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NAIC update: 2024 Summer National Meeting

Center *for* Regulatory Strategy US

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City of Big Shoulders and visiting 'heroes'

Chicago, the City of Big Shoulders, welcomed the National Association of Insurance Commissioners (NAIC) Summer National Meeting August 11–15.[1] The event facilitated important discussions on insurance policy and regulation, addressing urgent nationwide concerns as consumers face coverage challenges and stakeholders grapple with climate risk, coverage gaps, and market solvency.[2]

The meeting took place during a relatively tranquil time while the city was preparing for a national political convention slated for the following week, with decorations adorning lobbies and lampposts. Despite the lack of grandeur in the workspace of the convention center, state insurance regulators diligently focused on the tightly packed work sessions, carefully deliberating the development of robust new model laws to address the evolving marketplace.

Also known as the Windy City, Chicago experienced mainly sunny, calm, and moderate weather throughout the week, offering a serene setting for concentrating on emerging regulatory issues. Meanwhile, a Caribbean storm in the Atlantic Ocean intensified into Hurricane Ernesto, prompting Congress to urge the NAIC to address the "insurance crisis" sparked by the sharp increase in extreme weather events.[3]

The NAIC summer meeting featured an abundance of presentations covering a wide range of key topics, functioning at times like a university lecture hall on insurance. The richly detailed and wide-ranging presentations delved into subjects such as innovation in the Insurtech space, the current state of commercial mortgages, developments in the mitigation of natural catastrophe damage, and the state of the homeowners' market. Additionally, discussions on federal artificial intelligence (AI) systems oversight, expert use in regulatory decision-making, readability standards in state insurance laws, and post-disaster fraud were also held. Progress and challenges in navigating climate risk in the US insurance sector were also central to many sessions.

The meeting gathered 1,700 in-person attendees, sparking discussions as stakeholders across America worked together to find solutions to emerging and growing challenges. During the multiple conference sessions across five days in Chicago, inside a sprawling convention center beside the seasonally smooth shore waters of Lake Michigan, attendees heard words and phrases championing collaboration and collective efforts. The sentiment of an "all-hands-on-deck" approach was evident, especially in sessions centering on critical property and casualty (P&C) issues.[4]

The identified challenges encompass ensuring solvency for policyholder claims and addressing the complexities of creating new model laws or guidelines on data governance, whether they pertain to consumer privacy protections or the use of AI involving third-party data.

Amid the contemplation of weighty matters, leavened periodically with birthday and retirement greetings and banter over sports team rivalries, state insurance commissioners emphasized that the creation of model laws or frameworks is a crucial process that should take the time needed so its results work for all constituencies.

"Our fundamental desire is to be part of this ongoing dialogue, to be an instructive and useful part as we work to improve the service to customers we all serve, either as constituents, as public officials, or as customers. You've seen regrettably all too much evidence of the combined challenge we all have," Dave Snyder, vice president of Policy, Research & International for the American Property Casualty Insurance Association (APCIA), said in a presentation on ways to manage and reduce property risk and improve insurance affordability and availability.

Referring to a chart in his presentation detailing US billion-dollar weather and climate disaster events, Snyder noted, "The line in 2024 regrettably is getting longer and longer and higher by the day," indicating the dramatic rise in the impact of various weather-related perils on the US market even as more are anticipated.[5]

Consumer advocates rallied in support for the workmanship and commitment behind the time-consuming and arduous processes that fledgling NAIC model laws and guidelines undergo. These collaborative processes will eventually produce a meticulously crafted model, regardless of whether it gains universal approval.[6]

"I think often the heroes of history are those who go down, like the person who founded OpenAI, or discovered new processes, new scientific things, ways to store information, ways to share information," NAIC-funded consumer advocate Silvia Yee told the Privacy Protections Working Group at the end of its session August 14. This working group has spent over a year and a half crafting and recrafting a modernized privacy model law states can adopt on behalf of consumers, and it is still deep in the collaborative process.[7]

"But," Yee continued, "I often think the real heroes are the regulators, the advocates, the consumers, those are the ones who determine if a new discovery is something that helps humanity or doesn't help humanity." Yee is senior staff attorney and analyst for the Disability Rights Education and Defense Fund.

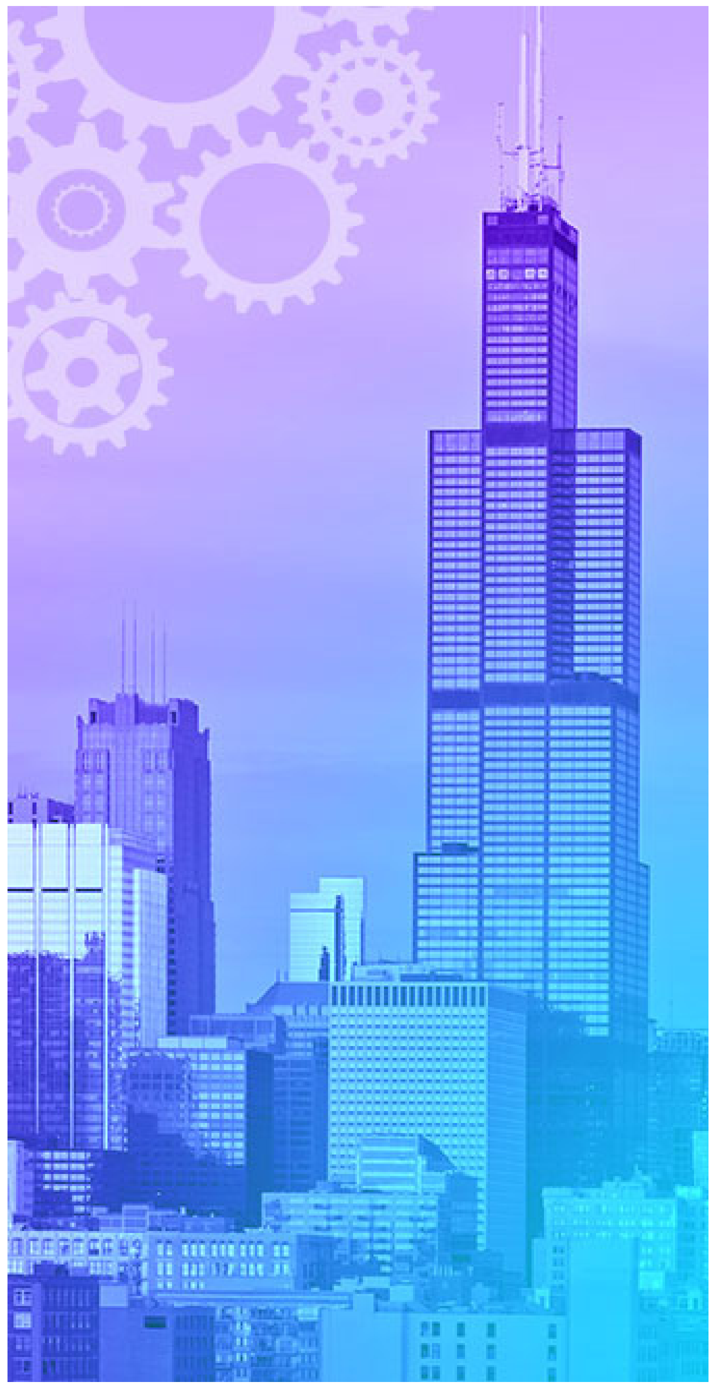
The ongoing importance of consumer protection and insurer solvency in discussions was the focus, as emphasized by figures like NAIC President Andrew Mais and various industry stakeholders. One industry representative called this period "a challenging time in regulation" and perhaps, as Yee suggested, a time for its heroes.

