

## NAIC 2018 Summer Meeting

In the words of famous Bostonian Benjamin Franklin, “Never confuse motion with action.” There was no confusion at the NAIC Summer National Meeting in Boston where regulators and interested parties were consistently in action to keep pace with the changing times and regulations. A summary of the NAIC Summer Meeting highlights follow.

### Statutory Accounting Changes

The Statutory Accounting Principles (E) Working Group (SAPWG) adopted various updates to statutory accounting guidance.

Ref #	SSAP No	Title	Revision Description	Effective
2018-01	101	Federal Income Tax Reform	The revisions incorporate changes from the Tax Cuts and Jobs Act issued 12.22.17, which disallow entities taxed as life insurance entities to carryback ordinary losses and removed references to the previous tax rate.	05.24.18
2018-10	Appendix H	Updates to INT 16-01 and INT 18-02	The health insurer provider (HIP) fee, also known as the ACA Section 9010 Assessment, was suspended for 2019. Therefore, impacted reporting entities are not required to accrue the fee liability as of 01.01.19.	05.24.18
2017-35	49, 56	Policy Loans	The revisions clarify all policy loans must follow the guidance in SSAP 49, which is expanded to include guidance and sample journal entries for separate account product policy loans. Separate account product policy loans must be funded by the general account for the policy loan to be admitted.	08.04.18
2018-08	21	Private Placement Variable Annuities (PPVA's)	The revisions provide clarity on how to account for PPVA's as specific guidance on these investments did not exist. The revisions address how to account for and comply with the additional disclosure requirements specific to PPVA's that comply with Internal Revenue Code (IRC) § 7702. Disclosure of the underlying investment vehicle is required.	08.04.18
2018-14	47 & INT 05-05	Update Medicare Part D Definitions in INT 05-05	A description of the Coverage Gap Discount Program (the Program) as part of Medicare Part D and a description of the Program's cash flows was added to INT 05-05. Additionally, the revisions clarify which SSAP should be followed when accounting for the Program.	08.04.18

Ref #	SSAP No	Title	Revision Description	Effective
2018-15	INT 18-03	Additional Elements Under the Tax Cuts and Jobs Act (TCJA)	INT 18-03 was adopted to provide limited-time accounting and reporting guidance on the following items under the TCJA: <ul style="list-style-type: none"> <li>• Repatriation Transition Tax</li> <li>• Alternative Minimum Tax</li> <li>• Global Intangible Low-Taxed Income Tax</li> </ul>	08.04.18
2018-08	56	Private Placement Variable Annuities	The separate account annual statement general interrogatory 1.01 is modified to disclose the amount of separate account assets: <ul style="list-style-type: none"> <li>• Registered with the SEC</li> <li>• Not registered with the SEC</li> </ul> General interrogatory 1.01A is added to disclose the amount of separate account assets not registered with the SEC as follows: <ul style="list-style-type: none"> <li>• Private placement variable annuities</li> <li>• Private placement life insurance</li> <li>• Other</li> </ul>	12.31.18
2018-09	97	SCA Loss Tracking	When a reporting entity's share of losses in an SCA exceeds its investment, regardless of a guarantee or commitment of future support to the SCA, the reporting entity is required to disclose its: <ul style="list-style-type: none"> <li>• Current and accumulated share of net income (loss)</li> <li>• Overall investment in SCA</li> <li>• Guarantee or commitment of future support, if any</li> <li>• Reported value of SCA</li> </ul>	12.31.18
2018-16	1 & A-001	Summary Investment Schedule Updates	The format of the summary investment schedule is revised to more closely align with the underlying investment schedules in the annual statement to provide for more automated cross checks and fewer manual allocations.	01.01.19

### Rejected ASU's

The following [FASB ASU's](#) were rejected by the SAPWG during 2018's Summer meeting:

- ASU 2017-15, *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*
- ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

### US-EU Covered Agreement

To say the **Reinsurance (E) Task Force** has been busy since the Spring National Meeting would be an understatement. The Task Force exposed proposed revisions to the Credit for Reinsurance Model Law ([#785](#)) and the Credit for Reinsurance Model Regulation ([#786](#)) to conform to the [Bilateral Agreement between the United States of America and the European Union \(EU\) on Prudential Measures Regarding Insurance and Reinsurance](#) (Covered Agreement). The revisions also provides reinsurers in other NAIC-qualified jurisdictions with similar reinsurance collateral requirements to EU reinsurers and with similar provisions regarding group supervision, group capital, information sharing and enforcement.

The Task Force received 18 comment letters on the revisions and 14 interested parties were given two minutes each to comment during the Summer National Meeting. The interested parties support the Task Force's approach and primarily commented on areas where the revisions differ from the Covered Agreement. Common themes include:

- Improving consistency between the Covered Agreement and Model Law.
- Requests to “put the whole kit and caboodle” in the Model Law ([#785](#)), not the Model Regulation ([#786](#)).
- Concerns regarding proposed language allowing for commissioner discretion, which could result in one state causing issues with mutual recognition.
- Elimination of disparate treatment between EU and qualified jurisdictions.

The Reinsurance Task Force will consider the comments and work with NAIC staff to incorporate necessary and appropriate revisions to drafts of Model [#785](#) and Model [#786](#). The Models will be re-exposed in the fall for another comment period, with the goal to complete revisions by the Fall National Meeting.

The Covered Agreement was also a hot topic in the **Capital Adequacy (E) Task Force** meeting as regulators discussed whether changes to the capital framework are necessary to compensate for the lack of collateral. Recent changes to the property/casualty RBC on reinsurance

collateral made the charges more risk-focused based on credit ratings, which is how Model Law ([#785](#)) is structured. The Task Force requested the reinsurance credit risk be added to the Life Risk-Based Capital (E) Working Group and the Health Risk-Based Capital (E) Working Group working agendas.

### **Innovation, Technology and Cybersecurity**

The ***Innovation and Technology (EX) Task Force*** heard a report from Director Raymond G. Farmer (SC) on cybersecurity initiatives, including enactment of the Insurance Data Security Model Law [#668](#) in South Carolina. Director Farmer reminded the Task Force that the Model applies to all licensees, including insurers, insurance agents and others licensed by the state insurance department. South Carolina was the first to adopt the legislation, which goes into effect January 1, 2019, and is now in the implementation phase.

The Task Force also heard presentations from:

- NAIC staff on the [Cybersecurity and Identity Theft Insurance Coverage Supplement](#) data analysis.
- The United Kingdom's [Financial Conduct Authority](#) (FCA) regarding its regulatory sandbox and experiences working with innovators.
- [Benekiva](#) on solutions for outdated processes, legacy systems, unclaimed property and escheatment, and changing laws impacting the life insurance industry.
- The Institutes on its [RiskBlock Alliance](#)

Finally, the Task Force approved a plan to move forward on several projects, including:

- Confirming and publishing a list of state insurance departments' innovation contacts by 09.03.18
- Recruiting a team of volunteers to develop a plan to gather and share information on what state insurance departments, the federal government and non-U.S. jurisdictions are doing in the innovation space.

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