The National Association of Insurance Commissioners (NAIC) recently held its Summer National Meeting in New York. Our publication highlights issues that NAIC groups have addressed since the 2019 Spring 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 Executive Committee and Plenary adopted revisions to the NAIC’s credit for reinsurance model law and regulation that eliminate reinsurance collateral requirements for reinsurers domiciled in reciprocal jurisdictions, if certain conditions are met.
- The Executive Committee and Plenary adopted revisions to the 2020 versions of the Valuation Manual and Life RBC formula to implement the reserving and risk-based capital requirements of the new variable annuity framework.
- The Group Capital Calculation (E) Working Group began field testing of the NAIC’s group capital calculation with the objective for an initial filing to state insurance regulators in 2020.
- The Annuity Suitability (A) Working Group will develop revisions to the NAIC’s annuity suitability model regulation to establish a “best interest” framework with consideration of the SEC’s best-interest regulation.

Federal income tax reform considerations

The Statutory Accounting Principles (E) Working Group (SAPWG) adopted comprehensive revisions to Exhibit A: Implementation Questions and Answers (Q&A) included in SSAP No. 101, Income Taxes, to align the Q&A content with the requirements of the Tax Cuts and Jobs Act (Ref #2019-09) and clarify the application of the deferred tax admissibility calculation in SSAP No. 101 (Ref #2019-10). The revisions are effective for fiscal years ending 31 December 2019.
The revised guidance is intended to promote consistency in how reversal patterns of temporary differences are considered when determining admissibility of adjusted gross deferred tax assets, specifically with respect to admissibility through an offset against existing gross deferred tax liabilities (i.e., paragraph 11.c. of SSAP No. 101).

The revised guidance does not require consideration of reversal patterns of temporary differences for purposes of the paragraph 11.c. component of the deferred tax admissibility calculation, unless they were considered in determining the need for a statutory valuation allowance. Any change in income tax balances resulting from the application of the revised guidance would be reported as a change in accounting principle.

Covered agreement on reinsurance collateral

The Executive Committee and Plenary adopted revisions to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786) to incorporate the provisions of the bilateral agreement between the US and European Union (EU) on prudential measures regarding insurance and reinsurance (US-EU Covered Agreement).

The US-EU Covered Agreement eliminates reinsurance collateral requirements for EU reinsurers that maintain a minimum amount of their own funds equivalent to $250 million and a solvency capital requirement of 100% under Solvency II. Conversely, US reinsurers that maintain capital and surplus equivalent to €226 million with a risk-based capital (RBC) ratio of 300% of authorized control level are not required to maintain a local presence to do business in the EU or post collateral in any EU jurisdiction. A similar covered agreement was entered with the United Kingdom (UK).

As adopted, the revised reinsurance collateral requirements in Model #785 and Model #786 will be applied to reinsurers domiciled in the following jurisdictions:

- Reciprocal jurisdictions subject to a covered agreement (i.e., the EU and UK)
- Reciprocal jurisdictions not subject to a covered agreement (i.e., Bermuda, Japan and Switzerland)
- US jurisdictions (i.e., reinsurers domiciled in a state other than the state of the ceding company)

Until the 2019 revisions to Model #785 and Model #786 are adopted by individual states, the NAIC’s current framework for designating jurisdictions as qualified jurisdictions will continue to apply. The Qualified Jurisdiction (E) Working Group will consider changes to the process for developing and maintaining the NAIC List of Qualified Jurisdictions, including a requirement for qualified jurisdictions to recognize key NAIC solvency initiatives, strengthen the information-sharing requirements between states and qualified jurisdictions, and establish a process for removing qualified jurisdiction status in the event of a breach. The Working Group will complete its review of all jurisdictions on the current NAIC List of Qualified Jurisdictions by the end of 2019.

The Reinsurance (E) Task Force reiterated that the US-EU Covered Agreement requires the states to adopt the revised reinsurance collateral provisions within 60 months of its signing or face potential federal preemption of state law by the Federal Insurance Office, which will begin its federal preemption analysis on 1 April 2021.

The Task Force sent a memorandum to the Financial Regulation Standards and Accreditation (F) Committee (F Committee) that included a recommendation for revising the accreditation standards. The Task Force also recommended that states that adopt substantially similar provisions to the 2019 revisions to Model #785 and Model #786 would remain in compliance with the current Reinsurance Ceded accreditation standard, which permits the reduction, but not the complete elimination, of reinsurance collateral.

The F Committee discussed the changes to the accreditation standards that will be required and encouraged states to begin adopting the provisions of these revised NAIC models in a form that is substantially similar to the revisions adopted by the Executive Committee and Plenary.

A formal recommendation will be sent to the F Committee for consideration at the 2020 Spring National Meeting. The changes to the accreditation standards are expected to be made in accordance with the normal process and procedures for the NAIC’s accreditation program. However, it was noted that the program does permit an immediate change to the accreditation standards if it is determined that it is necessary to expeditiously modify or alter the accreditation standards.
Principle-based reserving

The Life Actuarial (A) Task Force (LATF) continued its work to update the Valuation Manual and address issues related to the implementation of principle-based reserving (PBR) for life products.

LATF discussed various concepts and approaches for the aggregation of mortality segments when determining the credibility of company experience under VM-20: Requirements for Principle-Based Reserves for Life Products. LATF exposed a presentation that illustrates the general principles for acceptable methods, including a “top-down” approach that uses techniques to subdivide the aggregate experience into various mortality segments and a “bottom-up” approach that uses credibility weighting to adjust the experience of each mortality segment in the group to reflect the aggregate company experience for the group. Comments are due by 27 September 2019.

LATF also continued to evaluate the proposal from the Experience Reporting (A) Subgroup that would add plan-type subcategories to the requirements of VM-51: Experience Reporting Formats and facilitate identification of relevant product features and key indicators in the data collected for analysis of mortality experience.

LATF exposed a related proposal from a joint working group of the Society of Actuaries (SOA) and American Academy of Actuaries (Academy) that would allow for further data collection related to a range of underwriting methods (i.e., simplified issue, guaranteed issue or fully underwritten with or without algorithmic assistance). Comments are due by 7 October 2019.

Valuation Manual amendments

LATF’s Valuation Manual Maintenance Agenda contains the complete list of amendments to the sections of the Valuation Manual (including VM-20 and VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation) that have been submitted for consideration.

LATF adopted various amendments to the Valuation Manual for implementation in 2020 that:

- Clarify the situations when capping the amount of insurance for a given policy are appropriate when determining the credibility of company experience
- Clarify that exposure and claim amounts cannot be capped in the credibility calculations and require the disclosure of information related to credibility calculations in the PBR Actuarial Report
- Require a company statement in the PBR Actuarial Report indicating that expenses are fully allocated and whether acquisition costs are included in expense assumptions
- Clarify that the weighted average lifetime of assets included in the alternative investment strategy used to perform the modeled reserve valuations should be comparable to those in the company’s actual investment strategy
- Allow an implied negative reserve credit for reinsurance ceded in the calculation of modeled reserves, which can occur when the projected cash flows used to calculate the minimum modeled reserve (i.e., post-reinsurance ceded) results in an amount that is greater than the modeled reserve calculated without reinsurance
- Require the disclosure of information about a company’s handling of substandard business in the PBR Actuarial Report, including disclosures about whether adjustments were made to mortality based on policyholder behavior
- Clarify the requirements for documenting expectations used in determining actual-to-expected ratios and testing the lapse margin for potential variance by duration
- Clarify the instructions when grading company mortality experience to the applicable industry table, require an adjustment to company experience mortality rates at the individual segment level when they are higher than the rates prescribed in the applicable industry table, and remove old valuation grading tables
- Incorporate a methodology intended to reduce the allocation of a deterministic or stochastic reserve in excess of the net premium reserve (NPR) to policies that did not generate such excess
- Update the PBR revenue-sharing rules for life products to be consistent with those for variable annuities
Add a template that facilitates company submission of risk factor information in the PBR Actuarial Report

Provide a limited exclusion from the calculation of the deterministic reserve for certain conversion products with sufficiently conservative additional reserves

Clarify that certain deposit-type contracts are within the scope and subject to the requirements of VM-22: Statutory Maximum Valuation Rates for Income Annuities

LATF adopted revisions to VM-02: Minimum Nonforfeiture Mortality and Interest that will allow insurers to continue using the 2001 CSO mortality table as the minimum nonforfeiture standard for guaranteed issue life insurance policies that are issued in 2020 and subsequent years. LATF previously approved the 2017 Commissioners Standard Guaranteed Issue (CSGI) mortality table for this purpose. However, preliminary valuations using the 2017 CSGI table indicate a significant level of reserve redundancy that could increase the premiums charged for these products. LATF intends to establish a drafting group to identify a PBR approach to developing a new guaranteed issue table.

