



**NAIC update**

Winter 2017

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# Regulators celebrate a year of accomplishments

HONOLULU, HAWAII — Storm clouds covered the horizon, unloading tropical rain almost every day of the fall meeting of the National Association of Insurance Commissioners (NAIC). Metaphorical storm clouds also shaded the future, with the Friday morning meetings interrupted by the first sounding of the Aloha State's nuclear warning sirens since the end of the Cold War.

By contrast, the mood inside the meeting seemed almost jovial, with commissioners enjoying the kind of clarity on the future of state insurance regulation not seen since the enactment of the Dodd-Frank Act, when state regulators might have considered their authority under threat of federal preemption.

Just as the storm clouds gave way to sunshine, highlighting the stunning natural beauty of the 50th state outside, the latest report from the US Department of Treasury had reaffirmed the primacy of state insurance regulation. The NAIC President, Wisconsin Insurance Commissioner Ted Nickel, called the Treasury report "...the most explicit endorsement of state regulation from the Treasury Department we've ever seen."

"I'd like to think the NAIC has established or re-established its footing as a leader on insurance regulatory issues this year," Nickel said at the opening session. Among the organization's signature accomplishments during Nickel's year as president was the adoption of the Insurance Data Security Model Act, a framework for cybersecurity for regulated entities.

This was one of a number of NAIC initiatives designed to position regulators to properly integrate and supervise the new technologies commonly grouped together as insurtech and regtech. "I suspect at some point in the future we will look back at this period as the time when new technologies, new market disruptors, and new innovations began to make their mark on insurance, the slow death of tradition in insurance rapidly accelerated, and we may struggle to recall what our sector was like before," Nickel said.

Nickel and the NAIC looked to the future in other ways as well. Top items addressed included potential changes to Actuarial Guideline 43 affecting variable annuities and new sales standards for all annuities. Another major outcome involved the widening of the funding sources for guaranty funds, a reflection of ongoing concern with the long-term care (LTC) insurance segment.

Engagement with international regulators continued, with new International Association of Insurance Supervisors (IAIS) Secretary-General Jonathan Dixon addressing various meetings, and NAIC commissioners explaining the impact of recently agreed-to Insurance Capital Standard (ICS) processes.

Now regulators can shift their focus to the spring meeting scheduled for Milwaukee, Wisconsin in March 2018. The weather in Milwaukee in March may be a bit different from that in Hawaii in December, but the issues affecting the industry are likely to remain consistent. Expect concerns such as the future of the Affordable Care Act and the impact of changes in the tax law to be discussed. The NAIC is also expected to unveil its new three-year strategic plan, maintaining the focus on positioning the organization for the challenges ahead.

# RBC, AG43 changes exposed for discussion

The Variable Annuities (E) Working Group held a four-hour meeting during which representatives from a consultant hired by the group presented suggested changes to Actuarial Guideline XLIII—CARVM for Variable Annuities (AG43) and to life risk-based capital (RBC C3 Phase II) that could have significant impact on sellers of variable annuities, inasmuch as they would affect in-force blocks of business.

Even before the presentation, representatives of the American Academy of Actuaries (AAA) expressed concern to working group members about what they considered the difficulty of providing stakeholder input on this topic thus far. One representative asked that the proposal not be considered final, but rather just beginning, with a longer-than-usual exposure period to April 30, 2018.

"We do expect there to be a dialogue," the working group chair told the meeting, but also suggested there were time constraints, including the length of the consultants' contract and the desire to have a finished product no later than the summer 2018 national meeting. The document was later

exposed for comment until March 2, 2018. There will be an all-day meeting of the working group at the spring meeting in Milwaukee where comments will be discussed.

AG43 and C3 Phase II were designed as a principles-based approach to setting reserves and regulatory capital levels for variable and certain other equity-based annuity products. Reserves and capital are based on projections of product cash flows over stochastic economic scenarios with a "standard scenario" floor and driven by changing current and projected economic conditions.

C3 Phase II and VA CARVM were implemented around the time of the economic crisis, and it became apparent that adjustments to the methodology may be considered. The assets required under the initial requirements tended, in some cases, to become excessive under extreme economic conditions. Additionally, some hedge programs designed to hedge the real world economics of the products did not

reflect the same benefits in the statutory framework.

In 2015, the NAIC commissioned an effort to identify potential changes to this statutory framework, as companies had begun to use captive reinsurance transactions to relieve the statutory requirements of these products. Proposed changes have been evaluated through two quantitative impact studies (QIS) to date. QIS I focused on industry issues such as hedging mechanics (the increase in required capital due to extensive hedging, suboptimal hedging strategies that produce more favorable statutory requirements, hedge costs in rising scenarios) and disconnects between market-based capital requirements and actual market risk retained.

