NAIC update: Fall 2019 National Meeting

More than 2,000 attendees donned their cowboy boots and hats for the 228th session of the National Association of Insurance Commissioners' (NAIC) triannual conference in Austin, Texas, in December.

NAIC president and Maine insurance superintendent Eric A. Cioppa welcomed his fellow commissioners and attendees and introduced his successor, president-elect Director Raymond G. Farmer, with a loud round of applause. With a meeting theme of "Bigger in Texas," President Cioppa highlighted that the global insurance market was also "big," with more than $1.2 trillion in net written premiums. He noted the size of the NAIC, with 56 members supported by approximately 500 NAIC staff and state insurance regulators numbering nearly 11,000.

Director Farmer was joined by Florida insurance commissioner David Altmaier, newly appointed president-elect, Idaho insurance director Dean L. Cameron as vice president, and Missouri insurance director Chlora Lindley-Myers as the newly appointed secretary-treasurer. From the ongoing issues of our world's changing climate to the burgeoning technology of artificial intelligence (AI), the final NAIC meeting to close out the decade was filled with innovation, development, and progress.

As the Texas two-step began, regulators and interested parties started to focus on the issues of the day and the future. But one issue was at the top of the agenda in 2020, and the outgoing President Cioppa noted in his opening remarks that President Farmer would be taking on climate risk and resiliency as his top issue. Cioppa remarked, "History will not forgive complacency."

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Continuing the conference theme, President Cioppa referenced the phrase "go big or go home," highlighting that 2019 had been a year when the NAIC had "gone big" in typical Texas fashion. This statement referenced both domestic and international priorities. The NAIC continues to make progress on the strategic priorities that President Cioppa laid out at the 2019 Summer National Meeting, which he highlighted again during his opening remarks:

- **Annuity suitability:** President Cioppa highlighted the importance of the annuity market for many Americans, noting that suitability was an important aspect with regulation through a model law having been in place since 2003. The year 2019 has seen continued engagement to deliver revisions to the NAIC Suitability Model that are consistent with market trends and complementary with regulatory action being taken at the federal level.
- **Long-term care insurance:** Continuing the theme of suitability for the consumer and the issues of solvency and stability in the long-term care market, regulators have continued to chip away at this complex issue. President Cioppa highlighted the need for innovation and fresh thinking in this space to continue the productive dialogue.
- **Health insurance:** Continues to be an area of focus for insurance regulators. The NAIC continues to support member efforts to stabilize health insurance markets. President Cioppa described the strength of the state-based system being able to "serve as laboratories of innovation," highlighting the customer-focused nature of reforms.
- **Climate change and resiliency:** Describing climate change as a "generational priority," President Cioppa noted that the incoming President Farmer would make climate change and resiliency his top issue. Climate-related events are becoming more frequent and costly, and there is a need for protection of consumers and businesses. The NAIC is committed to being part of the solution.
- **Data, innovation, and cyber:** Technology-based innovations continue to present regulatory challenges. The NAIC and state regulators are seeking to respond with regulatory enhancements, such as the adoption of the NAIC Cyber Model Act. Education is an important component, and the NAIC is supporting these endeavors. As data usage, data privacy, and other technology issues (such as AI) continue to evolve, so will the application of learning and policy development by regulators.
- **Group Capital Calculation (GCC):** The NAIC has finalized its development of specifications for a GCC. The NAIC's methodology largely aligns with the Federal Reserve's building-block approach. Once finalized, the GCC will allow for the additional assessment of group risks and solvency across insurers.
- **International Capital Standard:** The United States does not plan to implement the referenced ICS. In its pursuit of protection for both consumers and companies that engage globally, the NAIC believes it now has a clear path ahead. Describing intense international challenges and pressures during its International Association of Insurance Supervisors (IAIS) negotiations, the NAIC has secured its objectives for the next stage of development with its aggregation method.
- **Macroprudential initiative:** The NAIC has several macroprudential initiatives, as noted during the fall meeting. President Cioppa highlighted the work being undertaken for liquidity risk, with a focus on life insurers. This work will give regulators additional data points when assessing the risk and financial strength of insurers they regulate.

In concluding his remarks, President Cioppa encouraged regulators to back President-Elect Farmer in supporting the state-based system of regulation that has been in place for more than 150 years.

Photo courtesy of the NAIC

Best interest and suitability

The Annuity Suitability Working Group of the Life Insurance and Annuities Committee met on Saturday, December 7, 2019, to review and discuss a draft of proposed revisions to the Suitability in Annuity Transactions Model Regulation (#275), which would "require insurers to establish a system to supervise recommendations and to set forth standards and procedures for recommendations to consumers that result in transactions involving annuity products so that the insurance needs and financial objectives of consumers at the time of the transaction are appropriately addressed." [1]

Comments that had been submitted in response to the working draft by September 30, 2019, were also addressed and considered. A motion was put forth to adopt the revisions made based on these comments to the Life Insurance and Annuities Committee for its consideration, which was summarily adopted.