LATF adopted revisions to VM-20 that will allow companies to adjust the mortality rates included in the Commissioners Standard Ordinary (CSO) table when their anticipated mortality experience exceeds the amounts prescribed in aggregate or by segment. The resulting application of these adjustments must not cause the NPR to be lower than the NPR calculated without adjustments to the CSO mortality table rates.

LATF continued to evaluate the implicit margin for mortality improvement that should be used in the estimation of yearly renewable term (YRT) reinsurance premiums. LATF revised VM-20 to provide an interim, non-principles-based measure (i.e., one-half of the cost of insurance for one year) for calculating the reserve credit for YRT reinsurance agreements with non-guaranteed premiums. The revisions are required for 2020 valuations (with the option to exclude policies issued from 2017 to 2019) and optional for 2019 valuations. LATF will collaborate with the Academy to conduct surveys and field tests to design a permanent, principles-based solution for incorporating YRT reinsurance in the valuation of reserves.

LATF sent a request to SAPWG to coordinate the guidance in the Accounting Practices & Procedures Manual (AP&P Manual) and the Valuation Manual addressing the modeling of YRT reinsurance cashflows. SAPWG directed the NAIC staff to assist in the coordination process and engage both industry stakeholders and regulators in developing recommendations for review.

Variable annuity framework

The following NAIC groups are primarily responsible for developing implementation guidance to incorporate the 28 recommended changes to different aspects of the NAIC statutory framework (i.e., statutory accounting, reserving and regulatory capital requirements) for variable annuities that were previously adopted by the Variable Annuities Issues (E) Working Group (VAIWG):

LATF – evaluate and provide recommendations on the use of the standard scenario in VM-21: Requirements for Principle-Based Reserves for Variable Annuities and Actuarial Guideline XLIII – CARVM for Variable Annuities (AG 43), which may include continuing as a required floor reserve or providing the results of the calculation as a disclosure (to be completed during the three years after implementation of the new variable annuity framework)

Variable Annuities Capital and Reserve (E/A) Subgroup (VACR) – develop and recommend changes to the C-3 Phase II component of the Life RBC formula, AG 43 and VM-21 to implement the new variable annuity framework

SAPWG – develop guidance for narrowly defined statutory language that states may use to remove the existing limitations in their investment statutes that may otherwise limit the extent to which an insurer may use hedges in its risk management strategy

Unlike PBR, all in-force business will be subject to the requirements of the new framework upon its adoption.

Reserve valuation

LATF adopted the revisions to AG 43 and VM-21 developed by VACR to implement the reserving requirements of the new variable annuity framework. Companies will be required to follow the updated methodology and liability inputs in VM-21 for reserve valuations performed on or after 1 January 2020.
Specifically, the revisions to VM-21 define the process to aggregate reserves at the contract level, provide a distinction between assumptions for 403(b) and retail variable annuities and add a phase-in provision that allows linear grading between reserve valuation results under the old framework and those under the new variable annuity framework.

LATF also adopted revisions to the *Valuation Manual* that move all terms and definitions to VM-01: *Definitions for Terms in Requirements*, provide criteria for determining material risks, move the current reporting requirements in VM-21 to VM-31 (while adding the applicable requirements for reporting under the new variable annuity framework), modify reporting requirements to require companies to provide a description of all riders and supplemental benefits, and require retention of governance documentation.

LATF exposed several revisions to the *Valuation Manual* that would (1) clarify that only 403(b) contracts without guaranteed living benefits are not in the scope of certain VM-21 requirements, (2) modify the definition of the total asset requirement and (3) provide guidance on when a material change in business would modify an insurer’s phase-in of the new variable annuity framework.

LATF also exposed revisions to the standard projection mortality assumptions to be used for the 2020 valuation of variable annuity reserves until a more detailed study can be completed by the SOA. Revised assumptions are necessary because the recommendations previously adopted by VAIWG identified that current mortality assumptions are understated (i.e., too conservative for guaranteed living benefits and too aggressive for non-living benefits).

LATF adopted Actuarial Guideline LII — Variable Annuity Early Adoption to give companies the ability to early adopt the reserve valuation requirements included in VM-21 for year-end 2019 reporting. A company that elects to apply the VM-21 requirements from the 2020 version of the *Valuation Manual* as the reserve valuation requirements on 31 December 2019 may not elect the phase-in provision of VM-21. Any company electing early adoption of VM-21 would also be required to: apply the provisions of AG 43, as amended for 2020, to the year-end 2019 valuation of contracts within the scope of that guideline; apply the Life RBC instructions for 2020 in the calculation of C-3 risk in LR027 for 2019; follow the documentation and certification requirements of VM-31 from the 2020 version of the *Valuation Manual* for variable annuity business; and notify the insurance commissioner of the state of domicile of such elections.

The Experience Reporting (A) Subgroup is considering the potential for data collection related to variable annuity contracts. LATF discussed whether to require mandatory data collection for variable annuity contracts, particularly data related to contracts with guaranteed benefit features where the policyholders are “in the money” (i.e., the insurer is in position to pay significant benefits). LATF acknowledged it would be difficult to collect such data given the sustained growth in equity markets and is considering establishing a data collection framework so that the data can be collected once available.

**Capital adequacy**

The Capital Adequacy (E) Task Force (CATF) adopted revisions to the Life RBC formula and related instructions developed by VACR to implement the requirements of the new variable annuity framework into the interest rate and market risk (i.e., C-3) components of the Life RBC formula for 2020. The revisions modify the instructions for LR027 and include language on the appropriate treatment for cash flow modeling in the year of transition to the new requirements.

**Special accounting treatment for derivatives**

SAPWG adopted SSAP No. 108, *Derivatives Hedging Variable Annuity Guarantees*, at the 2018 Fall National Meeting to provide statutory accounting and reporting guidance for derivatives that hedge interest rate risk of variable annuity guarantees. Application of the guidance is limited to the derivative transactions that are specified in its scope and permitted only if all requirements for the special accounting treatment for derivatives are met. The guidance is effective on 1 January 2020, with early adoption permitted as of 1 January 2019.

SAPWG evaluated the need to develop a model guideline with narrowly defined statutory language that would allow individual states to exceed their investment limitations for the use of derivatives. The *Investments of Insurers Model Act* (#280) limits the statement value of derivatives used in hedging transactions to 7.5% of admitted assets. An analysis of 2018 annual statement data indicated that the only insurance companies with derivative amounts that exceed this limitation are domiciled in jurisdictions that have not adopted Model #280. Accordingly, SAPWG determined that a model guideline is not necessary.
**Long-term care insurance regulation**

The Long-Term Care Insurance (EX) Task Force has been charged with developing a consistent national approach for reviewing long-term care (LTC) insurance rates and identifying options for consumers regarding modifications to LTC insurance contract benefits where the underlying policies are no longer affordable due to rate increases. The Task Force identified the following work streams that will be further explored to accomplish its goals: multi-state rate review practices, with a focus on evaluating actuarial review methodologies used by states; restructing techniques, which will include the effect of potential inequities resulting from variations in states' rate increase decisions; reduced benefit options and consumer notices; valuation of LTC insurance reserves, with a focus on work performed at the NAIC on actuarial review of company filings under *Actuarial Guideline LI – The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves*; non-actuarial variance among states, which will include gaining an understanding of the rationale behind factors affecting rate approvals that are not of an actuarial basis; and data call design and oversight.

Various NAIC groups continued their work on initiatives to address issues in LTC insurance regulation. Developments from these groups include the following:

- The Long-Term Care Actuarial (B) Working Group will consider expanding the required information to be reported in the existing Long-Term Care Experience Reporting Forms or other schedules of the annual statement in response to a referral from the Financial Analysis (E) Working Group.
- The Long-Term Care Actuarial (B) Working Group heard an update from the Academy on its activities related to LTC insurance. The Academy exposed a draft actuarial practice note on combination products (i.e., life or annuity contracts that include LTC riders) and is also developing a new mortality table for combination products.
- The Long-Term Care Pricing (B) Subgroup continued to discuss various regulator considerations for the review and approval of LTC rate increase requests. The Subgroup discussed common splits of data (e.g., state-specific experience or experience for policies with or without inflation protection) and expressed concern that such limited data sets may lack credibility and could result in policyholder subsidization (i.e., higher rate increases for certain policyholders that are used to subsidize benefits for other policyholders). Other considerations include whether regulators consider experience across all product types (i.e., single premium, limited-pay and paid-up) or combine experience across multiple policy forms when reviewing rate increase requests.

**Statutory accounting and risk-based capital developments**

This section summarizes the actions taken by various NAIC groups affecting statutory accounting, annual statement reporting and RBC requirements since the 2019 Spring National Meeting.

**Statutory Accounting Principles (E) Working Group**

Appendix A in this publication summarizes the actions taken by SAPWG to revise statutory accounting and reporting guidance since the 2019 Spring National Meeting, along with the effective date for adopted items and the deadline for comments on exposed items.

