PwC NAIC Newsletter

January 2023

The National Association of Insurance Commissioners met in Tampa, Florida for the Fall National Meeting. This newsletter contains information on activities that occurred in meetings from October 7, 2022 to January 31, 2023. For questions or comments on this Newsletter, please feel free to contact us at the address given on the last page.

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Executive summary

- The Statutory Accounting Principles Working Group (SAPWG) exposed four documents for public comment: i) proposed revisions to SSAP No. 26R, ii) proposed revisions to SSAP No. 43R, iii) an updated issue paper, and iv) a document that details revisions to other SSAPs to reflect proposed guidance under the principles-based based bond project. The proposed SSAP revisions now include proposed transition guidance, including an effective date of January 1st, 2025.

- SAPWG adopted guidance on derivatives and hedge effectiveness similar to U.S. GAAP to allow for use of the portfolio layer method and partial-term hedges. The guidance allows reporting entities greater flexibility in developing hedging strategies; especially related to assets with prepayment risk.

- SAPWG extended INT 22-02 to apply to year-end 2022 and first-quarter 2023. In INT 22-02 SAPWG concluded that a reasonable estimate of the effect of the corporate alternative minimum tax cannot be made and provided a limited-time exception to the valuation allowance and DTA calculations under SSAP No. 101 and Type I subsequent event requirements in SSAP No. 9.

- The newly formed RBC Investment Risk and Evaluation Working Group discussed it's work on developing an approach for determining RBC charges for CLOs and an interim focus on addressing concerns of potential RBC arbitrage involving residual tranches in structuring assets through CLOs.

- The Life RBC Working Group adopted an instructional supplement for applying the newly adopted C-2 mortality risk calculation component to provide guidance on implementation issues for 2022 RBC filings. The working group also exposed for comment further structural and instructional updates and a new financial statement footnote to create a direct link to the annual statement for 2023 year-end RBC filings.

- The Valuation of Securities Task Force (VOS/TF) adopted amendments to the P&P Manual which clarified filing exemption ineligibility for investments with direct or indirect credit exposure to a related party of the insurer, whether as an issuer or otherwise. VOS/TF also exposed separate proposals related to Collateral Loan Obligations and certain other structured securities (referred to as "Structured Equity and Funds") which currently receive preferential RBC treatment compared to if the insurer owned the underlying collateral directly. Both proposals aim to ultimately reduce the potential for what staff view to be RBC arbitrage.

- The Blanks Working Group adopted updates to Schedule DB and the annual statement footnotes to reflect changes to SSAP 86 adopted by SAPWG related to excluded components.

- The Life Actuarial Task Force adopted several updates including adding a requirement in VM-31 to disclose information regarding the company's inflation assumption used in principle-based reserving (PBR) for life products valued under VM-20 and providing guidance on allocating negative IMR (PIMR) in VM-20, VM21, and VM-30 valuations. The task force also adopted AG 49-A to address the practice of some companies illustrating non-benchmark indices in a more favorable manner than benchmark indices.

Special Committee on Race and Insurance

During the Fall National Meeting, the Special Committee on Race and Insurance, which has been organized into several workstreams, heard updates on the progress of each workstream. The committee also adopted the diversity, equity, and inclusion (DE&I) recommendations to the insurance industry and trade associations that had been exposed for comment in September, which included action steps for regulators and companies to increase DE&I in their organizations.

Innovation, cybersecurity, technology, and privacy initiatives

During its Fall National Meeting, the Innovation, Cybersecurity and Technology Task Force discussed multiple issues around the accelerating use of technology within the insurance industry, as well as concerns on the use of data related to that technology. In addition to hearing from its working groups, the task force's Collaboration Forum on Algorithmic Bias provided an update on the work plan for moving forward on the development of a regulatory framework. The committee plans to draft a regulatory framework for the use of artificial intelligence by the insurance industry in the form of a model bulletin that will be principles based (versus prescriptive), rely on external objective standards, and place responsibility on licensees to conduct appropriate diligence with respect to 3rd party data and model vendors versus directly regulating. The committee also heard from several panelists from industry on the feasibility of transparency and explainability to consumers regarding adverse decisions from the use of big data and AI. As part of the Fall National Meeting, the task force received the following significant reports from its working groups:

Cybersecurity Working Group – The working group is focused on performing a baseline review of its state insurance regulator survey results. The survey was designed to identify risks and potential responses to cybersecurity issues across the insurance sector. During the fall they heard a presentation from the Cybersecurity and Infrastructure Security Agency (CISA) on its work on cybersecurity and how insurance regulators can support them and adopted their Summary of Cybersecurity Tools memorandum.

Big Data and AI Working Group – Artificial intelligence (AI) and machine learning (ML) tools can assist in customer engagement, rating, underwriting, claims management, and fraud detection and insurers are investing in these tools for better decision making and to remain competitive. State insurance regulators have expressed concerns about fairness, unintended discrimination, and lack of transparency related to these tools. The working group has been conducting surveys to understand the risk and exposure from the use of AI/ML and to inform a regulatory approach for overseeing and monitoring this activity. The working group met at the Fall National Meeting to discuss the results of the private passenger auto and life surveys as well as feedback on draft model and data regulatory questions for the evaluation of internal and third-party data and model vendors. Comments on the draft model and data regulatory questions will be due February 13th.

Privacy Protections Working Group – In August, the working group received approval to move forward with the creation of one new model to replace existing privacy models #670 (NAIC Insurance Information and Privacy Protections Model Act) and #672 (NAIC Privacy of Consumer Financial and Health Information Regulation) rather than to update them. At the Fall National Meeting, the working group heard an update on federal and state privacy legislation as well as heard consumer and company perspectives on general market practices regarding the use of information during the insurance process. These discussions help the working group understand how consumer and company needs can be addressed through the drafting of a new model on privacy. The draft of new model #674 was exposed for comment at the end of January until April 23.

NAIC Legislative Update - The NAIC legislative team provided updates on the status of two recently passed model rule updates as well as an update on sandbox legislation related to innovation and technology:

- Insurance Data Security Model Law (#668) - this model has been adopted in 21 jurisdictions and is pending in 2 other states

- Unfair Trade Practices Act (#880) - this update includes revised language specific to rebating. As of the Spring National Meeting, it has been adopted in 10 states and is pending in 1 other

- Insurance Intertek sandbox legislation – 5 states have laws in place with 9 additional states indicating they have an innovation regulatory initiative. The National Conference of Insurance Legislators adopted the insurance regulatory sandbox model act during its annual meeting in November.