It was noted that model regulation #275 was an important part of the consumer protection tool kit, but it is not a "silver bullet" regulation. Documentation will be critical to enable the evidencing of best interest.

NAIC president-elect Director Farmer

Photo courtesy of the NAIC

Privacy

During the NAIC fall meeting, the Privacy Protections Working Group focused on reviewing presubmitted comments on the following pieces of proposed legislation:

- The NAIC Insurance Information and Privacy Protection Model Act
- The Privacy of Consumer Financial and Health Information Regulation
- The General Data Protection Regulation
- The California Consumer Privacy Act

The working group also reviewed state data privacy legislation at large. Representatives of the Center of Economic Justice held the floor during the comment period and voiced concerns regarding consumers' digital rights, as well as the growth of unregulated data services, which are not currently under federal reporting jurisdiction.
The committee voted on each proposed amendment, and the working drafts are now waiting on feedback from working groups.

Artificial intelligence (AI)

The burgeoning field of AI proved a hot topic at the NAIC fall meeting. As the insurance industry grapples with how best to address the numerous potential impacts of this technology, the commissioners, led by Commissioner Godfread, chair, explored AI principles put forth by the Organisation for Economic Cooperation and Development (OECD). The hope is that these proposed principles may serve as a foundation for the approach to AI by the insurance industry in the near future. As the NAIC kicks off its work to consider AI and how regulators may respond, input was encouraged from all stakeholders, including insurance companies, state commerce departments, and insurance associations. It was clear from the meeting that this is just the beginning of the work to develop a regulatory tool kit to respond to the increasing use of AI and the consideration of its impact on consumers and the insurance market.

Group Capital domestic and international developments

The Group Capital Calculation (E) working group heard a summary presentation of results from the latest round of GCC field testing. With 32 submissions from participants, the NAIC and state leads are currently providing individual feedback on submissions. Feedback has resulted in changes to the GCC template and additional clarification within the template instructions document (i.e., the definition of a financial versus nonfinancial entity and how financial instruments should be reported). Continued areas of focus include the definition of an insurance group and the capital treatment of the respective parts, eligible capital instruments and their inclusion, and the use of scalars.

There continued to be some confusion from participants at the meeting on the application of the GCC, its relationship to the Aggregation Method (AM), and the potential application of any prescribed capital requirement (PCR). Concern was expressed equally regarding the confidentiality of reporting and on the IAIS's work with a public designation process of internationally active insurance groups (IAIGs), to whom the ComFrame may apply.

The NAIC adopted a request to develop a model law related to the GCC.

