



FORVIS

**2022
Insurance Virtual Seminar**

December 7, 2022

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**2022
Insurance Virtual Seminar**

Statutory Accounting & Reporting Update

- Connie Jasper Woodroof / December 7, 2022

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Meet the Presenter



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CJW Associates

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Agenda



- 2022 Statement Changes
- Risk-Based Capital Revisions
- Statutory Accounting
- Investment Analysis Office
- Credit for Reinsurance
- Group Capital Calculation
- 2023 Statement Reporting
- 2023 NAIC Budget

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2022 Annual Statement Revisions

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General Interrogatories – Part 1 New Cryptocurrency Question

- 38.1 Does the reporting entity directly hold cryptocurrencies? Yes No N/A
- 38.2 If the response to 38.1 is yes, on what schedules are they included? _____
- 39.1 Does the reporting entity directly or indirectly accept cryptocurrencies for premiums on policies? Yes No N/A
- 39.2 If the response to 39.1 is yes, are the cryptocurrencies held directly or are they immediately converted to U.S. dollars?
- 39.21 Held directly Yes No N/A
- 39.22 Immediately converted to U.S. dollars? Yes No N/A
- 39.3 If the response to 38.1 or 39.1 is yes, list all cryptocurrencies accepted for payments of premiums or that are held directly.

1	2	3
Name of Cryptocurrency	Immediately Converted to USD, Directly Held, or Both	Accepted for Payment of Premiums

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Notes to Financials

- Note #9 – Income Taxes
 - Eliminates instructions to create additional lines for DTA and DTLs
 - Data capture element of Note cannot accommodate variable lines
 - Added some formulas to existing lines

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Notes to Financials

- Note #9 – Income Taxes
 - Eliminates instructions to create additional lines for DTA and DTLs
 - Data capture element of Note cannot accommodate variable lines
 - Added some formulas to existing lines
- **INT 2022-02 & 2022-03**
 - Inflation Reduction Act – Corporate Alternative Minimum Tax
 - INT 2022-02, revised through first quarter 2023 and re-exposed through 12/1

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Notes to Financials

- Note #9 – Income Taxes
 - Eliminates instructions to create additional lines for DTA and DTLs
 - Data capture element of Note cannot accommodate variable lines
 - Added some formulas to existing lines
- **INT 2022-02 & 2022-03**
 - Inflation Reduction Act – Corporate Alternative Minimum Tax
 - INT 2022-02, revised through first quarter 2023 and re-exposed through 12/1
- Note #15 – Leases
 - Modified illustration
 - Adds formula for “total” line

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Investment Schedules Residual Tranches or Interests

- By 12/31/2022 reported on Schedule BA, **not** Schedule D
 - While still on Schedule D, reported as 6* designation
- Separate reporting category & subcategories
 - Assign to subcategory with highest asset concentration
- Affects AVR reporting
- From revisions to *SSAP No. 43R*

Residual Tranches or Interests w/Underlying Assets Having Characteristics of:	
Fixed Income Investments	
Unaffiliated	
Affiliated	
Common Stock	
Unaffiliated	
Affiliated	
Preferred Stock	
Unaffiliated	
Affiliated	
Real Estate	
Unaffiliated	
Affiliated	
Mortgage Loans	
Unaffiliated	
Affiliated	
Other	
Unaffiliated	
Affiliated	

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Investment Schedules

- Long-term certificates of deposits (CDs)
 - Unaffiliated a new reporting category
 - **Unaffiliated Certificates of Deposit** **2019999999**
 - Affiliated CDs reported in Parent, Subsidiaries and Affiliates category
 - However, no separate reporting subcategory or instructions
 - Include as Issuer Obligations
 - Removed code (\$) indicating CDs under the FDIC limit

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Investments

- Interpretation *INT 22-01 – Freddie Mac When-Issued K-Deal*
 - Within scope of *SSAP No. 43R*
 - Consistent with the current guidance for TBA securities

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Investments

- Interpretation *INT 22-01 – Freddie Mac When-Issued K-Deal*
 - Within scope of *SSAP No. 43R*
 - Consistent with the current guidance for TBA securities
- Revisions to *SSAP No. 43R* summarize financial modeling guidance and refer to *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for details
 - RMBS/CMBS use NAIC designation derived from modeling OR assigned by the SVO
 - Defines legacy and non-legacy securities and summarizes methods for each to derive designation and designation category

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Investment Schedules Schedule D – Part 1

- SVO-Identified Bond ETF List
 - Only those on list can be reported as bonds on Part 1
 - But insurer purchasing an ETF whose name was added by SVO must file ETF with SVO to obtain final NAIC designation for reporting purposes
 - Year-End list in Part 3 of *P&P Manual*
 - Most current listing posted on SVO webpage
https://staspoprodcus01.blob.core.windows.net/svo/svo_bond.pdf

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Investments

- *Purposes and Procedures Manual of the Investment Analysis Office (P&P Manual)*
 - NAIC Designation assigned by SVO does NOT imply specific investment schedule reporting
 - SVO can assign NAIC Designations to any filed investment, even if not reported in Schedule BA or D.

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Investments

- *Purposes and Procedures Manual of the Investment Analysis Office (P&P Manual)*
 - NAIC Designation assigned by SVO does NOT imply specific investment schedule reporting
 - SVO can assign NAIC Designations to any filed investment, even if not reported in Schedule BA or D.
 - Pricing grids for modeled legacy RMBS and CMBS updated for NAIC Designation Categories
 - Used to be 5 break points, now 19

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Investments

- *Purposes and Procedures Manual of the Investment Analysis Office (P&P Manual)*
 - NAIC Designation assigned by SVO does NOT imply specific investment schedule reporting
 - SVO can assign NAIC Designations to any filed investment, even if not reported in Schedule BA or D.
 - Pricing grids for modeled legacy RMBS and CMBS updated for NAIC Designation Categories
 - Used to be 5 break points, now 19
 - Updated definition and examples of principle protected securities (PPS)
 - Due to new deals being observed

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Investment Schedules – Preferred Stock

- Part 2 – Section 1; Parts 3, 4, 5; Sch DL – Parts 1 & 2
 - Reorganized and renumbered lines

Industry and Miscellaneous (Unaffiliated)
 Perpetual Preferred
 Redeemable Preferred
 Parent, Subsidiaries and Affiliates
 Perpetual Preferred
 Redeemable Preferred

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Investment Schedules Schedule D – Part 2 – Section 1 – Preferred Stock

- SVO-Identified Preferred Stock ETF List
- No separate reporting category
 - Classified as Industrial and Miscellaneous
- As with bond ETFs, must be filed with SVO for NAIC designation
- Most current listing on SVO webpage
https://staspoprodCUS01.blob.core.windows.net/svo/svo_preferred.pdf

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Investment Schedules – Common Stock

Industry and Miscellaneous (Unaffiliated)
 Publicly Traded
 Other

Mutual Funds
 Designation Assigned by SVO
 Designation Not Assigned by SVO

Unit Investment Trusts
 Designation Assigned by SVO
 Designation Not Assigned by SVO

Closed-End Funds
 Designation Assigned by SVO
 Designation Not Assigned by SVO

Exchange Traded Funds

Parent, Subsidiaries and Affiliates
 Publicly Traded
 Other

Only report NAIC Designation and Designation Modifier if assigned by SVO.