**Statutory accounting principles**

SAPWG adopted substantive revisions to SSAP No. 22, *Leases*, and corresponding Issue Paper No. 161, *Leases*, to incorporate various concepts from the US GAAP guidance in Accounting Standards Update (ASU) 2016-02, *Leases*, into statutory accounting with modifications (Ref #2016-02). The revised guidance retains the operating lease concept for statutory accounting, clarifies the application of statutory accounting guidance for leases in certain areas (e.g., sale-leaseback transactions), and identifies the types of assets allowed for lease and sale-leaseback treatment. The revised guidance will be effective on 1 January 2020.

SAPWG adopted Issue Paper No. 162, *Property and Casualty Reinsurance Credit*, to document the substantive revisions to SSAP No. 62R, *Property and Casualty Reinsurance*, that were adopted at the 2018 Fall National Meeting for historical purposes (Ref #2017-28). SSAP No. 62R had been revised to incorporate certain guidance from the Emerging Issues Task Force of the Financial Accounting Standards Board (FASB) and clarify that the statutory accounting requirements for multiple-year retrospectively rated contracts are consistent with US GAAP, with additional guidance to help prevent the ceding company from reporting a credit for reinsurance that is greater than the amount of risk ceded.
SAPWG adopted revisions to SSAP 62R to clarify that the reinsurance credit guidance adopted at the 2018 Fall National Meeting applies to reinsurance contracts in effect as of 1 January 2019. Any change in the prior application of this guidance would be reported as a change in accounting principle (Ref #2019-11).

SAPWG adopted revisions to SSAP No. 26R, Bonds, and SSAP No. 72, Surplus and Quasi-Reorganizations, to clarify the initial recognized value (i.e., actual cost) when an insurance entity receives a bond as a property dividend or as a capital contribution (Ref #2019-07).

SAPWG adopted revisions to SSAP No. 26R to provide guidance for determining prepayment penalties when consideration received for a called bond is less than its par value (Ref #2018-32).

SAPWG adopted revisions to SSAP No. 43R, Loan-Backed and Structured Securities, to require the reporting of a security with different NAIC designations by purchased lot in the investment schedules of the annual statement blank either in aggregate at the lowest NAIC designation for all purchased lots or separately by individual purchased lot (Ref #2018-03).

SAPWG adopted revisions to SSAP No. 37, Mortgage Loans, to exclude “bundled” mortgage loans from its scope and clarify the requirements for mortgage loans acquired through a participation agreement that are intended to be captured within its scope (Ref #2018-22).

SAPWG adopted revisions to SSAP No. 21R, Other Admitted Assets, to clarify that an investment within the scope of another SSAP would not automatically be reclassified for reporting as a “collateral loan” because it is secured with collateral (Ref #2018-04).

SAPWG adopted revisions to SSAP No. 25, Affiliates and Other Related Parties, to clarify its continued application in determining the classification of transactions involving investments that are in-substance related-party transactions, even if the transaction is conducted through a non-related intermediary. Revisions to SSAP No. 26R; SSAP No. 32, Preferred Stock; SSAP No. 43R; and SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Companies, were also adopted to clarify that investment transactions are subject to the provisions and disclosure requirements of SSAP No. 25 if the transaction is determined to be a related-party arrangement (Ref #2019-03).

SAPWG adopted revisions to SSAP No. 103R, Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, to reduce the disclosure requirements for repurchase and reverse repurchase transactions (Ref #2019-05).

Blanks (E) Working Group

Appendix B summarizes the actions taken by the Blanks (E) Working Group (BWG) since the 2019 Spring National Meeting.

BWG exposed procedural changes that indicate it would conduct its business exclusively through conferences calls rather than at national meetings in the foreseeable future. Feedback was requested on the potential for moving the last meeting or conference call to adopt proposals for changes to the annual statement instructions and blanks from June to May.

Capital Adequacy (E) Task Force

CATF received a referral from the Valuation of Securities (E) Task Force (VOSTF) requesting the assignment of RBC charges for funds that predominantly hold bonds. The referral requests that the comprehensive instructions for mutual funds in the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) that was recently adopted by VOSTF be integrated into the RBC framework. The mutual funds for which integration is sought are issued by investment companies registered with and regulated by the SEC, have offerings registered with the SEC, have a published investment objective to invest solely in bonds or solely in preferred stock, are all within the scope of the AP&P Manual, cannot be purchased and reported as filing exempt based on a credit rating from a nationally recognized statistical rating organization, and are subject to a pre-purchase review and identification procedures performed by the NAIC Securities Valuation Office (SVO).

CATF also received a referral from SAPWG requesting analysis of structured notes, for which SAPWG adopted accounting changes at the 2019 Spring National Meeting. A structured note is defined as an investment that is structured to resemble a debt instrument, where the contractual amount of the instrument to be paid at maturity is at risk for other than the failure of the borrower to pay the...
contractual amount. The referral requests consideration of the appropriate RBC charges and solicitation of input regarding how gains and losses should be reported through the interest maintenance reserve or asset valuation reserve (AVR).

CATF re-exposed revisions to the RBC Preamble, which is intended to provide information (i.e., background, purpose, objectives and critical concepts) on the history of the RBC framework. Comments are due by 4 September 2019.

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 2019 Spring National Meeting.

**Life RBC (E) Working Group**

The Working Group requested feedback on a proposal to decrease the Life RBC charge for unaffiliated common stock portfolios that support long-term, fixed contractual obligations such as payout annuities or structured settlements. The proposal suggests the existing RBC framework underestimates the risk of a prolonged low-interest-rate environment to these types of products and suggests the existing 30% risk charge for such equity portfolios is too high when the historical long-term returns on equity securities are considered alongside the lack of disintermediation risk on the fixed obligations. The proposal gives insurers the ability to recognize a capital credit if management provides certification of the intent and ability to execute a long-term investment strategy to support the long-term fixed contractual obligations. Comments are due by 20 September 2019.

**Health RBC (E) Working Group**

The Working Group previously formed an informal task force to review the current “health test” exclusion requirement, with the objective of determining whether the degree of health insurance premiums currently being reported by companies that file the Life annual statement blank is appropriate. The Working Group solicited feedback on this requirement by exposing the initial referral letter received from the Operational Risk (E) Subgroup. Based on feedback received, the Working Group expects to develop revisions to the existing health-test language and consider the addition of supplemental health schedules to the Life and Property & Casualty (P&C) annual statement blanks.

In response to work performed by the Investment RBC (E) Working Group, the Working Group exposed a proposal that would include structural changes to the bond designation and updated bond factors in the Health RBC formula based on the Academy’s recommendations. The Working Group plans to recommend the bond portfolio adjustment factor be incorporated into the updated bond factors instead of being included as a stand-alone factor.

**Property & Casualty RBC (E) Working Group**

The Working Group forwarded a proposal to the Investment RBC (E) Working Group to implement the framework for increased granularity in bond factors by expanding the current structure for bond designations and updating the bond factors in the P&C RBC formula.

**Executive Committee**

The Executive Committee and Plenary adopted the Market Conduct Annual Statement (MCAS) data call and definitions for private flood insurance.

The actions taken by various NAIC groups that report to the Executive (EX) Committee since the 2019 Spring National Meeting are summarized below.

**Financial Stability (EX) Task Force**

The Task Force received an update from the Liquidity Assessment (EX) Subgroup on its progress toward achieving its deliverables for liquidity stress testing. The Subgroup is working to identify liquidity sources and uses to be included in cash flow analysis, asset classes to assess for asset sales under stress, an approach to calculating expected asset sales, the variables and assumptions for cash flow stress testing scenarios (e.g., 2008 financial crisis scenario), and the time horizon for each scenario. The completion of the liquidity stress testing framework is targeted for the end of 2019.
Innovation and Technology (EX) Task Force

The Task Force discussed anti-rebating issues that potentially impede the innovation of new insurance products. To address the issues, the Task Force exposed a draft guideline and approved the submittal of a request for NAIC model law development to pursue amendments to the Unfair Trade Practices Act (#880). Comments on the exposed guideline are due by 6 September 2019.

The Task Force received an update on data privacy issues and approved a charge to be referred to the Market Regulation and Consumer Affairs (D) Committee to review state insurance privacy protections regarding the collection, use and disclosure of information gathered in insurance transactions.

The Task Force established the Artificial Intelligence (EX) Working Group to study the development of artificial intelligence; its use in the insurance sector; and its effect on consumer protection and privacy, marketplace dynamics and the state-based insurance regulatory framework.

Big Data (EX) Working Group

The Working Group received an update from the Casualty Actuarial and Statistical (C) Task Force (CASTF) on its work to draft a white paper detailing best practices for the regulatory review of predictive models and analytics filed by insurers to justify rates.