Following QIS II, there have been a list of 28 recommendations for updates to the methodology, including changes to the stochastic amount (conditional tail expectation, or CTE), the standard scenario amount, the C3 charge itself (difference

between statutory reserve and CTE 95), disclosure requirements, and other topics.

The NAIC intends the recommendations to: better align statutory calculations with economic risk, reducing disincentives to hedge; provide better comparability between companies; and simplify the calculations and interpretation of results. The organization also sought to mitigate or eliminate the need for the use of captives.

QIS II results indicate that hedging may still increase total assets required in a low interest rate environment, which may drive companies to reduce hedging in certain situations. Also, recommendations to the recalibration of the scenario generator may increase volatility in separate account investment returns.

Some at the meeting argued that evaluating the results of the proposed changes may be difficult considering the lack of available information from the NAIC. A representative of the consultants explained that there was extremely limited information available from the quantitative impact study by design

because of confidentiality issues, and the NAIC would be working with the American Council of Life Insurers (ACLI) to determine what may be released.

One stakeholder expressed concern that some companies would have zero reserves in today's economic environment. Regulators responded that it could be those companies have embedded profits, not costs, in their portfolio, and, thus, this would be appropriate.

A representative of the AAA said her interpretation was that the recommendation would represent an increased role for RBC, and would move US insurance regulation away from the current role of RBC as signaler, and perhaps closer to capital requirement. The representative also warned that any changes to calibration criteria being made relative to variable annuities may have consequences for other products, expressing concern about possible downstream efforts.

Speakers also had issues with the use of the proprietary scenario generator, and called for greater disclosure of "some of the thinking that went into this."

A representative of the ACLI called on regulators to initially expose a list of questions that they would like feedback on concerning this big overhaul, then proceed to make sure the text of the document matches those desires. He suggested that there should be a discussion as to what to expose, and it should not be the presentation by consultants.

The chair responded by proposing to expose the presentation and the redline document until March 2—which was accepted by the committee—and schedule topic calls and a one-day meeting immediately before the Milwaukee national meeting.

# Big Data working group wants feedback on regulatory framework

Regulatory oversight of insurers' use of consumer data was a top issue at the meeting of the Big Data (EX) Working Group. The working group chair noted that no comments have been received on the proposed framework for regulation, however certain items had just been added to the agenda, so the document would remain open for comments until January 12.

The group is charged with reviewing "current regulatory frameworks used to oversee insurers' use of consumer and noninsurance data. If appropriate, [it] recommends modifications to model laws/regulations regarding marketing, rating, underwriting and claims, regulation of data vendors and brokers, regulatory reporting requirements, and consumer disclosure requirements."

One regulator suggested that a parallel to the supervisory oversight framework for credit reports be applied to the use of third-party vendors in underwriting and other areas. Regulators also suggested that disclosure and the ability to question if denied insurance should be available to consumers.

Another regulator suggested looking at data variables that conflict with state law. However some regulators disagreed, saying it was a separate issue. The working group will survey states for specific prohibitions for auto and homeowners lines.

Another regulator asked about the working group's plans for life insurance—especially the issue of accelerated underwriting—but the working group noted that it had chosen

to start with the property and casualty (P&C) sector first and then move on to life insurance.

Consumer representative Birny Birnbaum told the working group it should also consider claims and price optimization, and the algorithm bases for these. Questions for consideration included whether algorithms discouraged consumers from cost mitigation, if they were accurate or discriminatory, and what rights should a consumer have over consumer-generated data.

Data portability was also a concern, he said, adding that the lack of regulatory data collection and the ability to assess insurer correctness were other topics that should be reviewed.

The working group also heard a report on the progress on the NAIC's efforts to review complex models. It was told that the NAIC will survey state needs regarding complex models and predictive analytics and report back to the working group. That document will be circulated for discussion, with the expectation being that best practices would be created for filing requirements.

Discussion issues identified by the working group:

## **Issues raised by consumers**

- Are there adequate privacy standards for the use of consumer data?
- Do consumers have data ownership rights?

- Should insurers be required to notify consumers regarding the use of their data, similar to notification requirements of the Fair Credit Reporting Act?
- Should consumers have the right to contest data and request corrections to data?
- Are there issues specific to a particular line of insurance?

## **Issues raised by industry**

- Do insurers and data vendors have appropriate confidentiality protections of intellectual property when submitting models to regulators?
- Are there regulatory standards that are barriers to the use of data by insurers?
- Are there issues specific to a particular line of insurance?