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Investment Schedules

- New sections and numbering means format changes and/or instructional change in statement for:
 - Schedule D – Part 1A
 - New section for unaffiliated CDs – do not need PY info for 2022

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Investment Schedules

- New sections and numbering means format changes and/or instructional change in statement for:
 - Schedule D – Part 1A
 - New section for unaffiliated CDs – do not need PY info for 2022
 - AVR (Life and Fraternal only)

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Investment Schedules

- New sections and numbering means format changes and/or instructional change in statement for:
 - Schedule D – Part 1A
 - New section for unaffiliated CDs – do not need PY info for 2022
 - AVR (Life and Fraternal only)
 - Summary Investment Schedule
 - New lines for Unaffiliated CDs and ETFs

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Investment Schedules

- New sections and numbering means format changes and/or instructional change in statement for:
 - Schedule D – Part 1A
 - New section for unaffiliated CDs – do not need PY info for 2022
 - AVR (Life and Fraternal only)
 - Summary Investment Schedule
 - New lines for Unaffiliated CDs and ETFs
 - Schedule D – Summary by Country
 - Unaffiliated CDs included as Industrial & Miscellaneous bonds
 - Addition of mutual funds, unit investment trusts, closed-end fund, & ETFs as Industrial & Miscellaneous common stocks

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Investment Schedules Investment Transactions w/ Related Parties

- From revisions to *SSAP Nos. 25 & 43R*
- New electronic-only reporting column on Schedules B, BA, D, DA, DB, DL, E – Part 2, DB
 - Used to indicate all investments involving related parties, regardless of reporting line
 - Does not have to be reported in an affiliate category
 - Numeric 1 through 6, with 6 used to indicate no related party investment
- Key term here is “**related party investment transaction**,” not “affiliated investment”
 - Related party as a sponsor, originator or other similar transaction
 - Related party is not the issuer, typically a securitization or other structured finance

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Investments VOSTF Exposed for Comment

- Addition of fixed income analytical risk measures columns to Schedule D – Pt 1
- Update the definition of other non-payment risk assigned a subscript “S”
- SSG report on IAO issue paper on the risk assessment of structured securities – CLOs
- Instructions for financial modeling of CLOs
- Update instructions for related party and SCA investments
- Language links use of NAIC Designations to NAIC Policy Statement and Financial Regulation Standards

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Investment Schedules Schedule D – Part 6 – Section 1

- Requested by SAPWG under *SSAP No. 97*, but no accounting change
- Four new electronic-only columns

16 Prior Year <u>Book</u> /Adjusted Carrying Value	17 Prior Year Nonadmitted Amount	18 Prior Year Sub-2 Verified Value	19 Prior Year VISION Filing Number

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Schedule T, State Page, and AHPEE

- Schedule T, State Page, and AHPEE
 - Instructional changes on the reporting of premium allocations by jurisdiction
 - Allocate into respective jurisdiction(s)
 - All US business to be allocated by state regardless of license status
 - Not to be “dumped” into Other Alien category
 - Revisions to *SSAPs No. 97* and *107*
 - ACA risk adjustment program triggered clarification, but applies to **ALL** types of premium adjustments

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Reminder for AHPEE

- For year-end 2021, was completely reformatted, **BUT** still reported in the aggregate
- For year-end 2022, must be reported on a **state-by-state** basis **and** in the aggregate

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Life/Fraternal and Property/Casualty Schedule H

SCHEDULE H - PART 1 – ANALYSIS OF UNDERWRITING OPERATIONS

Total		Comprehensive (Hospital and Medical) Individual		Comprehensive (Hospital and Medical) Group		Medicare Supplement		Vision Only		Dental Only		Federal Employees Health Benefits Plan Premium	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Medicare Title XVIII		Medicaid Title XIX		Credit A&H		Disability Income		Long-Term Care		Other Health			
15	16	17	18	19	20	21	22	23	24	25	26		
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%

- Expands health lines of business for reporting
 - Columnar changes, not line changes
 - New instructions include new validations

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Property/Casualty Statement Actuarial Opinion

- Revisions
 - Removed continuing education language
 - Identification paragraph should state appointed actuary has complied with the requirement to provide qualification documentation to Board
 - Actuary signature and date reproduction can now be used on Actuarial Report; original only required on Actuarial Opinion

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Property/Casualty Statement

- Underwriting & Investment Exhibit
Parts 1, 1A, 1B, 2, 2A
- State page
- IEE – Parts II and III

Line of Business	
1.	Fire
2.1	Allied lines
2.2	Multiple peril crop
2.3	Federal flood
2.4	Private crop
2.5	Private flood
3.	Farmowners multiple peril
4.	Homeowners multiple peril
5.1	Commercial multiple peril (non-liability portion)
5.2	Commercial multiple peril (liability portion)
6.	Mortgage guaranty
8.	Ocean marine
9.	Inland marine
10.	Financial guaranty
11.1	Medical professional liability—occurrence
11.2	Medical professional liability—claims-made
12.	Earthquake
13.1	Comprehensive (hospital and medical) individual
13.2	Comprehensive (hospital and medical) group
14.	Credit accident and health (group and individual)
15.1	Vision only
15.2	Dental only
15.3	Disability income
15.4	Medicaid supplement
15.5	Medicaid title XIX
15.6	Medicare title XVIII
15.7	Long-term care
15.8	Federal employees health benefits plan premium
15.9	Other health

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Property/Casualty Statement

- Underwriting & Investment Exhibit Parts 1, 1A, 1B, 2, 2A
- State page
- IEE Parts II and III

16.	Workers' compensation	
17.1	Other liability—occurrence	
17.2	Other liability—claims-made	
17.3	Excess workers' compensation	
18.1	Products liability—occurrence	
18.2	Products liability—claims-made	
19.1	Private passenger auto no-fault (personal injury protection)	
19.2	Other private passenger auto liability	
19.3	Commercial auto no-fault (personal injury protection)	
19.4	Other commercial auto liability	
21.1	Private passenger auto physical damage	
21.2	Commercial auto physical damage	
22.	Aircraft (all perils)	
23.	Fidelity	
24.	Surety	
26.	Burglary and theft	
27.	Boiler and machinery	
28.	Credit	
29.	International	
30.	Warranty	
31.	Reinsurance-nonproportional assumed property	
32.	Reinsurance-nonproportional assumed liability	
33.	Reinsurance-nonproportional assumed financial lines	
35.	Aggregate write-ins for other lines of business	
36.	TOTALS	

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Property/Casualty Statement

Other IEE revisions

- Previous interrogatory #1 revised to only ask for premiums earned
- Numerous instructional changes
 - Ties to other parts of the annual statement
 - Allocations to lines of business

Appendix – Line of business definitions

- Several new and revised definitions

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Life/Fraternal Statement Exhibit 7

- New footnote captures amount of Federal Home Loan Bank Funding Agreements included in product reporting

(a) FHLB Funding Agreements

1. Reported as a GICs (captured in col 2)	\$ _____
2. Reported as an Annuities Certain (captured in col 3)	\$ _____
3. Reported as Supplemental Contracts (captured in col 4)	\$ _____
4. Reported as Dividend Accumulations or Refunds (captured in col 5)	\$ _____
5. Issued as Premium or Other Deposit Funds (captured in col 6)	\$ _____
6. Total Issued as Deposit-Type Contracts (captured in col 1)	\$ _____

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Life/Fraternal Statement

- Five-Year Historical Data

	1 2022	2 2021	3 2020	4 2019	5 2018
A&H Claim Reserve Adequacy					
68. Incurred losses on prior year's claims-comprehensive group health (Sch. H, Part 3, Line 3.1, Col. 3).....		XXX	XXX	XXX	XXX
69. Prior year's claim liability and reserve-comprehensive group health (Sch. H, Part 3, Line 3.2, Col. 3).....		XXX	XXX	XXX	XXX
70. Incurred losses on prior years' claims-health other than comprehensive group health (Sch. H, Part 3, Line 3.1, Col 1 less Col. 3).....		XXX	XXX	XXX	XXX
71. Prior years' claim liability and reserve-health other than comprehensive group health (Sch. H, Part 3, Lines 3.2, Col. 1 less Col. 3).....		XXX	XXX	XXX	XXX