Life Insurance and Annuities

The Executive Committee and Plenary adopted 65 amendments to the Valuation Manual that were proposed by LATF, the majority of which provide technical clarifications and minor adjustments to its content. Substantive changes resulting from these amendments include the establishment of reserve valuation requirements (i.e., VM-21) to implement the new variable annuities framework previously adopted by VAIWG and the modification of existing requirements to address certain issues identified by the Valuation Analysis (E) Working Group related to information provided by insurers to support their PBR valuations for life products.

The Executive Committee and Plenary also adopted changes to AG 43 that will apply the reserving framework for variable annuities included in the Valuation Manual (which applies to products issued on and after 1 January 2017) to products issued before 1 January 2017.

The Life Insurance and Annuities (A) Committee (A Committee) established a new working group that will be charged with exploring ways to promote retirement security consistent with the NAIC’s Retirement Security Initiative.

The actions taken by various NAIC groups that report to the A Committee since the 2019 Spring National Meeting are summarized below.

Life Actuarial (A) Task Force

LATF exposed the 2020 Generally Recognized Expense Tables recommended by the SOA. The proposed 2020 factors are based on an objective study using information obtained from NAIC annual statements. Comments are due by 9 September 2019.

LATF heard an update from the VM-22 (A) Subgroup and Academy work groups regarding the development of a model-based reserve methodology for non-variable annuities. The Academy is assisting the Subgroup in drafting the assumptions and methodology for deferred annuities in the accumulation phase, which will form a new section of the Valuation Manual to be designated as VM-23.

The VM-22 (A) Subgroup continues to draft language to add assumptions and methodologies to the guidance for single premium immediate annuities in VM-22. The Subgroup intends for the new methodology to be applied to reserve valuations performed on or after 31 December 2022. The Subgroup also continues to review the methodology in Actuarial Guideline IX-B — Clarification of Methods Under Standard Valuation Law for Individual Single Premium Immediate Annuities, Any Deferred Payments Associated Therewith, Some Deferred Annuities, and Structured Settlement Contracts (AG 9B) and will determine how interest rates used in the methodology described in AG 9B can be incorporated into VM-22 while also being responsive to reinvestment risk.
Annuity Suitability (A) Working Group

The SEC’s best interest regulation was finalized in June 2019. The regulation replaces the current suitability standard without including an explicit definition of best interest. As a result, the Working Group continued to work on developing revisions to the Suitability in Annuity Transactions Model Regulation (#275) to establish a best interest framework for a producer (or insurer) to follow.

The Working Group discussed potential language defining the producer’s care obligation and agreed the NAIC’s best-interest framework should define the producer’s obligation to disclose conflicts of interest. The Working Group will continue to pursue a framework that is something less than “fiduciary” but more than “suitable” with an intent for the revisions to be comparable and consistent with the provisions of the SEC’s best-interest regulation. The Working Group will form a technical drafting group to develop an initial draft of proposed revisions to Model #275 and will hold regular interim conference calls to discuss specific language being considered in the drafting process.

Annuity Disclosure (A) Working Group

The Working Group continues to work on developing revisions to the Annuity Disclosure Model Regulation (#245) that would modify the eligibility requirements and mandatory disclosures illustrating the hypothetical return for an index within annuity illustrations. Multiple iterations of draft revisions to Model #245 have been discussed, with five outstanding issues being identified for resolution. The Working Group has reached consensus on three of the five issues, with the remaining items to be discussed on an interim conference call.

Longevity Risk (A/E) Subgroup

The Subgroup received comments on the Academy’s proposed methodology to address the recognition of longevity risk in the Life RBC formula through the application of a C-2 risk charge to the base statutory reserves for subject business. The Academy recommends that implementation of the new longevity risk charge occur concurrently with the updated mortality factors that are also being developed by the Academy, along with a fixed covariance adjustment to address the offsetting nature of the separate C-2 risk charges for mortality risk and longevity risk.

The Subgroup is expected to develop a revised proposal based on the Academy’s recommendation and will consider whether a covariance adjustment should be included in the methodology. The Subgroup also requested that the Academy perform additional sensitivity analysis on the field testing of the proposed methodology to determine whether the assumption that statutory reserves are held at the 85th percentile confidence level is appropriate.

The preliminary target date for incorporating the longevity risk charge into the Life RBC formula continues to be year-end 2020.

Health Insurance and Managed Care

Health Actuarial (B) Task Force

The Health Actuarial (B) Task Force (HATF) received an update from the Group Life Waiver Valuation Table Work Group, which was formed by the Academy and the SOA in response to HATF’s request to update to the 2005 Group Life Waiver of Premium Table. In addition to providing updates to the valuation table, the joint working group will also propose updates to Actuarial Guideline XLIV – Group Term Life Waiver of Premium Disabled Life Reserves.
Property and Casualty Insurance

The Executive Committee and Plenary adopted the white paper *A Regulator’s Guide to Pet Insurance*, which provides an overview of the pet insurance market, industry trends, coverage options, the regulatory environment and regulatory concerns.

The Executive (EX) Committee approved a request for NAIC model law development to create a new model law that would define a regulatory structure related to pet insurance, including issues such as producer licensing, policy terms, coverages, claims handling, premium taxes, disclosures, arbitration and preexisting conditions.

The Property and Casualty Insurance (C) Committee (C Committee) took the following actions:

- It adopted the white paper *Regulatory Guide: Understanding the Market for Cannabis Insurance*, which provides information to state insurance regulators, insurers and the broader public regarding the cannabis business supply chain, types of insurance needed by the cannabis industry, availability of cannabis business insurance in state insurance markets and the extent of insurance gaps, and best practices that state insurance regulators can adopt to encourage insurers to write insurance for the cannabis industry.
- It adopted the *Post-Disaster Claims Guide* as a resource for state insurance regulators to provide consumers with information on how to navigate the claims process following a natural disaster.
- It adopted the *Alien Insurers Private Flood Data Collection Form* to collect additional private flood insurance data from alien surplus lines insurers.
- It exposed revisions to the Private Flood Insurance Supplement and the Credit Property Insurance Exhibit to the annual statements blank to collect data on private flood insurance. The revisions would be effective for year-end 2021 reporting (i.e., 2020 data collection). Comments are due by 1 September 2019.
- It approved another extension for NAIC model law development to continue drafting the proposed *Real Property Lender-Placed Insurance Model Act*, which addresses lender-placed insurance related to mortgage loans.
- It recognized the SOA and the Casualty Actuarial Society (CAS) for their NAIC-accepted P&C actuarial designations.

The actions taken by various NAIC groups that report to the C Committee since the 2019 Spring National Meeting are summarized below.

Casualty Actuarial and Statistical (C) Task Force

CASTF adopted the following information for inclusion in the *Statement of Actuarial Opinion Instructions* for 2019:

- Background information on the NAIC’s Property/Casualty Appointed Actuary Project
- Appointed actuary qualification documentation instructions

CASTF also reported that the Actuarial Opinion (C) Working Group will complete the 2019 regulatory guidance document after the instructions are adopted.

CASTF adopted a response to the joint CAS/SOA proposal on the appointed actuary continuing education verification process.

CASTF re-exposed a draft of the white paper entitled *Best Practices for Regulatory Review of Predictive Analytics* with revisions that incorporate proposed changes to the *Product Filing Review Handbook* and proposed state guidance within its content. Comments are due by 16 September 2019.

Surplus Lines (C) Task Force

The Task Force exposed revisions to Schedule T in the annual statement blank that would add a new Part 3 to collect data on “home state” direct premiums written. The revisions would be effective for year-end 2020 reporting. Comments are due by 4 October 2019.
Financial Condition
The Financial Condition (E) Committee (E Committee) approved another extension for NAIC model law development to work on revisions to the Mortgage Guaranty Insurance Model Act (#630) and the development of a mortgage guaranty insurance capital model that would become the new capital standard for mortgage insurers.

The actions taken by various NAIC groups that report to the E Committee since the 2019 Spring National Meeting are summarized below.

Group Capital Calculation (E) Working Group
The Working Group began field testing of the NAIC’s group capital calculation using 2018 annual data. Qualitative questions have been included as part of the field testing to provide volunteers with the ability to elaborate on how the field testing template was completed, which will inform the Working Group in developing guidance to clarify the required inputs to the group capital calculation. The Working Group established protections for maintaining the confidentiality of field testing data, since volunteer data will be submitted directly to the lead states and only shared with the NAIC if information-sharing agreements are in place.

The Working Group acknowledged the need for the group capital calculation to have confidentiality protections under state law once it is adopted. An appropriate step for the NAIC to take would be to modify the Insurance Holding Company System Regulatory Act (#440) to incorporate such protections.

The Working Group will draft a memorandum to the Group Solvency Issues (E) Working Group detailing the recommended modifications to Model #440 once it is determined which companies will be required to complete and file the group capital calculation and if it will be filed with the NAIC.