## **Issues raised by regulators**

- Do regulators have appropriate access to insurers' models through the current rate filing process?
- Are there any data variables that should be prohibited?
- Should there be specific levels of correlation and/or causality for rating variables?
- Are regulators seeing additional risk segmentation, and is this having a positive or negative impact on consumers?
- Is there a need for additional regulatory oversight of data vendors?
- Are there issues specific to a particular line of insurance?

# Consumer, industry disagree on antifraud data charge

A proposed amended charge to address innovation and technology drew conflicting responses at the Antifraud (D) Task Force meeting.

Consumer representative Birnbaum suggested adding language that algorithms need to be reviewed for potential bias and the responses coordinated with the Big Data Working Group. Various industry groups opposed this, calling the new charge redundant and suggesting it properly belonged before Big Data.

Birnbaum responded that the charge was important and necessary since claims, as well as underwriting, relied on algorithms which are susceptible to bias, either intentional or unintentional. If the data for the thing you are trying to predict shows historic bias, then the prediction would also include bias, Birnbaum said.

Birnbaum went on to say that machine learning—algorithms changing themselves without any human interaction—raised accountability concerns. He said the industry groups were mischaracterizing the Big Data Working Group charges, and the proposed charges do not overlap.

Birnbaum added that the Big Data Working Group would not be looking at antifraud at least for a while, and that by looking at the specifics, this group could help inform the Big Data Working Group's activities. Industry groups strongly disagreed with Birnbaum.

The task force tabled any change pending a joint phone call with the Big Data Working Group at which stakeholders could make presentations. The task force will then make its decision.



Photo courtesy of the NAIC

# Best interest standard moves a step closer

A draft of proposed revisions to the Suitability in Annuity Transactions Model Regulation (#275) took center stage at the meeting of the Annuity Suitability (A) Working Group. There seemed to be some consensus among industry and regulators on a new best interest standard for annuity sales, however concerns were expressed by some, including producer representatives.

New standards would include broad compensation disclosure and record retention mandates, with all involved working in the best interest of the consumer. The comment period runs until January 22, 2018. The working group plans to then reconvene, review comments received, and vote. The goal is to have a recommendation for the Life Insurance and Annuities (A) Committee at the NAIC's spring meeting in March.

Reviewing the proposed Suitability and Best Interest Standard of Conduct in Annuity Transactions Model Regulation, some suggested that best interest should include suitability, so there was no need for both in the proposed new title. However NAIC staff informed the working group that suitability was kept in deference to state laws that already defined suitability, and because there were many other items referencing the NAIC suitability law.

A New York regulator said that the proposed best interest standard was not strong enough, and should be withdrawn and strengthened. The committee chair noted there was nothing that would stop an individual state from taking a model and making it stronger in its particular state. New York also reiterated its belief that the model should apply to life insurance.

Numerous stakeholders had their say. Consumer representative Birnbaum asked if the intent of the model was to change the nature and/or type of annuity sales, and if yes, how would that be monitored. The chairman replied that annuity sales had already been fundamentally changed, and the working group's goal was to weed out the problems of the past.

An ACLI representative said if the goal is uniform and consistent regulation across all platforms, he saw much that was encouraging in the draft. However he still had questions about definitions and compensation, including a 3 percent compensation disclosure standard listed in the draft. So too did a producer group representative.

The chair explained that the idea was his, and was intended to create a safe harbor for industry. He noted that the exact number

may not be the correct number and he was open to discussion, but wanted a threshold. He said the idea was to identify what should be considered a reasonable commission. The producer representative agreed that concern could be addressed in editing as he found the safe harbor concept positive.

Another producer group representative was less positive, asking if the working group could be moving too quickly towards a proposed April date. The document as written would face industry opposition in many states and "likely strong opposition by legislators," he said. He called the compensation disclosure mandates too broad and very concerning, and said the best interest definition should be tweaked.

"Conceivably this needle could be threaded, but it's a very narrow path," the representative said, adding that his group would provide written input. The chair solicited such input from all stakeholders.

A representative of the Insured Retirement Institute (IRI) flagged certain specifics, including issues with the control of third-party distribution. He expressed uncertainty about whether the suitability model was the right place to include training standards.

# International organization's new head conducts dialog with NAIC stakeholders

New IAIS Secretary-General Jonathan Dixon told the IAIS stakeholder gathering at the NAIC meeting that he was glad to be joining the organization and NAIC attendees at “an inflection point,” as the conclusion of the IAIS’s work on systemic risk in the ICS nears, but new challenges emerge. Dixon cited fintech, cybersecurity, sustainability, and climate risk as among the emerging areas of focus for the international insurance standard setter.

