

## NAIC 2019 Spring Meeting Highlights

The calendar turned to May quickly this year and summer fun is on the horizon. Before we head out of the office to take advantage of time off, let's recap the action in Orlando at the Spring 2019 meeting of the National Association of Insurance Commissioners (NAIC). Below is an update of NAIC adoptions made within the Statutory Accounting Principles (E) Working Group (SAPWG) and a summary of significant activities related to reinsurance.

### Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2018-34	30R	Foreign Mutual Funds	Adds foreign open-end investment funds to the definition of unaffiliated common stock.	01.01.2019
2018-17	21R, IP No. 160	Structured Settlements	Issue Paper No. 160 – <i>Structured Settlements Acquired as Investments</i> was finalized and documents substantive revisions to SSAP 21R for structured settlement income streams.	04.07.2019
2018-35	95, 104R	ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting	The revisions adopt with modification ASU 2018-07 – <i>Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting</i> . The modification eliminates the section for nonemployee awards and provide additional guidance for accounting for share-based awards regardless of the recipient.	04.07.2019
2018-36	100R	ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement	Adopt with modification ASU 2018-13 – <i>Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement</i> : <ul style="list-style-type: none"> <li>• Eliminates disclosure of transfers between level 1 and 2 of the fair value hierarchy</li> <li>• Eliminates disclosure for determining when transfers between levels occur</li> <li>• Modify disclosures related to the calculation of net asset value</li> </ul>	04.07.2019
2018-37	92, 102	ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans	Adopt with modification ASU 2018-14, <i>Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans</i> <ul style="list-style-type: none"> <li>• Adds the following disclosures               <ul style="list-style-type: none"> <li>○ interest crediting rates</li> </ul> </li> </ul>	04.07.2019

Ref #	SSAP No	Title	Revision Description	Effective
			<ul style="list-style-type: none"> <li>○ reasons for significant gains/losses related to changes in defined benefit obligations and other significant changes not otherwise apparent in the required disclosures</li> <li>● Eliminates the following disclosures               <ul style="list-style-type: none"> <li>○ effect of 1% increase/decrease</li> <li>○ approximate amount of future benefits covered by insurance contracts</li> <li>○ amounts in unassigned funds expected to be recognized as a component of net periodic benefit cost over the fiscal years</li> <li>○ amount and timing of plan assets expected to be returned to the employer during the 12-month period after most recent annual statement</li> </ul> </li> </ul>	
2018-40	16R	ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) - Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract	Adopt with modification ASU 2018-15. When a hosting agreement is a service contract, implementation costs may be capitalized as non-operating and amortized over the contract term, not to exceed 5 years. No changes were made to the accounting for hosting agreements that are not service contracts.	04.07.2019
2018-46	86	SSAP No. 86 - Benchmark Interest Rates	Adds the following U.S. benchmark interest rates for hedge accounting: <ul style="list-style-type: none"> <li>● Fed Funds Effective Rate Overnight Index Swap Rate</li> <li>● Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Rate</li> <li>● Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate</li> </ul>	04.07.2019
2018-47EP	97	Editorial and Maintenance Update	Clarifies that investments in scope of SSAP No. 48 – <i>Joint Ventures, Partnerships and Limited Liability Companies</i> , are not required to complete the disclosures in SSAP No. 97 unless directed by SSAP No. 48.	04.07.2019

Ref #	SSAP No	Title	Revision Description	Effective
2019-01	INT 19-01	Extension of Ninety-Day Rule	Insurers impacted by the California Camp Fire, Hill Fire and Woolsey Fire are given a temporary 60-day extension to the 90-day nonadmission rule in SSAP No.6 for a total of 150 days. The interpretation automatically terminated 04. 24.19.	04.07.2019
2019-02	INT19-02	Single Security Initiative	The revision provides a limited-scope exception to SSAP's No. 26R and 43R for instruments converted under the Freddie Mac Single Security Initiative. The amortized cost basis of the surrendered security carries forward to the security received in the exchange.	04.07.2019
2018-18	2, 26R, 43R, 86	Structured Notes	<p>SSAP No. 2 - Clarifies that derivatives, including structured notes, are reported on Schedule DB, regardless of maturity date.</p> <p>SSAP No 26R - Clarifies that structured notes are under the scope of SSAP's 43R and 86.</p> <p>SSAP No. 43R - Adds "mortgage-referenced securities" to the scope. To qualify, "the security must be issued by a government sponsored enterprise in the form of a 'credit risk transfer' in which the issued security is tied to a referenced pool of mortgages."</p> <p>SSAP No. 86 - Adds the definition of "structured note" as "instruments (often in the form of a debt instruments), in which the amount of principal repayment or return of original investment is contingent on an underlying variable/interest. Structured notes that are 'mortgage referenced securities' are captured in SSAP No.43R."</p>	12.31.2019
2018-33	30R	SSAP No. 30 - Pledges to FHLBs	Assets pledged to a Federal Home Loan Bank (FHLB) on behalf of an affiliate are non-admitted under SSAP No. 4 and considered a related party transaction under SSAP No. 25.	12.31.2019
2018-39	55	Interest on Claims	The revision clarifies that interest paid to claimants for late claim payments should be recorded as other claim adjustment expenses, not regulatory fines and fees. Early adoption is permitted.	01.01.2020

## Rejected ASU's

The following FASB ASU's were rejected by the SAPWG during the meeting:

- ASU 2015-08, *Business Combinations: Pushdown Accounting – Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115*
- ASU 2019-02, *Entertainment – Films – Other Assets – Film Costs and Entertainment – Broadcasters – Intangibles – Goodwill and Other: Improvements to Accounting for Costs of Films and License Agreements for Program Materials*

## Reinsurance

The **Reinsurance (E) Task Force** heard from interested parties and reviewed updated revisions to the Credit for Reinsurance Model Law ([#785](#)) and the Credit for Reinsurance Model Regulation ([#786](#)) to incorporate the reinsurance collateral requirements under the [Bilateral Agreement between the United States of America and the European Union \(EU\) on Prudential Measures Regarding Insurance and Reinsurance](#) and the [Bilateral Agreement between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance](#) (Covered Agreements). The Task Force met May 15, 2019 and after hearing from interested parties, adopted the revisions to the Models. The Task Force's parent committee, the **Financial Condition (E) Committee**, is scheduled to meet May 28, 2019 to consider adoption of the action taken by the Task Force.

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