

### ***Financial Condition (E) Committee Technical Changes***

**Background Information.** At the 2009 Fall National Meeting, the NAIC membership approved a new process for the final adoption of technical matters coming from the Financial Condition (E) Committee. The new process was enacted to provide these technical changes to the industry and affected parties as quickly as possible to allow them more time to modify their systems and processes for such changes.

#### **Details of Process Adopted**

1. A list of technical items (shown on the page(s) that follow) will be provided from the Financial Condition (E) Committee to the Executive (EX) Committee and Plenary within one week of the completion of the national meeting.
2. The list contains only what the Financial Condition (E) Committee considers technical and routine, and it does not include items that are significant by NAIC standards (e.g., it would not include proposed model laws, model regulations, or guidelines) or items considered controversial.
3. Members of the Executive (EX) Committee and Plenary have 10 days to review the attached list and voice any objection with respect to a specific item.
4. If no objections are raised on a particular item, or any of the items, each and all items will be considered adopted by the Executive (EX) Committee and Plenary, similar to the consent agenda process.
5. If there is an objection on any one or multiple items, a joint meeting of the Executive (EX) Committee and Plenary will be scheduled to address the particular item(s).
6. Items receiving no objection will be considered adopted and thus inserted into the appropriate publication and/or made available to the industry and other parties for implementation.

**Request for Approval.** Under the above process, the Executive (EX) Committee and Plenary members are hereby requested to review the attached list and voice any objections to a specific item(s) by **Sept. 5, 2023**. Any item(s) receiving an objection will be pulled from this automatic consideration, and a meeting will be scheduled to address the issue.

**Action Taken During 2023 Summer National Meeting**

Date Released to Executive (EX) Committee and Plenary Members:

Aug. 24, 2023

Objections Due from Executive (EX) Committee and Plenary Members:

Sept. 5, 2023

The following technical items were adopted by the Financial Condition (E) Committee during the 2023 Summer National Meeting:

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**1. Accounting Practices and Procedures Manual (AP&P Manual) Changes and Related Items**

- Adopted the following new statutory accounting principle (SAP) concept revisions:
  - *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds, SSAP No. 43R—Loan-Backed and Structured Securities*, and other impacted SSAPs: Revisions incorporate a new principles-based bond definition and updated accounting guidance with an effective date of Jan. 1, 2025. (The revised title of SSAP No. 43R was also adopted.) (Ref #2019-21)
  - *Interpretation (INT) 23-01: Net Negative (Disallowed) Interest Maintenance Reserve*: Adopted a new INT to provide an optional, limited-time exception to existing statutory accounting guidance, allowing admittance of net negative (disallowed) interest maintenance reserve (IMR) up to 10% of adjusted capital and surplus, effective until Dec. 31, 2025. (Ref #2022-19)
- Adopted the following clarifications to statutory accounting guidance:
  - *SSAP No. 5R—Liabilities, Contingencies, and Impairments of Assets and Issue Paper No. 168—Updates to the Definition of a Liability*: Revisions incorporate the updated definition of a liability from *FASB Statement Financial Accounting Concepts No. 8, Chapter 4, Elements of Financial Statements*. (Ref #2022-01)
  - *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*: Revisions reject *Accounting Standards Update (ASU) 2021-10, Government Assistance* but captures disclosures on government assistance. (Ref #2023-06)
  - *SSAP No. 34—Investment Income Due and Accrued*: Revisions clarify and incorporate a practical expedient to the paid-in-kind (PIK) interest aggregate disclosure. (Ref #2023-13)
  - *SSAP No. 43R—Loan-Backed and Structured Securities*: Revisions add collateralized loan obligations (CLOs) to the financial modeling guidance as non-legacy securities. (Ref #2023-02)
  - *SSAP No. 95—Nonmonetary Transactions and SSAP No. 104R—Share-Based Payments*: Revisions adopt, with modification, *ASU 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*, adding guidance to include share-based consideration payable to customers. (Ref #2023-07)
  - *INT 20-01: ASU 2020-04 and 2021-01 – Reference Rate Reform*: Revisions extend the expiration date of INT 20-01 to Dec. 31, 2024. (Ref #2023-05)
  - *INT 22-02: Third Quarter 2022 through Second Quarter 2023 Reporting of the Inflation Reduction Act - Corporate Alternative Minimum Tax*: Revisions extend this interpretation for the second-quarter 2023 statutory financial statements.

