actuarial assumptions with actual experience. The Subgroup is targeting for the updated assumptions to be finalized for inclusion in the 1 January 2025 version of the *Valuation Manual*.

LATF discussed the response to its referral to SAPWG indicating that permitted practices do not apply to the minimum valuation requirements included in the *Valuation Manual*. Accordingly, LATF will consider whether modifications to specific valuation requirements are necessary to resolve the variations that currently exist in their application. LATF will also consider whether a central repository should be established to track variations that have been granted, which would be similar to the treatment of permitted practices for statutory accounting by individual states.

## Health Insurance and Managed Care

The Health Insurance and Managed Care (B) Committee (B Committee) indicated that it will focus on issues related to mental health, ground ambulances, network adequacy, pharmacy benefit managers, long-term care (LTC) insurance, prior authorization and cost transparency in 2024. The B Committee also indicated that it is dealing with issues resulting from the Change Healthcare cybersecurity attack, which has greatly affected health care operations across the nation given the scope of the company's involvement in claims processing and other services that it provides to payers and providers.

The actions taken by various NAIC groups that report to the B Committee since the 2023 Fall National Meeting are summarized below.

### Health Actuarial (B) Task Force

The Health Actuarial (B) Task Force (HATF) adopted a proposal from the LTC Actuarial (B) Working Group to add language to *Actuarial Guideline LI – The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) to clarify that regardless of which annual statement blank is filed by an insurer, it must make an AG 51 filing if the AG 51 filing requirement criteria are met.

HATF also exposed a proposal from the Society of Actuaries to revise VM-26: *Credit Life and Disability Reserve Requirements* to remove the 12% increase in the claim incidence rates provided by the 1985 Commissioners Individual Disability Table A for newly issued contracts effective 1 January 2025 or later, since the additional percentage constitutes a margin that is no longer needed or justified by experience.

### LTC Insurance (B) Task Force

The LTC Insurance (B) Task Force indicated its continued support for the work of the LTC Actuarial (B) Working Group to develop a single actuarial approach to multistate LTC rate increase reviews and address issues related to older (i.e., 80+ years) attained age considerations, policyholders who have paid premiums for a long duration and have previously experienced rate increases, and the cumulative effect of rate increases in the development of the approach. Final direction on the rate review methodology is expected to be presented to the Task Force for approval by the end of 2024.

The Task Force received a report on industry trends that could adversely affect the solvency of LTC insurance companies and reserves. Areas of regulator monitoring for 2024 include cost-of-care inflation (specifically for inflation-protected products), morbidity and incidence improvements, rate increase approvals and their potential effect on reserve adequacy, and the performance of assets supporting the LTC insurance block of business.

The Task Force also discussed the timeliness of LTC insurance rate reviews. State insurance regulators are encouraged to consider how the timeliness of such reviews will affect future loss ratios and future rate increases that may be requested by insurers, coordinate between rate review and form review staff, communicate to the industry on the best timeframes to submit rate filings, and engage with internal staff at all levels about rate filings.

The Task Force adopted the proposed amendment to AG 51 that was developed by the LTC Actuarial (B) Working Group and adopted by HATF.

### LTC Actuarial (B) Working Group

The LTC Actuarial (B) Working Group exposed the Minnesota approach as the starting point for consideration as a single actuarial approach to multistate LTC rate increase reviews. Key aspects of the Minnesota approach include the use of a blended approach to address rate increases for a shrinking block, a cost-sharing formula that increases the insurer's burden as the cumulative effect of rate increases rises, consideration of changes in expectations regarding interest rates and related investment returns in a

manner consistent with how other key assumptions are considered, and verification that the insurer's original and current assumptions are drivers of the magnitude increase in the lifetime loss ratio presented by the insurer. Feedback has been requested on potential adjustments to this approach that would align with the objectives of the *Long-Term Care Insurance Multistate Rate Review Framework*. Comments are due by 3 May 2024.

## Property and Casualty Insurance

The P&C Insurance (C) Committee (C Committee) received an update on the P&C market intelligence data call that was issued by states to gather data that will allow regulators to better understand changes in the homeowners insurance market in their respective states, including the existence of any availability or coverage issues. Insurers are required to submit their data by 6 June 2024, with an anonymized subset of data to be subsequently provided to the Federal Insurance Office to avoid duplication through a separate federal data call. The C Committee also established a regulator steering committee that will focus on technical issues related to the data call. This steering committee will also be responsible for finalizing the data that has been gathered and setting up a framework based on the analysis of the data.

The actions taken by various NAIC groups that report to the C Committee since the 2023 Fall National Meeting are summarized below.

### Casualty Actuarial and Statistical (C) Task Force

The Casualty Actuarial and Statistical (C) Task Force (CASTF) discussed its blanks proposal to modify Schedule P of the P&C annual statement blank to present 10 years of accident-year data and a "prior" row for all lines of business beginning in 2024 (Ref #2023-16BWG). The revisions are intended to provide consistency with the reporting requirements of the P&C RBC formula and to allow insurers to efficiently reconcile the data reported on the Schedule P summary and exhibits. The proposed revisions to Schedule P were adopted by BWG; however, CASTF received feedback from industry stakeholders to consider enhancements to the Schedule P instructions. CASTF intends to review the Schedule P instructions for potential enhancements at a future meeting.