Briefing attendees on his organization’s work, Dixon told the crowd there would be a midyear consultation on ComFrame in its entirety in 2018, and that ComFrame was on schedule for mid-2019 adoption.

Dixon said that ICS v 1.0 went into extended field testing in July with 50 volunteers, and the IAIS is now analyzing results. The Kuala Lumpur ICS v 2.0 agreement on the timetable and various other measures was reached in response to calls for clarity from members and stakeholders as to what the implementation of ICS v 2.0 meant in practice, he said.

He reviewed the current timetable for ICS v 2.0, which included confidential reporting for five years, and 2025 implementation of the ICS as a prescribed capital requirement (PCR). The IAIS is continuing to collect stakeholder feedback, including at a January meeting in Nashville. Dixon said time was running short and the IAIS needed input from all stakeholders.

Addressing financial stability issues, Dixon said the IAIS had adopted a new work plan for systemic risk in February 2017, and was working on improving the global systemically important insurer (G-SII) methodology, achieving cross-sector consistency with banking, and on an activity-based approach (ABA) to systemic risk management. He said the IAIS would publish an interim consultation paper on ABA, hopefully by the end of 2017, with a final consultation paper sometime in 2018.

There will be a “more substantive” stakeholder meeting on ABA, probably in London sometime in January or February, Dixon said.

Among other plans, the IAIS hopes to launch a fintech forum for supervisors in 2018. This would help enable discussions on algorithms and artificial intelligence, among other issues. An application paper should be published next year on good supervisory practices on cyber risk and cybersecurity, and the organization also planned the 2018 development of lessons for supervisors on climate change, sustainability, and financial disclosure.

Dixon told the audience he saw implementation and assessment of supervisory standards and principles as the core of the IAIS mission.

Consumer representative Birnbaum asked about what he saw as a disparity between the focus on finance and on market regulation at the IAIS. Dixon replied that the IAIS had focused a lot of attention on financial stability issues after the financial crisis, but the hope was that as they managed those deliverables, they would be able to start rebalancing. Market conduct is a big part of the fintech focus, Dixon said.

A representative of the Property Casualty Insurance Association of America (PCI) called on the IAIS to increase stakeholder input at the working group level.

# Guaranty fund changes for LTC, HMOs

The Financial Condition (E) Committee approved changes to the guaranty fund system's long-term care assessment base through changes to the Life and Health Insurance Guaranty Association Model Act (#520). Assessments will now be split 50–50 between life and health, with HMOs being added to health. Additionally, there will now be coverage for HMO delinquencies.

Noting objections from one HMO, Financial Condition Committee Chair and Maine Insurance Commissioner Eric Cioppa said those objections had already been reviewed by regulators. He said that regulators started this process by looking at several alternatives and all were debated. He added that the 50–50 split provided a more equitable distribution of the assessment as opposed to a snapshot in time of the assessment base.

Consumer, health, and life sector groups all spoke in favor of the proposal, which will require a supermajority vote for adoption.



Photo courtesy of the NAIC

# Covered agreement to be discussed at hearing

With new clarity having been provided by the US Treasury Department on the impact on state insurance regulation of the covered agreement on reinsurance between the European Union and the US, regulators moved to the next step—managing that impact—at the meeting of the Reinsurance (E) Task Force.

New York Superintendent Maria Vullo announced a public hearing scheduled for February 20, 2018 in New York on the covered agreement. She asked for comments, saying regulators were looking for ideas on how states should respond to and implement the covered agreement.

One stakeholder suggested that the treatment extended to EU companies through the covered agreement should be extended to companies in other jurisdictions the NAIC deemed qualified.

Various stakeholders noted that while there were several issues, there was a way forward and they were willing to work with the NAIC as it sought to meet the five-year deadline imposed by the covered agreement.



Photo courtesy of the NAIC

# In brief

## Cyber sunsets

The Cybersecurity (EX) Working Group is no more. With the adoption of the Insurance Data Security Model Law, the group's purpose has been fulfilled, and it voted to recommend that it be disbanded. At its last meeting, the group heard an update on federal activity. This included the Treasury Department urging that all states adopt the model law. It also included notice that recent cyber events have led to a robust push in Congress for federal standards and preemption of state data protection laws.