Despite various approaches among states and stakeholders, the summer meeting highlighted a common goal: obtaining approval for the US-developed methodology, Aggregation Method (AM), as comparable to the reference Insurance Capital Standard (ICS) by the International Association of Insurance Commissioners (IAIS) late in the fourth quarter of 2024.

And no, the IAIS did not tip its hand on whether the AM will pass muster as an ICS during the NAIC meeting. But you did not expect that, did you? Instead, attendees used the meeting as a platform to reaffirm their current positions in one of the country's most dynamic centers.

Come what may, both internationally and at the federal level, NAIC is focusing inward on building out an industrywide framework to analyze and monitor solvency in the modern, asset-intensive reinsurance environment from both a micro- and macroprudential level.[8] The NAIC re-exposed its "Framework for Regulation of Insurer Investments – A Holistic Review" and issued a draft request for proposal (RFP) for comment from interested parties through mid-fall, teeing up a possible release by year end.[9]

Here is a look into what else the NAIC and its members, the state regulators, are carrying on their shoulders in this second half of 2024.



Oversight models in sight for data governance

Discussions gather momentum as the NAIC considers a third-party model oversight framework

Colorado Commissioner Mike Conway jumped right in at the meeting of the Third-Party Data and Models (H) Task Force, a group that debuted earlier this year, at the Spring National Meeting in Phoenix, Arizona, with four presentations on an array of approaches to monitoring and scrutinizing actuarial, market conduct, and catastrophe and exam data and behavior. The new task force is prepping for a potential framework for the regulatory oversight of third-party data and predictive models.

In Chicago, this Third-Party Data and Models Task Force continued the process of engaging presenters as it studies other systems and government models that oversee complex data and information. It is broadening its scope in gathering information to different regulatory approaches that could be considered if the task force ultimately makes the decision to stand up a regulatory structure over third-party models, Conway said at the August 13 session.

The Colorado insurance commissioner shed light on the task force's direction regarding a potential oversight model, underscoring the complexity and range of the process without suggesting any decisions had been made. He contemplates a "capacity question" in tackling the third-party model creation and referred to the potential ways the task force could absorb capacity both internally at state insurance departments and also for the NAIC as an organization "while still making [the developed oversight solution] as efficient as possible for the third-party modeling companies and the insurers that are using them too."

State regulators attentive to the four unique presentations were interested in how frameworks adapt to changes; what makes experts "qualified," independent model review mechanisms; and learning about the beginning of the catastrophe modeling industry in the wake of Hurricane Andrew's devastation in 1992.

Afterward, Conway put out a call to the industry for more input on developing a potential framework or model. The Colorado commissioner indicated it might be best to pursue a risk-based approach to identify what types of models it wants to explore further, while considering the capacity question. This includes looking at outside oversight frameworks, such as the European Union's Solvency II risk-based approach, according to regulators discussing the potential framework development and its "ambitious timeline" at the Innovation, Cybersecurity, and Technology (H) Committee.[10] In the days following the conclusion of the meeting, the task force set up a September call to hear from the European Insurance and Occupational Pensions Authority (EIOPA) about Solvency II risk-based practices and P&C model review practices.

All comments will be considered

Regulators and the NAIC are cautiously approaching the creation of model laws or guidance while still gathering much more input before finalizing anything in the near term. The draft model for a privacy protections model law, then known as draft model #674, stalled in 2023 after months of work when no consensus among stakeholders and regulators was reached, despite in-depth conversations, sending the Privacy Protections (H) Working Group (PPWG) back to the drawing board.[11]

Shortly following the Chicago meeting, the PPWG unveiled both a new draft and an updated version of the legacy model law tailored for privacy in the digital era. The revisions encompass biometric data, customer deletion requests, an expanded definition of sensitive information, and new third-party contracts. Additionally, the working group introduced a new format for future development.[12]

"All comments will be considered," the PPWG stated, to ensure a productive drafting process, setting the tone for the exploration of an updated model law for Privacy of Consumer Financial and Health Information Regulation (#672). The PPWG opened the drafting group membership to both regulators and interested parties to also include three industry representatives, two consumer representatives, and two state legislators.[13]

The earlier 2023 draft, #674, struggled with approval from many stakeholders. Some states indicated their legislatures would reject it, rendering it ineffective as a model. Despite industry updates like allowing cross-border data sharing and joint marketing, and addressing legacy system data deletion concerns, it was still impractical.[14]

The updated draft is intended to be a starting point, with "no pride of draftsmanship," said then - PPWG Chair Amy Beard, Indiana's insurance commissioner at the session. The new privacy protections draft pulls from several sources, Beard noted, stressing that participation and engagement are highly encouraged among stakeholders and calling for all to work tougher for a product that reflects combined insights. Beard stepped down from her role as Indiana insurance commissioner in October.

Even though the working group aims to complete the draft, it may need to ask for an extension as the year end approaches if the draft is not ready for adoption and submission to the parent group Innovation, Cybersecurity, and Technology (H) Committee.[15]

Some participants recommended that forthcoming privacy models intended for regulations mandate insurers to assess third-party compliance with contractual obligations and set a specific time frame for processing deletion requests.

During the meeting on August 14, however, the working group did not discuss the new draft model because it had not yet been published. Instead, the PPWG concentrated on a presentation by the nonprofit organization Consumers' Checkbook about legacy systems and safeguarding consumer privacy.[16] "This presentation was important because it highlighted the vulnerability and substantial risk of privacy attacks in certain areas," the working group stated.

The presentation highlighted the dangers of outdated mainframes and legacy systems, calling them "a security nightmare." It emphasized the need for companies to address these issues proactively. Consumer advocates noted that insurers are prime targets for data breaches. The discussion broadened to include cyber insurance and financial exposure.

Early in the week after the Chicago meeting ended, the PPWG unveiled its latest draft model law, in sections, and kicked off the comment period with the new section on third-party arrangements. The other new sections of the draft model include access, correction, and deletion of nonpublic personal information; sale of nonpublic personal information; and use and disclosure of sensitive personal information.[17]

