

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 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, allowing 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 **August 29, 2025**. 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 2025 Summer National Meeting

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

August 19, 2025

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

August 29, 2025

The following technical items were adopted by the Financial Condition (E) Committee during the 2025 Summer National Meeting:

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

- Adopted the following statutory accounting principle (SAP) revisions:
 - *Statement of Statutory Accounting Principles (SSAP) No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*: Revisions require the restricted asset note in all quarterly and annual financial statements and incorporate a disclosure to identify funds withheld assets that are related to/affiliated with the reinsurer. (Ref #2025-05)
 - *SSAP No. 15—Debt and Holding Company Obligations: Adopted Accounting Standards Update (ASU) 2024-04, Debt—Debt with Conversion and Other Options*, with modification to provide clarifications on induced conversions, including when the inducement shall be recognized as an expense by the issuer, as well as the fair value measurement of that expense. (Ref #2025-02)
 - *SSAP No. 26—Bonds, SSAP No. 41—Surplus Notes, SSAP No. 56—Separate Accounts, and Interpretation (INT) 22-01: Freddie Mac When Issued K-Deal (WI Trust) Certificates*: Revisions reflect editorial items, including updates to disclosures to match adopted guidance, removing a credit rating provider (CRP) reference, and removing superseded terminology. (Ref #2025-17EP)
 - *SSAP No. 51—Life Contracts*: Revisions update reserving methodologies pursuant to Valuation Manual (VM)-22, Statutory Maximum Valuation Interest Rates for Income Annuities, principle-based reserve (PBR) requirements. (Ref #2025-09)
 - *SSAP No. 84—Health Care and Government Insured Plan Receivables*: Revisions add disclosures regarding Medicare Part D prescription payment plan receivables. (Ref #2025-08)
 - *Various SSAPs*: Revisions update the status section of each SSAP to no longer reference issue papers, and references to “substantively revised” will be changed to “conceptually revised” to be consistent with previously adopted policy statement language. (Ref #2025-16)
 - *Appendix A-791: Life and Health Reinsurance Agreements*: Revisions delete a sentence in paragraph 2c that is unnecessary pursuant to a recommendation from the Valuation Analysis (E) Working Group. (Ref #2024-05)
 - *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve (IMR)*: Revisions extend the effective date to Dec. 31, 2026, with additional requirements and clarifications to the guidance. (Ref #2022-19)
 - *Issue Paper No. 171—Current Expected Credit Losses (CECL)*: The new issue paper details the pre-CECL U.S. generally accepted accounting principles (GAAP) impairment and other-than-temporary impairment guidance for historical reference. (Ref #2023-24)
 - *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. GAAP standards were rejected as not applicable to statutory accounting:
 - *ASU 2023-07, Improvements to Reportable Segment Disclosures*. (Ref #2025-10)
 - *ASU 2024-03, Disaggregation of Income Statement Expenses and ASU 2025-01, Clarifying the Effective Date of ASU 2024-03*. (Ref #2025-11)

- ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)*, *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets (Ref #2025-14)*
- ASU 2025-02, *Liabilities (Topic 405)*, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122. (Ref #2025-15)*

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

- Adopted the following revisions:
 - Section 1-3 (G) to provide state insurance regulators with additional guidance regarding standards and expectations for state insurance departments' use of contractors on an examination, as referred by the Risk-Focused Surveillance (E) Working Group.
 - Section 1-1 (D) to clarify that the exam should be called within the Financial Exam Electronic Tracking System (FEETS) at least 90 days prior to the anticipated start date. Additionally, the guidance regarding the informal notification, which states that the company and other states with companies in the group regarding an upcoming coordinated exam should be notified at least six months prior to the "as-of" date of the exam, was emphasized.
 - Section 1-2 (E) to update the examiner in charge's (EIC's) responsibilities to include the prospective nature of the exam and remain consistent with other positions listed in the *Financial Condition Examiners Handbook*.