CASTF submitted comments on the proposed revisions to Actuarial Standard of Practice (ASOP) No. 12, *Risk Classification (for All Practice Areas)*, which were developed by the Actuarial Standards Board of the Academy. The proposed revisions are intended to update ASOP No. 12 to reflect current actuarial practice related to risk classification and would expand its scope to include actuarial services with any elements of a risk classification framework in connection with financial or personal security systems. The revisions would also provide a list of nine considerations for risk classification and add new sections to the ASOP to address topics related to these considerations. CASTF raised a concern that the revised ASOP would no longer state the purpose of risk classification nor tie risk classification to expected costs or outcomes. CASTF also indicated its belief that the revised ASOP would diminish the importance of the concepts of homogeneity and credibility, whereby an individual risk class should contain similar risks that are measurable and substantive enough to produce reliable rates.

CASTF also received an update from the NAIC Rate Model Review team on its work to create a list of documentation required by the NAIC to complete a full-scope rate model review. The review team presented CASTF with a revised draft of a checklist of information needed for a review of a generalized linear model. The draft checklist includes a potential list of the rate filing documentation needed from insurers before a rate review request is submitted to the NAIC. The review team is seeking feedback on the draft checklist, and further discussion is planned at a future meeting to be scheduled by CASTF.

### Actuarial Opinion (C) Working Group

The Actuarial Opinion (C) Working Group adopted revisions to the *2024 P&C Actuarial Opinion Instructions*, which will require an appointed actuary to only provide qualification documentation upon initial appointment and eliminate the requirement for an appointed actuary to provide such documentation annually thereafter.

The Working Group also adopted revisions to the *2024 Title Actuarial Opinion Instructions*, which align these instructions with the revised content for the *2024 P&C Actuarial Opinion Instructions* and clarify the definition of a qualified actuary for title insurance.

The Working Group submitted a blanks proposal (Ref #2024-06BWG) to include the modified actuarial opinion instructions in the P&C and Title annual statements instructions, respectively, for 2024 year-end reporting.

## Market Regulation and Consumer Affairs

The Market Regulation and Consumer Affairs (D) Committee (D Committee) adopted revisions to the *Product Filing Review Handbook* to incorporate leading practices for the regulatory review of predictive models that were adopted by CASTF. Various editorial revisions, such as removal of redundant information, removal of references to working groups and speed-to-market tools that no longer exist, and updates to hyperlinks included in the handbook, were also made to update its content and improve the overall usefulness of the publication.

## Financial Condition

The Financial Condition (E) Committee (E Committee) heard oral feedback from industry stakeholders on the previously exposed revised draft of the *Framework for Regulation of Insurer Investments – A Holistic Review* document and the recommended work plan for the E Committee. The investment framework document provides background information on recent NAIC initiatives and ongoing projects to address gaps in the regulatory framework for insurer investments. The E Committee will review and analyze the written feedback received on specific recommendations included in the document, with further discussion planned at a future meeting to be scheduled by the E Committee.

The E Committee also discussed its letter to the EX Committee on the NAIC's consideration for implementing a strong due diligence framework in its retention and ongoing use of CRPs included in the investment framework document. The letter suggested that the due diligence framework would include quantitative and qualitative parameters to be adhered to by the CRPs for their ratings to be used as NAIC designations. The EX Committee approved E Committee's ability to develop a request for proposal for the NAIC to hire a consultant to design and help implement the due diligence framework. The E Committee will begin its work on the request for proposal and solicit feedback from regulators and industry stakeholders once it has been developed.

The actions taken by various NAIC groups that report to the E Committee since the 2023 Fall National Meeting are summarized below.

### Reinsurance (E) Task Force

The Reinsurance (E) Task Force received an update from the Reinsurance Financial Analysis (E) Working Group on its review of foreign reinsurers for passporting. The Working Group has approved 77 reciprocal jurisdiction reinsurers and 41 certified reinsurers for passporting as of February 2024. The [list of passported reinsurers](#) is available on the NAIC website.

### 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 discussed the feedback received on its revised amendment to the P&P Manual that would update the definition of an NAIC designation. The revised amendment would consolidate the explanations and definitions of an NAIC designation currently included in separate parts of the P&P Manual into Part One; clarify the meaning of an NAIC designation, including its use, purpose and risks addressed; and remove all references to subscript "S" and the application of subscript "S" to securities for other than non-payment risks. VOSTF directed the NAIC SVO staff to continue to work with industry stakeholders on incorporating their feedback and resolving potential issues (e.g., how to address other non-payment risks in assigning an NAIC designation), with an intent to finalize the amendment by the 2024 Summer National Meeting.

VOSTF discussed the feedback received on its revised amendment to the P&P Manual that would authorize the procedures for the NAIC SVO to have discretion over NAIC designations assigned through the FE and PLR processes. The revised amendment would establish the process for the NAIC SVO to follow when challenging an NAIC designation assigned from a CRP; limit their discretion over an NAIC designation to the specific CRP rating under review; and require the NAIC SVO to provide insurers with

full transparency into its assessment process. VOSTF directed the NAIC SVO staff to continue to work with regulators and industry stakeholders on incorporating their feedback, with an intent to finalize the amendment by the 2024 Summer National Meeting.

VOSTF discussed the feedback received on its proposed amendment to Part Three of the P&P Manual to incorporate a practical expedient to determine the issue date (i.e., date of legal closing) for PLR filings, which is a necessary input for the NAIC SVO to provide a PLR rationale report. The proposed amendment would allow the NAIC SVO to assume that, for any security subject to the PLR guidance acquired on or after 1 January 2022, the issue date for such security was on or after 1 January 2022. VOSTF directed the NAIC SVO staff to work with industry stakeholders to develop an operational process to obtain the necessary information that would allow for the implementation of the practical expedient without potential unintended consequences.