Confronting cyber risk and mitigation

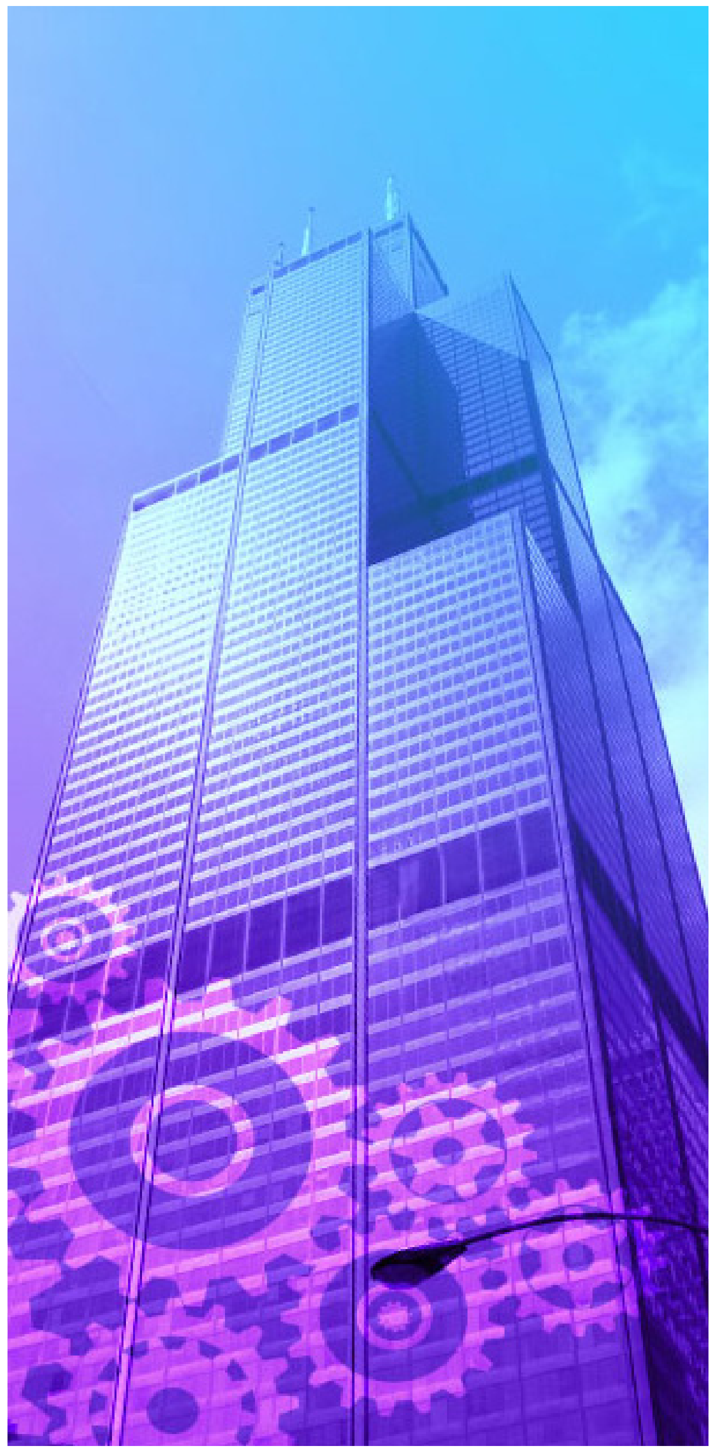
"The State of the Cyber Insurance Market: Trends, Challenges, and Opportunities," a panel moderated by North Dakota Insurance Commissioner Jon Godfread, who will assume the presidency of the NAIC in 2025 from his current role as president-elect, offered insights into the evolving market of cyber insurance—as well as into Godfread's prioritization of collaborative dialogues with the industry and with information-gathering.[18]

Everything was on the table at the August 14 panel discussion. Industry and state regulators contemplating improvement in the cybermarket as well as how insurance regulators could assist in the standardization of the cyber insurance market, which still is saddled with myriad inconsistencies, attendees heard. The potential for a federal backstop for catastrophic attacks affecting the solvency of the cyber insurance industry also came under consideration in the multi-tiered afternoon discussion, as did the use of AI in combating cyberattacks. Federal agencies have been assessing sharing catastrophic cyber risk between the public and private sectors for several years.[19] Treasury's Federal Insurance Office (FIO) and its interagency partners are expected to reveal potential policy responses later this year.[20]

As technology has improved and threats are more widely and deeply assessed, the level of rigor has gotten more complicated and more comprehensive, with exclusions and higher standards for eligibility, attendees learned.

Godfread asked how regulators can be helpful in the changing market. Industry representatives indicated that group panel sessions such as this one, as well as being open to innovation and leveraging technology to reduce risk and mitigate the effects of cyber-hacking attempts on policyholders, were beneficial. Another tip from the industry was to help put insurance carriers in a position in which they can have meaningful conversations with reinsurers, those who underwrite catastrophe bonds, and the federal government to see if there is a place for a federal backstop in the public sector.

"We hear you loud and clear," Godfread said, as he thanked the panel members for offering their insights amid a constant barrage of new threats, risks, and attack modes, as they figure out how to offer the product in a sustainable way on a long-term basis.



Combined effort on addressing protection gaps

Weathering the storms

Multiple sessions in Chicago were devoted to or dominated by climate risk and the state of the US P&C market, with an almost unwavering eye on the economic costs of weather and climate disasters on the affordability and availability of homeowners coverage.

The challenges faced by homeowners insurance markets were a central theme, with discussions on market stabilization in Florida and the economic benefits of investing in climate resilience.

During an August 14 panel, policymakers, experts, and regulators debated what defines affordable coverage and how to balance reducing consumer costs while ensuring insurers remain in the market.[21]

The NAIC's own Center for Insurance Policy and Research (CIPR) hosted a session on financial inclusion and barriers to insurance spearheaded by Arkansas Insurance Commissioner Alan McClain. This session examined the escalating costs of homeowner property insurance and the varying yet often high rate of premium hikes across regions. The panel explored the influence of inflation and underlined the significance of making insurance affordable, emphasizing regulatory strategies for rate regulation.

Existential questions, perhaps they are not; however, the questions posed during the CIPR event were vexing nonetheless: Should affordable coverage be based on a percentage of salary, property tax costs, or adequacy for specific types? Should deductibles be manageable in case of total loss? If anyone emerged with a clear answer, it was not evident at the meeting.

Dr. Lars Powell, the director of the Center for Risk and Insurance Research at the University of Alabama, pointed out that insurance rate regulations do not inherently include affordability considerations. He emphasized that rates should be sufficient and not exorbitant to avoid abuse of power while still providing protection against insolvency. Despite audience poll results supporting this view, an insurance regulator on the panel highlighted that their "phones ring" when insurance rates spike for their constituents, suggesting that perhaps regulators should take affordability into account.

NAIC sessions also explored disaster mitigation efforts and resilience strategies and programs in states stricken harder by severe weather, emphasizing the role of insurers in supporting federal and state policies, advocating for stronger building codes, and investing in climate and renewable energy technology.[22]

In her presentation on preventing post-disaster fraud while ensuring coverage, consumer advocate Amy Bach of United Policyholders praised the efforts of state regulators in disseminating information about fraud before storms. However, she cautioned that dishonest contractors could manipulate consumers into committing fraud by instructing them to provide false information to insurance companies.

The joint meeting of the Catastrophe Insurance (C) Working Group and the NAIC/FEMA [Federal Emergency Management Agency] Advisory Group was the place to hear updates on the NAIC Catastrophe Modeling Center of Excellence (COE) Resilience Hub and examine workable solutions to the weather-related policy issues from state and federal regulators as well as academics and consumer advocates.[23]

At the August 13 session, APCIA's Snyder discussed factors that are causing a doubling of average annual natural catastrophe losses over the past decade and a negative outlook for homeowners insurance in the market, citing (in order of what his industry organization found) a rise in exposure values and replacement costs, represented by both continued construction in high-hazard areas and high levels of inflation that are driving up repair and rebuild costs. The natural variability that comes from selecting any five-year sample of natural catastrophe experience also plays a role. The effects of climate change on different atmospheric perils and the impacts of human-caused loss drivers such as social inflation and legal and regulatory factors also contribute to this variability.

Snyder mentioned that a major rating agency had downgraded the personal lines insurance outlook to negative in March, citing the worst three-year period of losses due to inflation, supply chain issues, increased driving, rising technology costs, and what he termed "legal system abuse."

Snyder emphasized, though, that multifaceted and comprehensive mitigation strategies can work, noting that insurers are leading efforts to make communities more resilient to mitigate risks by working with federal and state policymakers who support programs such as infrastructure improvements and wildfire solutions; stronger building codes and land use policies; and funding science-based research into risk mitigation. A dramatic slide in Snyder's presentation showed the devastating effects of an unmitigated structure, which was demolished after a simulated fire, versus one that had been fortified. Regulators on the working group applauded the presentation.

In one presentation titled "Progress and Challenges in US Insurance Sector Disclosures in Navigating Climate Risks," regulators were asked to strengthen reporting disclosures and enforcement mechanisms and advance stress-testing frameworks specific to climate scenarios.