Statutory Accounting Principles Working Group

Significant actions taken by the SAP Working Group are summarized below. (Appendix A to this Newsletter summarizes all actions taken by the working group. Comments on exposed items are due February 10 unless stated otherwise.

Newly adopted guidance

INT 22-02: Third Quarter 2022 through First Quarter 2023 Reporting of the Inflation Reduction Act - Corporate Alternative Minimum Tax (CAMT): On October 24, 2022, INT 22-02 was adopted to provide reporting guidance regarding the calculations impacted by the CAMT. The interpretation concluded that a reasonable estimate of the effect of the CAMT could not be made for September 30, 2022 interim financial statements and provided a limited-time exception to the valuation allowance and DTA calculations under SSAP No. 101 and Type I subsequent event requirements in SSAP No. 9. A second proposed interpretation (INT 22-03) related to fourth quarter 2022 and interim 2023 reporting was discussed on November 16, 2022. That discussion included concerns raised by Interested Parties related to items that needed to be addressed in 2023 (e.g., how a tax determined at a group level should be allocated to separate company financial statements). As a result, the working group revised INT 22-02 rather than adopting INT 22-03. The revisions, which were adopted as final on December 13, 2022, extend INT 22-02 to apply to year-end 2022 and first-quarter 2023 with the addition of a disclosure requirement regarding whether the entity has determined it is, or is a member of, an "applicable corporation" to determine if CAMT exceeds the regular federal income tax payable.

SSAP 86, ASU 2022-01 – Fair Value Hedging – Portfolio Layer Method (#2022-01) – On December 13, 2022, the working group adopted, as final, revisions to SSAP No. 86—Derivatives. The revisions adopt with modification derivative guidance from *ASU 2017-12, Derivatives and Hedging* and *ASU 2022-01, Fair Value Hedging – Portfolio Layer Method* to include guidance for the portfolio layer method and partial-term hedges. These revisions are effective Jan. 1, 2023, with early adoption permitted. A partial-term hedge is a hedge for a portion of the time to maturity of a fixed rate asset (liabilities are not included contrary to U.S. GAAP). For example, under a partial-term hedging strategy an interest rate swap with a term of two years may be designated as hedging the corresponding interest payments of a fixed-rate debt instrument with a longer term of, say, four years. The portfolio layer method leverages the guidance related to partial-term hedges and permits reporting entities to designate the portion of a closed portfolio of financial assets, beneficial interests secured by financial assets, or a combination of the two, that is not expected to be prepaid during the hedge period as the hedged item in a fair value hedge. The guidance allows an entity to essentially ignore prepayment risk in the hedge relationship even when prepayable assets are present in the closed portfolio. It does so by permitting designation of the portion of the pool not expected to be prepaid, defaulted, or sold as the hedged item.

SSAP No. 19 & No. 73, Leasehold improvements after lease termination (#2021-25) – At the 2021 Fall National Meeting, the working group exposed for comment proposed revisions to SSAP 19 *Furniture, Fixtures, Equipment and Leasehold Improvements* and SSAP 73 *Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities* to address the accounting for leasehold improvements when a leased property is purchased by lessee during the lease term, which would require immediate expensing of all improvements in any scenario when the lease terminates early. The agenda item was exposed for comment on August 10, 2022 and became effective immediately when adopted as final on December 13, 2022. The revisions allow companies that provide direct health care to exclude situations where the real estate lease agreement has a purchase option that contains language that allows leasehold improvements necessary for the functionality of specific health care delivery assets to be excluded from the purchase price of the real estate. In these limited scenarios, after purchase, the leasehold improvements necessary for the functionality of health care delivery assets would follow existing guidance for health care delivery assets in SSAP No. 73.

Significant exposures/discussions

Principles-based bond proposal project (#2019-21) – Increased innovation has led to asset structures involving the securitization of an increasing variety of collateral, which transforms the underlying collateral into a bond. Regulators have expressed that this evolution has created challenges in understanding the risks, and underlying cash flows, involved in bond portfolios. The current statutory accounting bond definition, which is focused on legal form rather than substance, generally allows any security that represents a creditor relationship to qualify for bond reporting, either as a bond, loan-backed security, or structured security. The classification of an investment as a bond comes with a variety of benefits, including: generally not being subject to investment limitations, asset admissibility, and lower RBC charges based on the NAIC designation. As an example, the potential opportunity exists to report inadmissible assets, or assets that would require a higher RBC charge like equities, as a bond by acquiring it through an SPV as a debt instrument from the SPV. This is true even though the insurer may or may not be in a different economic position than as if they held the underlying assets directly. The intent of the project is to establish principle-based guidance for determining what is a bond, with a focus on substance over form, that will provide regulators and other financial statement users with transparency to understanding the risks present in an insurer's investment portfolio.

The proposed bond definition introduces the concepts of "issuer credit obligations" and "asset backed securities". A bond will be classified as an issuer obligation if the investment represents an instrument where the repayment is primarily supported by the general creditworthiness of an operating entity, and the note is an obligation that has direct or indirect recourse to the operating entity. A bond will be classified as an asset backed security (ABS), if the instruments are issued by entities that have a primary purpose of raising debt capital backed by collateral (financial assets or non-financial assets) that provides cashflows to service debt, and the instrument provides the holder with substantive credit enhancement. Substantive credit enhancement can be summarized as putting the holder of the investment in a different economic position than had had they held the collateral directly. There are additional assessments required for ABS based on whether the ABS is backed by financial or non-financial assets.

Since the Summer National Meeting, the working group exposed four documents for public comment: i) proposed revisions to SSAP 26R, ii) proposed revisions to SSAP 43R, iii) an updated issue paper, and iv) a document that details revisions to other SSAPs to reflect proposed guidance under the principles-based based bond project. The proposed SSAP revisions now include proposed transition guidance, including an effective date of January 1st, 2025. As currently proposed, specific transition guidance is being provided which will override SSAP No. 3's general guidance related to a change in accounting principle. At a high level, any security that no longer qualifies under the bond definition will be reclassified from Schedule D-1 via a disposal at amortized cost and be recognized on the applicable new schedule using the amortized cost as the acquisition cost of that investment. Of the revisions to other SSAPs, the most notable are proposed revisions to SSAP No. 21R to include guidance for debt securities that do not qualify as bonds. Generally speaking, these investments will be considered admitted assets and will be reported on Schedule BA as Other Long-Term Invested Assets; however, if the source of repayment is derived through rights to underlying collateral, then the investment will only qualify as an admitted asset to the extent it is secured by admitted invested assets. Any amounts in excess of the fair value of the underlying admitted invested assets will be nonadmitted. From a measurement perspective, these investments will generally be measured at the lower of amortized cost or fair value with changes in measurement to reflect the lower value or to reflect changes in fair value being recorded as unrealized gains or losses. However, if the debt security did not qualify for bond reporting solely due to a lack of meaningful cash flows, then measurement will follow the guidance in SSAP No. 43R where the carrying value method is dependent on its NAIC designation. Further developments are expected at the 2023 Spring National Meeting.