Upon completion of field testing, various recommendations are expected to be developed and exposed based on the results indicated for areas including thematic findings, materiality of risk, grouping or de-stacking of entities, scope of application, proportionality, adjustments to testing options and the need for additional field testing. The Working Group continues to work toward the objective of an initial filing to state insurance regulators using 2019 annual data, but it acknowledged that it may be on a voluntary basis.

Risk Retention Group (E) Task Force
The Task Force discussed its efforts to clarify issues related to risk retention groups (RRGs) and registration in non-domiciliary states and exposed:

- Revisions to the NAIC Uniform Risk Retention Group – Notice and Registration Form, which update the form to provide clarity on the required information to be submitted to the state in which the RRG intends to do business. Comments are due by 6 September 2019.

- Frequently Asked Questions and Best Practices documents for RRGs, which are intended to assist the states with the registration of RRGs. Comments are due by 6 September 2019.

The Task Force also referred proposed revisions to Part B1 of the accreditation standards that would update the risk-focused analysis guideline applicable to all RRGs for consideration by the F Committee.

Receivership and Insolvency (E) Task Force
The Task Force received updates from the three drafting groups that were formed to address recovery and resolution research activities in support of the NAIC’s macroprudential initiative:

- The first drafting group surveyed powers under state laws in comparison to international and federal supervision and recommended that the Task Force consider how to encourage states with aging regulations to adopt additional efficiencies that exist under the Insurer Receivership Model Act (#555) to improve the effectiveness of the receivership process across states. The drafting group also recommended that the Task Force refer two items to the Receivership Model Law (E) Working Group for further consideration: (1) a request to explore whether bridge institutions could be used as a pre-receivership mechanism to address early termination of qualified financial contracts and (2) a request to work with the Group Solvency Issues (E) Working Group to identify remedies that would allow continuity of essential services and functions to an insurer in receivership.
The second drafting group continued its work to review information from recovery and resolution planning that may help enhance risk surveillance and prospective planning for the resolution of large cross-border US insurance groups. The drafting group recommended that the Task Force review the resolution planning paper being developed by the International Association of Insurance Supervisors (IAIS) and provide input as necessary. The drafting group also determined that reporting requirements on recovery planning for insurers that are not in financial distress are outside the scope of the Task Force and would require a referral from the Financial Stability (E) Task Force to other groups within the E Committee.

The Task Force adopted amendments to the Guideline for Stay on Termination of Netting Agreements and Qualified Financial Contracts (#1556), which were based on recommendations from the third drafting group. This drafting group was tasked with identifying misalignments between state and federal laws that could hinder the effective and orderly recovery and resolution for US insurance groups. The amendments highlight the issue that federal rules on master netting agreements do not recognize state receivership stays and advise states considering adoption of Guideline #1556 to first determine the applicable requirements of the federal rules.

The Task Force will continue to address these recovery and resolution topics throughout 2019.

**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 SVO. VOSTF adopted amendments to the P&P Manual that:

- Update the definition and instructions for structured notes, remove these instruments from being in the scope of SSAP No. 26R and SSAP No. 43R (except for mortgage-referenced securities) and make them ineligible for the filing exemption provision
- Delete obsolete references to the modified filing exemption provision

VOSTF received a referral from SAPWG on the reporting of regulatory transactions in Schedule D, Part 1 and exposed an amendment to add instructions for new administrative fields for regulatory transactions to the P&P Manual. Under the proposed amendment, a reporting entity would use the code “RTS” when the domiciliary state has received assistance from the SVO or the NAIC Structured Securities Group (SSG) in reviewing a regulatory transaction. The regulatory transaction would then be reported at the “analytical value” (a new term defined in the amendment) assigned by the SVO or the SSG. For all other regulatory transactions, the code “RT” would be used with an NAIC 6 designation. VOSTF directed the NAIC staff to update the amendment to include administrative transitional instructions and further define terminology for subsequent re-exposure.

VOSTF exposed an amendment to update the definition and instructions for principal-protected notes in the P&P Manual. Under the proposed amendment, these securities would require filing with the SVO for review and no longer be eligible for the filing exemption provision. Comments are due by 20 September 2019.

VOSTF also exposed an amendment to update the interim instructions for mortgage-referenced securities in the P&P Manual. Currently, insurers do not have instructions to assign an NAIC designation to newly issued or newly acquired mortgage-referenced securities prior to the publication of the annual surveillance data. Comments are due by 5 September 2019.

VOSTF referred the following topics to BWG:

- Adding an NAIC designation to SEC registered-fund investments
- Modifying Schedule BA and the annual statement blank instructions to clarify the reporting of private funds captured on Schedule BA
- Adding reporting fields to various investment schedules in the annual statement blank to capture the NAIC designation, NAIC designation modifier and NAIC designation category for an investment that would be used in conjunction with the SVO administrative symbols to convey information about the investment
VOSTF heard a joint NAIC SVO staff and industry report on a project to review existing credit tenant loan guidance and possible new guidance on other lease-based transactions. VOSTF directed insurers to continue reporting the other lease-based transactions as they have done in the past for year-end 2019 and directed the NAIC SVO staff to continue working with them on updating the guidance.

Financial Regulation Standards and Accreditation

The F Committee adopted revisions to Part A of the accreditation standards to apply certain elements of the Liabilities and Reserves guidance in the Financial Regulation Standards and Accreditation Program to fraternal benefit societies, specifically requiring them to adopt PBR with an effective date of 1 January 2020.

The F Committee also adopted revisions to Part D of the accreditation standards to address redomestications. These revisions update the scope of the accreditation guidelines to include primary applications for redomestications and add a new standard for the scope and performance of procedures that includes elements for a quality review of redomestication transactions as well as communication requirements with other regulators, effective 1 January 2020. In addition, the process for state review of primary licensing, redomestications and change in control (i.e., Form A) filings will be included in the recommendation on a state's accreditation status, effective 1 January 2022.

The F Committee exposes revisions to the Self-Evaluation Guide/Interim Annual Review Form to incorporate the revisions to Part D of the accreditation standards. The guide facilitates the state's reporting of compliance with the accreditation guidelines. Comments are due by 6 September 2019.

The F Committee also exposed revisions to the review team guidelines included in Part B.3 of the accreditation standards to address procedures for troubled companies. The revisions would align the guidelines to recently adopted revisions to the Troubled Insurance Company Handbook, which is a regulator-only publication, and provide guidance for the timely and effective communication between the domiciliary and non-domiciliary states of information on troubled or potentially troubled insurance companies that may affect other jurisdictions. Comments are due by 6 September 2019.

International Insurance Relations

The International Insurance Relations (G) Committee (G Committee) heard a presentation on key 2019 projects of the IAIS, focusing on the holistic framework on systemic risk, the development of the international capital standard (ICS) and monitoring period, and the IAIS strategic plan for 2020-2024. Members of the G Committee and industry stakeholders discussed various aspects of these projects, including concerns on implementation and potential effects from their ongoing development. The IAIS intends to adopt the holistic framework and related Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups at its November 2019 meeting.

Any new documents released by the IAIS for public consultation will be reviewed by the NAIC staff and discussed by the G Committee on interim calls to be scheduled before the respective deadlines for submission.

Stay tuned

The NAIC's 2019 Fall National Meeting is currently scheduled for 7-10 December in Austin. A list of conference calls and other meetings that will be held before then can be found at http://naic.org/meetings_calendar.htm.
## Appendix A – Statutory Accounting Principles Working Group

This chart summarizes actions taken by SAPWG since the 2019 Spring National Meeting. Comments on exposed items are due by 11 October 2019, unless otherwise noted. More information is available at [http://www.naic.org/cmte_e_app_sapwg.htm](http://www.naic.org/cmte_e_app_sapwg.htm).