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 the following proposals:
 - 2024-19BWG Modified – Update Schedule BA line categories and instructions for the expansion of collateral loans. Add two electronic-only columns to Schedule BA, Part 1, for reporting the fair value of collateral backing and the percentage of the collateral. Update the asset valuation reserve (AVR) instructions and blank for the added collateral loan lines.
 - 2025-01BWG Modified – Update the Note to Financial Statements, Note 8—Derivatives, to include adopted revisions to SSAP No. 86—*Derivatives*. Also, update Note 11—Debt for the adopted revisions to SSAP No. 15.
 - 2025-02BWG – Update the Note to Financial Statements, Note 9—Income Taxes, to include adopted revisions to SSAP No. 101—*Income Taxes*.
 - 2025-03BWG Modified – Modify the life insurance (state page) to include accident and health data for direct premium earned and direct losses incurred.
 - 2025-04BWG Modified – Add a new part to the Note to Financial Statements, Note 28—Health Care Receivables, to include Medicare Part D prescription payment plans.
 - 2025-05BWG Modified – Add a new part to Schedule S to report reinsurance agreements with funds withholding and modified coinsurance (modco).
 - 2025-06BWG – Update Note 5L—Restricted Assets Instructions and Illustrations to make clarification changes on what should be reflected within the restricted asset note.

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- 2025-07BWG – Update Schedule P with editorial revisions exposed at the Casualty Actuarial and Statistical (C) Task Force.
- 2025-08BWG – Remove Life/Fraternal General Interrogatory No. 14, which reports total dividends paid to stockholders, and renumber the remaining general interrogatories.
- 2025-09BWG – Update the Life/Fraternal Note to Financial No. 35 for separate account transfers. Also, add a general interrogatory to the separate account blank for transfers, repurchase agreements, and reverse repurchase transactions.
- 2025-10BWG Modified – Update Note 5L to identify assets held under funds withholding agreements (including modco) that are affiliated with the reinsurer. Also, update the list of required quarterly disclosures to include Note 5L—Restricted Assets. With this change, this disclosure will be required in all interim and annual financial statements.
- 2025-11BWG – Remove the capital structure code reporting column on Schedule D, Part 1, Sections 1 and 2.
- 2025-12BWG – Remove Line 8 – Unrated Multi-Class Securities Acquired by Conversion from AVR: Default Component – Basic Contribution. Relabel the line with “intentionally left blank” to prevent renumbering all lines in the AVR schedule and to be used in the future for other AVR updates.
- 2025-13BWG – Update Notes to Financial Statements, Note 13K, with disclosure updates to SSAP No. 41.
- 2025-14BWG—Add instructions to include Medicare Part D prescription payment plan information to the health care and other amounts receivable line on the asset page, Supplemental Health Care Exhibit, Exhibit 3 – Health Care Receivables, and Exhibit 3A – Analysis of Health Care Receivables.
- 2025-15BWG Modified – Update Note 8 – Derivatives in the Notes to Financial Statements and Schedule DB to clarify the terminology used for derivative financing premium.
- 2025-16BWG – Update Health Annual Statement Instructions for the Prescribed Language for Statement of Actuarial Opinion, Section 4 (Identification Section) for consistency in reporting. Also, update the Statement of Actuarial Opinion (SAO), Section 7 (Opinion Section), Item C, to be consistent with the *Life Annual Statement Instructions* and VM-30, Actuarial Opinion and Memorandum Requirements.

- 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:
 - Require that private rating letter rationale reports be filed within 90 days of the annual update or a rating change.
 - Require that private rating letter rationale reports possess analytical substance.
 - Editorial revisions regarding caps on NAIC designations of CRP-rated securities.

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

- Adopted the following proposals:
 - 2024-21-L MOD (Tax Credit Investments) – Addresses the structural and instructional changes adopted as per 2024-11BWG and does not address the potential factor change resulting from the expansion of the scope of accounting guidance in Statutory Accounting Principles (E) Working Group

Ref # 2022-14 and the expansion of the types of tax credit investments captured in the guidance. This proposal is for life RBC only.