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Life/Fraternal Statement

- Five-Year Historical Data

	1 2022	2 2021	3 2020	4 2019	5 2018
A&H Claim Reserve Adequacy					
68. Incurred losses on prior year's claims-comprehensive group health (Sch. H, Part 3, Line 3.1, Col. 3).....		XXX	XXX	XXX	XXX
69. Prior year's claim liability and reserve-comprehensive group health (Sch. H, Part 3, Line 3.2, Col. 3).....		XXX	XXX	XXX	XXX
70. Incurred losses on prior years' claims-health other than comprehensive group health (Sch. H, Part 3, Line 3.1, Col 1 less Col. 3).....		XXX	XXX	XXX	XXX
71. Prior years' claim liability and reserve-health other than comprehensive group health (Sch. H, Part 3, Lines 3.2, Col. 1 less Col. 3).....		XXX	XXX	XXX	XXX

- Asset Valuation Reserve

- Expanded bond designation categories and factors now adjusted for RBC factor changes

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Life/Fraternal Statement

- VM-20 Reserves Supplement

- Revisions change Life PBR exemption to match *Valuation Manual (VM)* exemption
 - Disclosure of year PBR exemption allowed
 - If state of domicile exemption criteria different from VM, state criteria used to allow exemption
 - Adds new question to determine if company qualifies for ongoing exemption

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Life/Fraternal Statement Supplemental Exhibits and Schedules Interrogatories

- Changes to question regarding filing of Life PBR Statement of Exemption
 - Where response is no, indicate “SEE EXPLANATION” and provide an explanation that company is utilizing an ongoing statement of exemption

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Health Statement Actuarial Opinion

- Instructional changes
 - Now covers “actuarial assets” and “actuarial liabilities” as defined
 - Due to changes implemented by the Academy last year

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Health Statement Underwriting & Investment Exhibit & State Page

- Addition of new reporting columns

Comprehensive (hospital and medical) **Individual**
Comprehensive (hospital and medical) Group
 Medicare Supplement
 Dental only
 Vision only
 Federal Employees Health Benefits Plan

Title XVIII – Medicare
 Title XIX - Medicaid
Credit A&H
Disability Income
Long-Term Care
 Other health
 Life (sometimes labeled
 Other Non-Health)
 Property/Casualty (sometimes
 labeled Other Non-Health)

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Where Do I Find Statement Adoptions?

On the Blanks Working Group webpage

https://content.naic.org/cmte_e_app_blanks_related_adopted_mods.htm

Sorted by effective date column, with later effective dates towards the end.

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Risk-Based Capital

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Where Do I Find RBC Adoptions?

- Capital Adequacy Task Force website

https://content.naic.org/capital_adequacy_task_force.htm

Under Documents tab

Select Adopted Proposals to the Risk-Based Capital Formulas

Capital Adequacy Task Force—General Information

[2021 Capital Adequacy Working Agenda](#)

[RBC Procedures](#)

[RBC Preamble](#)

[Flow Chart](#)

[RBC Proposal Form](#)

[RBC Proposal Instructions](#)

[Adopted Proposals to the Risk-Based Capital Formulas](#)

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Property RBC

- Addition of KCC as third-party catastrophe model vendor
- Wildfire added to Rcat, BUT information collection only for 2022
 - Same format as earthquake and hurricane – different factors
 - Exemption for smaller companies provided
 - Companies meeting modeling exemption to include disclosure of estimated wildfire risk exposure on a gross and net of reinsurance
- R3 credit risk factors amended to remove embedded operational risk component

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Property RBC

Annual update of Line 1 factors for PR017 and PR018

Schedule P Line of Business	LOB	Proposed for adoption - 2022 Industry Average Development Ratio	2021 Industry Average Development
H/F	A	1.001	0.998
PPA	B	1.022	1.025
CA	C	1.082	1.083
WC	D	0.906	0.912
CMP	E	1.037	0.999
MM Occurrence	F1	0.887	0.874
MM Clms Made	F2	0.983	0.973
SL	G	0.990	0.976
OL	H	0.995	0.964
Fidelity / Surety	K	0.842	0.915
Special Property	I	0.993	0.978
Auto Physical Damage	J	1.011	0.989
Other (Credit, A&H)	L	0.955	0.965
Financial / Mortgage Guaranty	S	0.694	0.723
Intl	M	3.041	1.104
Rein. Property & Financial Lines	NP	0.917	0.893
Rein. Liability	O	1.008	0.989
PL	R	0.867	0.879
Warranty	T	0.998	1.007

Schedule P Line of Business	LOB	Proposed 2022 Industry Average Loss & Expense Ratio	2021 Industry Average Loss & Expense Ratio
H/F	A	0.665	0.681
PPA	B	0.793	0.795
CA	C	0.761	0.761
WC	D	0.664	0.682
CMP	E	0.661	0.673
MM Occurrence	F1	0.750	0.731
MM Clms Made	F2	0.829	0.821
SL	G	0.585	0.593
OL	H	0.637	0.635
Fidelity / Surety	K	0.366	0.394
Special Property	I	0.547	0.559
Auto Physical Damage	J	0.718	0.726
Other (Credit, A&H)	L	0.698	0.693
Financial / Mortgage Guaranty	S	0.203	0.252
Intl	M	1.166	0.769
Rein. Property & Financial Lines	NP	0.566	0.558
Rein. Liability	O	0.725	0.713
PL	R	0.601	0.617
Warranty	T	0.665	0.681

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Property RBC

- Removed PR033 Trend Test footnote
 - Stated that until all states had adopted revisions to the RBC Model Act, trend test was for information only
 - Trend Test is now operative; companies receiving a test result of “**YES**” now triggers Company Action Level and must respond accordingly

†The Trend Test applies only if L(15) = YES

‡If result = YES, the company triggers regulatory attention at the Company Action Level based on the trend test.

~~NOTE: This page is for information only until the modifications made by Capital Adequacy Task Force to the Risk-Based Capital (RBC) for Insurers Model Act are implemented by states.~~

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Life/Fraternal RBC

- New C2 Life Mortality reporting format and factors
 - Page LR025
 - Numerous reporting category changes
 - Ties to Exhibit of Life Insurance, Exhibit 5, Schedule S, with some amounts for company records
 - Most use a tiered factor approach

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Statutory Accounting Principles Working Group (SAPWG)

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SSAP No. 4 – Assets and Nonadmitted Assets

- Updates definition of an asset
 - Considered a clarification, not an accounting change
 - Replaces term “probable economic benefit” with “an economic benefit”
- Also revises Preamble
- Related adoption of *Issue Paper 166 – Definition of Assets*

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SAPWG Adoptions

- SSAP No. 48 – Joint Ventures, Partnerships and Limited Liability Companies
 - Clarification that U.S. tax basis equity audit is to occur at the investee level
- SSAP No. 72 – Surplus and Quasi-Reorganizations
 - Guidance for accounting changes in fair value when exchanging equity-classified written call options
 - Rejection of *ASU 2021-04*

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SSAP No. 86 - Derivatives

- Modified adoption of *ASU 2017-22* for determining hedge effectiveness
- Incorporates statutory-specific measurement methods for excluded component in hedging instruments
- Effective 1/1/2023, with early adoption permitted
 - New reporting fields to be added to Schedule DB and Notes disclosures in 2023

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SSAP No. 104R – Share-Based Payments

- Revisions incorporate the practical expedient for the current price from *ASU 2021-07*

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SAPWG Rejected ASUs As Not Applicable to SAP

- ASU 2021-03 – Intangibles – Goodwill*
- ASU 2021-05 – Variable Lease Payments*
- ASU 2021-06 - Amendments to SEC Paragraphs*
- ASU 2021-08 – Business Combination*
- ASU 2021-09 – Leases, Discount Rate for Lessees*
- ASU 2021-10 – Government Assistance, Disclosures by Business Entities about Government Assistance*

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SAPWG Bond Project

- Still a work in progress
- During 11/ 16 meeting, revisions to *SSAP Nos. 26R, 43R, and other SSAPs* were re-exposed for comment through February 10, 2023
- Will result in major changes to Schedule D – Part 1 reporting
 - Was previously exposed. Comments to be discussed among regulators. Expected re-exposure during December 13 meeting.