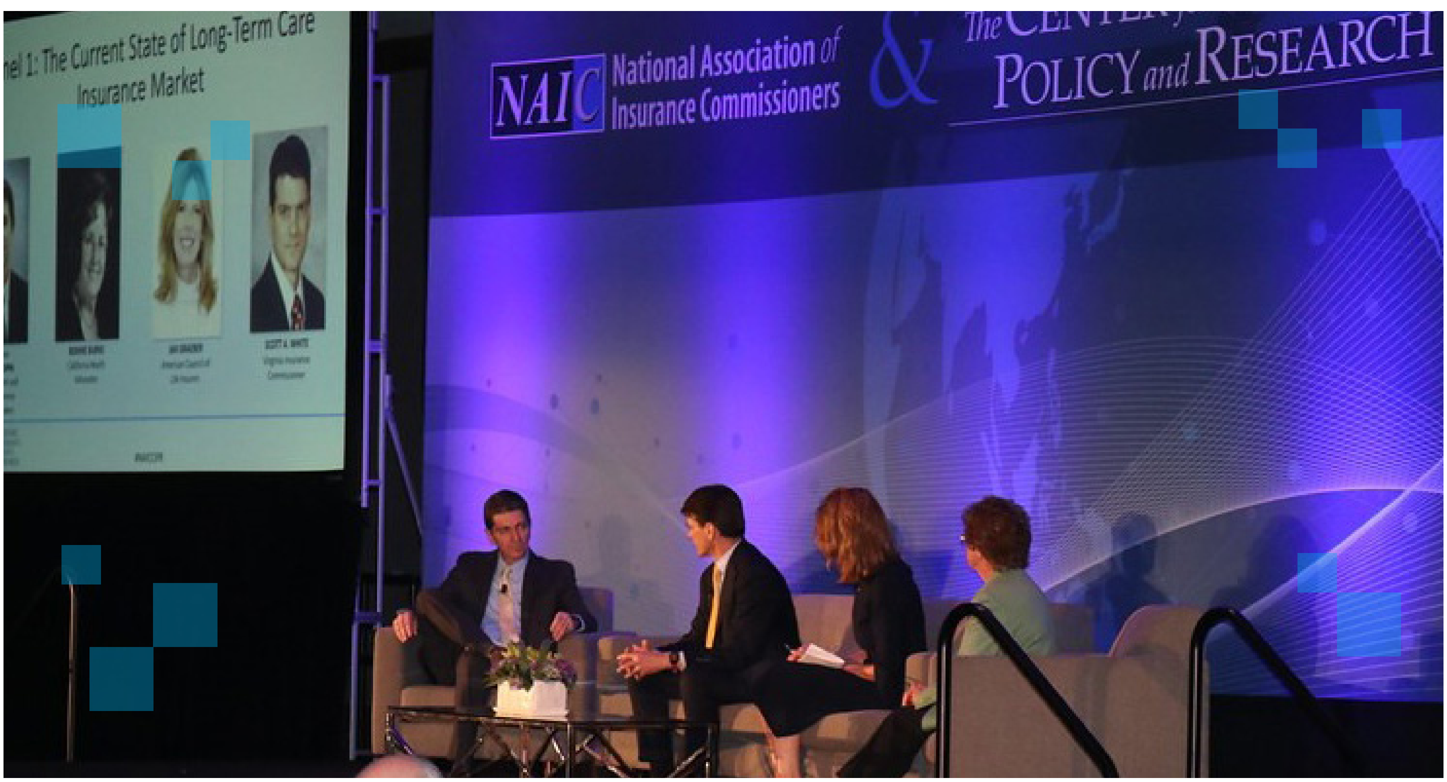

Photo courtesy of the NAIC

Life Actuarial Task Force (LATF)

The Life Actuarial Task Force (LATF) heard an update from the yearly renewable term (YRT) Field Test Project Oversight Group on the upcoming YRT reinsurance reserve credit field test. With regard to the modeling of nonguaranteed reinsurance, a formulaic approach was adopted for the 2020 Valuation Manual on an interim basis. Oliver Wyman was selected to support an industry field test in order to develop a long-term principles-based approach. The LATF hopes to include this update in the 2021 Valuation Manual.

The LATF heard updates from the Academy Annuity Reserves Work Group (ARWG) and SVL Interest Rate Modernization Work Group (SVLIRMWG) related to VM-22. The ARWG discussed a proposal for a revised nonvariable (fixed) annuity principle-based reserve (PBR) framework. Fixed deferred annuities (including fixed indexed annuities) and payout annuities are proposed to be in scope. These updates are proposed to be effective in 2023. SVLIRMWG is working to develop valuation rates to be used by products that pass the exclusion test. The proposed framework will use US treasuries plus VM-20 spreads as a reference index to update the valuation rates quarterly.

The Life Mortality Improvement Subgroup discussed changes to the current approach to update the VM-20 and AG-38 mortality improvement scale annually. Recommended updates to the current approach include the development of a consistent framework across use and products and a prescribed methodology to remove material actuarial judgment from the development of the updated scale. Further, a prescribed methodology would allow for scale updates to be made without formal annual approval from the LATF.

The LATF exposed four Valuation Manual amendments:

- **APF 2019-33** proposes that certain group life certificates that are marketed, underwritten, and solicited in a manner similar to individual life policies are to be subject to the same Valuation Manual requirements as individual life policies.
- **APF 2019-60** removes the requirement of a single credibility method for all business subject to PBR.
- **APF 2019-61** clarifies that the life PBR exemption cannot be applied to a policy with a material secondary guarantee, regardless of whether the secondary guarantee is a rider or is part of the base policy.
- **APF 2019-62** recommends requirements for disclosure and reporting of conversion reserves.

Finally, the LATF received an update from the Indexed Universal Life (IUL) Illustration Subgroup related to proposed modifications to AG 49 that will increase consistency of illustrations between policies with multipliers and policies without multipliers. There was debate and discussion around comments received from industry members. The Task Force voted for the IUL Illustration Subgroup to revise AG 49 to subject cap buy-ups and index return enhancements to constraints reasonably similar to the constraints to be applied to multipliers.

Photo courtesy of the NAIC

Long-Term Care Actuarial Working Group (LTCAWG)

The Long-Term Care Actuarial Working Group (LTCAWG) adopted the reports of both the Long-Term Care Pricing Subgroup and the Long-Term Care Valuation Subgroup. Included was some discussion on group long-term care insurance pricing and adopted guidance for year-end 2019 *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long Term Care Insurance Reserves* (AG 51) filings. The Academy also provided an update on Long-Term Care Insurance Working Group activities.

Health Actuarial Task Force (HATF)

The Health Actuarial Task Force (HATF) heard an update from the federal Center for Consumer Information and Insurance Oversight (CCIIO) on the risk adjustment data validation (RADV) white paper released on December 6, 2019. Comments on this white paper were due January 6, 2020.