Presentations continued on mitigation, modeling, and market risk throughout the climate risk-focused meeting, with the Climate and Resiliency (EX) Task Force showcasing new developments and primers on the current property risk marketplace. One company touted its technologically innovative risk-based flood insurance product meant to increase flood coverage and close protection gaps, while an insurance brokerage company delivered a primer on the international property insurance markets and the myriad risks insurers are attempting to address and cover across the globe.[24]

The NAIC is developing a climate risk dashboard to help regulators and staff identify protection gaps. The dashboard has progressed to the next phase, starting with a physical risk section including catastrophe loss ratios. A public summary will be released after receiving feedback, though some features will remain for regulators only. Additionally, California Insurance Commissioner Ricardo Lara stated that the Climate and Resiliency (EX) Task Force is creating a consumer toolkit for post-catastrophe guidance.[25]

Risk-Based Capital (RBC) climate disclosure

The NAIC did adopt an RBC disclosure framework for climate risk perils during its plenary session late August 15, but not without dissension from a swath of states chiefly in the Southwest and Western United States.[26]

The disclosure measure is intended to assist state regulators in discussions with insurers that face higher risk levels for these perils. Insurers can respond with either a time-based or frequency-based impact modeling approach.

In the time-based impact modeling approach offered under this measure, insurers will use projections to model the impact for 2040 and 2050 separately under two time horizons. Insurers can use material from an outside commercial catastrophe (CAT) model vendor or develop their own climate risk model. In the frequency-based impact approach in the new disclosure, insurers should consider both a 50% and a 10% increase in the frequency of major hurricanes (Category 3 and higher, focusing on wind losses) and all wildfire events.[27]

The new RBC disclosure requirement is aimed at collecting the impact of climate-related risks on the modeled losses for the perils of hurricane and wildfire and will be effective for year-end 2024, 2025, and 2026 reporting. New risk-based catastrophe costs are not an element of the disclosure, the NAIC assured, noting that the intent of the disclosures is for informational purposes only and not to determine a new risk-based catastrophe charge.

Florida Insurance Commissioner Michael Yaworsky, co-vice chair of the Property and Casualty Committee, was the first to vote against the modified measure. He argued that Florida, being the most catastrophe-prone state, lacks clarity on why this data is being collected now. Yaworsky noted that taking seemingly rushed and significant actions can be dangerous, and this decision feels similar to other hasty ones. He said he wished that the measure would return to the Climate and Resiliency (EX) Task Force for further discussion.

The disclosure measure received "no" votes from commissioners in Alabama, Alaska, Georgia, Idaho, Kansas, Montana, North Carolina, South Carolina, Tennessee, and West Virginia, with Indiana abstaining.

Yaworsky then noted that the states that had voted "no" are the most catastrophe-prone nationwide. He referred to a letter written by South Carolina Insurance Commissioner Mike Wise and submitted to the Financial Condition Committee that expressed concern about the costs and potential impacts of the cost of capital, as there are costs to any new regulation, and questioned whether the RBC is the appropriate tool, as well as questioning the reliance on a noninsurance model and the potential for changes to reinsurance that would not be captured by the new disclosure.[28]

Data call analysis still underway and under wraps, as intrigue builds

In the Climate and Resiliency (EX) Task Force, California's Lara referred to "federal intrigue" into the work that the NAIC is doing, following an update from staff on the US government agencies and congressional activity concerning climate risk and other issues. One key issue is the NAIC's first-ever data call to assess the availability and affordability of US homeowners insurance, especially in key markets afflicted by climate disasters.

On August 12, which coincided with the beginning of the NAIC's meeting, Ranking Member on the House Financial Services Committee Maxine Waters, D-Calif., and two other members of Congress, sent a letter to NAIC President Mais asking that the NAIC reply in the next two weeks on what it has done, "or what it plans to do, to implement the FIO's recommendations, or to otherwise strengthen insurance supervision and regulation to better address climate-related financial risks."[29]

The letter referred to the FIO's recommendations published in June 2023 as a follow-up to the Biden administration's Executive Order 14030 to address climate-related gaps in state supervision and regulation of insurers.[30] Lawmakers shared their federal agency concern about climate change as an emerging threat to financial stability, citing "spillover from property insurance to both the mortgage and real estate markets" and rising insurance costs were producing continued inflationary pressures.[31]

Update on the homeowners insurance data call

Congressional lawmakers and consumer advocates have been peppering the NAIC with questions on the sufficiency and transparency of its Property & Casualty Market Intelligence (PCMI) data call update, which was still in the analysis phase during the Chicago summer meeting, as the NAIC indicated in an update.

The PCMI data call requests data for the years 2018 through 2022 and covers 80% of the property insurance market, although there has been concern from Democratic House members that "some of the states that are feeling the most acute symptoms of climate change may not be participating in the data call."[32]

The NAIC issued the data call on March 8, with data due June 6, but has since allowed for some extensions, according to Arkansas Commissioner McClain, addressing the Property and Casualty Insurance Committee as its chair.[33]

Initially suggested by the FIO and later adopted by the NAIC, this exercise aims to show insurance regulators how climate risk affects homeowner insurance markets at state and ZIP code levels, considering coverage and deductibles' impact on affordability and availability.

The NAIC has been reviewing files and addressing data anomalies, leading insurers to refile in some cases, McClain mentioned. This process ensures the NAIC gathers reliable data for evaluation, he elaborated. A steering committee is meeting regularly to analyze this data. Individual states will access the raw data to conduct their own assessments, and the NAIC plans to release a summary analysis later this year, McClain informed the Property and Casualty Insurance Committee.[34]

Consumer advocates repeated their demands for greater transparency in data, emphasizing the need to make it publicly available and accessible for research. This call comes amid rising insurance costs, reduced coverage, and the withdrawal of insurers from areas affected by climate change, which threaten family finances and local economies. Similar to lawmakers, a consortium of consumer and housing organizations have asked for states that are not participating.[35]

Consumer protection and inclusion

Several sessions discussed expanding inclusion in insurance markets to ensure fair treatment and outcomes for groups discriminated against due to race, ethnicity, sexual orientation, ability or disability, criminal history, and age-related issues, while also fostering an environment of increased consumer protection. The DE&I Member Diversity Leadership Forum at this meeting focused on insurance coverage for transgender health insurance beneficiaries.

At the August 13 meeting of the Special (EX) Executive Committee on Race and Insurance and its insurance line-specific workstreams, the focus was on issues of identifying and remedying harm, intentionally or unintentionally caused.

Proxy discrimination and the circumstances that have long embedded discrimination and discriminatory practices in many areas of the US economy, such as housing and employment markets, was addressed.

If a risk classification unfairly burdens a protected class, the economic harm is the same regardless of whether the actor intended to discriminate, which has been echoed repeatedly at the NAIC, including by NAIC leadership, pointed out consumer advocate Peter Kochenburger of the Southern University School of Law.[36] The law professor said proxy discrimination is “virtually inevitable” with the replication of embedded discrimination in AI and data collection, and he advocated for industry testing and regulations to address proxy discrimination.[37] The Special Committee presenters also discussed health equity and guiding diversity, equity, and inclusion (DEI) in the NAIC and its membership.

The committee’s life insurance workstream focused on the challenges faced by underserved communities and justice-impacted individuals who continue to encounter barriers long after their involvement in crime. The discussions highlighted efforts from social justice organizations advocating for a clean slate and explored potential NAIC actions to eliminate obstacles to purchasing life insurance for those formerly incarcerated. Kochenburger delivered a presentation on the role of criminal history data in insurance and serving affected populations. Furthering its goals, the workstream is seeking industry comments on a survey concerning life insurance underwriting guidelines as they relate to justice-impacted individuals, aimed at gaining better insight into how insurers assess an applicant’s criminal justice background during the underwriting process.