VOSTF exposed the following amendments to the P&P Manual:

- ▶ Revisions to Part One of the P&P Manual to update the abbreviations for various US government agencies and other US government obligations. The proposed amendments would eliminate conflicting abbreviations for these types of securities and address space limitations in the annual statement blank.
- ▶ Revisions to Part Three of the P&P Manual to update the SSAP references within the P&P Manual guidance for subsidiary, controlled and affiliated (SCA) and related party bond and preferred stock investments. The proposed amendments would remove references to specific paragraphs of SSAP No. 43R, *Loan-Backed and Structured Securities*, and add a note regarding the SSAP title change for SSAP No. 43R that will be effective on 1 January 2025.

VOSTF also discussed the status of the CLO modeling methodology project that is based on the results of the annual CLO stress tests performed by the NAIC Structured Securities Group, with assumptions over the mechanics of the modeling process and cash flow. The CLO Ad Hoc Group received feedback from industry stakeholders on the cash flow results for its 10 proposed scenarios and plans to perform stress testing on the results indicated for each scenario. The proposed CLO modeling methodology is targeted for exposure at the 2024 Summer National Meeting, with implementation expected to be delayed until year-end 2025.

## Financial Regulation Standards and Accreditation

The Financial Regulation Standards and Accreditation (F) Committee (F Committee) adopted the revisions made to various NAIC publications (i.e., AP&P Manual; P&P Manual; annual statement blanks and instructions; RBC formulas and instructions for health, life and P&C insurers; *Financial Condition Examiners Handbook*; and *Valuation Manual*) in 2023 that are required for accreditation purposes. All revisions were deemed insignificant.

The F Committee exposed a referral from the Receivership and Insolvency (E) Task Force recommending that the 2023 revisions to Model #540 be considered an acceptable element of Part A: Laws and Regulations of the accreditation standards but not required for accreditation purposes. The 2023 revisions to Model #540 address the continuity of guaranty fund coverage for policyholders subject to restructuring mechanisms, specifically insurance business transfers and corporate division transactions, and clarify the guaranty fund coverage for cybersecurity insurance.

## International Insurance Relations

The International Insurance Relations (G) Committee (G Committee) received an update on the following activities of the International Association of Insurance Supervisors (IAIS):

- ▶ The IAIS continued its work on the comparability assessment that will determine whether the Aggregation Method (AM) developed for the US system of state-based insurance regulation provides comparable outcomes to the Insurance Capital Standard. The final decision on comparability will be made in the fourth quarter of 2024.
- ▶ The IAIS continued its work on a second targeted jurisdictional assessment (TJA) to gain a broader understanding of the implementation of its holistic framework for systemic risk in the insurance sector. The US participated in the first TJA and is not currently being assessed.

The G Committee approved the comments that the NAIC submitted to the IAIS on the following draft application papers for climate risk-related supervisory guidance:

- ▶ Draft application paper on climate risk market conduct issues in the insurance sector, which is intended to support supervisors in their efforts to identify instances of potential unfair treatment of consumers that can emerge concerning sustainability-focused products or natural catastrophe protection products
- ▶ Draft application paper on climate scenario analysis, which is focused on the use of climate-related scenario analysis by both supervisors and insurers to understand the risks to which the insurance sector is exposed at a micro and macroprudential level

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 before the respective deadlines for submission.

## Stay tuned

The NAIC's 2024 Summer National Meeting is scheduled for 12-16 August in Chicago. A [schedule of interim NAIC group meetings](#) is available on the NAIC website.

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## Appendix A – Statutory Accounting Principles Working Group

This chart summarizes actions taken by SAPWG since the 2023 Fall National Meeting. Comments on exposed items are due by 31 May 2024, unless otherwise noted. [More information on SAPWG exposed items](#) is available on the NAIC website.

Topic/issue	Status	Discussion	Effective date
<b>New SSAP or New SAP Concepts in an Existing SSAP<sup>1</sup></b>			
<b>SSAP No. 21R – Principles-Based Bond Project</b> (Ref #2019-21)	Adopted	Adopted revisions to SSAP No. 21R to provide additional guidance for the accounting for debt securities that do not qualify as bonds and to incorporate a new measurement method for investments in residual interests regardless of legal form. The revisions require the use of an “effective yield with a cap” method, with the ability for a reporting entity to elect a practical expedient for the use of the more conservative “cost recovery” method. Additional requirements have been provided if the reporting entity chooses to discontinue the use of the “cost recovery” method once elected. The revisions also provide guidance for the other-than-temporary impairment assessment of residual interests and measurement transition guidance for residual interests that were previously accounted for under a different SSAP. Early adoption is permitted for the guidance addressing investments in residual interests only.	1 January 2025
<b>New Market Tax Credits</b> (Ref #2022-14)	Adopted  Further analysis needed	Adopted revisions to SSAP No. 93 and SSAP No. 94R to expand the scope of the existing statutory accounting guidance for tax credits. The revisions to SSAP No. 93 address the accounting treatment to be applied to all federal and state tax credit programs and tax credit investment structures, with guidance for the recognition and impairment of variable tax credits allocated to the reporting entity, while the revisions to SSAP No. 94R address purchased state and federal tax credits and exclude awarded tax credits from its scope. Corresponding revisions to clarify the scope of SSAP No. 34 and SSAP No. 48 regarding tax credit investment structures were also adopted. Transition guidance has been provided for unutilized tax credits that were carried forward from prior to the effective date, and early adoption is permitted for the revisions to SSAP No. 94R only.  Directed the NAIC staff to submit a corresponding blanks proposal to update the annual statement reporting categories for tax credit investment structures (Ref #2024-11BWG), to notify the Life RBC Working Group regarding the planned reporting line changes and to draft an issue paper detailing the historical discussions and decisions reached for the new market tax credits project.	1 January 2025
<b>SSAP No. 7 – Interest Maintenance Reserve</b> (Ref #2022-19)	Deferred*	Previously directed the NAIC staff to consider the following topics as part of a long-term project to develop statutory accounting guidance for the recognition of net negative IMR as an admitted asset: <ul style="list-style-type: none"> <li>▶ Recommendation for a referral to be sent to LATF for further consideration regarding the implications of negative IMR on asset adequacy testing</li> <li>▶ Recommendation for a referral to be sent to CATF to consider eliminating any admitted net negative IMR from total adjusted capital in the RBC calculation and incorporating sensitivity testing with and without negative IMR</li> <li>▶ Development of guidance that would allow for the admission of negative IMR up to 5% of surplus using the type of limitation calculation similar to that used for goodwill admittance, with a provision for a downward adjustment if the reporting entity’s RBC ratio is less than 300%</li> <li>▶ Review and update any annual statement instructions for excess withdrawals, related bond gains and losses, and noneffective hedge gains and losses to clarify that those gains and losses would be recognized through the AVR</li> <li>▶ Development of accounting and reporting guidance to require the use of a special surplus account or reporting line for net negative IMR</li> <li>▶ Development of governance-related documentation to address the reinvestment of proceeds from sales of bonds in other bonds</li> <li>▶ Development of a disclosure requirement for quarterly and annual reporting</li> </ul> <p>The adoption of INT 23-01: <i>Net Negative (Disallowed) Interest Maintenance Reserve</i> in August 2023 prescribes a limited-time, optional exception to the statutory accounting guidance in SSAP No. 7, <i>Asset Valuation Reserve and Interest Maintenance Reserve</i>, and the annual statement instructions for the disallowance of net negative IMR. The interpretive guidance will be automatically nullified on 1 January 2026.</p>	TBD