Casualty Actuarial and Statistical Task Force (CASTF)

The Casualty Actuarial and Statistical Task Force (CASTF) adopted the report of the Actuarial Opinion Working Group. The Working Group adopted the annual *Regulatory Guidance on Property and Casualty Statutory Statements of Actuarial Opinion* (Regulatory Guidance) in October 2019.

CASTF also discussed the proposal for revised 2020 actuarial opinion instructions to implement the CAS and SOA appointed actuary continuing education (CE) verification process. While the CE requirements will not change, the log format and instructions are being developed with a consistent format in order to facilitate the consolidation of CE categorization.

Big Data Working Group

The Big Data Working Group continued some prior discussion on the use of data in fraud detection and claim settlements. The Insurance Services Office (ISO) and National Insurance Crime Bureau (NICB) presented on this topic. The working group further discussed views on whether regulators have the appropriate authority under existing laws and regulations.

The CASTF gave an update on its draft white paper on best practices for the regulatory review of predictive analytics. They are currently addressing comments received during the exposure period.

The Accelerated Underwriting Working Group provided an update on its work plan to consider the use of data in accelerated life underwriting, with a goal to develop a work product by the 2020 Fall National Meeting.

Photo courtesy of the NAIC

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 (SAPWG), the Accounting Practices and Procedures (E) Task Force, and the Financial Condition (E) Committee during the 2019 fall meeting. 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 (SAPWG)

Current developments: The SAPWG did not adopt any ***substantive*** items during the 2019 fall meeting.

Current developments: The SAPWG adopted the following ***nonsubstantive*** items as final during the 2019 interim period and fall meeting.

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date

2017-28	*SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*
	
	Appendix A-791, Life and Health Reinsurance
		Life Health	Adopted revisions to SSAP No. 61R disclosure requirements and revisions that expand Appendix A-791 question-and-answer section regarding the following:
			• Disclosures to be included in the annual audit report financial statements and supplemental schedules
			  · Contracts subject or not subject to A-791 that include provisions that limit the reinsurer's assumption of significant risk (deductible, loss ratio corridor, loss cap, aggregate limit, or similar effect);
			  · Number or applicable contracts;
			  · Affirmative indication of whether deposit accounting was applied to applicable contracts, or if reinsurance credit was reduced accordingly for applicable contracts not subject to A-791;
			  · Provisions and a schedule of deferred payments;
			  · Identify if there are differences between GAAP and SAP treatment.
			  · Effective December 31, 2020.
			• Treatment of contracts subject to the medical loss ratio (MLR), effective December 7, 2019.
			• An Appendix A-791 question-and-answer regarding the treatment of group term life yearly renewable term (YRT) agreement, effective January 1, 2021.
			  · Clarifies that any provisions in the YRT reinsurance agreement for group term life that allows the reinsurer to charge reinsurance premiums in excess of the proportionate premium received by the ceding insurer are considered unreasonable and prohibits reinsurance accounting.
				Y	Y	Various

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2019-12	*SSAP No. 68—Business Combinations* *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*	P&C Life Health	Adopted the following revision: • Goodwill resulting from an insurance reporting entity's acquisition of a noninsurance subsidiary, controlled and affiliated entity (SCA) when pushdown accounting is applied, is included in the goodwill admittance limitation. *NOTE: Exposure regarding applicability of GAAP pushdown accounting for SAP was re-exposed for further consideration and discussion.*	Y	N	2019
2019-29	*SSAP No. 68—Business Combinations* *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*	P&C Life Health	Adopted revisions rejecting *ASU 2019-06, Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities* for statutory accounting.	N	N	2019
2019-18	*SSAP No. 86—Derivatives*	P&C Life Health	Adopted revisions clarifying that "other" derivatives not used in hedging, income generation, or replication transactions are reported at fair value and nonadmitted. This item originated from the guidance for structured notes adopted earlier this year.	Y	N	2019
2019-23	*SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*	P&C Life Health	Adopted revisions clarifying that if an unalleviated going concern is noted in the audited financial statements or audit opinion, the SCA is nonadmitted. This item ensures nonadmission of SCA entities with unalleviated going concern conditions.	Y	N	2019
2019-28	*SSAP No. 100R—Fair Value*	P&C Life Health	Adopted revisions rejecting *ASU 2019-05, Targeted Transition Relief* related to US GAAP guidance for credit losses (CECL), as the guidance related to the election of the fair value option is not applicable to statutory accounting. NAIC evaluation of applicability of *ASU 2016-13, Measurement of Credit Losses on Financial Instruments* for statutory accounting remains ongoing and will be discussed during 2020.	N	N	2019
2019-22	*SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*	P&C Life Health	Adopted revisions to clarify that only investments that meet the definition of a wash sale in accordance with *SSAP No. 103R* cross reporting period-end dates would be subject to the wash sale disclosure.	Y	Y	2019
2019-19	*Supplemental Investment Risk Interrogatory*	P&C Life Health	Adopted revisions to clarify information captured in *Line 13: 10 Largest Equity Interests*, noting that a look-through approach should only occur for nondiversified funds.	N	Y	2020