The property and casualty insurance workstream of the Special Committee (Ex) on Race and Insurance, which met in a regulator-only session to hear from Washington, DC Department of Insurance, Securities, and Banking (DISB) Commissioner Karima Woods about her department’s initiative to evaluate unintentional bias in private passenger auto insurance. The committee intends to receive an update from her on DISB’s final report perhaps during the Fall National Meeting.

The NAIC/Consumer Liaison Committee, which typically kick-starts these national meetings with a wide breadth of topics that become thematic over the course of the week, featured presentations on an array of issues in all lines of retail insurance coverage from whether plaintiffs’ attorneys could be the cause of rising premiums to combatting post-disaster fraud while preserving insurance coverage in the homeowners insurance market.

Richard Weber of the Life Insurance Consumer Advocacy Center (LICAC) told regulators and interested parties that his advocacy group was currently working with another group to address current consumer complaints and litigation efforts stemming from the misuse of indexed life and annuity policy illustration. Weber pointed out what he called shortfalls in illustrations. These policy illustrations do not reveal to consumers the possibility of "0%" returns in current value "projection," but instead show values always growing, Weber suggested. A different illustration paradigm or model might be needed, as consumers will focus on the most favorable result as a projection of future values, according to the consumer advocate, who urged state regulators to review this "critical consumer dilemma" within their departments.

While in Chicago, consumer advocates also stressed the importance of financial literacy, particularly the need for plain language in insurance laws and policies. Brenda Cude from the University of Georgia argued that laws should be written at an eighth-grade level to ensure comprehensibility for 80% of Americans, noting the *Harry Potter* books were written at that level. She questioned insurance regulators about their efforts to promote plain language in consumer-facing documents and the enforcement of readability standards. Cude also highlighted the available resources on this issue.

Cude earlier recommended certain actions to improve readability, including an inventory for existing NAIC models for language that addresses readability and the creation of a web-based resource to encourage plain language.[38]

NAIC-funded consumer advocate Silvia Yee joined her in discussing the importance of accessible content and the growing movement of Easy English. "Plain language helps families and individuals to make decisions for as long as they can," she said. "It respects who people are and who they were," Yee added.

Cross-border considerations

Capital and Reserves Update

Workstreams under the Financial Condition (E) Committee continued to advance interrelated initiatives focused on asset risk and credit risk. These efforts are part of the NAIC's ongoing aim to enhance solvency oversight through greater transparency and refined risk-based capital charges for an array of complex investments and securities they view as opaque or potentially riskier to a business that must ultimately be able to pay policyholders over a long-term basis.[39]

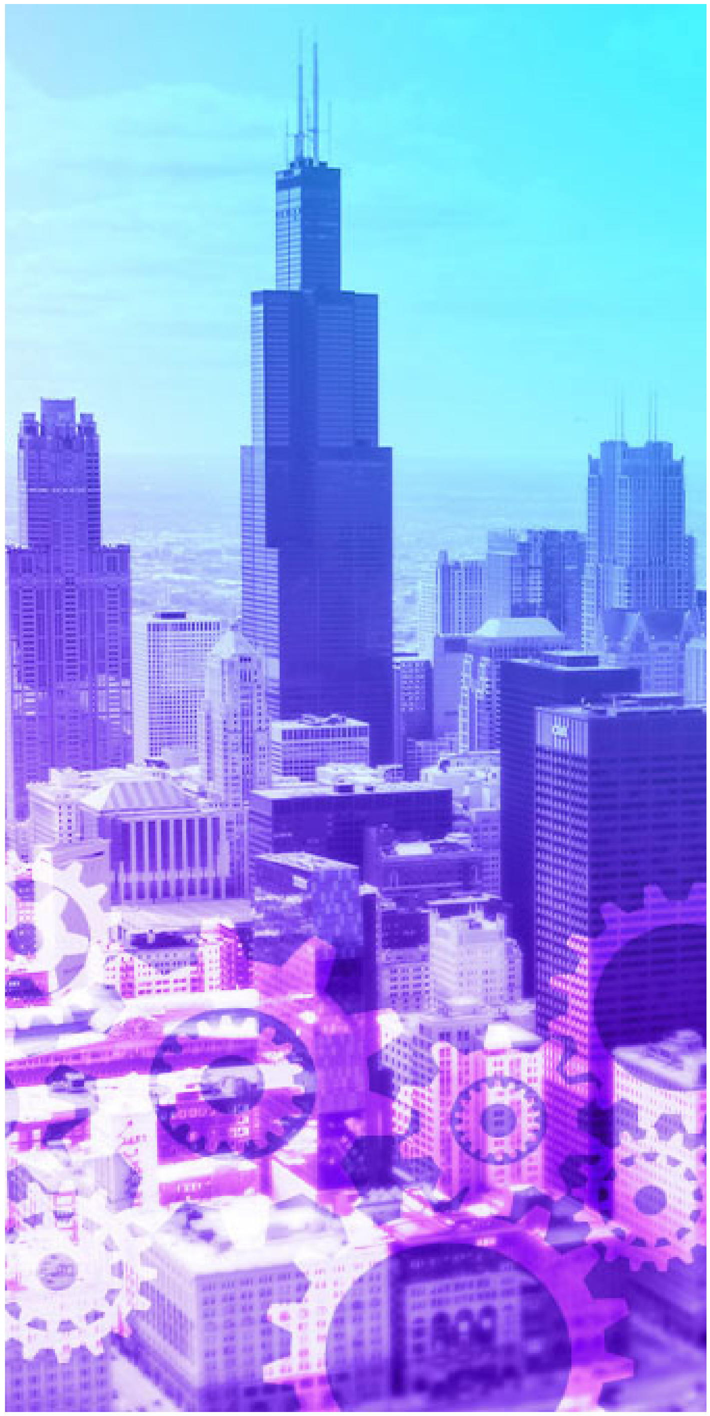
The NAIC has named as a priority the avoidance or elimination of a "blind reliance" on credit rating agencies and is addressing policies to analyze investment risk.[40]

The Kansas City-based NAIC is building out a holistic framework for insurer investments after the necessary exposure period and leadership approvals. It is seeking to invest in modern risk analytical tools to support a risk-based approach to supervision and to prioritize the establishment of a strong governance structure for the due diligence of credit rating providers.[41]

And, as part of efforts to ensure insurers can pay policyholders long term, the Life Actuarial (A) Task Force (LATF) is working on a plan to test the asset adequacy of high-yield assets placed offshore by life insurers.[42] In Chicago, the NAIC continued its work on these initiatives. The Valuation of Securities (E) Task Force (VOS Task Force) adopted two revised proposed amendments dealing with NAIC designation authority. One was an update to the definition of an NAIC designation and the other an amendment authorizing procedures for the NAIC's discretion over designations assigned through the filing exempt (FE) process as part of an effort to reduce reliance on rating agencies.[43]

"It is incredibly important to remember that NAIC designations ultimately fall under the purview of state insurance regulators and are used solely within the insurance regulatory framework; they are not ratings," the VOS Task Force has stated in advocating for these changes.[44] Task force members assured, as they have in the past, that there is no intention of displacing or competing with rating agencies, but NAIC designations are not going to "unconditional usage."