<sup>1</sup> The terms “New SSAP or New SAP Concepts in an Existing SSAP” and “SAP Clarification” reference the different types of revisions to statutory accounting guidance. The terms used in previously adopted SSAPs, issue papers and agenda items (i.e., “substantive” and “nonsubstantive”) have been retained, with the new terms to be used prospectively when considering future revisions to statutory accounting guidance.

<sup>2</sup> Ibid.

\* No action was taken on this topic/issue since the 2023 Fall National Meeting.

Topic/issue	Status	Discussion	Effective date
SSAP No. 7 – AVR and IMR (Ref #2023-14)	Further analysis needed*	Previously directed the NAIC staff to establish a long-term project to incorporate accounting guidance for the AVR and IMR from the annual statement instructions into SSAP No. 7 with any revisions from the annual statement instructions identified as part of this project to be captured as a new SAP concept with a corresponding issue paper to detail the revisions.	TBD
<b>SAP Clarification<sup>2</sup></b>			
INT 03-02: Modification to an Existing Intercompany Pooling Arrangement (Ref #2022-12; #2022-12a)	Exposed	Exposed revisions to SSAP No. 25, <i>Affiliates and Other Related Parties</i> , and SSAP No. 63, <i>Underwriting Pools</i> , to address the recognition of assets transferred between pool participants when an existing intercompany pooling arrangement is modified. The proposed revision to SSAP No. 63 includes a new disclosure requirement for modifications to an existing intercompany pooling arrangement that involve the transfer of assets with fair values that differ from cost or amortized cost.  The intent to nullify INT 03-02: <i>Modification to an Existing Intercompany Pooling Arrangement</i> was also exposed.	TBD
Review Annual Statement Instructions for Accounting Guidance (Ref #2023-01)	Deferred*	Previously directed the NAIC staff to review the annual statement instructions to determine whether accounting guidance is properly incorporated within the SSAPs (e.g., measurement, valuation, admittance or nonadmittance, and when assets and liabilities should be recognized or derecognized within the statutory financial statements).	TBD
Schedule BA Reporting Categories (Ref #2023-16)	Re-exposed to 19 April 2024  BWG Proposal	Re-exposed revisions to Schedule BA to incorporate more detailed definitions for investments captured within the scope of SSAP No. 48 (e.g., non-registered private funds, joint ventures, partnerships or limited liability companies) or residual interests and reported based on the underlying characteristics of assets.  Directed the NAIC staff to sponsor a corresponding modified blanks proposal to clarify the types of investments to be captured in specific reporting lines on Schedule BA (Ref #2023-12BWG MOD).	TBD
ASU 2023-06 – Disclosure Improvements (Ref #2023-26)	Exposed  Further analysis needed	Exposed revisions to SSAP No. 15, <i>Debt and Holding Company Obligations</i> , and SSAP No. 103R, <i>Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i> , to incorporate the US GAAP guidance in ASU 2023-06, <i>Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative</i> , with modification to revise disclosures for unused commitments and lines of credit, disclosures of accrued interest from repurchase agreements and securities borrowing, and separate disclosures (including counterparty disclosures) for significant repurchase agreements and reverse repurchase agreements.  Requested feedback from regulators and interested parties on the applicability of the accounting policy disclosure for derivative cash flows included in the US GAAP guidance for statutory accounting.	TBD
Collateral Loan Reporting (Ref #2023-28)	Adopted  Exposed to 19 April 2024	Adopted revisions to SSAP No. 21R to require collateral loans to be reported based on the type of qualifying investment that secures the loan. The revisions define qualifying investment as assets listed in Section 3 of Appendix A-001 that qualify for admittance if held by an insurer (e.g., bonds, preferred stock, mortgage loans, real estate investment). The revisions also require disclosure of the total amount of collateral loans and the amount admitted and nonadmitted by qualifying investment type.  Exposed a blanks proposal for the reporting lines on Schedule BA to separate collateral loans by the type of collateral that secures the loan and incorporate a new disclosure on Schedule BA to report aggregate collateral loans by type of qualifying investment collateral (Ref #2024-09BWG).	31 December 2024  TBD
IMR/AVR Preferred Stock (Ref #2023-29)	Adopted	Adopted revisions to the annual statement instructions to clarify that realized gains and losses on perpetual preferred stock, including SVO-identified preferred stock exchange-traded funds, and mandatory convertible preferred stock are to be excluded from IMR regardless of NAIC designation and are required to be measured using fair value in accordance with SSAP No. 32R and reported through AVR. The revisions were subsequently exposed as a blanks proposal (Ref #2024-08BWG).	Immediately
Admissibility Requirements of Investments in Downstream Holding Companies (Ref #2023-30)	Adopted	Adopted revisions to SSAP No. 97 to clarify and align the existing guidance on the application of the “look-through” methodology that allows for the admittance of audited investments in subsidiary, controlled or affiliated entities owned by an unaudited downstream noninsurance holding company.	Immediately