- 2024-24-L MOD (Principle-Based Bond Definition Project) – Incorporates changes adopted by the NAIC Blanks (E) Working Group, namely #2023-06BWG Modified, #2023-07BWG Modified, and #2023-12BWG Modified, resulting from the adoption of the principle-based bond definition. This proposal is for life RBC only.
- 2024-25-CA (Principle-Based Bond Project for P/C and Health) – Incorporates changes adopted by the Blanks (E) Working Group, namely #2023-06BWG Modified, 2023-07BWG Modified, and #2023-12BWG Modified, resulting from the adoption of the principle-based bond definition. This proposal is for property/casualty (P/C) and health RBC only.
- 2024-26-CA (Tax Credit for P/C and Health) – Addresses the structural and instructional changes adopted as per 2024-11BWG and does not address the potential factor change resulting from the expansion of the scope of accounting guidance in Statutory Accounting Principles (E) Working Group Ref # 2022-14. This proposal is for P/C and health RBC only.
- 2025-01-L (C-2 Mortality Risk – LR025) – Update the RBC instructions and blanks to allow for direct pulls of information between the annual statement, including the newly adopted general interrogatory as per #2023-15BWG Modified, and the RBC blank.
- 2025-03-CA (Underwriting Risk Investment Income Update) – Annual update of the underwriting factors for comprehensive medical, Medicare supplement, and dental and vision for the investment income adjustment.
- 2025-04-L MOD (Other Long-Term Assets LR008) – Reorganizes LR008 – Other Long-Term Assets page to ensure BA assets of the same risk components (C-1o versus C1-cs) are grouped, to facilitate proper modco/funds withheld reinsurance agreement adjustments within LR008.
- 2025-05-L (Asset Concentration LR010) – Affords asset concentration RBC treatment for Securities Valuation Office (SVO)-designated non-bond debt securities (reported on Schedule BA) akin to that afforded to bonds (reported on Schedule D).
- 2025-06-CR (Disclosure Climate Cat Exposure Instruction) – Clarifies that information companies provide should reflect the annual loss dollars for a given year.
- 2025-07-CA MOD (Trend Test) – Expands instructions for LR034, LR035, PR033, PR034, and XR027 to facilitate consistent labeling of various company action levels across lines of business. In addition, the blanks for LR034 and LR035 were modified to align with the corresponding instructions.
- 2025-09-P (Underwriting Risk Line 1 Factors) – Reflects annual update to the industry underwriting factors, including premium and reserve, within the PCRBC formula.
- 2025-10-L (RBC Asset Credit for Modco/Funds Withheld) – Provides clarifications to LR045, LR046, LR047, and LR048 instructions so that it is clear that if any portion of a modco/funds withheld asset has been concurrently used as a pledged asset for a purpose specific to the ceding insurance reporting entity at any time of the year, the RBC for the ceding company shall not be reduced.
- 2025-11-CR (Catastrophe Modeling Attestation) – Updates the PR002 attestation by incorporating the newly added wildfire and severe convective storm perils for informational purposes only from PR027.

- Adopted 2025 RBC newsletters for all lines of business.

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

- Adopted the following revisions:
 - Guidance to clarify that the lead state may request and review information on international premium volume to assess the applicability of the insurance group exemption outlined in the *Risk Management and Own Risk and Solvency Assessment Model Act* (#505).
 - Guidance to clarify that captives should be included in the scope of the ORSA summary report.
 - Guidance to clarify expectations for when insurers/groups should file their first ORSA summary report after exceeding the premium thresholds outlined in Model #505.
 - Guidance to clarify that the ability of the group to service existing debt, not just the level of debt, should also be considered when assessing the group-wide capital adequacy.

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

- A. None

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

- None

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

- None

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

- None

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