



NAIC update: Summer 2021 National Meeting

The National Association of Insurance Commissioners (NAIC) successfully hosted its 2021 Summer Meeting in Columbus, Ohio, representing a return to in-person meetings, with a hybrid virtual option. NAIC President and Florida State Insurance Commissioner David Altmaier welcomed participants to the NAIC's first ever national meeting held in a hybrid format. During the National Meeting, the Executive (EX) Committee discussed the potential formation of a standing "H" committee to address issues concerning innovation, technology, and cybersecurity. The creation of a new standing committee would be a significant step in bringing focus to these issues.

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December 11–16, 2021
Fall National Meeting
San Diego, California
In-person and virtual format

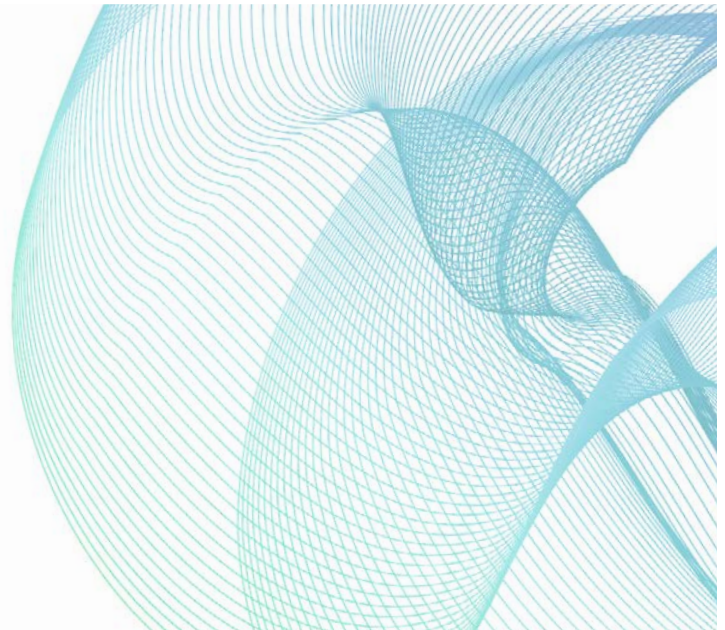
Climate and Resiliency (EX) Task Force

The task force received updates from its five workstreams. The pre-mitigation disaster workstream shared an update related to the work focused on identifying potential sources of mitigation and has made these available for public comment. The solvency workstream noted that its work, focused on regulatory oversight through tools such as the Own Risk and Solvency Assessment (ORSA), expects to deliver recommendations in the fourth quarter of 2021. The climate risk disclosure workstream shared an update, noting that the climate risk disclosure survey, published by the NAIC, is to be redesigned to align with the framework developed by the Financial Stability Board's (FSB)

Task Force on Climate-related Financial Disclosures (TCFD). A draft of the proposed revisions to the survey will be published for public comment. The innovation workstream provided an update on their work, which has focused on the use and development of parametric insurance. The technology workstream has been working to consider potential adjustments needed to the Catastrophe Computer Modeling Handbook (Catastrophe Handbook), as developed in 2010. The potential updates may include the addition of new perils and work that would enhance the forward look of climate models.

Special (EX) Committee on Race and Insurance

As in previous sessions, the task force received updates from each of its workstreams and received several presentations from stakeholders, including Availability and Affordability of Insurance for Minority Consumers and Testing for Racial Bias in Insurance. The workstream noted that it would continue its work to review the need for insurance regulators to collect data from stakeholders to understand how the progress of diversity-related programs is measured and whether there are any gaps in these programs. The workstream will make recommendations from the work performed. Workstream Three focused on Charge F, noting that it should be given immediate attention. Charge F cuts across the workstream and calls for "continuing research and analysis of insurance, legal, and regulatory approaches to addressing unfair discrimination, disparate treatment, proxy discrimination, and disparate impact. A subset of Charge F is Charge F.2, which is specific to Workstream Three and calls for the development of analytical and regulatory tools to assist state insurance regulators in defining, identifying, and addressing unfair discrimination in property/casualty (P/C) insurance."¹ It was agreed by the working group that this would receive high priority.



¹ NAIC, [Special \(Ex\) Committee on Race and Insurance Meeting Minutes](#), October 28, 2021.

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 2021 Summer and Interim Meetings. Substantive changes (changes in accounting principles or method of applying the principles) finalized during these meetings have explicit effective dates as documented below. All nonsubstantive changes (changes that clarify existing accounting principles) finalized during these meetings are effective upon adoption, unless otherwise noted.