Topic/issue	Status	Discussion	Effective date
Model 630 – Mortgage Guaranty Insurance (Ref #2023-31)	Further analysis needed	Directed the NAIC staff to work with state insurance regulators on the development of revisions to SSAP No. 58, <i>Mortgage Guaranty Insurance</i> , and Appendix A-630, <i>Mortgage Guaranty Insurance</i> , to incorporate the 2023 revisions to the Mortgage Guaranty Insurance Model Act (Model #630).	TBD
Bond Definition – Debt Securities Issued by Funds (Ref #2024-01)	Re-exposed	Re-exposed revisions to the version of SSAP No. 26R that will incorporate the principles-based bond definition to clarify that debt securities issued by funds that represent operating entities are to be accounted for and reported as issuer credit obligations. Feedback has been requested from state insurance regulators and industry stakeholders on the proposed language that would assist in clarifying the scope of the guidance and the types of debt securities issued by funds that should be considered as operating entities and on the proposed language that would better define the extent of debt that may be issued to fund operations.	TBD
ASU 2023-01 – Leases (Topic 842), Common Control Arrangement (Ref #2024-02)	Exposed	Exposed revisions to SSAP No. 19, <i>Furniture, Fixtures, Equipment and Leasehold Improvements</i> , and SSAP No. 73, <i>Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities</i> , to incorporate the US GAAP guidance in ASU 2023-01, <i>Leases (Topic 842): Common Control Arrangements</i> , with modification to align the guidance with existing the statutory accounting guidance for leasehold improvements. The proposed revisions would reject the practical expedient included in the US GAAP guidance for private companies and not-for-profit entities that are not conduit bond obligors.	TBD
ASU 2023-08 – Accounting for and Disclosure of Crypto Assets (Ref #2024-03)	Exposed	Exposed revisions to SSAP No. 20, <i>Nonadmitted Assets</i> , to incorporate the definition of crypto assets included in ASU 2023-08, <i>Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets</i> , with modification. The proposed revisions would clarify that directly held crypto assets are nonadmitted assets for statutory accounting.  The intent to nullify INT 21-01: <i>Accounting for Cryptocurrencies</i> was also exposed.	TBD
Conforming Repurchase Agreements (Ref #2024-04)	Exposed  Further analysis needed	Exposed the agenda item to identify initial statutory differences between securities lending and repurchase agreements, along with other items that should be reviewed for potential clarification on the “conforming program” concept for securities lending agreements currently captured in the general interrogatories of the annual statement.  Directed the NAIC staff to work with industry stakeholders to determine the current application and interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral.	TBD
A-791 Paragraph 2c (Ref #2024-05)	Exposed	Exposed revisions to Appendix A-791, <i>Life and Health Reinsurance Agreements</i> , to remove the first sentence in the Questions and Answers to paragraph 2c that discusses group term life insurance and clarify that this section within Appendix A-791 does not provide a safe harbor based on the Commissioner’s Standard Ordinary (CSO) rates for yearly renewable term (YRT) rates.	TBD
Risk Transfer Analysis on Combination Reinsurance Contracts (Ref #2024-06)	Exposed	Exposed revisions to SSAP No. 61R, <i>Life, Deposit-Type and Accident and Health Reinsurance</i> , to incorporate existing risk transfer guidance that is in Exhibit A, <i>Implementation Questions and Answers</i> , of SSAP No. 62R, <i>Property and Casualty Reinsurance</i> . The proposed revisions would require risk transfer to be evaluated in aggregate for reinsurance contracts with interrelated contract features such as experience rating refunds. The proposed revisions would also update the YRT guidance in SSAP No. 61R to reference the guidance in paragraph 6 of Appendix A-791 regarding the entire reinsurance contract and the effective date of the contract.	TBD
Reporting of Funds Withheld and Modco Assets (Ref #2024-07)	Exposed	Exposed a project to add a new part to Schedule S – Reinsurance in the Life annual statement and Schedule F – Reinsurance in the P&C and Title annual statements that would identify all assets held under a funds withheld arrangement and a separate signifier for modified coinsurance (i.e., modco) assets.	TBD
Consistency Revisions for Residuals (Ref #2024-08)	Exposed	Exposed revisions to various SSAPs (SSAP No. 26R; SSAP No. 30R, <i>Unaffiliated Common Stock</i> ; SSAP No. 32R; SSAP No. 43R; SSAP No. 48) to remove guidance for residual interests from the respective SSAPs and to include a reference to SSAP No. 21R within the respective SSAPs for the definition of and accounting and reporting guidance for residual interests.	TBD
SSAP No. 2R – Clarification (Ref #2024-09)	Exposed	Exposed revisions to SSAP No. 2R to eliminate references implying that asset-backed securities, mortgage loans or other Schedule BA assets are permitted to be reported as cash equivalents or short-term investments.	TBD
SSAP No. 56 – Book Value Separate Accounts (Ref #2024-10)	Exposed  Further analysis needed	Exposed the agenda item with an intent to develop proposed revisions to SSAP No. 56, <i>Separate Accounts</i> , to address the accounting and reporting of separate account assets that are reported at a measurement method other than fair value (i.e., separate account assets are measured using book value).  Directed the NAIC staff to work with industry stakeholders to determine the current application and interpretation differences in the accounting and reporting of separate accounts measured using book value.	TBD