<table>
<thead>
<tr>
<th>Topic/issue</th>
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<th>Discussion</th>
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<tbody>
<tr>
<td><strong>Substantive listing</strong></td>
<td></td>
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<tr>
<td>SSAP No. 22R and Issue Paper – Leases (Ref #2016-02)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 22 and Issue Paper No. 161 to incorporate various concepts from the US GAAP guidance in ASU 2016-02 into statutory accounting. The revisions retain the operating lease concept for statutory accounting, clarify the application of statutory accounting guidance in certain areas (e.g., sale-leaseback transactions) and identify the types of assets allowed for lease and sale-leaseback treatment.</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>ASU 2016-13 – Credit Losses (Ref #2016-20)</td>
<td>Deferred*</td>
<td>Deferred consideration of how the US GAAP concepts in ASU 2016-13, <em>Measurement of Credit Losses on Financial Instruments</em>, should be incorporated into statutory accounting until the FASB completes its work on addressing the transition to the new credit loss standard.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 41R – Amortization and Accretion Surplus Notes (Ref #2017-12)</td>
<td>Deferred*</td>
<td>Deferred consideration of proposed revisions to SSAP No. 41R, <em>Surplus Notes</em>, that would incorporate the fundamental principle that the effect (i.e., increase in surplus) from a surplus note issued at a discount or zero coupon should never be greater than the amount of cash and liquid admitted assets received. The revisions would also provide specific statutory accounting guidance for certain transactions (including exchanges or amendments of terms) consistent with the overall principle and disclosures to capture information for discounted or zero-coupon surplus notes in the statutory-basis financial statements.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 62R – Issue Paper – Reinsurance Credit (Ref #2017-28)</td>
<td>Adopted</td>
<td>Adopted Issue Paper No. 162 to document the substantive revisions to SSAP No. 62R that were adopted at the 2018 Fall National Meeting for historical purposes.</td>
<td>Immediately</td>
</tr>
<tr>
<td>ASU 2017-12 – Derivatives and Hedging (Ref #2017-33)</td>
<td>Deferred*</td>
<td>Deferred consideration of an issue paper detailing an initial assessment of the effect of ASU 2017-12, <em>Targeted Improvements to Accounting for Hedging Activities</em>, on the statutory accounting and reporting of derivatives. Feedback has been provided on the revisions needed to incorporate suggested modifications into statutory accounting, along with the differences between the US GAAP and statutory accounting for derivatives that should be retained.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 32 – Issue Paper – Preferred Stock (Ref #2019-04)</td>
<td>Exposed</td>
<td>Exposed an issue paper to revise the definitions, measurement guidance and impairment guidance for preferred stock in SSAP No. 32.</td>
<td>TBD</td>
</tr>
<tr>
<td><strong>Nonsubstantive listing</strong></td>
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<tr>
<td>SSAP No. 26R and SSAP No. 43R – Measurement Method for NAIC 5 Designations (Ref #2015-17)</td>
<td>Deferred*</td>
<td>Deferred revisions to statutory accounting guidance that would require investments with an NAIC 5 designation held by an AVR filer to be reported at the lower of amortized cost or fair value.</td>
<td>TBD</td>
</tr>
<tr>
<td>Aging and Revenue Recognition of Multi-Peril Crop Policies (Ref #2015-33)</td>
<td>Further analysis necessary*</td>
<td>Directed the NAIC staff to work with state insurance regulators and key stakeholders to develop recommendations to update SSAP No. 78, <em>Multiple Peril Crop Insurance</em>, for (1) using the billing date for application of the 90-day rule, (2) defining the processing date or updating the term, (3) providing more specificity on the period of risk for purposes of earning revenue and (4) developing a glossary of terms.</td>
<td>TBD</td>
</tr>
<tr>
<td>Appendix C Introduction (Ref #2016-42)</td>
<td>Deferred*</td>
<td>Deferred revisions to the introduction page of Appendix C of the AP&amp;P Manual that would promote the consistent application of the Actuarial Guidelines for statutory accounting. The revisions add language noting that various SSAPs incorporate the Actuarial Guidelines by reference into the statutory accounting requirements and provide information regarding their applicability after the operative date of the Valuation Manual (i.e., 1 January 2017).</td>
<td>TBD</td>
</tr>
</tbody>
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1 Substantive revisions are those that modify the statutory intent of an SSAP or create new statutory accounting principles.