Statutory Accounting Principles Working Group

Current developments: The SAPWG did not adopt any **substantive** items during the 2021 Summer and Interim Meetings.

The SAPWG adopted the following **nonsubstantive** items as final during the 2021 Summer and Interim Meetings:

| Ref# | Title | Sector | Amendments adopted | F/S impact | Disclosure | Effective date |
|---------|--|-----------------------|--|------------|------------|----------------|
| 2021-05 | SSAP No. 2R— <i>Cash, Cash Equivalents, Drafts and Short-Term Investments</i> | P&C Life Health | <p>This item relates to statutory accounting treatment for cryptocurrencies, defined as digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority, such as the Federal Reserve System.</p> <ul style="list-style-type: none"> Adopted interpretive guidance in <i>INT 21-01: Statutory Accounting Treatment for Cryptocurrencies</i> <ul style="list-style-type: none"> Cryptocurrencies do not meet the definition of cash in SSAP No. 2R and are nonadmitted assets for statutory accounting when directly held by the insurance reporting entity. | Y | N | 2021 |
| 2021-02 | SSAP No. 26R— <i>Bonds</i> | P&C Life Health | Adopted a revision to reject ASU 2020-08, <i>Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs</i> , which addresses the amortization of premium for callable debt securities, therefore, maintaining current statutory accounting and the yield-to-worst method of valuation. Ownership interests identified on Schedule Y. | N | N | NA |
| 2021-10 | SSAP No. 32R— <i>Preferred Stock</i> | P&C Life Health | Revision clarifies that the “effective call price” valuation limitation applies only when the call is currently exercisable by the issuer, or the issuer has announced that the preferred stock will be redeemed or called. | Y | N | 2021 |
| 2021-08 | SSAP No. 47— <i>Uninsured Plans</i> | P&C Life Health | Adopted revision to reject ASU 2021-02, <i>Franchisors – Revenue from Contracts with Customer (Subtopic 952-606): Practical Expedient</i> consistent with conclusions to reject US-GAAP revisions associated with revenue recognition. | N | N | NA |

| Ref# | Title | Sector | Amendments adopted | F/S impact | Disclosure | Effective date |
|--------------------|---|-----------------------|---|------------|------------|----------------|
| 2021-04 | SSAP No. 348— <i>Joint Ventures, Partnerships and Limited Liability Companies</i> SSAP No. 97— <i>Investments in Subsidiary, Controlled and Affiliate Entities</i> | P&C Life Health | Adopted revisions require statutory nonadmission adjustments to cease when the carrying value of investments in foreign insurance subsidiaries reaches zero (no negative equity valuation) UNLESS the foreign insurance SCA provides services to the reporting entity or its affiliates or holds assets on behalf of the reporting entity. | Y | Y | 2021 |
| 2020-37 2020-38 | SSAP No. 56— <i>Separate Accounts</i> | Life | <p>Separate account product identifier</p> <ul style="list-style-type: none"> • Driven by the increase in Pension Risk Transfer transactions and comments received, this adopted item illustrates the blanks proposal (also recently adopted) to modify the current General Interrogatory instructions and requires that a distinct, disaggregated product identifier be applied to each product, while eliminating proprietary information. • No change to SSAP No. 56. <p>Pension Risk Transfer Separate Account Disclosures</p> <ul style="list-style-type: none"> • As noted above for Agenda Item 2020-37, this item was also adopted with the same illustration of the blanks proposal (also recently adopted) to modify the General Interrogatory instructions to require a distinct, disaggregated product identifier to be applied to each product. • No change to SSAP No. 56. | N | N | 2021 |
| 2021-01 | SSAP No. 86— <i>Derivatives</i> SSAP No. 15— <i>Debt and Holding Company Obligations</i> SSAP No. 22R— <i>Leases</i> | P&C Life Health | <p>Adopted revisions to INT 20-01: ASU 2020-04 – <i>Reference Rate Reform</i>:</p> <ul style="list-style-type: none"> • Allows application of ASU 2021-01, <i>Reference Rate Reform (Topic 848)</i> (ASU 2021-01) to derivative transaction for instruments that are modified to change the interest rate indexes used for margining, discounting, or contract price alignment as a result of reference rate reform. <ul style="list-style-type: none"> – Add an optional and temporary expedient and exception guidance aligned with ASU 2021-01 that also includes derivative contracts that undergo a similar transition but do not specifically reference a rate that is expected to be discontinued. – Expands the current exceptions provided by the existing interpretation to allow for the continuation of the existing hedge relationship (not requiring hedge redesignation) for derivatives affected by changes to reference rates and interest rate indexes. • Applies specifically to affected derivatives used for discounting, margining, or contract price alignment, not just derivatives used in hedges. • Expiration date: December 31, 2022. | Y | N | 2021 |