Topic/issue	Status	Discussion	Effective date
ASU 2023-09 – Improvements to Income Tax Disclosures (Ref #2024-11)	Exposed	Exposed revisions to SSAP No. 101, <i>Income Taxes</i> , to incorporate the US GAAP guidance in ASU 2023-09, <i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i> , with modification to exclude the public entity tax rate reconciliation disclosure requirements as the public/private entity distinction does not exist in statutory accounting. The proposed revisions would also update SSAP No. 101 to remove the disclosure of the cumulative amount of each type of temporary tax difference when a deferred tax liability is not recognized for undistributed foreign earnings.	TBD
Updates to SSAP No. 27 (Ref #2024-12)	Exposed	Exposed revisions to SSAP No. 27, <i>Off-Balance-Sheet and Credit Risk Disclosures</i> , to remove the references to FASB Statement No. 105, <i>Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk</i> , and specifically identify the financial instruments that are excluded from its scope. The proposed revisions would also update the annual statement blank to add an "Other" derivatives category, disclosure examples and instructions for non-derivative financial instruments with off-balance sheet credit risks.	TBD
Update SSAP No. 107 Disclosures (Ref #2024-13)	Exposed to 19 April 2024  BWG proposal	Exposed revisions to SSAP No. 107, <i>Risk-Sharing Provisions of the Affordable Care Act</i> , to eliminate the required disclosures for the transitional Affordable Care Act (ACA) reinsurance program and the temporary ACA risk corridor program. The proposed revisions would also eliminate the rollforward disclosure included in Exhibit B of SSAP No. 97.  Directed the NAIC staff to sponsor a corresponding blanks proposal to remove the disclosures related these ACA programs from the instructions for Note 24 in the annual statement blank (Ref #2024-10BWG).	TBD
Accounting Practices and Procedures Manual Editorial (Ref #2024-14EP)	Exposed	Exposed editorial revisions to the AP&P Manual to remove the "Revised" and "R" designations that are currently used to identify a substantively revised SSAP from the SSAP titles and SSAP references within the AP&P Manual.	TBD

#### US GAAP guidance rejected or exposed for rejection/disposal

##### Rejected as not applicable to statutory accounting:

- ▶ ASU 2023-03, *Presentation of Financial Statements (Topic 205), Income Statement – Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation – Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 – General Revision of Regulation S-X: Income or Loss Applicable to Common Stock* (Ref #2023-25)
- ▶ ASU 2023-04, *Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121* (Ref #2023-27)

#### SAPWG agenda items from prior years with an extended period of no action taken

##### Substantive listing:

- ▶ SSAP No. 41R – Amortization and Accretion Surplus Notes (Ref #2017-12)
- ▶ Derivatives Hedging Fixed Indexed Products (Ref #2020-36)

##### 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 – Expanded MGA and TPA Disclosures (Ref #2019-36)
- ▶ SSAP No. 62R – Retroactive Reinsurance Exception (Ref #2019-49)
- ▶ SSAP No. 53, SSAP No. 54R and SSAP No. 66 – Premium Refunds and Other Adjustments (Ref #2020-30)
- ▶ SSAP No. 107 – State ACA Reinsurance Programs (Ref #2021-09)

## Appendix B – Blanks Working Group

This chart summarizes actions taken by BWG since the 2023 Fall National Meeting. Comments on exposed items are due by 23 April 2024. [More information on BWG exposed items](#) is available on the NAIC website.