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SAPWG Bond Project

- Proposed Schedule D – Part 1 revisions
 - Part 1 – Section 1
 - Issuer Credit Obligations (under scope of revised SSAP No. 26R)
 - New bond reporting classifications

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SAPWG Bond Project

- Proposed Schedule D – Part 1 revisions
 - Part 1 – Section 1
 - Issuer Credit Obligations (under scope of revised SSAP No. 26R)
 - New bond reporting classifications
 - Part 1 – Section 2
 - Asset-Backed Securities (under scope of revised SSAP No. 43)
 - Would include RMBS, CMBS CLOs, CBOs, CDOs, equity-backed securities, lease-backed securities, and more
- Different columns between the two, especially for the electronic-only columns

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SAPWG Bond Project

WHEN?

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WHEN?
Probably January 1, 2005

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SAPWG Was Exposed for Comment Thru October 7

- Issue Paper revising liabilities definition in *SSAP No. 5R*
- SSAPs No. 19 & No. 73* – treatment of leasehold improvements upon termination of lease
- Clarification in *SSAP No. 21R* that assets pledged as collateral must qualify as an admitted asset
- Revisions to *SSAP Nos. 25 and 97* exempts foreign open-end investment funds (as defined) from look-through provisions in *SSAP No. 25*
- Rejection of *ASU 2022-02, Trouble Debt Restructurings and Vintage Disclosures*, but exposures ask if expanded U.S. GAAP exposures should be considered

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SAPWG Was Exposed for Comment Thru October 7

- ❑ Provides guidance for the portfolio layer method and partial-term hedges in *SSAP No. 86* from *ASUs 2022-01 & 2017-12*

None were addressed during November meeting. May be on December agenda.

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SAPWG Currently Deferred Projects

- *SSAP No. 41R – Surplus Notes*
- *SSAP No. 68 – Business combinations pushdown accounting*
- *SSAP Nos. 68 & 97 – Attribution of goodwill*
- *SSAP No. 62R – Retroactive reinsurance exception*

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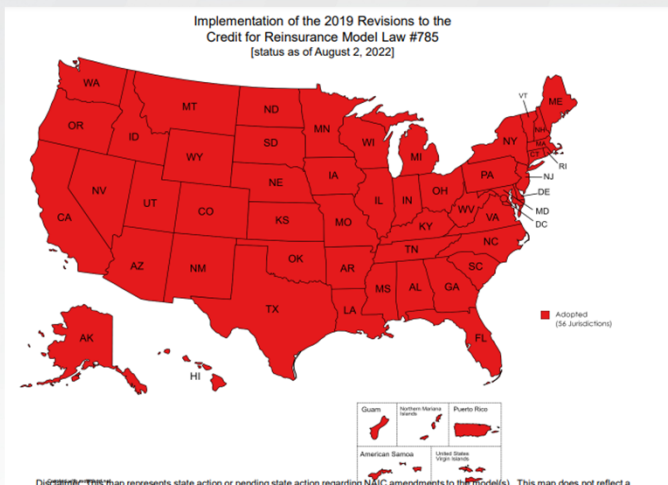
Credit for Reinsurance Models

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Credit for Reinsurance Models



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- Needed to be adopted by all U.S. jurisdictions by Sept 22, 2022, to discourage federal government from assuming regulatory control of reinsurance
- Federal Insurance Office now in the process of reviewing what was adopted by each jurisdiction
- FIO recently announced no plans to intercede in reinsurance this year.
- Plans to issue report in 2023
- Still working with a few states

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Group Capital Calculation (GCC)

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Group Capital Calculation (GCC)

- ✓ Holding company models revised to accommodate GCC
 - Implementation requires state adoption of revised holding company model
 - Implementation date that was adopted
 - Insurance holding company groups need to be aware of what is happening in their lead state
 - GCC filed with lead state regulator
 - GCC already appearing on some state checklists for 2022
 - But may or may not be required for year-end 2022

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**Implementation of 2020 Revisions to Model #440 (Group Capital Calculation and Liquidity Stress Test)
Insurance Holding Company System Regulatory Act
[status as of November 11, 2022]**

Are You Ready for GCC?

Adopted (22 Jurisdictions)
Pending (3 Jurisdictions)
Pending - GCC only (1 Jurisdiction)

Guam Northern Mariana Islands Puerto Rico
 American Samoa United States Virgin Islands

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**Implementation of 2020 Revisions to Model #450 (Group Capital Calculation)
Insurance Holding Company System Model Regulation
[status as of November 11, 2022]**

Adopted (12 Jurisdictions)

Guam Northern Mariana Islands Puerto Rico
 American Samoa United States Virgin Islands

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Heads-Up for 2023 Statement Reporting

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2023 Property/Casualty Quarterly Statement

- Makes quarterly match annual

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Line of Business	
1.	Fire
2.1	Allied lines
2.2	Multiple peril crop
2.3	Federal flood
2.4	Private crop
2.5	Private flood
3.	Farmowners multiple peril
4.	Homeowners multiple peril
5.1	Commercial multiple peril (non-liability portion)
5.2	Commercial multiple peril (liability portion)
6.	Mortgage guaranty
8.	Ocean marine
9.	Inland marine
10.	Financial guaranty
11.1	Medical professional liability—occurrence
11.2	Medical professional liability—claims-made
12.	Earthquake
13.1	Comprehensive (hospital and medical) individual
13.2	Comprehensive (hospital and medical) group
14.	Credit accident and health (group and individual)
15.1	Vision only
15.2	Dental only
15.3	Disability income
15.4	Medicare supplement
15.5	Medicaid title XIX
15.6	Medicare title XVIII
15.7	Long-term care
15.8	Federal employees health benefits plan premium
15.9	Other health

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2023 Property/Casualty Annual Statement

- New supplement provides more detailed reporting for Other Liability
 - Exhibit of Other Liabilities – by Lines of Business
 - Ties to Lines 17.1, 17.2, 17.3 of state page
 - Due March 1
 - All reporting entities reporting Other Liability on state page must file
 - Statement Instructions include LOB definitions in Appendix

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2023 P/C Exhibit of Other Liabilities – By Lines of Business

Line 9 applies to the following lines of business

	Direct Business Only			
	Prior Year		Current Year	
	1 Written Premium	2 Written Premium	3 Losses Paid (deducting salvage)	4 Losses Unpaid (Case Base)
1. Completed Operations				
2. Errors & Omissions (E&O)				
3. Directors & Officers (D&O)				
4. Environmental Liability				
5. Excess Workers' Compensation				
6. Commercial Excess & Umbrella				
7. Personal Umbrella				
8. Employment Liability				
9. Aggregate write-ins for Facilities & Premises (CGL)				
10. Internet & Cyber Liability				
11. Aggregate write-ins for other				
12. Total ASI, 17 – Other Liability (Sum of Lines 1 through 11)				
DETAILS OF WRITE-INS				
0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
1101				
1102				
1103				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				

- Construct & Alteration Liab
- Contractual Liability
- Elevators & Escalators Liab
- Liquor Liability
- Personal Injury Liability
- Premises & Operations Liab
- Commercial General Liab (GCL)
- Comprehensive Personal Liab
- Day Care Centers
- Fire Legal Liability
- Municipal Liability
- Veterinarian Liability

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2023 P/C Exhibit of Other Liabilities – By Lines of Business

	Direct Business Only			
	Prior Year	Current Year		
	1 Written Premium	2 Written Premium	3 Losses Paid (deducting salvage)	4 Losses Unpaid (Case Base)
1. Completed Operations				
2. Errors & Omissions (E&O)				
3. Directors & Officers (D&O)				
4. Environmental Liability				
5. Excess Workers' Compensation				
6. Commercial Excess & Umbrella				
7. Personal Umbrella				
8. Employment Liability				
9. Aggregate write-ins for Facilities & Premises (CGL)				
10. Internet & Cyber Liability				
11. Aggregate write-ins for other				
12. Total ASL 17 – Other Liability (Sum of Lines 1 through 11)				
DETAILS OF WRITE-INS				
0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
1101				
1102				
1103				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				

