

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 by 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 to 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 **Monday, Dec. 9, 2024**. 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 the 2024 Fall National Meeting

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

November 26, 2024

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

December 9, 2024

The following technical items were adopted by the Financial Condition (E) Committee during the 2024 Fall National Meeting:

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. 26—Bonds*: Revisions incorporate guidance for debt securities issued by funds that represent operating entities. (Ref #2024-01)
 - *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies, SSAP No. 93—Investments in Tax Credit Structures, and SSAP No. 94—State and Federal Tax Credits*: Adopted clarifications expand and update guidance on tax credit investments effective Jan. 1, 2025. (Ref #2024-18)
 - *SSAP No. 101—Income Taxes*: Adopted revisions reject, with modification, *Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures*. The adoption also removes an existing SSAP disclosure. (Ref #2024-11)
 - *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*: Adopted revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01, Definitions for Terms in Requirements. (Ref #2024-17)
 - *Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions & Answers (Q&A)*: Adopted interpretation provides application guidance on specific investments under the principles-based bond definition. (Ref #2019-21)
 - *Appendix D—Nonapplicable U.S. Generally Accepted Accounting Principles (GAAP) Pronouncements: Rejected ASU 2024-02, Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)

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

- Section 1-2 (D): Salary and Per Diem Guidelines to include updated legacy daily rates for various financial examination positions adopted by the Risk-Focused Surveillance (E) Working Group.
- Capital and Surplus Examination Repository to encourage examiners to review manual adjustments to risk-based capital (RBC), including those related to modified coinsurance (modco) reinsurance and separate account assets.
- Exhibit V (Prospective Risk Assessment) and Exhibit Y (Examination Interviews) to help examiners gain insight into a company's executive compensation structure and related risks.
- Section 1-3 (F): Outsourcing of Critical Functions and Investments Examination Repository to assist regulators in reviewing affiliated investment management agreements and services, as referred by the Risk-Focused Surveillance (E) Working Group.
- Section 1-3 (H): Considerations for Insurers in Run-Off and (I): Considerations for Potentially Troubled Insurance Companies to incorporate best practices for monitoring of run-off insurers, as referred by the Risk-Focused Surveillance (E) Working Group.
- Exhibit C Part 2 (Evaluation of Controls in Information Technology [IT] Work Program) to enhance cybersecurity procedures, in response to a referral from the Cybersecurity (H) Working Group.

3. *Financial Analysis Handbook Changes and Related Items*

- Adopted new and/or revised procedures and guidance into the *Financial Analysis Handbook* related to:
 - Surplus notes.
 - Capital maintenance agreements.
 - Form A and disclaimers of affiliation.
 - Own Risk and Solvency Assessment (ORSA) and Form F exemptions.
 - Insurers in run-off.
 - Recovery and resolution plans.
 - Pricing and underwriting risks for health insurers.
 - Property/casualty (P/C) catastrophe reinsurance.
- Adopted combining separate analysis guidance and risk repositories into a single risk assessment guidance chapter for each of the nine branded risks.

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

- None

5. *Annual Statement Instructions Changes and Related Items*

- 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:
 - Require annual reviews of regulatory transactions.
 - Update the List of NAIC Credit Rating Providers (CRPs) and the NAIC use of CRP credit ratings.
 - Remove references to Subscript-S, and update references to investment risk.

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

- Adopted the following proposals:
 - 2024-22-CR – Update the U.S. and non-U.S. catastrophe event lists to include severe convective storm events for 2015 through 2023.
 - 2024-23-CR – Update the U.S. and non-U.S. catastrophe event lists to include catastrophe events between Jan. 1 through Oct 31, 2024.
- Adopted updated RBC procedures with later due dates for submission of RBC proposals.
- Adopted the Task Force charges to align with the changes to the revised RBC procedures.

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

- Adopted modifications to the expansion application instructions.

- 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**
- Adopted the Listing of Qualified Jurisdictions and Reciprocal Jurisdictions.
- 12. NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items**
- None
- 13. *Troubled Insurance Company Handbook* Changes and Related Items**
- Adopted regulator-only revisions to the Handbook.
- 14. Risk Retention Group (RRG) Regulatory Tools and Related Items**
- None
- 15. Group Capital Calculation (GCC) Instructions and Template**
- None.
- 16. Financial Stability/Macroprudential Risk Assessment Tools and Related Items**
- None