Ref#	Title	Sec.	Amendments adopted	F/S impact	Disclosure	Effect. date
2019-26	*Appendix A—Excerpts of NAIC Model Laws*	P&C Life Health	Adopted revisions to incorporate changes to *Appendix A-785, Credit for Reinsurance* related to the "Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance" (EU Covered Agreement) and the "Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance" (UK Covered Agreement), collectively the Covered Agreement adopted to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786).	Y	N	2019
2019-30 2019-31	*Appendix D—Nonapplicable GAAP Pronouncements*	P&C Life Health	Adopted revision rejecting the following ASUs as not applicable to statutory accounting: • ASU 2019-03, Updating the Definition of Collections • ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made	N	N	2019
2019-27E	*SSAP No. 62R—Property and Casualty Reinsurance* *SSAP No. 86—Derivatives* *SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*	P&C Life Health	Adopted the following editorial revisions to statutory accounting: • SSAP No. 62R – Revisions clarify wording in an existing disclosure • SSAP No. 86 – Revisions reference the definition of a structured note in SSAP No. 26R—Bonds • SSAP No. 97 – Revisions add two new suffixes for Securities Valuation Office (SVO) filings that have been carried over from the prior year	N	Y	2019

The SAPWG exposed the following items for written comments (due by January 31, 2020) by interested parties:

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2019-04	*SSAP No. 32—Preferred Stock*	P&C Life Health	***Substantive*** – Re-exposed proposed revisions to accounting and reporting guidance for preferred stock to reflect the following key elements, as noted within the issue paper: • Proposed changes to the definition of preferred stock to be consistent with the NASDAQ definition (as it is more encompassing of the characteristics of preferred stocks), with inclusion of information from US GAAP for classifying preferred stock as redeemable or perpetual. The proposed revisions also incorporate a new exhibit to capture various terms prevalent in preferred stock. • Proposed revisions to the measurement guidance to ensure appropriate, consistent measurement based on the type of preferred stock held and the terms of the preferred stock (generally fair value with applicable limits). The revisions also incorporate guidance for mandatory convertible preferred stock. • Incorporates revisions to clarify impairment guidance, as well as guidance for dividend recognition and redemption of preferred stock with the issuer.	Y	N	TBD
2019-25	*SSAP No. 105—Working Capital Finance Investments*	P&C Life Health	***Substantive*** – The SAPWG received a referral regarding industry recommended revisions. The Working Group reviewed the request and exposed proposed revisions in SSAP No. 105. The Working Group also requested the drafting of an issue paper for future discussion. • Removing the requirement for the SVO to determine if the International Finance Agent is the functional equivalent of the US Regulator; • Remove the finance agent prohibitions on commingling; • Remove duplicative text regarding exercise of investor rights; • Remove requirements related to filer certification of the perfected interest allowing the SVO to determine if a priority perfected interest has been obtained; • The Finance Agent validation requirement is broadened to allow independent review by either audit or internal control report; • The default provisions are increased from 15 to 30 days to be consistent with the cure period.	Y	TBD	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2019-42	*SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments*	P&C Life Health	***Nonsubstantive*** – Cash pooling (liquidity bundling, or liquidity pools) is a special form of liquidity management in which entities within a corporate group pool cash resources in order to make a more efficient use of idle cash. Exposed proposed revisions to specify that cash pooling structures meeting the following criteria qualify as cash equivalents under SSAP No. 2R, rather than potentially nonadmitted: • Members or participants in the pool are limited to affiliated entities. • Investments held by the pool are limited to nonaffiliated investments. • The pool must permit each participant to withdraw, at any time, cash up to the amount it has contributed. • Each participant must own an undivided interest in the underlying assets of the pool proportional to the aggregate amount of cash contributed. • All membership interests shall be fully paid and nonassessable and shall have no preemptive, conversion, or exchange rights. • The liability of a participant's debt and obligations of the pool shall be limited to the amount of its contributions, and no participant shall be obligated to contribute money to the pool for any reason other than to participate in the pool's investments. • Participants shall not cover the debits or credits of another participant. • An audited US GAAP annual report of the cash pool and schedules showing each affiliate's prorated share of investments shall be provided annually to each participant as of year-end. • Reporting entity determines classification of its prorated share of the investments based on whether the investments would have qualified as cash, cash equivalents, or short-term investments had the entity independently acquired the investments.	Y	TBD	TBD
2019-20	*SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*	P&C Life Health	***Nonsubstantive*** – Re-exposed updated proposed revisions to restrict investments from being reported as cash equivalents or short-term investments when maturities are designed to continuously roll into another period. • Existing guidance requires classification to be determined based on maturity at acquisition date. • When investments of this design continue to be reported as cash equivalents or short-term investments, but roll into another maturity period past the original maturity date, unintended effects to risk-based capital and NAIC designation can occur.	TBD	Y	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2019-47	*SSAP No. 3—Accounting Changes and Corrections of Errors* *SSAP No. 51R—Life Contracts*	Life	***Nonsubstantive*** – Section 21 of the Valuation Manual Requirements for Principle-Based Reserves for Variable Annuities (VM-21), which provides comprehensive updates to the Commissioners Annuity Reserve Valuation Method of reserving for variable annuities, was revised earlier this year. In addition, Actuarial Guideline XLIII CARVM For Variable Annuities (AG 43) was also revised, providing overall enhancements to the variable annuity framework. These revisions require changes to SSAP No. 51. These changes to the variable annuity reserving framework update the principles and methodology and apply retroactively. Exposed proposed revisions: • Accounting guidance related to the grade-in provisions included in VM-21, section 21; • Disclosure requirements illustrating the grade-in provisions and effects on surplus given varying grade-in provision options and timing. • Proposed effective date for these changes is January 1, 2020.	Y	Y	TBD