Adopted items	Statement type(s) <sup>1</sup>	Filing(s)	Effective date
2023-05BWG MOD: Modifies the Cybersecurity Insurance Coverage Supplement to aid in the collection of better cyber insurance data by removing the reference to identity theft insurance from the general instructions, the interrogatory questions from Part 1 that pertain to identity theft insurance and the column for identity theft insurance from Parts 2 and 3, the claims-made and occurrence breakdown from data collection, and the interrogatory question regarding tail policies.	P/C	Annual	Annual 2024
2023-13BWG MOD: Adds new instructions and an illustration to Note 5 – Investments for the reporting of net negative IMR and a new general interrogatory for a company attestation as it relates to the admittance of net negative IMR in response to the adoption of INT 23-01 by SAPWG.	L/F, P/C, H, T	Annual and Quarterly	Annual 2024
2023-14BWG MOD: Clarifies the calculation of the premium and reserve ratios in the Health Statement Test and provides illustrative examples for when the test is passed or failed.	L/F, P/C, H	Annual	Annual 2024
2023-15BWG MOD: Adds a new general interrogatory to provide the net amounts at risk for certain categories that are used in the C2 mortality risk component in the Life RBC formula.	L/F	Annual	Annual 2024
2023-16BWG MOD: Modifies Schedule P to present 10 years of accident-year data and a “prior” row for all lines of business.	P/C	Annual	Annual 2024
Re-exposed items	Statement type(s) <sup>1</sup>	Filing(s)	Proposed effective date
2023-12BWG MOD: Modifies Schedule BA to provide categories for debt securities that do not qualify as bonds and are captured in the scope of SSAP No. 21R and clarify the reporting of investments on Schedule BA in response to actions taken by SAPWG relating to the bond project (SAPWG Ref #2019-21 and #2023-16).	L/F, P/C, H, T, SA, PC	Annual and Quarterly	First quarter 2025
Exposed Items	Statement type(s) <sup>1</sup>	Filing(s)	Proposed effective date
2024-01BWG: Updates the general instructions for the investment schedules to clarify that investments in common stock and preferred stock that are in-substance residual interests are to be reported on the dedicated reporting line for residual interests on Schedule BA in response to actions taken by SAPWG (SAPWG Ref #2023-23).	L/F, P/C, H, T, SA	Annual and Quarterly	Annual 2024
2024-02BWG: Modifies Schedule DA, Part 1, and Schedule E, Part 2, to remove investment categories that are to be reported on Schedule BA and updates the general instructions for the investment Schedules to clarify the investments that are permitted to be reported in the Other Short-Term Investments or Other Cash Equivalent categories and those that should be reported on Schedule BA in response to actions taken by SAPWG (SAPWG Ref #2023-17).	L/F, P/C, H, T, SA	Annual and Quarterly	First quarter 2025
2024-03BWG: Updates the General Interrogatories to clarify the instructions for the information to be reported for private letter rating securities.	L/F, P/C, H, T	Annual	Annual 2024
2024-04BWG: Updates the annual statement instructions to clarify that the reserves reported in the VM-20 Supplement should include amounts related to separate accounts, where applicable to the policies in scope.	L/F, SA	Annual	Annual 2024
2024-05BWG: Updates the General Interrogatories to clarify that all investment advisors with discretion to make investment decisions on behalf of the reporting entity, including sub-advisors, are required to be disclosed.	L/F, P/C, H, T	Annual and Quarterly	Annual 2024
2024-06BWG: Modifies the P&C annual statement instructions to limit the requirement for the Appointed Actuary to provide qualification documentation to the Board of Directors only at initial appointment and not annually thereafter and updates the Title annual statement instructions to maintain an overall level of consistency with the P&C annual statement instructions.	P/C, T	Annual	Annual 2024
2024-07BWG: Modifies the illustration under Note 5S(A) – Investments for the reporting of net negative IMR to include a breakout for separate accounts and adds a new general interrogatory for a company attestation for separate accounts in response to the adoption of INT 23-01 by SAPWG.	L/F, P/C, H, T, SA	Annual	Annual 2024

<sup>1</sup> L/F = Life and Fraternal; P/C = Property and Casualty; H = Health; T = Title; SA = Separate Accounts, PC = Protected Cell.

Exposed Items	Statement type(s) <sup>1</sup>	Filing(s)	Proposed effective date
2024-08BWG: Modifies the IMR and AVR instructions to include specific allocation guidance for NAIC designation changes related to debt securities (excluding loan-backed and structured securities), mortgage loans and perpetual preferred stocks in response to actions taken by SAPWG (SAPWG Ref #2023-15 and #2023-29).	L/F	Annual	Annual 2024
2024-09BWG: Adds new instructions and an illustration to Note 5 – Investments to require the reporting of aggregate collateral loans by qualifying investment collateral in response to actions taken by SAPWG (SAPWG Ref #2023-28).	L/F, P/C, H, T, SA	Annual and Quarterly	Annual 2024
2024-10BWG: Modifies the annual statement instructions to remove the disclosures in Note 24 – Retrospectively Rated Contracts & Contracts Subject to Redetermination related to the transitional ACA reinsurance program and the temporary ACA risk corridor program in response to actions taken by SAPWG (SAPWG Ref #2024-13).	L/F, P/C, H	Annual and Quarterly	Annual 2024
2024-11BWG: Modifies the instructions for various sections of the annual statement blank (e.g., Assets page, required disclosures, AVR, Schedule BA, Part 1 and Part 3) to incorporate the revised statutory reporting requirements for tax credit investment structures in response to actions taken by SAPWG (SAPWG Ref #2022-14).	L/F, P/C, H, T, SA, PC	Annual and Quarterly	First quarter 2025