If total of Line 9 CY direct written premium < 10% of total on Line 12, report total in aggregate

If total of Line 9 CY direct written premium =>10% of Line 12 total, list each line of business > 10% of Line 9 separately, for specified LOBs; others in the aggregate

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2023 P/C Exhibit of Other Liabilities – By Lines of Business

	Direct Business Only			
	Prior Year	Current Year		
	1 Written Premium	2 Written Premium	3 Losses Paid (deducting salvage)	4 Losses Unpaid (Case Base)
1. Completed Operations				
2. Errors & Omissions (E&O)				
3. Directors & Officers (D&O)				
4. Environmental Liability				
5. Excess Workers' Compensation				
6. Commercial Excess & Umbrella				
7. Personal Umbrella				
8. Employment Liability				
9. Aggregate write-ins for Facilities & Premises (CGL)				
10. Internet & Cyber Liability				
11. Aggregate write-ins for other				
12. Total ASL 17 – Other Liability (Sum of Lines 1 through 11)				
DETAILS OF WRITE-INS				
0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
1101				
1102				
1103				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				

Line 11 – Aggregate write ins for other.

Use for other lines of business not listed in Lines 1 – 10, including items listed on Line 9

If total of Line 11 CY direct written premium < 10% of total on Line 12, report total in aggregate

If total of Line 11 CY direct written premium =>10% of Line 12 total, list each line of business > 10% of Line 11 separately, others in the aggregate

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2023 & 2024 Life/Fraternal Annual Statement State Page

Line of Business	1 Premiums and Annuities Considerations	2 Other Considerations	3 Dividends to Policyholders/Refunds to Members					7 Total (Col. 3+4+5+6)	8 Death and Annuity Benefits	9 Matured Endowments	10 Claims and Benefits Paid			12 Total (Sum Columns 8 through 11)
			4 Paid in Cash or Left on Deposit	5 Applied to Policy Renewal Premiums	6 Applied to Provide Paid-Up Additions or Shorten the Endowment or Premium-Paying Period	Other	11 Surrender Values and Withdrawals for Life Contracts				All Other Benefits			

Line of Business	13 Incurred During Current Year	14 Direct Death Benefits and Matured Endowments Incurred								22 Unpaid December 31, Current Year	23 Policy Expiry				
		14 Totals Paid		15 Reduction by Cancellations		16 Claims Settled During Current Year		17 Amount Resected			18 Total Settled During Current Year		24 Number of Policy Contracts	25 Amount	26 Number of Policy Contracts

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2023 & 2024 Life/Fraternal Annual Statement State Page

- For 2023, may choose to report Cols 10-21 and 23-28 in the "Other" line for each group
 - Including separate accounts
- In essence, allows for reporting of certain items in the aggregate
- For 2024, all appropriate columns to be completed

LINE OF BUSINESS	
Individual Life	
1. Industrial	.....
2. Whole	.....
3. Term	.....
4. Indexed	.....
5. Universal	.....
6. Universal with Secondary Guarantees	.....
7. Variable	.....
8. Variable Universal	.....
9. Credit	.....
10. Other	.....
11. Total Individual Life	.....
Group Life	
12. Whole	.....
13. Term	.....
14. Universal	.....
15. Variable
16. Variable Universal
17. Credit
18. Other
19. Total Group Life

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2023 & 2024 Life/Fraternal Annual Statement State Page

- Reporting groups
 - Individual life
 - Group life
 - Individual annuities
 - Group annuities
 - Accident and Health
- Each group further subdivided for reporting

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2023 & 2024 Life/Fraternal Annual Statement Health Supplements

- Combines current Health Care Receivables Supplement with the newly added Health Analysis of Operations Supplement into one supplement
- Renamed Health Supplements
 - Cover page
 - Analysis of Operations by Lines of Business
 - Exhibit 3- Health Care Receivables
 - Exhibit 3A – Analysis of Health Care Receivables Collected and Accrued

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2023 Life/Fraternal Annual Statement Five-Year Historical Data

Adds reporting to match the various lines of business now appearing on the Analysis of Operations by Lines of Business

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Net Gains From Operations After Dividends to Policyholders Refunds to Members and Federal Income Taxes and Before Realized Capital Gains or Losses by Lines of Business (Page 4, Line 13)		
72	Individual industrial life (Page 6.1, Col. 2)	
73	Individual whole life (Page 6.1, Col. 3)	
74	Individual term life (Page 6.1, Col. 4)	
75	Individual indexed life (Page 6.1, Col. 5)	
76	Individual universal life (Page 6.1, Col. 6)	
77	Individual universal life with secondary guarantees (Page 6.1, Col. 7)	
78	Individual variable life (Page 6.1, Col. 8)	
79	Individual variable universal life (Page 6.1, Col. 9)	
80	Individual credit life (Page 6.1, Col. 10)	
81	Individual other life (Page 6.1, Col. 11)	
82	Individual Y.R.T. mortality risk only (Page 6.1, Col. 12)	
83	Group whole life (Page 6.2, Col. 1)	
84	Group term life (Page 6.2, Col. 2)	
85	Group universal life (Page 6.2, Col. 4)	
86	Group variable life (Page 6.2, Col. 5)	
87	Group variable universal life (Page 6.2, Col. 6)	
88	Group credit life (Page 6.2, Col. 7)	
89	Group other life (Page 6.2, Col. 8)	
90	Group Y.R.T. mortality risk only (Page 6.2, Col. 9)	
91	Ordinary life (Page 6.1, Col. 1 less Cols. 2, 10 and 12)	
92	Individual deferred fixed annuities (Page 6.3, Col. 42)	
93	Individual deferred indexed annuities (Page 6.3, Col. 3)	
94	Individual deferred variable annuities with guarantees (Page 6.3, Col. 4)	
95	Individual deferred variable annuities without guarantees (Page 6.3, Col. 5)	
96	Individual life contingent payout (Immediate and Accrualization) (Page 6.3, Col. 6)	
97	Individual other annuities (Page 6.3, Col. 7)	
98	Ordinary-supply-annuity-contract	XXXX
99	Credit life (Page 6.1, Col. 10 plus Page 6.2, Col. 7)	
100	Group life (Page 6.2, Col. 1 less Cols. 2 and 9)	
101	Group deferred fixed annuities (Page 6.4, Col. 42)	
102	Group deferred indexed annuities (Page 6.4, Col. 3)	
103	Group deferred variable annuities with guarantees (Page 6.4, Col. 4)	
104	Group deferred variable annuities without guarantees (Page 6.4, Col. 5)	
105	Group life contingent payout (Immediate and Accrualization) (Page 6.4, Col. 6)	
106	Group other annuities (Page 6.4, Col. 7)	
107	A & H-comprehensive individual (Page 6.5, Col. 3)	
108	A & H-comprehensive group (Page 6.5, Col. 3)	
109	A & H-Medicare supplement (Page 6.5, Col. 4)	
110	A & H-vision only (Page 6.5, Col. 5)	
111	A & H-dental only (Page 6.5, Col. 6)	
112	A & H-federal employees health benefits plan (Page 6.5, Col. 7)	
113	A & H-Title XVIII Medicare (Page 6.5, Col. 8)	
114	A & H-Title XIX Medicaid (Page 6.5, Col. 9)	
115	A & H-credit (Page 6.5, Col. 10)	
116	A & H-disability income (Page 6.5, Col. 11)	
117	A & H-long-term care (Page 6.5, Col. 12)	
118	A & H-other (Page 6.5, Col. 13 less Cols. 2 and 10)	
119	Aggregate of all other lines of business (Page 6, Col. 8)	
120	Fraternal (Page 6, Col. 7)	
121	Total (Page 6, Col. 1)	79

2023 Life/Fraternal Annual Statement

- Addition of Health Analysis of Operations by Lines of Business as a health supplement to the L/F annual statement