2019-43	*SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*
	
	SSAP No. 72—Surplus and Quasi-Reorganizations
	
	SSAP No. 86—Derivatives
		P&C
		Life
		Health
			Nonsubstantive – This agenda item is addressing US GAAP guidance included in *ASU 2017-11, Accounting for Certain Financial Instruments with Down Round Features; Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Noncontrolling Interests with a Scope Exception*.
			
			ASU 2017-11 addresses issues with certain financial instruments having characteristics of both liabilities and equity, specifically down round features allowing for the reduction in the strike price generally associated with conversion options.
			
			Exposed proposed revisions to:
			
			• Reject ASU 2017-11 in SSAP No. 86;
			
			• Include guidance within SSAP No. 5R related to US GAAP guidance for financial instruments with characteristics of both liabilities and equity:
			
			    ◦ Issuers – Liability recognition if meeting certain criteria
			
			    ◦ Holders – determined based on the applicable investment SSAP
			
			• Clarification of Capital Stock in SSAP No. 72 referring to SSAP No. 5R for liability recognition requirements. No Equity recognition.
				Y	TBD	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2018-26	*SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets* *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*	P&C Life Health	***Nonsubstantive*** – Re-exposed updated proposed revisions expanding guidance regarding financial guarantees and the use of the equity method when losses exceed the equity value. • With the revisions, the equity value of an SCA would not go negative and guarantee liabilities would be reported to the extent that there is a financial guarantee or commitment at the greater amount of the fair value of the guarantee or the negative equity position, limited to the maximum amount of the financial guarantee or commitment. • The "Illustration of the Application of INT 00-24" will be inserted into SSAP No. 97 as Exhibit F.	Y	TBD	TBD
2019-33	*SSAP No. 25—Affiliates and Other Related Parties*	P&C Life Health	***Nonsubstantive*** – Exposed proposed conversion of existing narrative disclosures into a data-captured table format.	N	N	TBD
2019-34	*SSAP No. 25—Affiliates and Other Related Parties*	P&C Life Health	Exposed proposed revisions to identify complex corporate structures and incorporate new disclosures, as outlined below: (2019-34) • Require consistent classification of related parties for SAP as provided by US GAAP and the SEC; • Removes the current guidance related to the rebuttable presumption of control at 10%; • Requires related party classification and disclosure under SSAP No. 25, regardless of impact of disclaimer of control or affiliation under SSAP No. 97; • Proposes rejection of numerous US GAAP standards addressing variable interest entity accounting and reporting.	Y	Y	TBD
2019-37	*SSAP No. 41R—Surplus Notes*	P&C Life Health	***Nonsubstantive*** – This agenda item relates to agenda item 2018-07, which is considering the impact on scope when an "associate asset" is received by the surplus note issuer rather than cash. While 2018-07 continues to be reviewed and deliberated, this agenda item (2019-37) proposes enhanced disclosures to identify when a surplus note has been issued in which anticipated or typical cash flows have been partially or fully offset through the terms of the asset provided by the note holder.	N	Y	TBD
2019-41	*SSAP No. 43R—Loan-Backed and Structured Securities*	P&C Life Health	***Nonsubstantive*** – This agenda item proposes elimination of the multistep modeling process that determines final NAIC designations on residential and commercial mortgage–backed securities.	Y	Y	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2019-08	*SSAP No. 51R—Life Contracts* *SSAP No. 52R—Deposit-Type Contracts*	P&C Life Health	***Nonsubstantive*** – This agenda item is in response to identified classification and reporting inconsistencies of guaranteed investment contracts and other deposit-type contracts on the exhibits in the annual statement. In response to industry comments and discussion with the Financial Stability (EX) Task Force, the Working Group decided not to revise classification guidance in SSAP No. 51R and SSAP No. 52R. The Working Group recommended and exposed revisions on Exhibit 5 – Life Contracts, Exhibit 6 – Accident and Health Contracts, and Exhibit 7 – Deposit Type Contracts to identify contracts where mortality or morbidity risks are no longer present or a significant contract element.	N	Y	TBD
2019-35	*SSAP No. 51R—Life Contracts* *SSAP No. 52—Deposit-Type Contracts* *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*	Life	Exposed proposed revisions to the recently adopted liquidity disclosures regarding withdrawal characteristics for life and deposit-type contracts to match reporting clarifications.	N	Y	TBD
2019-36	*SSAP No. 51R—Life Contracts* *SSAP No. 53—Property Casualty Contracts–Premiums* *SSAP No. 54R—Individual and Group Accident and Health Contracts* *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts*	P&C Life Health	***Nonsubstantive*** – Exposed proposed revisions to expand managing general agent and third-party administrator disclosures.	N	Y	TBD