The VOS Task Force indicated it wants the NAIC's New York-based Securities Valuation Office (SVO) to empower its staff to take action and do so through well-defined procedures, as it strives to make the SVO a centralized source of investment expertise supporting the state regulators.[45]



The proposal authorizing the procedures for the SVO's discretion over NAIC designations assigned through the FE process begins with an effective date of January 1, 2026. The proposal did not immediately come up for a vote by the parent Financial Condition (E) Committee in Chicago but was adopted in a call August 29.[46] The suggested discretion measure aligns with the committee's broader aim of developing a comprehensive investment framework, which intends to reduce dependence on external credit rating agencies and grant more resources and authority to the SVO.[47] These efforts are viewed by the NAIC as complementary to the overall adoption of a holistic framework for all solvency-related oversight work, especially with regard to securities investments.[48]

The investment framework underscores the importance of evaluating insurer investment risk for solvency oversight—a crucial task, it says, that falls squarely under the NAIC's responsibilities. The VOS Task Force clarified that while the SVO will not review every security using a rating agency's rating for an NAIC designation, it wants the ability to methodically address any rating anomalies identified by the SVO or state regulators.[49]

The Financial Condition (E) Committee reopened the revised investment framework for comments until October 14, 2024, aligning with the public comment period for its RFP on rating agencies' due diligence. Supporters highlighted the need for modernizing investment risk oversight, transparency, consistency, and data-driven analysis in calculating RBC across various asset classes and structures.[50]

State insurance regulators involved in the work stated in their comments that the Financial Condition (E) Committee will consider whether the NAIC might commit to an oversight mechanism for the SVO through an annual examination on the SVO's designation work using an independent party, something that would be incorporated into the RFP.[51]

The meeting kicked off with the 60-day exposure on August 11 of an actuarial guideline draft for the asset adequacy testing (AAT) for reinsurance from LATF. The proposal aims to enhance understanding of reserves and assets backing long-duration, asset-intensive reinsurance, according to LATF members.[52]

State regulatory actuaries plan to determine if the analysis for an actuarial guideline should be comprehensive or limited, considering the size and impact of reinsurance treaties, and whether to assess risks from companies less reliant on aggressive asset returns to sustain reserves.

State insurance regulators have been advocating for greater transparency regarding reserves ceded offshore and the risk-based capital retained, especially with the increase in private equity ownership of life insurers and their investments.[53] The draft actuarial guideline, referred to as a "strawman draft" to encourage dialogue and input, aims to establish safeguards ensuring that the assets of life insurers backing the reserves are sufficient under specific economic scenarios.[54]

"We are here to ... develop a bright line to develop cash-flow testing for certain asset-intensive reinsurance," noted David Wolf, who heads groupwide supervision for the New Jersey Department of Banking and Insurance. The actuarial guideline could go into effect at year-end 2025, with it becoming more prescriptive in the second year, in 2026, according to Fred Andersen, Minnesota's chief life insurance actuary.

During the LATF meeting, there were concerns voiced that the proposed guideline could potentially conflict with the Covered Agreements (more formally known as the *Bilateral Agreement between the United States of America and the European Union on Prudential Measures regarding Insurance and Reinsurance*) on reciprocal for reinsurance collateral between the United States, European Union, and United Kingdom, if the AAT results are used to impose directly or indirectly any new reinsurance collateral requirements or any requirements that substantially have the same impact or in any reporting for either EU or UK reinsurers.[55] A proposed change targeting reciprocal jurisdictions might lead to US reinsurers facing unequal treatment in those areas, warned one meeting member.

NAIC legal staff acknowledged awareness of the raised Covered Agreement issues. In order to preempt a state insurance measure under the 2010 Dodd-Frank Act, the state insurance measure—in this case, the actuarial guideline—would have to result in less favorable treatment of a non-US reinsurer than with respect to a US reinsurer. However, the measure appears to be agnostic in nature as it treats both US and non-US reinsurers equally, so theoretically it should not be preempted, according to a LATF committee staffer. However, the NAIC made it clear it is not in any position to give a legal opinion on this. The FIO is aware of this and is tracking the issue as well, attendees were told.[56]

International insurance discussion

The International Insurance Committee conversation and the following Q&A session with IAIS Secretary-General Jonathan Dixon tilted heavily toward the IAIS's consideration of the adoption of the ICS as a consolidated groupwide capital standard for internationally active insurance groups. For the US audience, the focus stayed on the impending decision on whether it will accept the US's own AM as a standard with comparable outcomes to the ICS.[57]

First, Beth Dwyer, superintendent of insurance and banking in Rhode Island and a member of the Executive Committee for the ICS and Comparability Task Force (ICSTF), delivered a lengthy statement on the history of ICS development and the US push to get the AM recognized as a comparable standard.

Dwyer, also the NAIC's current secretary/treasurer and representative to the Financial Stability Oversight Counsel (FSOC), laid out a case for the AM within the context of the history of its development as it enters its final stretch of analysis.

"The reason why the US has pursued the AM is because the ICS does not work for our supervisory regime or insurance market," Dwyer said. "While TEAM USA contributed to the development of the ICS, it became clear that the trajectory of that methodology was not fit for purpose for US needs so work began to develop a complementary methodology better suited for markets like the US … The objective was not to undermine the ICS but rather to assure its continued viability as a collaborative effort inclusive of jurisdictional differences," she said. She described the AM comparability assessment as a robust, technical, evidence-based analysis comparability using agreed-upon definitions of comparable outcomes and six high-level principles.

Dwyer warned that if the IAIS analysis expects identical results and does not recognize conceptual differences will exist between the candidate ICS and the AM as part of the assessment process, then it would mean that comparability has been precluded from the outset.

In a message that would be heard by IAIS members, Dwyer noted that the IAIS has an opportunity to recognize and accept that while there is a common methodology for a global risk-based insurance capital standard, there are various ways to achieve comparable outcomes, including implementing the ICS through the AM, or through the use of internal models, which also varies from the standard method.

The IAIS has stated that the ICS has three components: valuation, qualifying capital resources, and a standard method for the ICS capital requirement.[58]

"The very premise of a comparability assessment as an IAIS-supported initiative acknowledges that the AM and the ICS are different, and the assessment is not an evaluation of how identical the AM is to the ICS in letter and form but whether the AM results in capital appropriate to the underlying risks," Dwyer stressed.

During the follow-up Q&A, IAIS's Dixon discussed the ongoing ICS-AM comparability talks through September and October. He stated that the organization aims to decide on the acceptance of the ICS and the AM comparability report by December. Dixon focused on the current analysis without revealing specific outcomes, highlighting the concept of divergence between ICS and AM based on certain ratios and their degree of comparability, leaving attendees to interpret the information.

The next step is preparing for ICS implementation from 2025 forward. An assessment of whether the AM can produce comparable outcomes to the ICS and, hence, be considered an outcome-equivalent approach for the implementation of the ICS as a prescribed capital standard was nearing the end of an analysis phase at the end of August. The IAIS stated in a subsequent newsletter that a draft report on the technical analysis had been delivered to the IAIS's ICS and the ICSTF, and confidential discussions were due to begin on the findings at a meeting September 3.[59]

Dixon then progressed discussions toward IAIS's work in climate risk and areas of concern or focus for international supervisors, such as market conduct on climate aspects like greenwashing, financial inclusion, and protection gaps. The IAIS chief prepared the attendees for future news on an updated paper on inclusion expected to be out for consultation next year and also stated that the IAIS is close to adopting a five-year strategic plan for 2025–2029.[60] The IAIS core objectives will really stay the same, he assured, but there has been some evolution in the strategic themes, such as climate change, digital risks, and cyber risks, and there is now a theme on insurance serving a societal purpose, he added. Dixon emphasized that the IAIS is focused on promoting and encouraging global information sharing so members can contribute to alignment approaches and hopefully addressing risks of market fragmentation. He asked those assembled to join him for the IAIS Annual Conference being held December 5–6 in Cape Town, South Africa, where the IAIS will bring more focus into the role of insurance in supporting societal resilience, and its Executive Committee will discuss the final results and implementation of the ICS.