2 Nonsubstantive revisions are those that do not modify the statutory intent of an SSAP.
<table>
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<tr>
<th>Topic/issue</th>
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<tr>
<td>SSAP No. 61R – Reinsurance Credit (Ref #2017-28)</td>
<td>Exposed</td>
<td>Exposed revisions to the disclosure requirements in SSAP No. 61R, <em>Life, Deposit-Type and Accident and Health Reinsurance</em>, to identify contracts with certain features, including risk-limiting features. The proposed disclosures are similar to the existing disclosures in SSAP No. 62R. Exposed revisions to expand the questions and answers guidance included in Appendix A-791, <em>Life and Health Reinsurance Agreements</em>, by incorporating guidance that would assist in identifying non-proportional reinsurance contracts, which are not subject to Appendix A-791, and address the treatment of contracts that have a statutorily-required medical loss ratio or similar refund/rebate and group term life YRT contracts.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 43R – Reporting NAIC Designations as Weighted Averages (Ref #2018-03)</td>
<td>Adopted</td>
<td>Adopted revisions to clarify that if a security subject to the statutory accounting guidance in SSAP No. 43R has different NAIC designations by lot, the reporting entity can either report the entire investment in a single reporting line at the lowest NAIC designation or report the investment separately by purchased lot in the investment schedules of the annual statement blank.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 26R – VOSTF Bank Loan Referral (Ref #2018-04)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 21R to clarify that an investment within the scope of another SSAP (e.g., SSAP No. 26R) would not automatically be reclassified for reporting as a collateral loan because it is secured with collateral.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 41R – Surplus Note Accounting (Ref #2018-07)</td>
<td>Further analysis necessary</td>
<td>Exposed revisions to SSAP No. 41R to clarify that surplus notes linked to a reported asset or other agreement are not subordinate and do not qualify for reporting as statutory equity by the issuer of the surplus note. Directed the NAIC staff to work with industry stakeholders and regulators to finalize the components of a data call intended to gather additional information on the use of linked surplus notes and prepare proposed disclosures to data capture information for annual statement blank reporting in 2020.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 37 – Participation Agreement in a Mortgage Loan (Ref #2018-22)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 37 to exclude “bundled” mortgage loans from its scope and clarify the requirements for mortgage loans acquired through participation agreements that are intended to be captured within its scope.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 97 – SCA Loss-Tracking Accounting Guidance (Ref #2018-26)</td>
<td>Re-exposed</td>
<td>Re-exposed revisions to SSAP No. 97, <em>Investments in Subsidiary, Controlled and Affiliated Entities</em>, to update the accounting requirements for when an insurance reporting entity (i.e., parent) has a negative equity value in a subsidiary controlled and affiliated (SCA) investment by removing the stipulations that would result in the parent double-counting the recognition of its financial commitment or guarantee of the SCA’s obligations and the corresponding reduction of surplus.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 26R – Prepayment Penalties (Ref #2018-32)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 26R to provide guidance for determining prepayment penalties when consideration received for called bonds is less than par value.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 55 – Prepayments to Service and Claims Adjusting Providers (Ref #2018-38)</td>
<td>Re-exposed</td>
<td>Re-exposed revisions to SSAP No. 55, <em>Unpaid Claims, Losses and Loss Adjustment Expenses</em>, to clarify that loss and loss adjustment expense liabilities are established regardless of payments to third parties (except for capitated health claim payments). The liabilities would not be recognized as paid until the losses are paid to claimants or claims are adjusted. The revisions would also clarify that prepayments to third-party administrators, which are not for claims or loss adjustment expense, should be recognized as miscellaneous underwriting expenses.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 25, SSAP No. 26R, SSAP No. 32, SSAP No. 43R and SSAP No. 48 – Affiliated Transactions (Ref #2019-03)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 25 to clarify its continued application in determining the classification of transactions involving investments that are in substance related-party transactions, even if the transaction is conducted through a non-related intermediary. Adopted revisions to SSAP No. 26R, SSAP No. 32, SSAP No. 43R and SSAP No. 48 to clarify that investment transactions are subject to the provisions and disclosure requirements of SSAP No. 25 if the transaction is determined to be a related-party arrangement.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 103R – Repurchase Disclosures (Ref #2019-05)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 103R to reduce the disclosure requirements for repurchase and reverse repurchase transactions.</td>
<td>Immediately</td>
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<tr>
<td>Topic/issue</td>
<td>Status</td>
<td>Discussion</td>
<td>Effective date</td>
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<tr>
<td>Various SSAPs – ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts (Ref #2019-06)</td>
<td>Rejected</td>
<td>Rejected the revisions to US GAAP accounting for long-duration contracts under ASU 2018-12 as not applicable to statutory accounting without modification of the disclosure requirements that currently exist for statutory reporting.</td>
<td>N/A</td>
</tr>
<tr>
<td>SSAP No. 26R and SSAP No. 72 – Bonds Received as Property Dividends or Capital Contributions (Ref #2019-07)</td>
<td>Adopted</td>
<td>Adopted revisions to SSAP No. 26R and SSAP No. 72 to clarify the initial recognized value (i.e., actual cost) when an insurance entity receives a bond as a property dividend or as a capital contribution.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 51 and SSAP No. 52 – Reporting Deposit-Type Contracts (Ref #2019-08)</td>
<td>Re-exposed</td>
<td>Re-exposed a request for comments on situations where guaranteed investment contracts or other deposit-type contracts are reported in Exhibit 5 – Life Contracts or Exhibit 6 – Accident and Health Contracts, instead of Exhibit 7 – Deposit-Type Contracts of the life annual statement blank, with referrals to be sent to the Financial Stability (Ex) Task Force and LATF requesting feedback on the reporting of insurance contracts that do not have mortality or morbidity risk.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 101 – Q&amp;A Updates – TCJA (Ref #2019-09)</td>
<td>Adopted</td>
<td>Adopted revisions to the Q&amp;A included in SSAP No. 101 to update the Q&amp;A examples and guidance for the requirements of the Tax Cuts and Jobs Act (TCJA). Any change in income tax balances resulting from the application of these revisions would be reported as a change in accounting principle.</td>
<td>31 December 2019</td>
</tr>
<tr>
<td>SSAP No. 101 – Q&amp;A Updates – DTA/DTL Offset (Ref #2019-10)</td>
<td>Adopted</td>
<td>Adopted revisions to the Q&amp;A included in SSAP No. 101 to clarify the application of deferred tax asset (DTA) and deferred tax liability (DTL) offsetting under paragraph 11.c. of the deferred tax admissibility calculation in SSAP No. 101. Any change in income tax balances resulting from the application of these revisions would be reported as a change in accounting principle.</td>
<td>31 December 2019</td>
</tr>
<tr>
<td>SSAP No. 62R – Reinsurance Credit Effective Date (Ref #2019-11)</td>
<td>Adopted</td>
<td>Adopted revisions that clarify the reinsurance credit guidance in SSAP No. 62R adopted on 15 November 2018 (Ref #2017-28) applies to reinsurance contracts in effect as of 1 January 2019. Any change to the prior application of this guidance would be reported as a change in accounting principle.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 68 and SSAP No. 97 – ASU 2014-17, Business Combinations – Pushdown Accounting (Ref #2019-12)</td>
<td>Re-exposed</td>
<td>Re-exposed revisions to SSAP No. 68, Business Combinations and Goodwill, and SSAP No. 97 to assess the US GAAP requirements of ASU 2014-17 for statutory accounting with feedback requested on whether pushdown accounting should be rejected, permitted for noninsurance entities or permitted only for entities that are SEC registrants. The revisions would also clarify that goodwill resulting from an insurance reporting entity’s acquisition of an SCA entity would be captured in the goodwill admittance limitation test when pushdown accounting is applied.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 97 – Clarification of a Look-Through Approach (Ref #2019-13)</td>
<td>Disposed</td>
<td>Disposed the agenda item without statutory revisions, as it was determined that the existing guidance in SSAP No. 97 permits the application of the look-through approach to value investments in SCA entities when multiple downstream holding companies exist if all of the look-through entities meet the look-through criteria. Directed the NAIC staff to prepare a separate agenda item to consider guidance that would clarify the ability to apply a multiple-level look-through approach if each of the downstream holding companies comply with the requirements in SSAP No. 97.</td>
<td>N/A</td>
</tr>
<tr>
<td>SSAP No. 68 and SSAP No. 97 – Attribution of Goodwill (Ref #2019-14)</td>
<td>Re-exposed</td>
<td>Re-exposed revisions to SSAP No. 68 and SSAP No. 97 to explicitly state that the acquisition of a holding company requires the purchase price and goodwill amount to be attributed (i.e., assigned) to the downstream entities that are directly owned by the holding company with disclosure of the allocation of goodwill.</td>
<td>TBD</td>
</tr>
<tr>
<td>Various SSAPs – Editorial Update (Ref #2019-15EP)</td>
<td>Adopted</td>
<td>Adopted various editorial revisions and updates to SSAP No. 62R; SSAP No. 63, Underwriting Pools; SSAP No. 84, Health Care and Government Insured Plan Receivables; SSAP No. 86, Derivatives; and SSAP No. 103R.</td>
<td>Immediately</td>
</tr>
<tr>
<td>SSAP No. 86 – Other Derivatives (Ref #2019-18)</td>
<td>Re-exposed</td>
<td>Re-exposed revisions to SSAP No. 86 to clarify that “other” derivatives not used in hedging, income generation or replication transactions would be reported at fair value and do not qualify as admitted assets.</td>
<td>TBD</td>
</tr>
<tr>
<td>Supplemental Investment Risk Interrogatory – Equity Interests (Ref #2019-19)</td>
<td>Exposed</td>
<td>Exposed revisions to Line 13 (10 Largest Equity Interests) of the Supplemental Investment Risk Interrogatories to clarify that a look-through should only occur for non-diversified funds. The revisions would also exclude SVO-identified bond exchange-traded funds and SVO-identified investments with underlying characteristics of fixed-income investments from the equity listing.</td>
<td>TBD</td>
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<tr>
<td>Topic/issue</td>
<td>Status</td>
<td>Discussion</td>
<td>Effective date</td>
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<tr>
<td>SSAP No. 2R and SSAP No. 103R — Rolling Short-Term Investments (Ref #2019-20)</td>
<td>Exposed</td>
<td>Exposed revisions to SSAP No. 2R, Cash, Cash Equivalents, Drafts and Short-Term Investments, and SSAP No. 103R to incorporate additional concepts for classifying investments as cash equivalents or short-term investments to prevent the “rolling” of certain investments after initial acquisition.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 43R — Equity Instruments (Ref #2019-21)</td>
<td>Exposed</td>
<td>Exposed revisions to SSAP No. 43R to exclude collateralized fund obligations and similar structures with underlying exposure to equity interests from its scope and prevent existing assets held by an insurance reporting entity from being repackaged as securitizations and reported within its scope.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 103R — Wash Sale Disclosure (Ref #2019-22)</td>
<td>Exposed</td>
<td>Exposed revisions to SSAP No. 103R to clarify that only wash sales that cross reporting period-end dates are subject to the wash sale disclosure requirements.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 97 — Going Concern (Ref #2019-23)</td>
<td>Exposed</td>
<td>Exposed revisions to SSAP No. 97 to clarify that an investment in an SCA entity would be nonadmitted if its audited financial statements or audit opinion identify a going concern uncertainty that has not been alleviated.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 71 — Commission (Ref #2019-24)</td>
<td>Exposed</td>
<td>Exposed revisions to SSAP No. 71, Policy Acquisition Costs and Commissions, to clarify the recognition of a liability related to levelized commission arrangements that are linked to traditional or nontraditional elements and the related recognition (i.e., accrual) of commission expense when the commission is based on annual policy persistency or similar components.</td>
<td>TBD</td>
</tr>
<tr>
<td>SSAP No. 105 — Working Capital Finance Investments (Ref #2019-25)</td>
<td>Further analysis necessary</td>
<td>Received a referral from VOSTF and directed the NAIC staff to proceed with drafting revisions to the existing guidance for working capital finance investments in SSAP No. 105, Working Capital Finance Investments, for subsequent exposure.</td>
<td>TBD</td>
</tr>
<tr>
<td>Appendix A — Excerpts of NAIC Model Laws (Ref #2019-26)</td>
<td>Exposed</td>
<td>Exposed revisions to incorporate changes to Appendix A-785, Credit for Reinsurance, resulting from the adopted revisions to Model #785 and Model #786 that incorporate the provisions of the US-EU Covered Agreement.</td>
<td>TBD</td>
</tr>
<tr>
<td>Various SSAPs — Editorial Update (Ref #2019-27EP)</td>
<td>Exposed</td>
<td>Exposed various editorial revisions and updates to SSAP No. 62R, SSAP No. 86 and SSAP No. 97.</td>
<td>TBD</td>
</tr>
</tbody>
</table>

*No additional action was taken on this topic/issue since the 2019 Spring National Meeting.*

**Issues rejected or exposed for rejection/disposal**

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

- ASU 2019-02, *Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials* (Ref #2019-17)

**Exposed to reject as not applicable to statutory accounting:**

- ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities* (Ref #2019-29)
- ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections* (Ref #2019-30)
- ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Ref #2019-31)
## Appendix B – Blanks Working Group

This chart summarizes actions taken by BWG since the 2019 Spring National Meeting. Details of current proposals can be found at [http://www.naic.org/cmte_e_app_blanks.htm](http://www.naic.org/cmte_e_app_blanks.htm).