1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13	14
Total	Individual	Group	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Credit A&H	Disability Income	Long-Term Care	Other Health	Other Non-Health

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2023 Health Statement Analysis of Operations by LOBs

- Analysis of Operations to reflect same LOBs as the Life/Fraternal Health Analysis Of Operations

1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13	14
Total	Individual	Group	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Credit A&H	Disability Income	Long-Term Care	Other Health	Other Non- Health

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2023 Revisions Currently Exposed for Comment

- **Property/Casualty, Life/Fraternal & Health**
 - 2022-16 - removes some of Supplemental Health Care Exhibit
 - 2022- 17 - new Note 8 disclosure, new columns for Schedule DB – Parts A & B
- **Property/Casualty & Life/Fraternal**
 - 2022-15 – remove 5% premium filing exemption from Schedule H – Part 5
- **Life/Fraternal**
 - 2022-14 – modification of Exhibits 1 & 8 to show LOB detail as shown on Analysis of Operations
 - 2022-18 – AVR & IMR instructional changes for ETFs and SVO Identified Funds
- **Health**
 - 2022-20 – change order of dental & vision columns on statement schedules

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 A presentation slide titled "2023 NAIC Budget" containing a bulleted list of items. The title is in bold black font. The list items are:

- SERFF Modernization
 - 2nd year of 3-year project
 - Transition to new platform for insurance compact, life and property/casualty
 - Health and plan management in 2023
- Financial Data Repository (FDR) Modernization
 - 20-year-old platform – financial data repository
 - Phase 1 - funding for a third-party assessment and consulting to develop new access paths

 In the bottom left corner, the FORV/S logo is displayed in red, with a small trademark notice below it: "FORV/S is a trademark of FORV/S, LLP, registration of which is pending with the U.S. Patent and Trademark Office". In the bottom right corner, the text "2022 Insurance Virtual Seminar 84" is visible.

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2023 NAIC Budget

- Regulatory Information Retrieval System (RIRS) Coding Project
 - Regulatory actions against insurance producers, companies and other related parties
 - Requesting coding revisions to enhance system reporting
- **2023 revenue enhancements**
 - Group cap factor for database **filing fees to increase** from 2 times individual company to 5 times
 - **New fee** to cover ongoing costs of compiling, reviewing, and analyzing life insurance mortality experience data as required by VM-50 and VM-51

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2023 NAIC Budget

- 2023 staffing requests
 - Increase of NAIC staff by 6.5 full-time employees, plus 2 additional for SERFF
- Budget exposed for comment until November 18, 2022, followed by public hearing (as of yet unscheduled)
- Can be found at https://content.naic.org/sites/default/files/inline-files/about-budget-proposed-2023-naic-budget_1.pdf

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Any Questions?

You can find me at:
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THANK YOU!
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GAAP Accounting & Reporting Update

- Shawn Grotte & Taylor Longacre / December 7, 2022

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AGENDA

- 11:10 AM ● Introductions
- 11:15 AM ● LDTI Implementation Considerations
- 12:00 PM ● SEC/GAAP Update
- 12:50 PM ● Questions

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LDTI Implementation Considerations

Taylor Longacre / December 7, 2022

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LDTI Overview (ASU 2018-12)

Area of Focus	Applicability	Targeted Area	Improvement Under LDTI
Liability for Future Policy Benefits	Traditional, Non-Par Products, e.g., Term, Whole Life, Limited Pay, etc.	<ul style="list-style-type: none"> Original assumptions are locked Expected investment yield 	<ul style="list-style-type: none"> Assumptions periodically updated; at least annually High quality fixed-income yield
Market Risk Benefits	Products with Guaranteed Min Benefits, e.g., GMXBs	<ul style="list-style-type: none"> Two measurement models 	<ul style="list-style-type: none"> One measurement model
Deferred Acquisition Costs	All Long-Duration Products	<ul style="list-style-type: none"> Complex amortization 	<ul style="list-style-type: none"> Simplified amortization
Disclosures	All Long-Duration Products	<ul style="list-style-type: none"> Limited disclosures 	<ul style="list-style-type: none"> Enhanced disclosures

Accounting Transition & Requirements

Liability for Future Policy Benefits	Measurement of Market Risk Benefits	Deferred Acquisition Costs Amortization	Enhanced Disclosures
<ul style="list-style-type: none"> Changes applied to contracts in force on the basis of their existing carrying amounts as of the earliest period presented Cumulative catch-up adjustment optional 	<ul style="list-style-type: none"> Market risk benefits would be measured at fair value at the beginning of the earliest period presented Two cumulative catch-up adjustments recognized 	<ul style="list-style-type: none"> Amortized using the new approach starting on the earliest period presented Cumulative catch-up adjustment consistent with liabilities for future policy benefits 	<ul style="list-style-type: none"> Rollforwards of liability balances Qualitative & quantitative information about significant inputs, judgments, & assumptions

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Implementation Scoping

- **Identification of in-scope products is essential to**
 - Determine products required to comply with LDTI
 - Identify impacted systems & processes
 - Develop project plan
 - Develop appropriate system solution
- **Insurance Product Classification**
 - Robust support & documentation will be required to support completeness of implementation
 - LDTI does not change product classification criteria, however ...
 - Certain products (particularly certain A&H products) can be challenging to classify & may require significant judgment
- **Challenges**
 - Judgment in application of materiality concepts & classification criteria
 - Strategy for small blocks of business or business in runoff
 - Cost/benefit considerations

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Selecting the Transition Method

Method	Overview	Key Considerations
Modified Retrospective (ASC 944-40-65-2c to 65-2d)	<ul style="list-style-type: none"> • Develops future policyholder benefit reserves & DAC by “pivoting” from current reserves & DAC • Requires “historical” premium & benefit data at the cohort level back to transition date 	<ul style="list-style-type: none"> • Least data-intensive option that enables collecting any “new” data as of the transition date to ensure all necessary data is available • Anticipate that most companies will elect this option due to operational constraints
Full Retrospective (ASC 944-40-65-2e)	<ul style="list-style-type: none"> • Develops future policy holder benefit reserves & DAC assuming LDTI was in-place from contract issue date • Requires historical premium & benefit data at the cohort level back to contract issue date • Cumulative adjustment to AOCI & retained earnings as of earliest period presented (“transition date”) 	<ul style="list-style-type: none"> • Most data-intensive option & will require significantly more operational effort to gather & validate data • Increased risk to successful transition due to increased effort & complexity over data management, model risk management, change management, & controls over historical data • Historical loss recognition could drive additional challenges & complexity, e.g., allocation to cohorts on transition

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Cohort Determination: Level of Aggregation

Level of Aggregation	Example	Impacts
Lower Levels of Aggregation	More cohorts, each with fewer policies	<ul style="list-style-type: none"> • Increase the possibility of a net premium ratio for a particular cohort being capped at 100% (equivalent to a loss recognition event for that cohort) • Higher volatility in cohort-level results, as individual benefit payments have a larger effect on cashflows
High Levels of Aggregation	Fewer cohorts, each with more policies	<ul style="list-style-type: none"> • Less granularity in results available for details analysis • Potential for the use of liability experience assumptions not ideally suited to the underlying contracts which could introduce unexpected volatility in profit emergence

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Discount Rate Development

- **Discount Rate Development Considerations**
 - Selection of market-observable input data that represents the yield of upper-medium grade fixed income instruments, &
 - Determination of a methodology to derive from the selected input data, a discount rate assumption that “... reflects the duration characteristics of the liability for future benefits”
- **Application Considerations**
 - Two discount rates applied at each valuation period
 - + The current discount rate assumption (“Current Rate”) determined each reporting period; &
 - + The original discount rate assumption (“Original Rate”) that is locked-in & used to determine the carrying amount of the liability for future policy benefits
 - Availability of data to determine historical “Original Rates” applied to in-force business on transition
 - Methodology for less observable periods, e.g., after 30 years