Without specific answers given on the fate of the AM, however, in the months preceding the summer meeting, US industry member representatives expressed concern at the meeting with the number of new supervisory initiatives that the industry is trying to deal with, even as it is grappling with solvency and competition issues.[61]

Future meetings and upcoming work

The NAIC will assemble again for its last national meeting of 2024, and the final one for Andrew Mais as president, November 16–19 in Denver, Colorado. In the interim, the work discussed and debated in Chicago will evolve in virtual calls and through submitted comments from stakeholders. There will, of course, also be a national election in the United States, which could shift new federal financial services regulatory priorities and potentially change relationships with the states. Although the weeks that follow will be dynamic, and perhaps charged with “intrigue,” the NAIC’s continued focus will likely remain undeterred by the flow of outside events.

The NAIC will usher in more formulated concepts for addressing challenges such as privacy protections for consumers, oversight of third-party data providers, and measuring the climate risk in vulnerable homeowners markets. The late fall will likely see a proposed solvency oversight holistic framework RFP getting a toehold as the NAIC seeks to modernize its procedures as well as its tools to support state regulators in better oversight of the life insurance industry and asset-intensive reinsurance.

Solvency and consumer protection will remain the watchwords of the organization, but the balance achieved between these two interests will lie in the details to come.

NAIC accounting update

This section of the National Association of Insurance Commissioners (NAIC) update focuses on accounting and reporting changes discussed, adopted, or exposed by the Statutory Accounting Principles (E) Working Group (SAPWG), the Accounting Practices and Procedures (E) Task Force, and the Financial Condition (E) Committee during the 2024 Summer National Meeting. New Statutory Accounting Principles (SAP) Concepts (formerly known as *substantive changes*), which are changes in accounting principles or method of applying the principles, have explicit effective dates as documented below. All SAP Clarifications (formerly known as *nonsubstantive changes*), which are changes that clarify existing accounting principles, are effective upon adoption, unless otherwise noted.

Statutory Accounting Principles (E) Working Group

Current developments: SAPWG did not adopt any New SAP Concepts during the 2024 Summer National Meeting. SAPWG adopted the following SAP Clarification items as final during the 2024 Summer National Meeting or interim meetings.

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-09	**SSAP No. 2—Cash, Cash Equivalents, Drafts, and Short-Term Investments**	P&C Life Health	Adopted revisions to clarify that asset-backed securities, mortgage loans, and other Schedule BA: *Other Long-Term Invested Assets* are not included within the scope of SSAP No. 2 and are not permitted to be reported as cash equivalents or short-term investments.	Y	N	2024

2023-26	**SSAP No. 15—Debt and Holding Company Obligations**
	
	SSAP No. 86—Derivatives
		P&C
		Life
		Health
			Adopted revisions to adopt, with modification, certain disclosures from *ASU 2023-06, Disclosure Improvements*, including the following:
			• Unused commitments and lines of credit, disaggregated by short term and long term.
			  · The amount and terms of unused commitments for financing arrangements (including commitment fees and the conditions under which commitments may be withdrawn).
			  · The amount and terms of unused lines of credit for financing arrangements (including commitment fees and the conditions under which lines may be withdrawn) and the amount of those lines of credit that support commercial paper borrowing arrangements or similar arrangements.
			• The reporting entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented in the statement of cash flow.
				N	Y	2024

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-02	**SSAP No. 19—Furniture, Fixtures, Equipment, and Leasehold Improvements** **SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities**	P&C Life Health	Adopted revisions to adopt, with modification, the leasehold improvement guidance from *ASU 2023-01, Leases (Topic 842)*, Common Control Arrangements, modified to align with existing guidance. • Leasehold improvements between entities under common control shall be amortized over the useful life instead of a shorter period. Rejects the practical expedient for private companies and not-for-profit entities.	Y	N	2024
2024-03	**SSAP No. 20—Nonadmitted Assets**	P&C Life Health	Adopted revisions to clarify that directly-held crypto assets are nonadmitted assets for statutory accounting and to adopt the definition of crypto assets from *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets.*	Y	N	2024
2022-12	**SSAP No. 25—Affiliates and Other Related Parties** **SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance** **SSAP No. 62R—Property and Casualty Reinsurance** **SSAP No. 63—Underwriting Pools**	P&C Life Health	This agenda item nullifies *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*, which requires transferred assets and liabilities among affiliates in conjunction with the execution of a new reinsurance agreement(s) that substantively modifies the existing intercompany pooling arrangement to be valued at book value for assets and statutory value for liabilities. Adopted revisions to SSAP No. 25 and SSAP No. 63 to incorporate the guidance of INT 03-02 noting no analogous use of this provision. • Added a disclosure to identify the statement value and fair value of assets received or transferred.	Y	Y	2024

Ref#	Title	Ins. type	Revisions adopted	F/S impact	Disclosure	Effective
2024-08	**SSAP No. 26R—Bonds** **SSAP No. 21R—Other Admitted Assets** **SSAP No. 30R—Unaffiliated Common Stock** **SSAP No. 32R—Preferred Stock** **SSAP No. 43R—Loan-Backed and Structured Securities** **SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies**	P&C Life Health	Adopted revisions to the SSAPs to reference SSAP No. 21R for definition of and accounting and reporting for residual interests. SSAP No. 21, paragraph 29: • The structural design of a residual interest or residual security tranche can vary, but the overall concept is that they receive the remaining cash flows after all debt holders receive contractual interest and principal payments. **Effective: January 1, 2025**	Y	N	2025
2024-13	**SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act**	Health	Adopted revisions to remove disclosures for the expired transitional reinsurance and risk corridors programs.	N	Y	2024

SAPWG exposed the following items for written comments by interested parties:

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective

2024-01	**SSAP No. 26R—Bonds**	P&C
		Life
		Health
			Proposed SAP Clarification
			
			Re-exposed revisions to clarify the guidance for debt securities issued by funds allowing them to be classified as issuer credit obligations if the fund represents an **operating entity** regardless of SEC registration status.
			• The updated exposure provides that SEC registration is a practical safe harbor.
			• Also updated guidance to require analysis of the issuer's primary purpose for issuing debt securities.
			    ◦ Equity capital – issuer credit obligation
			    ◦ Debt capital – analyze for classification as an asset-backed security
			• In addition, the Working Group exposed an updated issue paper discussion to address debt securities issued by operating entities.
			
			Proposed effective date: January 1, 2025
				Y	N	TBD

2019-21	**SSAP No. 26R—Bonds**
	
	SSAP No. 43R—Loan-Backed and Structured Securities
		P&C
		Life
		Health
			Proposed SAP Clarification
			
			Exposed a Question-and-Answer Implementation Guide.
			• Instrument-specific guidance for:
			    ◦ Substantive credit enhancement
			    ◦ Overcollateralization
			    ◦ Meaningful cash flows
			    ◦ Non-bond debt security admission
			