<table>
<thead>
<tr>
<th>Adopted items</th>
<th>Frequency</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-02BWG: Clarifies the instructions to Part 1 of the VM-20 Reserves Supplement for consistency in the reporting for due and deferred premium assets.</td>
<td>Annual</td>
<td>Annual 2019</td>
</tr>
<tr>
<td>2019-03BWG: Adds a designation column to the annual Schedule D, Part 2, Section 2 for use with mutual funds, with modification of the instructions to indicate the addition, and modifies the instructions for the NAIC Designation and Administrative Symbols columns included in the quarterly Schedule D, Part 3 and Part 4 to capture designations for mutual funds.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-04BWG: Removes the reference to “Life and Fraternal Only” in the General Instructions for Schedule BA regarding investments that have the underlying characteristics of bonds or fixed-income instruments, along with the reference to the CUSIP and NAIC designation column. Adds additional lines to the categories for “Fixed or Variable Interest Rate Investments that Have the Underlying Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument” and “Joint Ventures or Partnership Interests for Which the Primary Underlying Investments Are Considered to Be Fixed Income Instruments” to distinguish between those that have been reviewed and approved by the SVO and those that have not.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-05BWG: Adds disclosures to Note 21 – Other items to address the revisions previously adopted by SAPWG to SSAP No. 21R, along with instructions and illustrations for life policies where the reporting entity is owner and beneficiary or has otherwise obtained rights to control the policy.</td>
<td>Annual</td>
<td>Annual 2019</td>
</tr>
<tr>
<td>2019-06BWG: Adds a reference for structured settlements acquired by a reporting entity as an investment to the “Any Other Class of Assets” definition in the General Instructions for Schedule BA to capture instances where the reporting entity has acquired the legal right to receive payments.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-07BWG: Modifies the instructions for Note 20 – Fair Value to address the disclosure modifications previously adopted by SAPWG to SSAP No. 100R, Fair Value.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-08BWG: Modifies the instructions for Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans to address the disclosure modifications previously adopted by SAPWG to SSAP No. 92, Post retirement Benefits Other Than Pensions, and SSAP No. 102, Pensions.</td>
<td>Annual</td>
<td>Annual 2019</td>
</tr>
<tr>
<td>2019-09BWG: Adds a reference to include mortgage reference securities in the “U.S. Special Revenue and Special Assessment Obligations and All Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions” category in the General Instructions for the Investment Schedules, deletes Note 50 – Structured Notes, and modifies the bond characteristics definition for Schedule D, Part 1.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-10BWG: Adds instructions for determining the gain or loss reported in Column 18 and the prepayment penalty and/or acceleration fee amount in Column 20 on Schedule D, Parts 4 and 5 for called bonds where consideration received is less than par.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-11BWG: Modifies the instructions and table illustrations for Notes 5F, 5G, 5H and 5I to address the changes to SSAP No. 103R adopted by SAPWG (SAPWG Ref #2019-05).</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-12BWG: Adds a code to Schedule D, Part 2 for foreign mutual funds and adds instructions for foreign open-end investment funds to be included as mutual funds in the General Instructions for the Investment Schedules.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-13BWG: Modifies the instructions for the Supplemental Investment Risk Interrogatories to exclude diversified foreign mutual funds and add a requirement to report investments held in the 10 largest fund managers.</td>
<td>Annual</td>
<td>Annual 2019</td>
</tr>
<tr>
<td>2019-14BWG: Modifies the instructions and illustration for Note 8 – Derivatives to address the reporting changes necessary to implement SSAP No. 108, along with the addition of new categories for Variable Annuity Guarantees to the instructions for Schedule DB, Parts A and B and new instructions for Schedule DB, Part E.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-15BWG: Modifies the instructions for the Actual Cost column in Schedule D (Parts 1, 3, 4 and 5) and Schedule DA to provide guidance when bonds are received as a property dividend or capital contribution.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-16BWG: Adds a new column to the Analysis of Operations by Lines of Business (Summary, Individual Life and Group Life) and Analysis of Increase in Reserves During Year (Individual Life and Group Life) blank pages and instructions for YRT reinsurance business where the only risk included is mortality.</td>
<td>Annual</td>
<td>Annual 2019</td>
</tr>
<tr>
<td>2019-17BWG: Adds two new lines for affiliated bank loans to the “Parent, Subsidiaries and Affiliates” category to capture affiliated bank loans and modifies the existing lines for bank loans to reference unaffiliated bank loans on Schedule D, Schedule DA, Schedule DL and Schedule E.</td>
<td>Annual and quarterly</td>
<td>Annual 2019 and First Quarter 2020</td>
</tr>
<tr>
<td>Exposed items</td>
<td>Frequency</td>
<td>Effective date</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>---------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>2019-18BWG: Adds a designation modifier to the NAIC Designation column for Schedule D, Schedule DL and Schedule BA to accommodate the more granular NAIC Designation Category framework previously adopted by VOSTF.</td>
<td>Annual and quarterly</td>
<td>Annual 2020 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-19BWG: Adds instructions and new categories for unaffiliated certificates of deposit that do not usually have a CUSIP by adding a new line to Schedule D, Schedule DA, Schedule DL and Schedule E; adding a line to the Summary Investment Schedule; and modifying the list of bonds for Lines 8 through 11 of the Summary by Country to include unaffiliated certificates of deposit.</td>
<td>Annual and quarterly</td>
<td>Annual 2020 and First Quarter 2020</td>
</tr>
<tr>
<td>2019-20BWG: Adds language regarding “Qualification Documentation” and a definition of a “Qualified Actuary” to the Actuarial Opinion for P&amp;C Annual Statement Instructions to require the appointed actuary to maintain workpapers explaining how the actuary meets the definition of a qualified actuary.</td>
<td>Annual</td>
<td>Annual 2019</td>
</tr>
</tbody>
</table>
## 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 2019 Spring National Meeting.

<table>
<thead>
<tr>
<th>Topic/issue</th>
<th>NAIC Group</th>
<th>Status</th>
<th>Discussion</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>All RBC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitation Tables (Ref #2018-17-CA)</td>
<td>Capital Adequacy Task Force</td>
<td>Adopted</td>
<td>Adopted revisions to add rounding functions to the electronic-only capitation tables that are used to calculate the capitation charge in the RBC forecasting spreadsheet.</td>
<td>2020</td>
</tr>
<tr>
<td>Life RBC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunset of Fraternal Reporting (Ref #2018-18-L)</td>
<td>Capital Adequacy Task Force</td>
<td>Adopted</td>
<td>Adopted revisions to combine the RBC reporting for life and fraternal companies into one RBC formula in response to the planned elimination of the fraternal annual statement blank beginning with year-end 2019.</td>
<td>2019</td>
</tr>
<tr>
<td>Interest Rate Risk and Market Risk (Ref #2019-10-L)</td>
<td>Capital Adequacy Task Force</td>
<td>Adopted</td>
<td>Adopted revisions to the instructions for LR027 that incorporate changes to the C-3 Phase II component of the Life RBC formula required to implement the new variable annuity framework.</td>
<td>2019</td>
</tr>
<tr>
<td>Real Estate (Ref #2017-06-L)</td>
<td>Investment RBC Working Group</td>
<td>Deferred</td>
<td>Previously exposed a proposal to update the RBC charge for real estate in the Life RBC formula based on a report prepared by the American Council of Life Insurers (ACLI) detailing updated experience and analysis of the riskiness of these investments since the RBC charge was first developed. Specific aspects of the proposal, including analysis regarding why Schedule BA and Schedule A real estate should have similar charges, will be updated by ACLI based on feedback received and subsequently provided to the Investment RBC (E) Working Group for further analysis.</td>
<td>TBD</td>
</tr>
<tr>
<td>Health RBC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care Receivables (Ref #2019-04-H)</td>
<td>Health RBC Working Group</td>
<td>Re-exposed</td>
<td>Re-exposed revisions to XR020A to apply an additional charge to the amount of health care receivables accrued in a prior year but not recovered in the current year. The proposal would require informational only reporting in 2020 and 2021, with incorporation into the Health RBC formula in 2022. The proposed calculations include the current factors (i.e., 5% or 19%) for health care receivables, which will be subject to review after 2020 data has been received.</td>
<td>2020</td>
</tr>
<tr>
<td>Property/Casualty RBC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underwriting Risk Factors (Ref #2019-05-P)</td>
<td>Capital Adequacy Task Force</td>
<td>Adopted</td>
<td>Adopted revisions to the Line 1 factors on PR017 and PR018 for the routine annual update of the industry underwriting factors.</td>
<td>2019</td>
</tr>
<tr>
<td>Affiliate Investment Instructions (Ref #2019-08-P)</td>
<td>Capital Adequacy Task Force</td>
<td>Adopted</td>
<td>Adopted revisions to the affiliate investment instructions for the P&amp;C RBC blank for consistency with recent changes to the P&amp;C affiliated investment calculations reported in the P&amp;C annual statement blank.</td>
<td>2019</td>
</tr>
<tr>
<td>Lloyd’s of London Reinsurance Recoverables (Ref #2019-11-P)</td>
<td>P&amp;C RBC Working Group</td>
<td>Comments due by 3 September 2019</td>
<td>Exposed revisions to the instructions for PR012 to clarify that reinsurance recoverables from individual syndicates of Lloyd’s of London covered under the Lloyd’s Central Fund may utilize the lowest financial strength group rating received from an approved rating agency.</td>
<td>2020</td>
</tr>
<tr>
<td>Reinsurance Penalty for Affiliates (Ref #2019-12-P)</td>
<td>P&amp;C RBC Working Group</td>
<td>Comments due by 3 September 2019</td>
<td>Exposed revisions to PR035 to eliminate the adjustment for reinsurance penalties for affiliates, since the computation of the RBC charge for reinsurance recoverables has been moved to Schedule F, Part 3 of the P&amp;C annual statement blank.</td>
<td>2020</td>
</tr>
</tbody>
</table>