Proposed nullification of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement (#2022-12): A proposal to nullify INT 03-02 was exposed for public comment on August 10, 2022. INT 03-02 calls for certain transfers between affiliates related to the modification of intercompany pooling arrangements to be recorded at book value instead of fair value. Interested Parties expressed concerns regarding the proposal, including among others, that any realized investment gains resulting from a transfer would have to be deferred at the common parent reporting entity level, and that transactions which currently qualify for prospective accounting per paragraph 36.d of SSAP No. 62R would no longer do so due to a gain being recognized on the transaction. NAIC staff addressed many of the points raised by Interested Parties and continued to recommend nullification of the interpretation. The Working Group re-exposed the proposal with the expressed goal of identifying specific instances that may require the current guidance to remain.

SSAP No. 21R – Collateral for Loans (#2022-11): On August 10, the Working Group exposed revisions to SSAP No. 21R—Other Admitted Assets to clarify that the invested assets pledged as collateral for admitted collateral loans must qualify as admitted invested assets. This agenda item was drafted to address an inconsistency regarding the collateral loan guidance in SSAP No. 20—Nonadmitted Assets and SSAP No. 21R. Both SSAP No. 20—Nonadmitted Assets and SSAP No. 21R identify the need for adequate collateral that qualifies as an "invested asset." SSAP No. 20 is explicit that the investment asset collateral must qualify as an admitted asset. Recent discussions with state regulators have highlighted that although SSAP No. 21R references the guidance in SSAP No. 20, that it would be beneficial to also note the need for the collateral to qualify as an admitted invested asset. Interested Parties recommended further clarification related to equity investments in a joint venture, partnership, or LLC which would be accounted for under SSAP No. 48 is it were owned directly. Interested Parties expressed the view that for these investments a fair value assessment would be more relevant than whether the investment would not be admitted due to the lack of a GAAP audit. The Working Group re-exposed the agenda item.

New Market Tax Credits / Equity Investments for Tax Credits (#2022-14): The New Market Tax Credits (NMTC) Program was established by Congress in December 2000 and permits individual and corporate taxpayers to receive a non-refundable tax credit against federal income taxes for making equity investments in financial intermediaries known as Community Development Entities (CDEs). CDEs that receive the tax credit allocation authority under the program are domestic corporations or partnerships that provide loans, investments, or financial counseling in low-income urban and rural communities. The tax credit provided to the investors total 39% of the total cost of the investment and is claimed over a seven-year period. The success of the federal NMTC program has led to states adopting their own NMTC legislation. Although the design is an equity investment of stock or interest in a corporation or partnership, which would normally be subject to SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies, the intent of NMTC investments is for tax credits and not equity returns. As such, this structure is closer to the existing low-income housing tax credits guidance in SSAP No. 93 than the partnership / LLC guidance in SSAP No. 48. Although SSAP No. 93—Low Income Housing Tax Credit Property Investments provides guidance for an equity investment, that provides tax credits with a limited (or zero) residual investment value, the guidance in SSAP No. 93 is specific to LIHTC programs. NAIC staff recommended, and the Working Group directed NAIC staff to draft new or revised statutory accounting guidance to capture all tax equity investments that qualify under specified criteria and provide federal business tax credit or state premium tax credits. It is anticipated that the proposed guidance will supersede SSAP No. 93—Low Income Housing Tax Credits Property Investments. Subsequent consideration will also occur to review and revise SSAP No. 94—Transferable and Non-Transferable State Tax Credits.

Negative IMR (#2022-19): This agenda item was developed to discuss the interest maintenance reserve (IMR) within statutory accounting, specifically the current guidance for the nonadmittance of disallowed negative IMR. Although the statutory accounting guidance has been in place for several years, the rising interest rate environment has created an increased likelihood for reporting entities to move to a negative IMR position. A negative IMR means that net realized interest related losses which are amortized in the IMR calculation are greater than net realized interested related gains which are amortized in the IMR calculation. A disallowed negative IMR is reported as a nonadmitted asset and amortized to income as a loss over time. A letter from the American Council of Life Insurers (ACLI) dated Oct. 31, 2022, raised concerns with existing statutory accounting requirements on the nonadmittance of disallowed negative IMR noting negative ramifications for insurers. The agenda item was prepared to consolidate background information and support discussion at the meeting; however, no recommendation was put forth by NAIC staff. The Working Group did not adopt any new guidance but exposed the agenda item and requested industry to provided potential guardrails and details on unique considerations. The working group also directed NAIC staff to coordinate a joint regulator discussion with the Life Actuarial Task Force and to develop a memorandum regarding considerations for state insurance regulators when evaluating potential permitted practices.

Risk-based capital

Affiliated investments instructions and structures exposure – The Life, P/C, and Health RBC working groups previously exposed for comment a proposal to comprehensively revise the RBC formula and instructions for affiliated investments. The proposal includes an expansion of individual affiliate types from 15 to 21 to more closely align with the affiliate types used in the group capital calculation. For example, Subsidiary, Controlled and Affiliated Investments would now include "non-insurance entities with a capital requirement imposed by a regulatory body" and "non-insurance other financial entity without regulatory capital requirements." The proposed instructions would also provide additional detailed examples to assist in implementation. The chair noted that the goal of the revisions is to make the treatment of affiliated entities consistent across all three formulas and better align with their treatment in the GCC.

During the Fall National meeting, the parent committee of the working group, CADTF, referred the previously exposed proposal on this (2022-09-CA) to the Blanks and SAPWG working groups for comment ending January 28.

Investment risk-based capital

The Risk-Based Capital Investment Risk and Evaluation (Investment RBC) Working Group was created to perform a "comprehensive review" of the RBC investment framework in light of a significant number of investment-focused proposals from other task forces and working groups. The Financial Condition Committee handed off two projects: 1) consider a second phase of the bond factors for structured securities and other asset-backed securities, including collateralized loan obligations, and 2) consider specific RBC charges for residual tranches that will now be reported on Schedule BA. Following the adoption of new bond factors for the life RBC formula and as the industry shifts towards more structured securities, regulators believe that they need to start thinking about the increased tail risk of these investments more explicitly in the RBC formula.

