



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

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To: The Honorable Rodric Bray, Chairman, and members of the Legislative Council;
The Honorable Mike Speedy, Chairman, and members of The House Financial Institutions Committee
The Honorable Martin Carbaugh, Chairman, and members of The Insurance Committee; and
The Honorable Scott Baldwin, Chairman, and members of the Senate Insurance and Financial Institutions Committee

From: Andrew Haughey, Attorney of the Indiana Department of Insurance

Date: July 27, 2023

RE: Report of Amendments to the National Association of Insurance Commissioners (NAIC) Documents Incorporated by Reference under Title 27 of the Indiana Code

The Indiana Department of Insurance submits this report of amendments to the National Association of Insurance Commissioners (NAIC) as incorporated by reference under Title 27 of the Indiana Code in accordance with the reporting requirements under IC 27-1-1.5-1(b).

Amendments to the following documents were adopted by the NAIC Financial Condition (E) Committee after an open hearing and comment period:

- Accounting Practices and Procedures Manual (AP&P Manual) Changes and Related Items
- Annual Statement Instructions Changes and Related Items
- Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) and Related Items
- NAIC Risk-Based Capital (RBC) Formula Changes and Related Items
- Uniform Certificate of Authority Application (UCAA), Company Licensing Best Practices Handbook, and Related Items
- Risk Retention Group (RRG) Regulatory Tools
- Receiver's Handbook for Insurance Company Insolvencies (Receiver's Handbook) and Related Items

The Department submits this report prior to implementing the above amendments in the regulation of the business of insurance in Indiana.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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 **April 24, 2023**. Any item(s) receiving an objection will be pulled from this automatic consideration, and a meeting will be scheduled to address the issue.

Financial Condition (E) Committee Technical Changes
Action Taken During 2023 Spring National Meeting

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

April 12, 2023

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

April 24, 2023

The following technical items were adopted by the Financial Condition (E) Committee during the 2023 Spring 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:
 - *Issue Paper No. 167—Derivatives and Hedging*, which historically documents revisions adopted with modification from U.S. generally accepted accounting principles (GAAP) to *Statement of Statutory Accounting Principles (SSAP) No. 86—Derivatives*. (Ref #2017-33)
- Adopted the following clarifications to statutory accounting guidance:
 - *SSAP No. 25—Affiliates and Other Related Parties*: Revisions clarify that any invested asset held by a reporting entity that is issued by an affiliated entity, or which includes the obligations of an affiliated entity, is an affiliated investment. (Ref #2022-15)
 - *SSAP No. 34—Investment Income Due and Accrued*: Revisions add and data-capture additional disclosures. Directed NAIC staff to submit a corresponding blanks proposal to the Blanks (E) Working Group for year-end 2023. (Ref #2022-17)
 - *SSAP No. 100R—Fair Value*: Revisions adopt, with modification, *Accounting Standards Update (ASU) 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions*, with modification to reject the contractual sales restrictions disclosures. (Ref #2022-16)
 - *SSAP No. 105R—Working Capital Finance Investments*: Rejects guidance from *ASU 2022-04, Disclosure of Supplier Finance Program Obligations*, as the disclosures are for borrowers, not insurance entity investors. (Ref #2022-18)

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

- None.

3. Financial Analysis Handbook Changes and Related Items

- None.

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

- None.

5. Annual Statement Instructions Changes and Related Items

- Adopted revisions to the *Annual Statement Instructions*:
 - 2022-14BWG Modified – Modified Exhibit 1, Parts 1 and 2, and Exhibit 8, Parts 1 and 2, in the life and accident and health (A&H)/fraternal blank, to include the line of business detail reported on the Analysis of Operations by Lines of Business pages.

Financial Condition (E) Committee Technical Changes

- 2022-15BWG – Revised the language of Schedule H, Part 5 to remove the 5% of premiums filing exemption (FE) from the life, A&H/fraternal, and property/casualty (P/C) blanks.
- 2022-16BWG – Removed Supplemental Health Care Exhibit Part 3 and Supplemental Health Care Exhibit’s Expense Allocation Report.
- 2022-18BWG – Corrected instructions on the handling of exchange-traded funds (ETFs) and/or Securities Valuation Office (SVO)-identified funds within the interest maintenance reserve (IMR) and the asset valuation reserve (AVR) for the life and A&H/fraternal blanks.
- 2022-20BWG – Modified the instructions and blanks for various health exhibits to change the order of the Vision and Dental lines of business to be consistent with all other statement types.
- Adopted 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:
 - Added a non-substantive update to clarify that an NAIC 5GI Designation is the equivalent of an NAIC 5.B Designation Category.
 - Removed financially modeled collateralized loan obligations (CLOs) from FE eligibility and assigned responsibility for modeling the NAIC Designation Categories to the NAIC’s Structured Securities Group (SSG).

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

- Adopted the following amendments to the RBC formulas:
 - Proposal 2022-09-CA – Modifying the Affiliated Investments instructions to provide consistency in the treatment of affiliates for all lines of business.
 - Proposal 2022-13-CA – Modifying the line references to be consistent with the changes in the Annual Statement, Schedule H, which was adopted under blanks proposal 2021-14BWG MOD.
 - Proposal 2022-14-H – Removing the sentence “The calculation is informational-only until state statutes are implemented so that the trend test would trigger a Company Action Level RBC regulatory action per the statute,” given that all states have adopted the trend test.
 - Proposal 2022-15-H – Renumbering all the lines on page XR008 to allow for easier updates in the future for any adjustments to the bonds.

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

- Adopted the following amendments:
 - Proposal 2022-03 – Domestic corporate amendment application and instructions.
 - Proposal 2023-01 – Redomestication form 2R, modification to remove any information unrelated to start-up companies.

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

- Adopted revisions as part of the charge to conduct an overall review and update of the Receiver's Handbook.

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

- None.

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

- None.