Photo courtesy of the NAIC

## Principle-based reserving out

Count the Principle-Based Reserving (PBR) Implementation (EX) Task Force, the PBR Review (EX) Working Group, and the PBR Review Procedures (EX) Subgroup among the departed. At its final meeting, task force members voted to disband and move any new PBR-related tasks to Life Actuarial (A) Task Force (LATF) and the Financial Condition (E) Committee. Prior to its dissolution, the task force heard that the experience reporting project was on track for a mandatory January 1, 2020 effective date. LATF had already exposed the required changes to the valuation manual. The NAIC has created a submission data app, with 27 companies providing data since 2016. The NAIC continues to work with the Society of Actuaries (SOA) to aggregate experience data that will be used in underwriting and elsewhere.

## Accreditation standards adopted, postponed

The Financial Regulation Standards and Accreditation (F) Committee adopted the Corporate Governance Annual Disclosure Model Act (#305) and the Corporate Governance Annual Disclosure Model Regulation (#306) as additions to the Part A Accreditation Standards despite concerns expressed by two states about the acts. The models do not apply to risk retention

groups (RRGs) and have already been adopted by 19 states, the committee was told. The committee postponed adoption of the Insurance Holding Company System Regulatory Act (#440) as an addition to the Part A Accreditation Standards because of concerns as to which states should be covered. The committee had previously wanted the standard to apply only to lead states supervising an internationally active insurance group (IAIG), and there was pushback to the idea that legislatures outside those 18 states should be asked to adopt the model. In addition, the committee also deferred adoption of the Term and Universal Life Insurance Reserve Financing Model Regulation (#787) as an addition to the Part A Accreditation Standards because the covered agreement between the EU and the US affects model number 785 on which this is based.

## What's next in 2018:

- March 2-4: NCOIL Spring Meeting—Atlanta, GA
- March 24-27: NAIC Spring National Meeting—Milwaukee, WI
- May 14-15: NAIC International Forum—Washington, DC

# Health care update

While repeal, replace, or repair of the Affordable Care Act (ACA) has not come to fruition, the Health Insurance and Managed Care (B) Committee and its task forces and workgroups continued its focus on the impact of the regulatory changes at the federal and state levels, as well as on consumers. Getting educated is part of that process and NAIC staff will continue to work on developing a “pharmacy 101” so that state insurance regulators understand the pharmaceutical industry—manufacturing, prescription drug benefit management, and the role of pharmaceutical benefit managers.

The B committee meeting kicked off with a federal legislative and regulatory update, including state responses to federal action or inaction. Topics addressed potential impacts on individual market stability, including the cuts to ACA cost-sharing reduction payments and Executive Order 12866 concerning short-term, limited-duration health plans and association health plans.

The Regulatory Framework (B) Task Force continued its work on the Health Carrier Prescription Drug Benefit Management Model Act (#22). It also recommended that the work of the Accident and Sickness Insurance Minimum Standards (B) Subgroup begin again in early 2018, as it had been on hold throughout the year given the possibility of the federal ACA’s repeal and/or replacement. The task force reviewed and discussed the list of NAIC models affected by the federal ACA and decided to request comments from state insurance regulators and interested parties on the

prioritization of the models for review after it completes its work on the Accident and Sickness Insurance Minimum Standards.

As the ACA changes continue to be unsettled, the NAIC will need to continue to monitor the situation and help states respond.

*This summary was prepared by Lynn Friedrichs. For comments or suggestions, you may contact her at [lfriedrichs@deloitte.com](mailto:lfriedrichs@deloitte.com).*



Photo courtesy of the NAIC

# Accounting update

This section of the NAIC update focuses on accounting and reporting changes discussed, adopted, and exposed by the Statutory Accounting Principles (E) Working Group, the Accounting Practices and Procedures (E) Task Force, and the Financial Condition (E) Committee during the Fall 2017 National Meeting and interim conference calls. Substantive changes finalized during these meetings have explicit effective dates as documented below. All nonsubstantive changes finalized during these meetings are effective upon adoption unless otherwise noted.

## Statutory Accounting Principles Working Group

**Current developments:** The SAPWG adopted the following **substantive** amendment as final during the 2017 Fall National Meeting interim conference calls held October 12 and November 6.

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-24	SSAP No. 100R— <i>Fair Value</i>	P&C Life Health	Revisions allow net asset value (NAV) per share to be used as a practical expedient to fair value either when specifically named in an SSAP, or when specific conditions exist. These conditions mirror US-GAAP concepts, allowing the use of NAV or fair value to be consistent with US-GAAP. Although effective for 2018, early adoption is permitted.	Y	Y	2018

**Current developments:** The SAPWG adopted the following **nonsubstantive** amendments as final during the 2017 Fall National Meeting interim conference calls held October 12 and November 6.