The working group continues to discuss next steps to prioritize the items referred to by the Financial Condition committee including a long-term focus developing a scheme for determining RBC charges for CLOs and an interim focus on addressing concerns of potential RBC arbitrage involving residual tranches in structuring assets through CLOs. At the Fall National Meeting, the working group discussed a recommendation from VOS/TF to permit the Structured Securities Group (SSG) to financially model CLOs for the assignment of NAIC designations and their suggestion to assign new NAIC designations categories (e.g. 6.A, 6.B and 6.C) with recommended RBC factors of 30%, 75% and 100%, respectively. The working group heard a presentation from the academy on their work on C1 for CLOs and acknowledged that more discussion needs to occur on possible methods and factors for residuals. The working group then exposed an RBC structural proposal (without specific RBC factors) to facilitate this recommendation as work continues. See further discussion in the VOS/TF Summary below.

Life RBC

C-2 Mortality Risk – Previously, the Life RBC Working Group adopted structural updates for more granular product categorizations for C-2 Mortality (LR025) risk ahead of the adoption of the new factors for 2023 RBC reporting. The categories include life policies with pricing flexibility (e.g., participating whole life insurance), term life without pricing flexibility (e.g., level term insurance with guaranteed level premiums) and permanent life without pricing flexibility (e.g., universal life with secondary guarantees) plus group and credit with remaining rate terms 36 months and less, group and credit with remaining rate terms over 36 months and FEGLI/SGLI. These six categories are an expansion over the current two categories of Individual & Industrial and Group & Credit. The Life RBC Working Group also previously adopted the related instructional and Academy-proposed factor changes necessary to fully implement the revised morality risk proposal. The factors are tiered into three “buckets” based on reserves held, i.e., higher charges for the first $500 million, and lower charges for the next $24,500 million and over $25,000 million (compared to the current four tiers). Per the Academy, the proposed factors reflect mortality improvement compared to the current RBC mortality factors, which were established in the early 1990s.

During the Fall National meeting, the Life RBC working group discussed their list of additional changes and instructional updates to be made in 2023 based on items identified during the adoption process of the new factors. In January, the working group exposed for comment several of those updates including one to address the treatment of group permanent life policies. The working group also exposed a proposal to add a new financial statement footnote in the Life annual statement. The new footnote is intended to breakdown the net amount at risk by financial statement category and create a direct tie between the RBC worksheets and a financial statement source. Comments are due March 1. The working group also adopted through an e-vote in January a supplement to the instructions to provide additional guidance on implementation issues that have since been identified.

Subsequent to the Fall National meeting, the working group exposed a proposal to align the RBC factors for CM6 and CM7 mortgage with the RBC factors for Schedule A and Schedule BA real estate investments (which were recently adjusted). It would also align the formulas used to apply RBC factors to performing and non-performing mortgages. Comments are due March 16. The working group also exposed a proposal to remove the dual trend test with comments due February 14.

P/C RBC

Catastrophe risk – After years of studying wildfire risk and various catastrophes models for estimating that risk, the Catastrophe Risk Subgroup previously adopted its final “informational only” risk charge (2021-17-CR MOD) for wildfire peril for 2022 RBC filings. (The calculated charge will not be part of the “official” RBC ratio for an as of yet undetermined period.) It also provides an exemption from wildfire modeling for smaller companies and only applies during the informational-only phase of the wildfire risk charge.

Modeled losses for wildfire risk include exposures written in California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona and Utah. Consistent with hurricane and earthquake risk, insurers can qualify for an exemption from completing the charge, e.g., the company has written Insured Value-Property that includes wildfire coverage in the wildfire-prone areas representing less than 10% of policyholder’s surplus.

During the fall, the Catastrophe Risk Subgroup adopted the January 1st through September 30th U.S. and non-U.S. catastrophe risk event lists.

The subgroup will be considering adding other perils to the Rcat component of P/C RBC. Earlier in the year, the subgroup had an extensive discussion of whether to consider flood risk and heard several presenters conclude that private flood insurance is very immaterial to U. S. insurers. During the Fall National Meeting, the subgroup discussed convective storms modeling and RBC charge development.

Health RBC

H2—Underwriting Risk Component –The Health RBC Working Group previously asked the Academy’s Health Solvency Committee to comprehensively review the H2—Underwriting Risk component and the managed care credit calculation in the Health formula to better align the risk factors to economic risk, with a goal of completing the work in time for 2023 RBC filings. The working group received a report from the Academy outlining six options for revising the H2 risk factors: “1) refresh factors based on updated insurer data; 2) develop factors at a more granular product level; 3) develop factors specific to more relevant block sizes and consider indexing factors for cut points to change over time; 4) model risk factors over an NAIC-defined prospective time horizon with a defined safety level that can be refreshed regularly; 5) refresh the managed care credit formula and factors to be more relevant and reflective of common contracting approaches and other risk factors associated with these contracting approaches; and 6) analyze long-term care insurance underwriting performance to create a more nuanced set of risk factors that considers pricing changes over time."

During the Fall National Meeting, the working group heard an update from the Academy and the areas of focus for the initial underwriting risk factor analysis which are to redesign HRBC pages XR013/XR014 (experience fluctuation risk), develop tiered RBC factors and redesign HRBC pages XR018/XR019 (managed care credit). The working group expects the analysis to be completed by next summer.

The working group is now considering what methodologies should be used to revise the H2 risk factors and has been holding educational sessions. The estimated time frame to complete the work is 18 weeks for the 2023 year-end RBC filings or later.

Valuation of Securities Task Force

The Valuation of Securities Task Force (VOS/TF) discussed the following significant projects and issues. Comments on exposed items are due February 13 unless stated otherwise.

Subsidiary, Controlled and Affiliated (SCA) and Related Party Debt or Preferred Stock Investments: At the Fall National Meeting the VOS/TF adopted an amendment to the P&P manual to update instructions for related party and SCA investments. The amendments were in response to a referral from the SAPWG which raised comments about eligibility for filing exemption (FE) for various affiliated structures. The Securities Valuation Office (SVO) amended the SCA section of the P&P Manual in several ways. First, it was clarified that the section captures not only SCA investments, which are determined by control, but also related party investments, which include various other relationships between an insurer and transaction party. Second, the section was amended so that investments with direct or indirect credit exposure to an SCA or related party of the insurer, whether as an issuer or otherwise, would be ineligible for FE. And third, investments with an SCA or related party entity in the transaction structure but with no direct or indirect credit exposure to those entities (such as an issuing special-purpose entity [SPE], sponsor, originator, manager, etc.) will be FE unless otherwise ineligible for FE pursuant to P&P Manual guidance unrelated to SCA or related party status. However, the amendment is clear that state insurance regulators can, in accordance with Part One of the P&P Manual, require an insurer to file an otherwise FE investment with the SVO for analysis and/or assignment of a designation, making that security ineligible for future FE.