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|-----------|---|-----------------------|--|------------|------------|----------------|
| 2021-03 | <i>SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i> | P&C Life Health | <p>Adopted revisions to incorporate additional disclosure elements and a data capture template for certain disclosures.</p> <p>Goal of additional disclosure and data-captured information is to assist state insurance regulator analysis:</p> <ul style="list-style-type: none"> • Transferred assets, but economic interest is retained by the reporting entity, its related parties, or another member within the holding company group. | N | Y | 2021 |
| 2021-07 | <i>Appendix D—Nonapplicable GAAP Pronouncements</i> | P&C Life Health | <p>Adopted revisions to reject the following US-GAAP accounting standards update related to effective date of guidance for Long-Duration Targeted Improvements and is consistent with previously rejected US-GAAP guidance:</p> <ul style="list-style-type: none"> • <i>ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application.</i> | N | N | NA |
| 2021-06EP | <i>Editorial Revisions</i> | P&C Life Health | <p>Adopted editorial revisions to the following:</p> <ul style="list-style-type: none"> • <i>SSAP No. 53—Property Casualty Contracts—Premiums: Revisions retitle to SSAP No. 53—Property and Casualty Contracts – Premiums.</i> • <i>SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities:</i> Revisions correct grammatical errors in paragraph 54. • <i>SSAP Glossary:</i> Revisions remove the footnote in the Glossary title and replace it as an opening paragraph with updated verbiage. | | | |
| | <i>Appendix G—Implementation Guide for the Annual Financial Reporting Model Regulation</i> | P&C Life Health | <p>Revision adopted by the Accounting Practices and Procedures Task Force amend information required to be provided by the independent accountant related to qualifications to include the name and period the lead partner began to serve in that capacity.</p> <p>To maintain confidentiality, this additional information is NOT to be included in the independent accountant's qualification letter. This additional information is required to be included in the communication of internal control matters prepared by the independent accountant.</p> <p>Effective date: December 31, 2021.</p> | N | N | 2021 |

The SAPWG exposed the following items for written comments by interested parties:

| Ref# | Title | Sector | Amendments exposed | F/S impact | Disclosure | Effective date |
|-----------|--|-----------------------|---|------------|------------|----------------|
| INT21-02T | <i>SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers</i> | P&C Life Health | <p>Hurricane Ida caused loss of life and property. The Federal Emergency Management Agency (FEMA) lists Louisiana, New Jersey, and New York as having emergency declarations because of the hurricane.</p> <p>The Working Group has exposed a proposed interpretation to SSAP No. 6 covering storm-impacted policies in areas in which a state of emergency was declared.</p> <ul style="list-style-type: none"> 60-day extension of the 90-day rule for uncollected premiums. | TBD | TBD | TBD |
| 2021-11 | <i>SSAP No. 43R—Loan-Backed and Structured Securities</i> | P&C Life Health | <p>Valuation of Securities (E) Task Force recently adopted revisions to the <i>Purposes and Procedures Manual of the NAIC Investment Analysis Office</i> (P&P Manual) to clarify that the definition of a credit tenant loan (CTL), which defines CTLs as mortgage loans, is specific to mortgage loans in the scope of <i>SSAP No. 37—Mortgage Loans</i> (SSAP No. 37). This amendment clarifies that the application of the structural assessment to identify CTLs is limited to direct mortgage loans and relates to the potential reclassification of investments reported on Schedule B – Mortgage Loans to Schedule D – Long-Term Bonds for qualifying investments.</p> <p>Revisions to the P&P Manual also clarify that security structures excluded from SSAP No. 37 are not subject to structural assessment.</p> <p>Upon review of these revisions, the Working Group exposed the following:</p> <ul style="list-style-type: none"> Nullification of INT 20-10: Reporting Nonconforming CTLs: <ul style="list-style-type: none"> This temporary interpretation provided reporting exceptions for year-end 2020, which permitted continued reporting on Schedule D for nonconforming CTLs if filed with the Securities Valuation Office by February 15, 2021. Given the revisions to the P&P Manual, this INT is no longer necessary. Dispose of existing agenda items related to CTLs. Proposed revisions to SSAP No. 43R to explicitly include SVO-Identified CTLs within the scope of the statement. | TBD | TBD | TBD |