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-23	SSAP No. 2R— <i>Cash, Cash Equivalents, Drafts and Short-Term Investments</i>  SSAP No. 103R— <i>Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i>	P&C Life Health	A wash sale is considered to have occurred when an asset is sold and the proceeds are reinvested within 30 days in substantially the same security.  Revisions adopted clarify that acquisitions and disposals of shares in money market mutual funds are not subject to the wash sale disclosures under SSAP No. 103R.	N	Y	2017
2017-05	SSAP No. 12— <i>Employee Stock Ownership Plans</i> ;  SSAP No. 104R— <i>Share-Based Payments</i>	P&C Life Health	Revisions adopt, with modification, recent US-GAAP guidance in ASU 2016-09, Improvements to Share-Based Payment Accounting that simplifies the accounting for share-based payments.  • Affects accounting for income taxes, forfeitures, the practical expedient for the expected term of the program, and the use of the intrinsic value for liability-classified award programs that currently are accounted for at fair value	Y	Y	2017
2017-17	SSAP No. 22— <i>Lease</i>	P&C Life Health	Revisions adopt recent US-GAAP updates in ASU 2017-10, Determining the Customer of the Operation Services, with modification, which clarify the “customer” in service concession arrangements.	N	N	2017

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-10	SSAP No. 26— <i>Bonds</i>	P&C Life Health	Revisions expand the definition of a “bank loan” to explicitly include bank loans directly issued by a reporting entity.	N	N	2017
2017-22	SSAP No. 43R— <i>Loan-Backed and Structured Securities</i>	P&C Life Health	Revisions remove outdated transition guidance pertaining to the 2009 substantive revisions related to impairment and to update the Question and Answer Implementation.	N	N	2017
2017-19	SSAP No. 68— <i>Business Combinations and Goodwill</i>  SSAP No. 90— <i>Impairment or Disposal of Real Estate Investments</i>	P&C Life Health	Revisions reject US-GAAP guidance related to intangibles and incorporates guidance pertaining to triggering events or examples for impairment assessment into SSAP No. 68.	N	N	2017
2016-48	SSAP No. 86— <i>Derivatives</i>	P&C Life Health	Revisions capture information on financing premiums in derivative contracts in the aggregate. <ul style="list-style-type: none"><li>• Narrative discussion (use, when due, fair value) required for year-end 2017</li><li>• Schedule DB – Derivatives will be updated to capture detailed disclosure requirements for 2018</li></ul>	N	Y	2017
2017-04	SSAP No. 86— <i>Derivatives</i>	P&C Life Health	Revisions clarify that variation margin changes shall NOT be recognized as a settlement until the derivative has terminated or expired.  Effective January 1, 2018, for entities that previously accounted for these margin changes as settlements.	Y	N	2017
2017-14	SSAP No. 92— <i>Postretirement Benefits Other Than Pensions</i>  SSAP No. 102— <i>Pensions</i>	P&C Life Health	Revisions reject US-GAAP guidance in ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost related to disaggregation of benefit costs and related presentation changes.	N	N	2017
2017-20	SSAP No. 97— <i>Investments in Subsidiary, Controlled and Affiliated Entities</i>	P&C Life Health	Revisions clarify that the limited statutory adjustments detailed in paragraph nine are required for all foreign insurance SCA entities regardless of whether they have an audited US-GAAP or audited foreign statutory basis financial statement.	Y	N	2017
2017-16	SSAP No. 104R— <i>Share-Based Payments</i>	P&C Life Health	Revisions adopt clarifications from US-GAAP related to modification accounting for share-based payments (2017-16). <ul style="list-style-type: none"><li>• Provides guidance for the exceptions to modification accounting</li><li>• Clarifies requirements that short-term inducements are accounted for as modifications</li><li>• Clarifies that when an equity restructuring or a business combination occurs, modification accounting applies, if applicable</li></ul> Effective January 1, 2018, with early adoption permitted.	N	N	2017
2017-26	SSAP No. 107— <i>Risk-Sharing Provisions of the Affordable Care Act</i>	Health	Revisions relate to programs specific to the Affordable Care Act and reflect high-cost risk pool claims reimbursements as increases to premium.	Y	N	2018