2019-40	*SSAP No. 53—Property Casualty Contracts-Premiums*	P&C	***Nonsubstantive*** – Exposed proposed revisions to clarify that the installment fee guidance should be narrowly applied and not analogized, allowing other fees to be excluded from premium. The Working Group also requests information related to (1) reporting of installment fee expenses, (2) whether guidance to separately identify and reclassify installment fee expenses to other expenses should be provided, and (3) whether diversity should be permitted in reporting installment fee expenses.	Y	TBD	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2018-38	*SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*	P&C Life Health	***Nonsubstantive*** – Re-exposed proposed revisions clarifying the following: • Loss and loss adjustment expense and related liabilities are established regardless of payments to third parties (except for capitated health claim payments). • The liabilities are not recognized as paid until the losses are paid to claimants or claims are adjusted. • Prepayments to third-party administrators, which are not related to claims or loss adjusting expense, are considered "miscellaneous underwriting expenses." • The revisions also added a reference to SSAP No. 84 regarding prepayments to providers.	TBD	TBD	TBD
2019-48	*SSAP No. 62R—Property and Casualty Reinsurance*	P&C	***Nonsubstantive*** – In June 2019, the NAIC adopted updates to the credit for reinsurance model law and model regulation to incorporate relevant provisions from the "Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance" and the "Bilateral Agreement Between the United States of America and the United Kingdom Regarding Insurance and Reinsurance" (collectively referred to as the Covered Agreement). These agreements introduce an additional type of reinsurer in SAP – "reinsurer from a reciprocal jurisdiction." The Working Group exposed proposed disclosure revisions to include this additional type of reinsurer to the required disclosure to provide information on unsecured aggregate recoverable for losses, paid and unpaid, including IBNR, loss adjustment expenses, and unearned premium, that exceeds 3% of the entity's policyholder surplus and to list each individual reinsurer and the unsecured aggregate recoverable pertaining to that reinsurer.	N	Y	TBD
2019-49	*SSAP No. 62R—Property and Casualty Reinsurance*	P&C	***Nonsubstantive*** – The Working Group received a comment letter from the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries regarding potential ambiguity in the statement related to transfers of portfolio retroactive reinsurance that is accounted for as affiliated prospective reinsurance, which noted that this may lead to different annual statement presentations in Schedule P. The Working Group requested comments on the preferred approaches for reporting retroactive contracts that meet the exception for prospective accounting and the disadvantages to approaches being used.	TBD	TBD	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2019-24	*SSAP No. 71—Policy Acquisition Costs and Commissions*	P&C Life Health	***Nonsubstantive*** – Exposed proposed revisions to clarify levelized commissions guidance and provide additional direction regarding commissions that are based on policy persistency. • A levelized commission arrangement (whether linked to traditional or nontraditional elements) requires the establishment of a liability for the full amount of the unpaid principal and accrued interest payable to a third party at the time the policy is issued. • The persistency commission is accrued proportionately over the policy period to which the commission relates and is not deferred until fully earned. The revisions also clarify that commission expense is accrued based on experience to date.	TBD	TBD	TBD
2019-38	*SSAP No. 86—Derivatives*	P&C Life Health	***Nonsubstantive*** – A financing derivative transaction is one in which the premium to acquire the derivative is paid throughout the derivative term or at maturity of the derivative. Currently, only disclosure of details related to the existence of financing derivative transactions is required. Exposed proposed revisions to clarify the reporting of derivatives with financing premiums. • Gross reporting at fair value, excluding the impact of financing premiums; • Gross reporting of payables and receivables for related items; • Right of offset clarifications; and • Proposed reporting revisions would allow the present value of the derivative premium receivable (and payable) for financed derivatives to be factored into the counterparty risk assessment for life risk-based capital (RBC).	Y	Y	TBD
2019-39	*SSAP No. 86—Derivatives*	P&C Life Health	***Nonsubstantive*** – Exposed proposed revisions to clarify that the fair value of collateral received or held for derivative disclosure purposes shall be reported net of collateral paid or pledged if a counterparty has the legal right to offset.	N	TBD	TBD