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IT Systems & Data Availability

- **Significant Minimum Data Inputs**
 - Cohort level premium & benefit cash flow data (New)
 - In-force listing (Current GAAP requirement)
 - Discount Rates (New)
 - Best Estimate Assumptions (Current GAAP requirement, less PAD)
- **Quality & Availability of Historical Data**
 - What historical policy/transactional level data is available?
 - What is the quality of this data & has it been vetted/tested for accuracy/completeness?
- **System Capabilities**
 - Transactional data will need to be stored indefinitely
 - Actuarial systems will need to perform multiple LDTI model runs each period to develop components of change for each relevant balance
 - Reporting systems will need to be able to aggregate large volumes of actuarial output to develop entries & produce disclosures

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Compliance vs. Transformation

- **Significant New Data & Computational Requirements**
 - Historical Premium & Benefit Cash Flow Data
 - Robust "Roll-forward" disclosures
 - Cohort definition significantly more granular
- **Challenges**
 - Historical data availability
 - Limited existing system flexibility & functionality
 - Significant volume of data reduces ability to develop "manual" solutions
- **Opportunities**
 - Modernize dated systems to streamline & automate processes
 - Advanced analytic potential
- **Compliance vs. Transformation**

Minimum
Compliance

← Transformation Spectrum →

Complete
Transformation

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Questions?

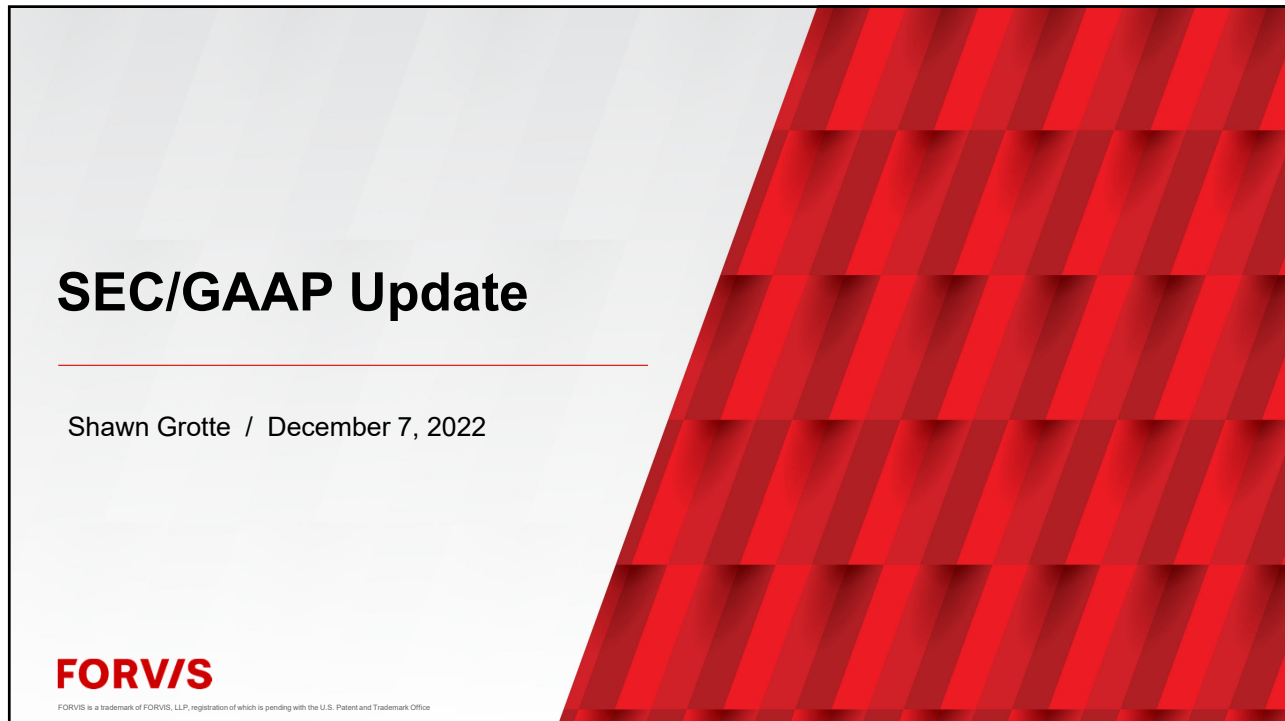
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SEC/GAAP Update

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SEC Reporting Matters

- Materiality
- LIBOR Reminders
- Climate-Related Disclosures
- SEC Comment Letter Observations
- Disclosures & Other Matters

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Materiality

- Recent statement by Paul Munter, Acting Chief Accountant – March 9, 2022
 - Assessing Materiality: Focusing on the Reasonable Investor When Evaluating Errors
 - Builds upon his statement made at the 2021 AICPA & CIMA Conference on Current SEC & PCAOB Developments
- Should be an objective assessment focused on whether there is substantial likelihood it is important to a reasonable investor
 - Consider all relevant facts & circumstances, including both quantitative & qualitative factors
 - The more quantitatively significant an error becomes, the more difficult it is to use qualitative factors to overcome a conclusion that the error is material
- Increase in the number of “little r” restatements as a percentage of total restatements has increased

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Materiality

- Materiality Arguments Challenged by the OCA
 - A quantitatively significant error is not material based on qualitative factors (this is difficult to overcome as the quantitative magnitude of the error increases)
 - Specific line items do not provide useful information to investors, so an error cannot be material if it impacts those line items
 - An error is not material because it has also been made by other registrants & therefore reflects a widely held view
 - An error is not material because its effect is offset by other errors
 - An error is not material because investors focus on the most recent financial statements vs. considering historical financial information

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LIBOR Reminders

- Fallback language considerations
 - Do existing contracts contain fallback language? What impact does this have on those securities when LIBOR is discontinued?
 - ARRC published recommended fallback language for new issuances of various debt instruments
- Operational complexity considerations
 - Impact to current IT systems, processes, or controls
 - Income accrual & payment calculations when timing of rate differs from LIBOR
- Disclosure Considerations
 - Keep investors informed about progress of LIBOR risk identification & mitigation
 - Anticipated impact on the company (if material)
 - Various rules & regulations may require disclosure related to the discontinuation of LIBOR (risk factors, MD&A, etc.)

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LIBOR Reminders

- LIBOR Act
 - Signed into law March 15, 2022
 - FRB has 180 days to put regulations in effect (likely September)
 - Provides uniform approach to replacing LIBOR in contracts that do not include effective fallback provisions
 - + References to LIBOR will be replaced by operation of law with the replacement benchmark identified by the Federal Reserve
 - + Automatic replacement of LIBOR will occur on the applicable LIBOR replacement date – first London banking day after June 30, 2023
 - + Does not affect ability of parties to use an appropriate benchmark in new contracts or those that reference LIBOR but have effective fallback provisions

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Climate-Related Disclosures

- Proposed Climate-Related Disclosure Rules
 - Would require climate-related information in registration statements & periodic reports (Form 10-K), including
 - + Climate-related risks & their actual or likely material impacts on the registrant's business, strategy, & outlook
 - + Governance of climate-related risks & relevant risk management processes
 - + Greenhouse gas (GHG) emissions: direct GHG emissions (Scope 1), indirect GHG emissions from purchased electricity & other forms of energy (Scope 2), indirect GHG emissions from upstream & downstream activities in a registrant's value chain (Scope 3)
 - + Certain climate-related financial statement metrics & related disclosures in a note to the audited F/S
 - + Information about climate-related targets & goals, & transition plan, if any
 - Require an attestation report providing assurance for accelerated & large accelerated filers (phase-in for level of assurance)

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SEC Comment Letter Observations

- Non-GAAP Measures
 - Discussion of non-GAAP results exclude GAAP results or overshadow them
 - Presentation of full non-GAAP income statement
 - Reconciliation does not start with most directly comparable GAAP measure
- Segments
 - SEC staff considers all publicly available information: public filings, earnings calls, website, analyst presentations