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-29	<i>INT 17-01: Extension of Ninety-Day Rule for the Impact of Hurricane Harvey, Hurricane Irma and Hurricane Maria</i>	P&C Life Health	Revisions allow for an optional, temporary 60-day extension of the normal 90-day rule for nonadmission for uncollectible premium and agents' balances in paragraph nine of SSAP No. 6 for policies impacted by Hurricanes Harvey, Irma, and Maria.	Y	N	2017
2017-15	<i>Appendix D – GAAP Cross-Reference to SAP</i>	P&C Life Health	Revision rejects US-GAAP related to accounting requirements for investment companies.	NA	NA	NA

The SAPWG exposed the following items for written comments (due by January 19, 2018) by interested parties:

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-32	<i>SSAP No. 30—Unaffiliated Common Stock</i>	P&C Life Health	<b>Substantive</b> – Exposed revisions related to the Investment Classification Project to clearly identify items outside of the definition of a common stock, but within the scope of the guidance to identify closed-end funds and unit-investment trusts within scope of the standard. Guidance is anticipated to require closed-end funds to be reported at fair value (as they are sold on the secondary market similar to common stock), with unit-investment trusts required to be reported at net asset value (as they are redeemable back to the trust at NAV).	Y	N	TBD
2017-21	<i>SSAP No. 41—Surplus Notes</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed revisions to clarify that a subsidiary, controlled or affiliated entity's (SCA) direct or indirect acquisition of a surplus note issued by the parent entity shall always be eliminated in the SCA's value reported by the parent insurance company.	Y	N	TBD
2017-37 2016-19	<i>SSAP No. 47—Uninsured Plans</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed revisions reject recent GAAP guidance related to revenue recognition as follows: <ul style="list-style-type: none"> <li>• ASU 2014-09, Revenue from Contracts with Customers</li> <li>• ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date</li> <li>• ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing</li> <li>• ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)</li> <li>• ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients</li> </ul>	NA	NA	NA
2017-35	<i>SSAP No. 49—Policy Loans</i> <i>SSAP No. 56—Separate Accounts</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed requests for comments on various items related to accounting and presentation of policy loans: <ul style="list-style-type: none"> <li>• Presentation (asset or contra liability)</li> <li>• General versus separate account issues</li> </ul>	TBD	TBD	TBD

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-18	SSAP No. 68— <i>Business Combinations and Goodwill</i>	P&C Life Health	<b>Nonsubstantive</b> – Previously, the working group considered additional nonadmission requirements. The current exposure is focused on additional disclosure to capture the percentage of goodwill to total equity in the investment.	N	Y	TBD
2016-48	SSAP No. 86— <i>Derivatives</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed revisions capture individual contract disclosures for derivatives with financing premiums.	N	Y	TBD
2017-30	SSAP No. 92— <i>Postretirement Benefits Other than Pensions</i>  SSAP No. 102— <i>Pensions</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed revisions remove the Level 3 fair value reconciliation disclosure for plan assets.	N	Y	TBD
2017-31	SSAP No. 103R— <i>Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed revisions: <ul style="list-style-type: none"> <li>Exclude all cash equivalents, all derivative instruments, and short-term investments with credit assessments equivalent to an NAIC 1 or NAIC 2 designation from the wash sale disclosure requirements</li> <li>Clarify that the wash sale disclosure shall be captured in the period in which the investment was sold</li> </ul>	N	Y	TBD
2017-36	Appendix B— <i>Interpretations of Statutory Accounting Principles: INT 02-22—Accounting for the US Terrorism Risk Insurance Program</i>  Appendix H— <i>Superseded SSAPs and Nullified Interpretations—INT 09-08—Accounting for Loans Received under the Federal TALF Program</i>	P&C Life Health	<b>Nonsubstantive</b> – Exposed revisions update the interpretation to remove the expiration date and note that the interpretation is in effect as long as the federal Terrorism Risk Insurance Act (TRIA) program is in effect. In addition, the exposure updates and nullifies INT 09-08, as there are no longer any loans outstanding under the Federal Reserve's Term Asset-Backed Securities Loan Facility program.	N	N	TBD

The SAPWG also took the following actions, received updates, and provided direction to NAIC staff on the following items:

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2016-02	SSAP No. 22— <i>Leases</i>	P&C Life Health	<b>Nonsubstantive</b> – Directed a review of the proposed guidance for leases in accordance with the industry comments to determine further revisions for consideration. The existing modifications to US-GAAP guidance in current statutory accounting (e.g., operating lease concept) continue to be retained.	TBD	TBD	TBD
2017-25	SSAP No. 26— <i>Loans</i>	P&C Life Health	<b>Substantive</b> – Directed the preparation of a referral to be set to the Valuation of Securities (E) Task Force, the Capital Adequacy (E) Task Force, and the Blanks (E) Working Group inquiring whether all entities should have the ability to report NAIC designations on Schedule BA – Other Long-Term Invested Assets, as permitted by life and fraternal insurance companies, to obtain improved risk-based capital requirements for certain investments.	NA	NA	NA