Financial modeling of collateralized loan obligations (CLOs): It is NAIC staff's opinion that an insurer that purchases every tranche of a CLO (a type of security backed by a pool of debt) holds the exact same investment risk as it would if it had directly purchased the entire pool of loans backing the CLO; however, the aggregate RBC factor for owning all of the CLO tranches is not the same that is required for owning all of the underlying loan collateral. Staff recommended the VOS/TF assign the Structured Securities Group (SSG) the responsibility of financially modelling CLO investments so that SSG can assign NAIC designations that create equivalency between securitization and direct holdings.

- In September 2022, the VOS/TF sent a referral to the Capital Adequacy Task Force and its Risk-Based Capital Investment Risk and Evaluation Working Group (Investment RBC) requesting those groups consider adding new RBC factors to account for the tail risk in any structured finance tranche.

- The VOS/TF proposed amendment to the P&P Manual to include CLOs as a financially modeled security in Part Four with an effective date of January 1, 2024. During the Fall National Meeting, the amendment was updated for technical recommendations received, and re-exposed for a 15-day comment period that ended January 9, 2023. The VOS/TF authorized the SSG staff, pending finalization of this amendment, to take on this CLO analytic function and formally request the resources it may need.

- At the Fall National Meeting, the VOS/TF received and exposed a SSG memorandum on the proposed CLO modeling methodology. The scope of the memo did not include scenarios nor probabilities to be used; both of which are expected to be addressed in a subsequent phase of the project. The exposure deadline for this memo is February 17, 2023.

Structured Equity and Funds: The SVO has identified certain investment structures, which it has termed "Structured Equity and Funds", that allow for RBC arbitrage due to the investments being characterized as Filing Exempt bonds. In response, the VOS/TF exposed a proposed amendment to the P&P Manual that i) defines such investments, ii) makes them ineligible for filing exemption, and iii) directs the SVO to assign NAIC Designations and Categories utilizing a look-through assessment. The proposed amendment would not change how an investment is classified, but it could result in changes to the NAIC designation and category which would have downstream impacts on RBC. The proposal includes the following definition:

> "A Structured Equity and Fund investment is a note issued by, or equity or limited partnership interest in, a special purpose vehicle, trust, limited liability company, limited partnership, or other legal entity type, as issuer, the contractually promised payments of which are wholly dependent, directly or indirectly, upon payments or distributions from one or more underlying equity or fund investments. The inclusion of an intervening legal entity or entities between the Structured Equity and Fund investment issuer and the underlying equity or fund(s), does not change the risk that the insurer investment is ultimately dependent, in whole or in part, upon an investment in equity or one or more funds and its underlying investments. Any design that circumvents this definition, and related examples, through technical means but which in substance achieves the same ends or poses the same risk, shall be deemed a Structured Equity and Fund."

Blanks Working Group

The working group did not meet at the Fall National Meeting but did meet beforehand in November and took the following significant actions. All adopted revisions and exposed proposals are shown on the Blanks Working Group webpage.

Adopted proposals

- Combine the Health Analysis of Operations by Lines of Business Supplement page and the Health Care Receivable Supplement pages into one supplement for health pages filed as a supplement in the Life Annual Statement. (2022-12BWG)

- Modify the Life Insurance (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages. Adds definitions for life and annuity products to the lines of business definitions in the health appendix. (2022-19BWG)

The working group also exposed for comment the following significant new proposals with a comment period ending February 1:

- Revise Schedule H, Part 5 to remove the 5% of premiums filing exemption which would require both Property Casualty and Life filers to file the Schedule H, Part 5. (2022-15BWG)
- Modify the instructions for Note 8 and Schedule DB to reflect changes to SSAP 86 adopted by SAPWG and disclose and data capture information related to excluded components. (SAPWG 2021-20). (2022-17BWG)

Financial Stability Task Force and Macroprudential Working Group

Private equity considerations – Over the summer, the Macroprudential Working Group adopted a final document entitled "Plan for the List of MWG Considerations - PE Related and Other." The document identifies 13 types of risks, such as companies structuring agreements to avoid regulatory disclosures or requirements and operational, governance and market conduct practices that are influenced by different priorities and level of insurance industry expertise. The final document also includes documentation of “regulatory responses” to the 13 types of risk listed, interested party comments, and referrals to other NAIC committee groups. During the Fall National Meeting, the work group heard an update on each risk and noted that while the some of the NAIC committee groups have already completed their work on some of these items, more work is to be done and some of the related projects will be ongoing for several years.

Macroprudential Risk Assessment Process – The task force and working group previously adopted their final Macroprudential Risk Assessment Process document, which has a key objective to “identify and assess industry-wide insurance risks.” The guidance includes both qualitative and quantitative assessment factors to reach baseline assessments of industry exposure to various macroprudential risks. The four assessment levels are High, Moderate-high, Moderate-low or Low. The NAIC hoped to publish the full Macroprudential Risk Assessment report at the Fall National Meeting but instead reported that they are still finalizing it. The working group discussed the key topics included in the report; investment trends, changes in ownership, increasing catastrophe risk losses, macroeconomic trends such as inflation and interest rates, cyber security and insurance.

During the Fall National Meeting, the working group discussed the International Association of Insurance Supervisors (IAIS) annual Global Monitoring Exercise for 2022 and the results in their issued report. Private equity ownership in insurance, raising interest rates, high inflation, and climate risks were this year’s macroprudential themes.

Liquidity Stress Test Framework – During the Fall National Meeting, the Financial Stability Task Force adopted its Liquidity Stress Test (LST) Framework for 2022 filings, the goal of which is to allow regulators to “identify amounts of asset sales by insurers that could impact the markets under stressed environments,” which is a life insurance-specific framework. Changes from the 2021 framework were not substantive. The final results for the 22 companies triggering the 2021 LST analysis were also discussed at the meeting and showed, “a nil effect of potential asset sales to the capital markets in the most severe scenarios.”