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Disclosures & Other Matters

- Implementation Item 303 Regulation S-K Amendments
 - Modernized & simplified MD&A requirements
 - Registrants still required to provide disclosures that are material to investors
- COVID-19
 - Registrants should continue to consider effects COVID is having on financial reporting, ICFR, & disclosure controls & procedures
- SEC Division of Enforcement
 - EPS initiative
 - Inappropriate evaluations of the effectiveness of ICFR & disclosure controls & procedures

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Accounting Matters

- FASB Agenda Consultation Project
- Accounting Standards Updates (ASUs) Effective in 2022
- Recently Issued Accounting Standards Updates

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FASB Agenda Consultation Project

- FASB received over 500 responses to its invitation to comment on its agenda
- Feedback related to the following areas
 - Provide more disaggregation of financial information
 - Provide more guidance on emerging areas of accounting & financial reporting
 - Reevaluate specific areas of U.S. GAAP to reduce unnecessary costs & complexity
 - Identify enhancements to increase transparency & communication

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ASU 2020-06, Debt & Equity Instruments

- Simplifies the accounting for certain financial instruments with characteristics of liabilities & equity, including convertible instruments & contracts on an entity's own equity
- Effective date
 - For PBEs (not SRCs): Fiscal years beginning after December 15, 2021, & interim periods within those fiscal years
 - All other entities: Fiscal years beginning after December 15, 2023, & interim periods within those fiscal years
 - Early adoption permitted
- Transition
 - Full or modified retrospective approach can be used

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Accounting Standards Updates Effective 2022

Standard	Effective Date Public Business Entities	Effective Date Nonpublic Business Entities
ASU 2021-10: Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance	<ul style="list-style-type: none"> • Periods beginning after 12/15/2021 	<ul style="list-style-type: none"> • Same as public business entities
ASU 2021-05: Lessor's Accounting for Certain Leases with Variable Payments	<ul style="list-style-type: none"> • Periods beginning after 12/15/2021, for entities that have adopted ASC 842 as of July 19, 2021 	<ul style="list-style-type: none"> • Periods beginning after 12/15/2022 for entities that have not adopted ASC 842
ASU 2021-04: Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options	<ul style="list-style-type: none"> • Periods beginning after 12/15/2021 	<ul style="list-style-type: none"> • Same as public business entities
ASU 2020-06: Accounting for Convertible Instruments & Contracts in an Entity's Own Equity	<ul style="list-style-type: none"> • Periods beginning after 12/15/2021, except for non-SEC filers & SRCs 	<ul style="list-style-type: none"> • Periods beginning after 12/15/2023

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ASU 2021-10: Government Assistance Disclosures

Scope

- For profit reporting entities ... that account for transactions with a government by analogizing to a grant/contribution accounting model

Required Disclosures

- The nature of the transaction, including a general description of the transaction & the form in which assistance was received
 - Significant terms & conditions, e.g., duration, commitments, clawbacks, other contingencies
 - The accounting policy used to account for the transaction
 - The line items on the balance sheet & income statement that are affected by the transaction, & the relevant amounts

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ASU 2021-10: Government Assistance Disclosures

Important Reminders

- Applies to all governments (municipal, state, federal)
- Items accounted for under other guidance, e.g., income taxes, debt, are **not** within its scope

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ASU 2021-05: Lessor's Accounting for Certain Leases with Variable Payments

Scope

- Lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate & (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing.

Main Provisions

- Lessor must classify any lease that would be classified as a sales-type or direct financing lease that would result in the recognition of a selling loss at lease commencement as an operating lease, given the lease includes variable lease payments that do not depend on an index or rate

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ASU 2021-05: Lessors Accounting for Certain Leases with Variable Payments

Transition

- Retrospective application to leases that commenced or were modified after the beginning of the period ASC 842 was adopted
- Prospective application to leases that commence or are modified subsequent to the date the amendments in ASU 2021-05 are first applied

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ASU 2021-04, Accounting for Modifications to Equity-Classified Written Call Options

Scope

- All entities that issue freestanding written call options that are classified in equity

Main Provisions

- Requires the modification of an equity-classified warrant that does not cause the warrant to become liability-classified to be treated as an exchange of the original warrant for a new warrant
- Applies whether the modification is an amendment to the terms & conditions of the warrant or a termination & issuance of a new warrant

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ASU 2021-04, Accounting for Modifications to Equity-Classified Written Call Options

- Modification measured as the difference between the fair value of the modified warrant & the fair value of that warrant immediately before modification

Transition

- Amendments should be applied prospectively to modifications or exchanges that occur on or after the effective date

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SAB No. 121

- Guidance for entities that have obligations to safeguard crypto-assets held for their platform users
- Provides guidance on recognition, measurement, & disclosures
- Recognize a liability at the fair value of the crypto-assets the entity is responsible for holding for its platform users with a corresponding asset at initial recognition & each reporting date

Disclosures Required

- Nature & amounts of crypto-assets the entity is responsible for holding for its platform users, disclosure for each significant crypto-asset, vulnerabilities due to any concentration of such activities, disclosures regarding fair value measurements, accounting for the liability & asset

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SAB No. 121

Transition

- Guidance should be applied in an entity's next SEC submission or filing with retrospective application
- At a minimum, as of the beginning of the most recent annual period ending before June 15, 2022, provided subsequent interim period reflects application of the guidance

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Recently Issued Accounting Standards

Standard	Effective Date Public Business Entities	Effective Date Nonpublic Business Entities
ASU 2022-01: Fair Value Hedging – Portfolio Layer Method	• Periods beginning after 12/15/2022	• Periods beginning after 12/15/2023
ASU 2022-02: Troubled Debt Restructurings & Vintage Disclosures	• Periods beginning after 12/15/2022	• Same date as ASU 2016-03
ASU 2022-03: Fair Value Measurements (Top 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	• Periods beginning after 12/15/2023	• Periods beginning after 12/15/2024

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ASU 2022-01: Fair Value Hedging – Portfolio Layer Method

Scope

- All entities that elect to apply the portfolio layer method of hedge accounting in accordance with Topic 815

Main Provisions

- Allows nonprepayable financial assets also to be included in a closed portfolio hedged using the portfolio layer method.
- Permits an entity to apply the same portfolio hedging method to both prepayable & nonprepayable financial assets

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ASU 2022-01: Fair Value Hedging – Portfolio Layer Method

Transition

- Upon adoption, any entity may designate multiple hedged layers of a single closed portfolio solely on a prospective basis
- Entities are required to apply the amendments related to hedge basis adjustments under the portfolio layer method, except for those related to disclosures, on a modified retrospective basis by means of a cumulative-effect adjustment to the opening balance of retained earnings on the initial application date
- Entities have the option to apply the amendments related to disclosures on a prospective basis from the initial application date or on a retrospective basis to each prior period presented after the date of adoption of the amendments in Update 2017-12

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ASU 2022-02: Troubled Debt Restructurings & Vintage Disclosures

Scope

- TDRs – All entities that have adopted ASU 2016-13
- Vintage disclosures – Public business entities with investments in financing receivables that have adopted ASU 2016-13

Main Provisions

- *TDRs*
 - Eliminates the TDR recognition & measurement guidance & instead requires that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan
 - Enhances existing disclosure requirements & introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty

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ASU 2022-02: Troubled Debt Restructurings & Vintage Disclosures

- *Vintage Disclosures*
 - Requires that an entity disclose current-period gross write-offs by year of origination for financing receivables & net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost

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ASU 2022-03: Fair Value Measurements (Top 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

Scope

- All entities that have investments in equity securities measured at fair value that are subject to a contractual sale restriction

Main Provisions

- Do not change the principles of fair value measurement
- Clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security & thus is not considered in measuring fair value

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ASU 2022-03: Fair Value Measurements (Top 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

Disclosures

- The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet
- The nature & remaining duration of the restriction(s)
- The circumstances that could cause a lapse in the restriction(s)

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