*Financial Condition (E) Committee Technical Changes*

- 2023-11EP Editorial and Maintenance Update: Revisions change references of “intrinsic value” to “volatility value” in *SSAP No. 86—Derivatives*. In addition, “percent” is changed to “%,” and all citations to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) are streamlined so they do not reflect a specific location in the P&P Manual or a web page.
- *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. generally accepted accounting principles (GAAP) standards were rejected as not applicable to statutory accounting:
  - *ASU 2019-07—Codification Updates to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates*. (Ref #2023-08)
  - *ASU 2020-09, Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762—Debt (Topic 470)*. (Ref #2023-09)
  - *ASU 2022-05, Transition for Sold Contracts*. (Ref #2023-10)

**2. Financial Condition Examiners Handbook Changes, Other Examination Tools, and Related Items**

- None

**3. Financial Analysis Handbook Changes and Related Items**

- Adopted enhancements to regulator-only tools.

**4. Implementation Guide for Annual Financial Reporting Model Regulation (#205) Changes and Related Items**

- None

**5. Annual Statement Instructions Changes and Related Items**

- 2022-17BWG Modified: Add a new disclosure paragraph for Note 8 – Derivative Instruments and Illustration. The new disclosure is to be data captured. Add electronic-only columns related to derivatives with excluded components to Schedule DB, Part A and Part B for both Section 1 and Section 2. Add new code column instructions for Schedule DB, Part A and B (SAPWG 2021-20).
- 2023-01BWG Modified: Remove pet insurance from the inland marine line of business and add a new line of business to the Appendix – P/C Lines of Business. Add a pet insurance line within the existing property/casualty (P/C) blank for the Underwriting and Investment Exhibits, Exhibit of Premiums and Losses (State Page), and Insurance Expense Exhibit. Add new Schedule P Parts 1 through 4, specific to pet insurance.
- 2023-02BWG Modified: Add an exhibit to identify premiums that are reportable for Market Conduct Annual Statement (MCAS) purposes.
- 2023-03BWG: Remove life crosschecks for columns 2, 6, and 10 on the Accident and Health Policy Experience Exhibit (AHPEE).
- 2023-04BWG Modified: Add instructions for the appointed actuary and qualified actuary contacts to the Jurat electronic-only section.

*Financial Condition (E) Committee Technical Changes*

- 2023-08BWG: Add clarifying language for mutual insurance companies on Schedule Y, Part 3.
- 2023-10BWG Modified: Update the three primary issue periods on Long-Term Care Experience Reporting Form 2.
- 2023-11BWG Modified: Add additional instructions and illustration to be data captured for Note 7 – Investment Income in the Notes to the Financial Statement to disclose more information on interest.
- Adopted its editorial listing.

**6. Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) and Related Items**

- Adopted the following amendments to the P&P Manual:
  - Update to clarify the meaning of repurchase agreements in the derivatives transaction definition for funds in Part Three of the P&P Manual.

**7. NAIC Risk-Based Capital (RBC) Formula Changes and Related Items**

- Adopted the following amendments to the RBC formulas:
  - Proposal 2023-02-P: Annual update of the industry underwriting factors (premium and reserve) in the P/C RBC formula.
  - Proposal 2022-09-CA: Modifying the instructions and structure for the affiliated investment for all lines of business.
  - Proposal 2022-16-CA: Updating the underwriting factors for comprehensive medical, Medicare supplement, and dental and vision for the investment income adjustment.
  - Proposal 2023-01-CA: Clarifying the instructions for stop loss premiums in the underwriting risk – experience fluctuation risk, other underwriting risk and stop loss interrogatories.
  - Proposals 2023-03-IRE and 2023-04-IRE: Modifying the other long-term assets, calculation of tax effect for life and fraternal risk-based capital, calculation of authorized control level RBC, and the sensitivity testing exhibits in the life RBC formula to include residual tranches in a separate line.
  - Proposal 2023-05-L: Eliminating the dual presentation of the life RBC 2.5 threshold trend test.
  - Proposal 2023-06-L: Modifying the life blank and instructions for C2 life mortality on LR025, LR026, LR030, and LR031.
  - Proposal 2023-07-L: Align the CM6 and CM7 life RBC factors for nonperforming commercial and farm mortgages with the RBC factors for Schedule A and Schedule BA investments in real estate as those factors were adjusted in 2021.

**8. Uniform Certificate of Authority Application (UCAA), Company Licensing Best Practices Handbook, and Related Items**

- None

**9. NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual (ORSA Guidance Manual) and Related Items**

- None.

**10. Receiver's Handbook for Insurance Company Insolvencies (Receiver's Handbook) and Related Items**

- None.

**11. Process for Evaluating Qualified and Reciprocal Jurisdictions and Related Items**

- None.

**13. NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items**

- None.

**14. Troubled Insurance Company Handbook Changes and Related Items**

- None.

**15. Risk Retention Group (RRG) Regulatory Tools and Related Items**

- None.

**16. Group Capital Calculation (GCC) Instructions and Template**

- Adopted the excess relative ratio (ERR) scalar as the primary scalar methodology to be used in the GCC year-end 2023 GCC template and instructions.

**17. Financial Stability/Macroprudential Risk Assessment Tools and Related Items**

- Adopted the macroprudential reinsurance worksheet.