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2017-28	SSAP No. 61R— <i>Life, Deposit-Type and Accident and Health Reinsurance</i>  SSAP No. 62R— <i>Property and Casualty Reinsurance</i>  Appendix A-791— <i>Life and Health Reinsurance Agreements</i>	P&C Life Health	<b>Substantive</b> – This item relates to regulator concerns for reinsurance contracts that include risk-limiting features and the appropriate amount of reinsurance reserve credit that should be taken by ceding entities. The Working Group directed continued work with industry representatives, via informal drafting calls, to refine the proposed guidance for future consideration.	TBD	TBD	TBD
2017-33	SSAP No. 86— <i>Derivatives</i>	P&C Life Health	<b>Nonsubstantive</b> – Directed a review of existing derivative guidance in light of targeted improvements included in recent GAAP updates.	TBD	TBD	TBD
2016-20	Various SSAPs	P&C Life Health	<b>Substantive</b> – Directed the drafting of substantive revisions to adopt, with modification, ASU 2016-13, Financial – Credit Losses and replace the “incurred loss model” with an “expected loss” concept in statutory accounting. The working group noted that the proposed guidance would likely incorporate US-GAAP concepts for recognizing expected credit losses, but that specific exclusions and modifications would need to be considered in developing an approach that is appropriate under statutory accounting.	Y	TBD	TBD
2016-03	<i>Special Accounting Treatment for Limited Derivatives Hedging Variable Annuity Guarantees</i>	Life	<b>Substantive</b> – This item relates to the work performed by the Variable Annuity Issues (E) Working Group and the charge from that group to the SAPWG to consider “hedge accounting treatment” for certain limited derivatives (macro hedges) that do not meet hedge effectiveness requirements related to variable annuity products and associated guaranties.  The working group is working with industry groups to get additional information on prior comments and suggested language.  Discussion is expected to continue during the interim period.	Y	Y	TBD
2017-12	SSAP No. 41R— <i>Surplus Notes</i>	P&C Life Health	<b>Substantive</b> – Directed continued development of guidance related to the issuance of a surplus note at a discount or zero coupon to consider comments received.	TBD	TBD	TBD

This summary was prepared by John Tittle, Lynn Friedrichs, Diane Craanen, and Ed Wilkins. For your comments and suggestions please contact the authors: johntittle@deloitte.com, lfriedrichs@deloitte.com, dcraanen@deloitte.com, or ewilkins@deloitte.com.

# Contacts

## **Gary Shaw**

Vice Chairman  
US Insurance Leader  
Deloitte LLP  
+1 973 602 6659  
gashaw@deloitte.com

## **Howard Mills**

Managing Director  
Global Insurance  
Regulatory Leader  
Deloitte Services LP  
+1 212 436 6752  
howmills@deloitte.com

## **Richard Godfrey**

Principal  
US Insurance Risk &  
Financial Advisory Leader  
Deloitte & Touche LLP  
+1 973 602 6270  
rgodfrey@deloitte.com

## **Rick Sojkowski**

Partner  
Insurance Professional  
Practice Director  
Deloitte & Touche LLP  
+1 860 725 3094  
rsojkowski@deloitte.com

## **George Hanley**

Managing Director  
Deloitte & Touche LLP  
+1 973 602 4928  
ghanley@deloitte.com

## **Contributors**

### **John Tittle**

Senior Manager  
Deloitte & Touche LLP  
+1 312 486 5486  
johntittle@deloitte.com

### **Lynn Friedrichs**

Partner  
Deloitte & Touche LLP  
+1 813 273 8342  
lfriedrichs@deloitte.com

### **Diane Craanen**

Managing Director  
Deloitte & Touche LLP  
+1 312 486 3625  
dcraanen@deloitte.com

### **Bryan Berkowitz**

Senior Manager  
Deloitte & Touche LLP  
+1 973 602 4578  
bberkowitz@deloitte.com

### **Ed Wilkins**

Partner  
Deloitte & Touche LLP  
+1 402 444 1810  
ewilkins@deloitte.com

### **David Armstrong**

Senior Manager  
Deloitte Consulting LLP  
+1 804 343 8569  
daarmstrong@deloitte.com

## **Senior editor**

### **Andrew N. Mais**

Senior Manager  
Deloitte Center for Financial Services  
Deloitte Services LP  
+1 203 761 3649  
amais@deloitte.com

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