## 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 2023 Fall National Meeting.

Topic/issue	NAIC group	Status	Discussion	Effective date
<b>All RBC</b>				
<b>Residual Structure P&amp;C and Health</b> (Ref #2024-02-CA)	Capital Adequacy Task Force	Exposed	Exposed revisions to update the structure for investments in residual tranches in the Health RBC and P&C RBC formulas for consistency with the revised structure in the Life RBC formula that was adopted in 2023. The proposed revisions would add a new reporting line for the total amount of residual tranches on page XR008 of the Health RBC formula and page PRO08 of the P&C RBC formula and related instructions.	2024
<b>Repurchase Agreements P&amp;C and Health</b> (Ref #2024-06-CA)	Capital Adequacy Task Force	Further analysis needed	Exposed a proposal to modify the treatment of repurchase agreements in the Health RBC and P&C RBC formulas for consistency with the ACLI proposal exposed by the Life RBC Working Group (Ref #2024-03-L).	TBD
<b>Column 12 Affiliated Investments</b> (Ref #2024-08-CA)	Capital Adequacy Task Force	Exposed	Exposed revisions to remove the references to “H0 Component” and “R0 Component” on page XR002 of the Health RBC formula and page PRO03 of the P&C RBC formula, respectively.	2024
<b>Underwriting Risk Factors – Investment Income Adjustment</b> (Ref #2024-09-CA)	Health RBC Working Group	Exposed	Exposed revised underwriting factors for Comprehensive Medical, Medicare Supplement and Dental & Vision on pages XR013, LR019, LR020, PR019 and PRO20 resulting from the change in the investment income adjustment from 5.0% to 5.5% for 2024 reporting purposes.	2024
<b>Life RBC</b>				
<b>Comfort Trusts</b> (Ref #2023-08-L)	Life RBC Working Group	Further analysis needed*	Previously discussed the feedback received on proposed revisions to the instructions for page LR016 of the Life RBC formula that would allow a reporting entity to avoid an overstatement of credit risk on a reinsurance transaction that provides collateral in the form of a custody control account (i.e., custodied collateral).	TBD
<b>Repurchase Agreements</b> (Ref #2024-03-L)	Life RBC Working Group	Exposed	Exposed the ACLI proposal to modify the treatment of repurchase agreements on page LR017 of the Life RBC formula and related instructions, which would establish a “conforming program criteria” option for repurchase agreements through the general interrogatories of the annual statement and align the current charge of 1.26% for conforming repurchase agreements with the charge for conforming securities lending programs of 0.2%.  The ability to use the lower charge would only apply to counterparties rated BBB or higher. Repurchase agreements that do not meet the criteria or a counterparty rated BB or lower would continue to be subject to the 1.26% charge.	TBD
<b>TAC Adjustment for Non-Admitted Affiliates</b> (Ref #2024-04-L)	Life RBC Working Group	Exposed	Exposed revisions to page LR033 of the Life RBC formula to address the treatment of non-admitted insurance affiliates in the calculation of total adjusted capital for consistency with the Health RBC and P&C RBC formulas.	2024
<b>Schedule BA Mortgage</b> (Ref #2024-05-L)	Life RBC Working Group	Exposed	Exposed revisions to add a new Residential – All Other line to page LR009 of the Life RBC formula for consistency with Line 44 of the AVR Equity Component in the Life annual statement blank. The proposed revisions do not include a factor but will facilitate the development and application of a factor specific to this category, if appropriate.	2024
<b>Other Long-Term Assets</b> (Ref #2024-07-L)	Life RBC Working Group	Exposed	Exposed revisions to page LR008 of the Life RBC formula to appropriately capture modco adjustments for residual tranches and reorganize the presentation of items with asset (i.e., C1 and C1cs) risks.	2024

\* No action was taken on this topic/issue since the 2023 Fall National Meeting.

Topic/issue	NAIC group	Status	Discussion	Effective date
<b>P&amp;C RBC</b>				
<b>Catastrophe Risk Insurance Program Interrogatory</b> (Ref #2023-13-CR)	Capital Adequacy Task Force	Adopted	Adopted revisions to include a series of questions in the catastrophe risk interrogatories on PR027 of the P&C RBC formula to collect additional information from insurers on the structure of their catastrophe reinsurance program.	2024
<b>Pet Insurance</b> (Ref #2023-14-P)	Capital Adequacy Task Force	Adopted	Adopted revisions to remove pet insurance from the Inland Marine line of business and add it as a new line of business on pages PR035, PR038, PR123, PR223, PR307, PR700 and PR701 of the P&C RBC formula for consistency with the line of business categories in the P&C annual statement blank.  The charges for the new Pet Insurance line of business in the R4 and R5 components of the P&C RBC formula will remain the same as the charges for the Inland Marine line of business.	2024
<b>Convective Storm for Informational Purposes Only Structure</b> (Ref #2023-15-CR)	Capital Adequacy Task Force	Adopted	Adopted revisions to include convective storm risk as one of the catastrophe perils in the Rcat component of the P&C RBC formula for informational purposes only.	2024
<b>Climate Scenario Analysis</b> (Ref #2023-17-CR)	Catastrophe Risk Subgroup	Exposed	Exposed revisions to page PR027 of the P&C RBC formula to include disclosures that would provide information to address the quantitative impact of climate-related risks on the modeled losses for the "hurricane" and "wildfire" risk perils for informational purposes only.	2024
<b>Schedule P Short Tails</b> (Ref #2024-01-P)	Capital Adequacy Task Force	Adopted	Adopted revisions to incorporate 10 years of data on pages PR111, PR112, PR113, PR114, PR121 and PR122, and expand the amounts reported in the exterior triangle on pages PR211, PR212, PR213, PR214, PR221 and PR224 of the P&C RBC formula for consistency with the Schedule P changes that were made to the P&C annual statement blank by BWG (Ref #2023-16BWG MOD). Pages PR301 through PR306 of the P&C RBC formula were also removed.	2024
<b>Other Health Line</b> (Ref #2024-10-P)	P&C RBC Working Group	Exposed	Exposed revisions to Line (25) – Other Health on page PR019 to eliminate the double-counting of stop-loss premium in the P&C RBC formula.	2024
<b>Underwriting Risk Lines 4 and 8</b> (Ref #2024-11-P)	P&C RBC Working Group	Exposed	Exposed revisions to the underwriting risk factors for reserves on page PR017 and for premiums on page PR018 of the P&C RBC formula based on the results indicated in a 2023 report issued by the Academy. These factors would be adjusted at 50% of the indicated change for 2024 and 100% of the indicated change for 2025, with the reserve factors capped for international and product liability lines and the premium factors capped for the financial mortgage guaranty line each year.	2024/2025