			Proposed effective date: January 1, 2025
				Y	N	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-18 2022-14	**SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies** **SSAP No. 93—Investments in Tax Credit Structures** **SSAP No. 94—State and Federal Tax Credits**	P&C Life Health	**Proposed SAP Clarification** Exposed corrections to the SSAPs related to inconsistency between the statement's example journal entries and the accounting guidance clarifying that the example journal entries illustrate the proper accounting under the recently revised statements. Also exposed a draft issue paper detailing the new SAP concepts adopted early this year. While not authoritative, this document summarizes comments received and ultimate conclusions.	Y	N	TBD
2024-10	**SSAP No. 56—Separate Accounts**	P&C Life Health	**Proposed SAP Clarification** Added this agenda item to: • Clarify and improve consistency for assets measured at book value (or some other method of measurement). • Improve guidance for fund accumulation contracts (GICs), pension risk transfers (PRTs), and registered index-linked annuities (RILAs). Working with the Interest Maintenance Reserve (IMR) Ad Hoc Subgroup, revisions were developed for exposure as follows: • Measurement method – alternatives provided for Working Group consideration. • Transfers between the general account and the book-value separate account, including impacts to IMR.	TBD	TBD	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-06 2024-05	**SSAP No. 61R—Life, Deposit-Type, and Accident and Health Reinsurance** **Appendix A-791 Life and Health Reinsurance Agreements**	Life Health	**Proposed SAP Clarification** Re-exposed revisions to require risk transfer to be evaluated in the aggregate for contracts with interrelated contract features, such as experience refunds. Also exposed revisions to refer to *Appendix A-791, Life and Health Reinsurance Agreements*, paragraph 6 when reinsurance agreements also combine a yearly renewable-term contract to ensure the entirety of the agreement must be evaluated for risk transfer. The Working Group also decided to evaluate and re-expose the following issue and noted that it will be addressed along with other Life and Health reinsurance open agenda items. At the request of the Valuation Analysis (E) Working Group, exposed a deletion of a sentence to the question/answer section of Section 2.c. related to reimbursement to the reinsurer for negative experience. Question/Answer – If group term life business is reinsured under a YRT reinsurance agreement (which includes risk-limiting features such as with an experience refund provision that offsets refunds against current and/or prior years' losses (i.e., a "loss carryforward" provision), under what circumstances would any provisions of the reinsurance agreement be considered "unreasonable provisions which allow the reinsurer to reduce its risk under the agreement" thereby violating subsection 2.c.? • The following sentence in the answer to the above question is being misinterpreted. • "Unlike individual life insurance where reserves held by the ceding insurer reflect a statutorily prescribed valuation premium above which reinsurance premium rates would be considered unreasonable, group term life has no such guide."	Y	N	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-15	**SSAP No. 86—Derivatives**	P&C Life Health	**Proposed SAP Clarification** Interest-rate hedging derivatives that do not qualify as effective hedges but are utilized by industry for asset-liability management (ALM). Under consideration: • Regulator support for a special accounting treatment for these "macro hedges" • Special criteria • Deferred losses (reported as assets), admissibility, and limitations • Amortization time frame The Working Group exposed the agenda item with the above-noted considerations noting that further regulator and industry discussion will occur during the interim period.	Y	TBD	TBD

2024-16	**SSAP No. 86—Derivatives**	P&C
		Life
		Health
			Proposed New SAP Concept
			
			• Developed to address accounting and reporting for debt securities with derivative components (Credit Repack Investments) that do not qualify as structured notes.
			• Special-Purpose Vehicle (SPV) acquires a debt security and a derivative. The SPV combines the cash flows of the debt and derivative and issues a repackaged debt security reflecting the combined cash flows.
			• Exposed:
			  ◦ Evaluate whether the instrument is a structured note
			  ◦ Bifurcation of debt security from derivative instrument
			  ◦ Debt security analyzed to determine if issuer credit obligation, asset-backed security, or other non-bond debt security
				Y	Y	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-11	**SSAP No. 101—Income Taxes**	P&C Life Health	**Proposed SAP Clarification** • Exposed revisions to reject *ASU 2023-09, Improvements to Income Tax Disclosures.* • Exposed revision to remove the disclosure detailed in SSAP No. 101, paragraph 23.b., as this information is no longer relevant due to changes in the Internal Revenue Code.	N	N	TBD
2024-17	**SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees**	P&C Life Health	**Proposed SAP Clarification** • Exposed revisions to align with adopted revisions by the Life Actuarial (A) Task Force into the *Valuation Manual,* chapter 21, related to the definition of a clearly defined hedging strategy prepared by life insurers.	Y	N	TBD
2024-12	**SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures**	P&C Life Health	**Proposed SAP Clarification** Exposed revisions to remove the reference to *FASB Statement No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk* for excluded items and explicitly list the exclusions within the SSAP. In addition, the Working Group exposed recommended annual statement changes to explicitly include the items for disclosure, including an example.	Y	Y	TBD

Ref#	Title	Ins. type	Revisions exposed	F/S Impact	Disclosure	Effective
2024-04	**SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities**	P&C Life Health	**Proposed SAP Clarification** Exposed the agenda item and directed NAIC staff to work with industry in determining current application/interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral for possible consistency revisions. Newly exposed memo describing similarities and differences in securities lending and repurchase agreements. Considering to adopt, with modification, certain disclosures from *ASU 2023-06, Disclosure Improvements*, including the following: • Accrued interest from repos and securities borrowing. • Separate disclosure of significant (10% of admitted assets) reverse repos. • Counterparty disclosures for repos and reverse repos that are significant (10% of adjusted capital and surplus).	Y	TBD	TBD
2024-19	**Appendix D—Nonapplicable U.S. GAAP Pronouncements**	P&C Life Health	Exposed a rejection of *ASU 2024-02, Codification Improvements* as not applicable to statutory accounting.	N	N	TBD

The SAPWG also provided the following updates on current projects.

Ref#	Title	Ins. type	Project updates	F/S Impact	Disclosure	Effect. Date
2023-16 2023-28	**Annual Statement Blanks and Instructions**	P&C Life Health	Adopted a recommendation for revisions to the Annual Statement Blank and Instructions to change to the reporting categories for *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* entities and residual interests. Categories align with current language resulting from the Principles-Based Bond Definition Project. Exposed additional reporting lines for *Schedule BA*: *Other Long-Term Invested Assets* for collateral loans based on underlying collateral investments. Currently, investments in collateral loans are not included in the AVR or in RBC requirements. Updated exposure expands reporting lines for collateral loans providing more granularity and adds to the AVR and to the RBC requirements.	N	N	TBD
2023-31	**SSAP No. 58—Mortgage Guaranty Insurance** **Appendix A-630 Mortgage Guaranty Insurance**	PC	Resulting from recent revisions to the Mortgage Guaranty Insurance Model Act (#630), the Working Group directed the development of revisions to SSAP No. 58 and *Appendix A-630*. The revisions to the model primarily relate to capital requirements. No exposure at this time.	TBD	TBD	TBD
2023-24	**Various SSAPs and INT 06-07: Definition of Phrase "Other Than Temporary Impairment"**		Earlier this year, SAPWG rejected *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (CECL).* SAPWG documented the analysis supporting rejection in an issue paper and exposed for public comment.	N	N	TBD

Ref#	Title	Ins. type	Project updates	F/S Impact	Disclosure	Effect. Date
	Accounting Practices and Procedures Manual (AP&P Manual) Editorial Revisions	P&C Life Health	Adopted editorial revisions to remove the "Revised" and "R" (which were previously intended to identify a substantively revised SSAP) from SSAP titles and SSAP references within the *AP&P Manual.*	N	N	2024
2024-07	**Annual Statement Blanks**	P&C Life Health	Exposed revisions to the reinsurance Schedule S in the Life/Fraternal and Health annual statement blanks and Schedule F in the Property/Casualty and Title annual statement blanks, which would include all assets held under a funds withheld arrangement and would include a separate signifier for modified coinsurance assets. This schedule would be similar in structure to Schedule DL.	N	Y	TBD
	Update on the IMR Ad Hoc Subgroup	Life	The IMR Ad Hoc Subgroup focused its efforts on the following: • How IMR impacts actuarial calculations; • Definition and purpose of IMR; • Impact of derivatives on IMR; • Impact of reinsurance on IMR; and • Identification that insurers are not consistently reflecting negative IMR in cash flow testing. Further discussion and future guidance will occur in the interim period.	Y	TBD	TBD

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