International Insurance Relations Committee

IAIS update – In December, the Financial Stability Board (FSB) announced its decision to discontinue the global systemically important insurer (G-SII) identification process that was replaced with the IAIS Holistic Framework for systemic risk, which began implementation in 2020. The holistic framework moves away from being solely an entities-based approach and incorporates an activities-based approach recognizing that systemic risk may arise not only from distress or failure of an individual insurer but also from the collective exposures and activities of insurers at a sector wide level.

Climate and Resiliency Task Force

The Climate and Resiliency Task Force met at the Fall National Meeting and discussed state actions to incentivize mitigation and resiliency and discussed international updates from the International Association of Insurance Supervisors (IAIS) Climate Risk Steering Group’s three workstreams. In October, the Financial Stability Board (FSB) published its final report on supervisory and regulatory approaches to climate-related risks. From a federal update, the NAIC continues to support the federal Disaster Mitigation and Tax Parity Act.

Solvency Workstream – Following recent efforts and receipt of comments, the Solvency Workstream developed three referrals. The referrals—to the Property and Casualty Risk-Based Capital (E) working Group, Financial Analysis Solvency Tools (E) Working Group, and the Financial Examiners Handbook (E) Technical Group—provide high-level principles for the groups to consider and develop as appropriate for inclusion in relevant financial solvency regulation manuals. Work will begin on the referrals in 2023.

Restructuring Mechanisms Working Group

The Restructuring Mechanisms Working Group did not meet at the Fall National Meeting but for several years has been working to develop a white paper to summarize the various industry wide processes for insurance companies to restructure liabilities with finality, primarily through the use of two types of transactions: insurance business transfer (IBT) and corporate division (CD). The working group previously exposed a list of comments received with a request that parties develop specific language that could be added to the white paper to address the comments. (While the working group did discuss certain specific edits, the white paper itself is not being re-exposed at this time, i.e., only the interested party comments' list to consider suggestive edits.) The Subgroup also previously exposed its draft documents Foundational Principles and Best Practices Procedures for IBT/ Corporate Divisions for regulator review of proposed restructuring transactions. The subgroup also discussed several proposed options for modifying the P/C RBC formula for "runoff companies."

Reinsurance Task Force

During the Fall, the Reinsurance Task Force re-approved the status of Bermuda, France, Germany, Ireland, Japan, Switzerland, and the UK as qualified jurisdictions and re-approved Bermuda, Japan, and Switzerland as reciprocal jurisdictions.

The working group also reported that all 56 jurisdictions have adopted the 2019 revisions to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786) ahead of the required date under the Covered Agreement and there was no preemptive action taken.

Principles-based reserving

Valuation Manual amendments

During LATF calls between the 2022 Summer National Meeting and 2022 Fall National Meeting several Amendment Proposal Forms (APFs) and related guidance were discussed, exposed and/or adopted as follows:

Adopted guidance

APF 2022-06 Adds a requirement in VM-31 to disclose information regarding the company's inflation assumption used in principle-based reserving (PBR) for life products under VM-20. The change restores mention of the inflation rate assumption to VM-31 that had inadvertently been removed.

NAIC Staff Guidance on Allocating Negative IMR (PIMR) In VM-20, VM21, and VM-30 LATF members adopted a NAIC staff memorandum as their recommendation for year-end 2022 while the Statutory Accounting Practices (E) Working Group (SAPWG) considers a longer-term evaluation of IMR. The recommendation is that "the allocation of IMR in VM-20, VM-21, and VM-30 should be principle-based, "appropriate", and "reasonable". Companies are not required to allocate any non-admitted portion of IMR (or PIMR, as applicable) for purposes of VM-20, VM-21, and VM-30, as being consistent with the asset handling for the non-admitted portion of IMR would be part of a principle-based, reasonable and appropriate allocation. However, if a company was granted a permitted practice to admit negative IMR as an asset, the company should allocate the formerly non-admitted portion of negative IMR, as again a principle-based, reasonable and appropriate IMR allocation would be consistent with the handling of the IMR asset. This recommended guidance is for year-end 2022, to address the current uncertainty and concerns with the "double-counting" of losses".

NAIC Staff Recommendation on a Replacement for the London Interbank Offered Rate (LIBOR) Memorandum suggests 1) the adoption of Secured Overnight Financing Rate (SOFR) swap spreads as the replacement for LIBOR swap spreads effective 12/30/22; 2) The approach to be used in calculating current and long-term swap spread curves as of 12/30/22; and 3) technical implementation details as recommended by the American Academy of Actuaries.

APF 2022-07 clarifies the intent and calculation of the mortality adjustments to the CSO table when anticipated mortality exceeds the prescribed CSO table. It does not change the current requirement of VM-20 but provides clarification in the wording. This APF was exposed for comment at the Fall National Meeting and adopted by LATF on January 26.

APF 2022-08 clarifies VM-31 documentation and VM-G governance requirements for groups of contracts for which reserves are computed using the Alternative Methodology in VM-21 and are not subject to a principles-based valuation. In particular, a company that computes reserves under the Alternative Methodology defined in VM-21 must still develop a sub-report for that group of contracts under VM-31. This APF was exposed for comment at the Fall National Meeting and adopted by LATF on January 26.

Other VM Project Updates

VM-22 - PBR for fixed annuities

LATF heard an update from the VM-22 Subgroup on activities related to fixed annuity PBR. The subgroup has met routinely since April to address nearly 400 comments in ten letters received on the July 2021 exposed draft of NAIC Valuation Manual Section II and VM-22 requirements. On October 4, the subgroup exposed another draft, with an exposure period ending January 2, 2023. Notable changes include:

- A small company exemption to be based on fixed annuity reserves would not apply to products with guaranteed living benefits.
- Scope to include elements related to nonforfeiture limits and return of principal and to exclude index-linked variable annuities (subject to VM-21).
- Modified approach to allocate reserves to non-variable products.
- Expanded provisions for longevity reinsurance.
- A new section regarding valuation rate for formulaic reserves on payout annuities.

Since October, subgroup discussions have focused on policyholder behavior and mortality assumptions, and on methodology of a standard projection amount calculation, particularly the mechanics of the standard projection. Whether the standard projection amount will serve as a minimum reserve floor will be determined by a LATF drafting group.

Field testing, a joint effort of the Academy, the ACLI and the NAIC, is targeted for 2023 but is dependent on progress on the Economic Scenario Generator and its field tests. If the ESG field tests are completed in 2023, completion of VM-22 field testing in 2023 could lead to an effective date of 1/1/2025 with a three-year transition period for implementation.