2019-14	*SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*	P&C
		Life
		Health
			Nonsubstantive – This item relates to Working Group concern with goodwill associated with noninsurance holding company investments in other entities when the look-through method of admission is applied to unaudited noninsurance holding companies and their other invested entities.
			• Re-exposed modified proposed revisions to SSAP No. 97 only to clarify:
			    · Goodwill attributed to audited downstream entities can be admitted. Goodwill attributed to unaudited downstream entities is nonadmitted.
			    · The “assignment” of goodwill is a disclosure element, with proposed disclosure revisions related to allocation of goodwill to entities within downstream holding companies.
				TBD	Y	TBD

Ref#	Title	Sec.	Amendments exposed	F/S Impact	Disclosure	Effect. date
2019-32	*SSAP No. 97—Subsidiary, Controlled and Affiliated Entities*	P&C Life Health	***Nonsubstantive*** – Exposed proposed revisions to clarify that a look-through of a more-than-one holding company structure is permitted if each of the holding companies within the structure complies with the requirements in SSAP No. 97.	N	N	TBD
2019-45	*SSAP No. 101—Income Taxes*	P&C Life Health	***Nonsubstantive*** – Exposed proposed revisions to reject *ASU 2013-11, Income Taxes – Presentation of an Unrecognized Tax Benefit* for statutory accounting.	N	N	TBD
2019-46	*Appendix D—Nonapplicable GAAP Pronouncements*	P&C Life Health	***Nonsubstantive*** – Exposed proposed revisions to reject *ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* as not applicable for statutory accounting.	N	N	TBD
2019-44EP	*SSAP No. 62R—Property and Casualty Reinsurance* *Various SSAPs*	P&C	***Editorial*** – Exposed the following editorial revisions: • SSAP No. 62R – Update references in Exhibit A – Implementation Questions and Answers regarding the illustration for retroactive reinsurance, including updates for consistency with Schedule F – Reinsurance. • Revise references to the annual statement instructions and combine the life and fraternal references to the combining of the annual statement blanks and instructions.	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.	Description	F/S Impact	Disclosure	Effect. Date
2018-07	*SSAP No. 41—Surplus Notes*	P&C Life Health	The Working Group received a referral from the Reinsurance Task Force and sponsored a data call to receive additional information on the use of linked surplus notes with responses due December 31, 2019. The Working Group also directed the preparation of proposed disclosures for data capture in 2020.	TBD	TBD	TBD

2019-21	*SSAP No. 43R—Loan-Backed and Structured Securities*	P&C
		Life
		Health
			Nonsubstantive – In this agenda item, the NAIC is taking an explicit position that the original intent of the scope of SSAP No. 43R was to include structured securities composed of bond-like investments. As a result, the NAIC has exposed proposed revisions to exclude the following from the scope of SSAP No. 43R:
			• Equity instruments, investments (or securitizations) with underlying assets that include equity instruments, or structures representing an equity interest (such as joint venture, LLCs, or partnerships). The example investment provided in the exposure is a collateralized fund obligation.
			  ◦ Under exposed guidance, should be reported as an equity interest on Schedule BA—Other Long-Term Invested Assets.
			• Securitization of assets that were previously reported as stand-alone assets by the reporting entity.
			  ◦ Not permitted to repackage existing assets as "securitizations" to move the reporting of the existing assets within scope of SSAP No. 43R.
			  ◦ Continue to be reported as the original investment as if securitization or repackaging had not occurred.
			• The Working Group scheduled a call for January 8, 2020, to discuss comments received.
				TBD	TBD	TBD

2016-20	*Current Expected Credit Losses (CECL) – Various SSAPs*	P&C Life Health	SAPWG received an update that FASB delayed the effective date for *ASU 2016-13 – Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* for all entities except large US SEC filers until 2023. Large SEC filers are required to adopt the ASU for 2020. The Working Group will continue to consider alternatives for statutory accounting.	TBD	TBD	TBD

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Endnotes

1. "Suitability in Annuity Transactions Model Regulation." NAIC Model Laws, Regulations, Guidelines and Other Resources – Spring 2020, https://www.naic.org/store/free/MDL-275.pdf

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