| Ref# | Title | Sector | Amendments exposed | F/S impact | Disclosure | Effective date |
|-----------|---|-----------------------|---|------------|------------|----------------|
| 2021-15 | <i>SSAP No. 43R—Loan-Backed and Structured Securities</i> | P&C Life Health | <p>During another project related to a principles-based bond proposal, the Working Group identified that there is current inconsistency in practice for reporting of non-rated residual tranches for structures captured with the scope of SSAP No. 43R.</p> <p>Given that the principles-based bond proposal project will likely require another year in development, the Working Group is proposing interim guidance to address the above-mentioned inconsistency.</p> <p>Scope of SSAP No. 43R includes loan-backed, structured securities and beneficial interests in securitized financial assets. The guidance requires rated investments for reporting on Schedule D-1 as a long-term bond.</p> <p>Non-rated, first loss layers without contractual principal or interest (residual tranches or interests) have been incorrectly interpreted to comply with the legal-form structure of the statement and are being reported inconsistently.</p> <p>Proposed interim guidance is considered a new SAP concept to require reporting of non-rated residual tranches or interests on Schedule BA at the lower of cost or fair value, with changes reported as an unrealized gain or loss.</p> | TBD | TBD | TBD |
| 2021-12EP | <i>Editorial Updates</i> | P&C Life Health | <p>Exposed editorial revisions (formatting and readability edits) to the following:</p> <ul style="list-style-type: none"> • <i>Preamble – Insertion of paragraph number</i> • <i>Appendix A-001: Investments of Reporting Entities – Updates to designation codes for preferred stock</i> • <i>Appendix C – Updates for current Working Groups under the Financial Condition (E) Committee</i> • <i>Appendix C-2 – Updates for current Working Groups under the Financial Condition (E) Committee</i> • <i>SSAP No. 21R—Other Admitted Assets – Readability revisions related to receivables for securities</i> | N | N | TBD |
| 2021-13 | <i>SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses</i> | P&C Life Health | <p>Proposed revisions to clarify that salvage and subrogation estimates and recoveries can include amounts related to both claims/losses and loss adjusting expenses.</p> <ul style="list-style-type: none"> • Estimate reported as a reduction of losses and/or loss adjusting expense reserves. • Upon receipt of salvage and subrogation, and when coordination of benefits is received, they are reported as a reduction of paid losses and loss adjusting expenses determined based on the type of recovery. • Editorial edits to existing related disclosure. | TBD | TBD | TBD |

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| 2021-14 | <i>NAIC Policy Statement on Maintenance of Statutory Accounting Principles</i> | P&C Life Health | <p>Referral from the Financial Condition (E) Committee</p> <p>Terminology used in the maintenance process for statutory accounting principles (Substantive and Nonsubstantive) could be misunderstood by users that are not familiar with the definitions and application.</p> <p>Exposed the following proposed changes to terminology that, if adopted, will be used for the maintenance process on a go-forward basis (no changes to existing guidance).</p> <ul style="list-style-type: none"> Substantive is proposed to be referred to as a new statutory accounting principle (SAP) concept. Nonsubstantive is proposed to be referred to as a SAP clarification. | N | N | TBD |
| 2019-24 | <i>Issue Paper XX—Levelized and Persistency Commission</i> | P&C Life Health | The Working Group exposed an issue paper that documents the discussion and adopted clarification for levelized and persistency commissions. | N | N | TBD |

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

| Ref# | Title | Sector | Description | F/S impact | Disclosure | Effective date |
|---------|---|-----------------------|--|------------|------------|----------------|
| 2019-21 | <i>SSAP No. 43R—Loan-Backed and Structured Securities</i> | P&C Life Health | <p>Interested parties, NAIC staff, and Iowa regulators have developed criteria for reporting on Schedule D-1 – Long-Term Bonds, which includes issuer obligations and asset-backed securities. This definition is principles based and provides examples to assist insurers' classification.</p> <p>The Working Group directed:</p> <ul style="list-style-type: none"> Development of an issue paper that incorporates the bond definition concept and applicable revisions. Development of more granular reporting of investment details. <p>It is projected that the earliest the revised guidance would be effective is January 1, 2024.</p> | Y | TBD | TBD |

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