Life Actuarial Task Force

Actuarial Guidelines

Actuarial Guideline on AAT - *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) was adopted by the NAIC at the Summer National Meeting, with corresponding reporting templates approved by LATF on September 8. The guideline defines and prescribes requirements for modeling, testing and documenting valuation of complex (high yielding) assets used in asset adequacy testing, and is effective for reserves reported in the December 31, 2022 and subsequent annual statutory financial statements. There has been no further activity on this matter.

Actuarial Guideline 49-A - LATF members adopted revisions to *Actuarial Guideline XLIX-A—The Application of the Life Illustrations Model Regulation to Policies With Index-Based Interest Sold On or After December 14, 2020* (AG 49-A) at the Fall National Meeting. The revisions address the practice of some companies illustrating non-benchmark indices in a more favorable manner than benchmark indices. Proposed changes to AG 49-A had been exposed and discussed since July, and at this meeting LATF members adopted a “quick-fix” that prescribes a different cap on the Annual Rate of Indexed Credits that can be illustrated for policies sold after May 1, 2023 (2 months after anticipated NAIC adoption at the Spring National Meeting in March 2023). Consideration of additional proposals to address issues with IUL illustrations are ongoing at the IUL Subgroup level (see below).

Other LATF Activity

Economic scenario generator (ESG) implementation project

Following the Summer National Meeting and at the meeting in Tampa LATF members received updates from the Academy ESG Work Group and NAIC staff on matters related to the ESG Field Test and ESG model development. Results of the field test are delayed due to some companies needing more time to submit information, and to additional time required to confirm results with companies and answer questions. Recently formed drafting groups will begin meeting in January 2023 and given the continued ESG development work and need for a second field test, implementation of the new ESG is expected no earlier than 2025.

ESG Field Test:

In Tampa, NAIC staff presented LATF members with results from the ESG Qualitative Survey, which was part of the ESG field test conducted from 6/1/22 through 11/29/22. The ESG Qualitative Survey was designed to aid in understanding and interpreting quantitative field test results to be presented at a later date, to support the work of newly formed VM-20/VM-21 ESG drafting groups, and to summarize company comments relating to future ESG development and a second field test. Of 41 field test participants, 40 responded to the survey. Survey question topics covered characteristics of the baseline run relative to reported annual statement data, inforce file adjustments, changes made for negative interest rates, other modeling and assumption changes, and fund mapping changes. Participants also commented on several areas including scenario subset selection methodology, linkage between interest rates and equity returns, Stochastic Exclusion Ratio Test and Deterministic Reserve scenarios, and ESG calibration and acceptance criteria.

ESG Models:

The Academy is delivering to LATF members a series of presentations on a framework for developing, evaluating and implementing ESGs including development of "stylized facts" and acceptance criteria for evaluating stochastic sets of economic scenarios produced by an ESG. Stylized facts are qualitative statements about the economic variables being simulated and are a key prerequisite for model selection and development of acceptance criteria; acceptance criteria are quantitative in nature and used to evaluate scenario sets and help ensure the ESG is performing consistent with stylized facts.

During an October LATF call the Academy presented an independent set of corporate model stylized facts and acceptance criteria along with a proposed simplified corporate model, and this discussion continued at the Fall National Meeting. The stylized facts recommended by the Academy for the corporate model are generally consistent with those Conning presented for the GEMs model, and the acceptance criteria are consistent with the defaults and spreads prescribed in VM-20 *Requirements for Principle-Based Reserves for Life Products.* The Academy's simplified model is fully documented, specified, and calibrated, which may allow for deeper review and understanding relative to the Conning GEMs model which is proprietary and closed. The simplified model could replace the Conning GEMs Corporate model if LATF members chose to proceed that way.

At the meeting in Tampa LATF also heard the Academy presentation on ESG interest rate stylized facts and acceptance criteria. The proposed stylized facts and acceptance criteria are consistent with the preliminary goals for interest rates and related boundary guidance presented to LATF in December 2020 and February 2022, respectively. The proposed stylized facts and acceptance criteria relate to the level, volatility and term structure of interest rates, and a proposal for "low-for-long" criteria is under development. Acceptance criteria include "buffers" on rate levels to indicate variations that may be considered extreme. Regulator discussion focused on how negative interest rates would be captured by the model (considering the current interest rate environment) and on how the buffers were set. Time expired before all discussion had concluded and discussion on this topic will continue on a future call.

Materials are posted on the NAIC website under the Economic Scenarios section of the Principle-Based Reserving webpage.

Index-Linked Variable Annuity Subgroup
Between September and November 2022, the Index-Linked Variable Annuity (ILVA) subgroup exposed three more drafts of the ILVA Actuarial Guideline proposal and met to review comments from its exposure drafts, focusing on the technical aspects of market value adjustment (MVA) and guidance language updates. The purpose of this guideline is to clarify the application of the Standard Nonforfeiture Law for Individual Deferred Annuities (#805) and the Variable Annuity Model Regulation (#250) to ILVA products. Many issuers of ILVA products believe they are exempt from Model #805 since the products are registered with the SEC as variable annuities. On the other hand, ILVA products are not unit-linked, which leads to the question of applicability of Model #250.

At the Fall National Meeting LATF members adopted the ILVA Actuarial Guideline. The adopted draft guideline is contained in the LATF Fall National Meeting materials.

Indexed Universal Life Illustration Subgroup
Following the adoption of revisions to AG 49-A at the Fall National Meeting, the Indexed Universal Life (IUL) Illustration Subgroup discussed comments received on the recent exposure for public comment regarding the subgroup's charge to provide recommendations for consideration of changes to the Life Insurance Illustrations Model Regulation (#582) to address broad IUL illustration issues. Comments were received from the ACLI, Academy and several insurers, and these groups discussed their comments at the Fall National Meeting. Birny Birnbaum, Center for Economic Justice, also spoke on this topic at the meeting.

Lively debate ensued around whether LATF should recommend to the Life Insurance and Annuities (A) Committee that Model #582 be opened to address technical matters specific to IUL policy illustrations or life illustrations generally, or whether more technical work is required before such recommendation is made. All parties acknowledged a need for life insurance product illustrations to be more transparent and better understood by consumers. Some commenters were focused on technical issues related to IUL illustrations and recommended more work at the subgroup level, while others noted a need for broader changes to illustrations to improve consistency across different products. Mr. Birnbaum advocated for a timely recommendation to A-Committee to open Model #852 for revisions, citing a need for input from experts in consumer financial disclosure to address broader issues with illustration complexity. After lengthy and passionate discussion LATF members voted to send the matter back to the subgroup level to better articulate the recommendation to the (A) Committee.

The 2023 Spring National Meeting of the NAIC is scheduled for March 22-25 in Louisville, Kentucky. We welcome your comments regarding issues raised in this newsletter. Please provide your comments or email address changes to your PwC LLP engagement team, or directly to the NAIC Meeting Notes' editor, Jen Abruzzi, at jennifer.abruzzi@pwc.com.

Newsletter Disclaimer. Since a variety of viewpoints and issues are discussed at task force and committee meetings taking place at the NAIC meetings, and because not all task forces and committees provide copies of meeting materials to industry observers at the meetings, it can be often difficult to characterize all of the conclusions reached. The items included in this Newsletter may differ from the formal task force or committee meeting minutes.

In addition, the NAIC operates through a hierarchy of subcommittees, task forces and committees. Decisions of a task force may be modified or overturned at a later meeting of the appropriate higher-level committee. Although we make every effort to accurately report the results of meetings we observe and to follow issues through to their conclusion at senior committee level, no assurance can be given that the items reported on in this Newsletter represent the ultimate decisions of the NAIC. Final actions of the NAIC are taken only by the entire membership of the NAIC meeting in Plenary session

Appendix A

This table summarizes actions taken by the SAP Working Group since the Spring National Meeting on open agenda items. For full proposals exposed and the status of agenda items that were not actioned during the period, see the SAP Working Group webpage.

Issue/ Reference #	Status	Action Taken/Discussion	Proposed Effective Date
SSAPs 68 & 97 – Goodwill (#2019-12 and #2019-14)	Deferred	No discussion at the Fall National Meeting – deferred discussion for a subsequent call or meeting	TBD
Principles-based bond proposal project (#2019-21)	Exposed	Exposed proposed revisions to SSAP No. 26R, proposed revisions to SSAP No. 43R, an updated issue paper, and a document that details revisions to other SSAPs to reflect proposed guidance under the principles-based based bond project.	January 1, 2025
SSAPs 19 and 73 – Leasehold Improvements after Lease Termination (#2021-25)	Adopted	Revisions clarify that leasehold improvements shall be immediately expensed upon lease termination unless limited exceptions are met.	December 13, 2022
Conceptual Framework – Updates (#2022-01)	Adopted/ Re-exposed	The working group adopted changes to the APP Manual Preamble and SSAP 4 to incorporate recent changes to the FASB's Conceptual Framework for Financial Reporting. The SSAP No. 5 revisions are still pending and have been re-exposed.	December 31, 2022 annual statements
SSAP 86 – Fair Value Hedging – Portfolio Layer Method (#2022-09)	Adopted	Revisions adopt with modification derivative guidance from ASU 2017-12, Derivatives and Hedging and ASU 2022-01, Fair Value Hedging – Portfolio Layer to include guidance for the portfolio layer method and partial-term hedges.	January 1, 2023 (early adoption permitted)
SSAP 36 –Troubled Debt Restructuring and Vintage Disclosures (#2022-10)	Adopted	Revisions reject ASU 2022-02: Troubled Debt Restructurings and Vintage Disclosures for statutory accounting SSAP 36.	December 13, 2022
SSAP 21R – Collateral for Loans (#2022-11)	Re-exposed	Exposed revisions clarify that invested assets pledged as collateral for admitted collateral loans must qualify as admitted invested assets.	TBD
SSAP 61R, 62R, and 63 – Review of INT 03-02 (#2022-12)	Re-exposed	Exposure proposes to nullify Interpretation 03-02: Modification to an Existing Intercompany Pooling Arrangement.	TBD
SSAP 25 and 97 – Related Party – Footnote Updates (#2022-13)	Adopted	Revisions identify foreign open-end investment funds as a fund in which ownership percentage is not deemed to reflect control unless the entity actually controls with the power to direct the underlying company.	December 13, 2022

Issue/ Reference #	**Status**	**Action Taken/Discussion**	**Proposed Effective Date**
SSAP 9 and 101 – Third Quarter 2022 through First Quarter 2023 Reporting of the Inflation Reduction Act – Corporate Alternative Minimum Tax (#INT 22-02)	Adopted	Revisions extend INT 22-02 for Dec. 31, 2022, and first quarter 2023 statutory financial statements. This INT provides an exception that does not require entities to assess valuation allowance and deferred tax asset impacts, tax estimates from the Inflation Reduction Act CAMT for third quarter 2022 through first-quarter 2023. It also provides subsequent event exceptions and disclosures.	December 13, 2022
SSAP 9 and 101 – Inflation Reduction Act – Corporate Alternative Minimum Tax (#INT 22-03)	Exposed	This INT addresses fourth quarter 2022 and interim 2023 reporting. It requires reporting when reasonable estimates can be made. It provides some subsequent events exceptions regarding the CAMT, to allow estimates to be updated as information becomes available.	TBD
SSAP 93 – Low-Income Housing Tax Property Credits (#2022-14)	Exposed	Exposure proposes a new or revised SSAP to expand current guidance to capture all tax equity investments that qualify under specified criteria and provide general federal business tax credit or state premium tax credits.	TBD
SSAP 25 - Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties (#2022-15)	Exposed	Revisions clarify that any invested asset held by a reporting entity which is issued by an affiliated entity, or which includes the obligations of an affiliated entity, is an affiliated investment.	TBD
SSAP 100R - Fair Value Measurements (#2022-16)	Exposed	Exposure proposes to adopt with modification ASU 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale.	TBD
SSAP 34 - Investment Income Due and Accrued (#2022-17)	Exposed	Exposure proposes additional disclosures for interest income due and paid-in-kind (PIK) interest included in current principal balances. Also supports a blanks proposal to data-capture the disclosure.	TBD
SSAP 105R - Working Capital Finance Investments (#2022-18)	Exposed	Exposure proposes to reject ASU 2022-04, Disclosure of Supplier Finance Program Obligations for statutory accounting.	TBD
SSAP 7 - Asset Valuation Reserve and Interest Maintenance Reserve (#2022-19)	Exposed	Exposure of the agenda item on interest maintenance reserve (IMR) guidance, focusing on negative IMR. Requested industry to provide potential guardrails and details on unique considerations. Directed NAIC staff to coordinate a joint regulator discussion with the Life Actuarial (A) Task Force and to develop a memorandum regarding considerations for state insurance regulators.	TBD

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