

NAIC Spring 2021 Meeting Summary

The NAIC is celebrating its 150th anniversary during 2021 and to commemorate the milestone, it unveiled a [modernized logo](#) during the opening session of the virtual Spring National Meeting. The logo features an intertwined “C” as a symbol of commissioner collaboration in service to consumer protection.

In this edition, you’ll find a summary of statutory accounting adoptions made by the Statutory Accounting Principles Working Group (SAPWG) during the Spring National Meeting that will impact 2021 statutory basis financial statements and the latest updates on the activities of the Reinsurance Task Force and the Financial Regulation Standards and Accreditation Committee.

Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2019-34	25	Related Parties, Disclaimer of Affiliation and Variable Interest Entities	Clarifies reporting of related party transactions: <ul style="list-style-type: none"> • More closely aligns identification of related party transactions with GAAP and SEC requirements; • Noncontrolling ownership over 10% results in a related party classification regardless of disclaimer of control; • Rejects U.S. GAAP standards addressing variable interest entities. 	03.15.21
2020-22	26R	Accounting for Perpetual Bonds	Clarifies that perpetual bonds with a future call date are reported at amortized cost and perpetual bonds without a future call date are reported at fair value.	03.15.21
2020-32	26R	Disclosure Update	Expands existing disclosures for called bonds to include bonds terminated through a tender offer.	03.15.21

Ref #	SSAP No	Title	Revision Description	Effective
2020-33	32R, 86	Publicly Traded Preferred Stock Warrants	Removes publicly traded preferred stock warrants from the scope of SSAP No. 86, <i>Derivatives</i> and places them in scope of SSAP No. 32R, <i>Preferred Stock</i> , similar to publicly traded common stock warrants, which are in scope of SSAP No. 30R, <i>Unaffiliated Common Stock</i> . These warrants are reported at fair value, not to exceed any currently effective call price.	03.15.21
2020-34	43R	Government-Sponsored Enterprises – Credit Risk Transfer Transactions	Nonsubstantive revisions to add Freddie Mac Structured Agency Credit Risk (STACR) and Fannie Mae Connecticut Avenue Securities (CAS) credit risk transfer securities issued through a Real Estate Mortgage Investment Conduit (REMIC) trust to the scope of SSAP 43R.	03.15.21
2020-39	Appendix F	Interpretation Policy Statement Updates	The policy for issuing time-sensitive accounting interpretations (INTs) that amend, supersede or conflict with existing SSAPs is intended to provide temporary accounting relief and is limited to catastrophes or other emergencies. Interpretations are effective upon SAPWG adoption, unless stated otherwise.	03.15.21
2020-40	Preamble	Clarification of Prescribed Practices	A “prescribed practice” means practices prescribed by the domiciliary state and subject to independent audit requirements.	03.15.21

Rejected ASUs

The following [FASB ASUs](#) were rejected by the SAPWG during the Spring, 2021 meeting:

- ASU 2009-17, *Consolidation (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*
- ASU 2010-02, *Consolidation (Topic 810) – Accounting and Reporting for Decreases in Ownership of a Subsidiary – A Scope Clarification*
- ASU 2010-10, *Consolidation (Topic 810) – Amendments for Certain Investment Funds*
- ASU 2014-07, *Consolidation (Topic 810) – Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements*
- ASU 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*
- ASU 2016-17, *Consolidation (Topic 810) – Interests Held through Related Parties that are under Common Control*
- ASU 2018-17, *Consolidation (Topic 810) – Targeted Improvements to Related Party Guidance for Variable Interest Entities*
- ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*
- ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation of Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*

Reinsurance (E) Task Force

As of March 18, 2021, 23 U.S. jurisdictions have adopted the 2019 revisions to the Credit for Reinsurance Model Law ([#785](#)) and 21 jurisdictions have actions under consideration. Eight U.S. jurisdictions have adopted the 2019 revisions to the Credit for Reinsurance Model Regulation ([#786](#)) and 6 have actions under consideration. The revised Model Law and Regulation reduce collateral requirements for certain reinsurers in reciprocal jurisdictions and are necessary to implement the collateral and other provisions of the International Covered Agreements. These models are scheduled to become accreditation standards on September 1, 2022, and nationwide adoption is crucial to the United States' participation in the International Covered Agreements.

The Model Law and Regulation are prospective in nature, meaning they may only be used to reduce collateral after a reporting entity's state of domicile adopts them. Additionally, reinsurance agreements must be new, amended, or renewed on or after the domiciliary state of the ceding company adopts the Model Law and Regulation.

Financial Regulation Standards and Accreditation (F) Committee

The Committee exposed revisions to the Holding Company System Regulatory Act ([#440](#)) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions ([#450](#)) for a 30-day comment period ending May 13, 2021. The revisions will implement a Group Capital Calculation (GCC) for purposes of group solvency supervision and a Liquidity Stress Test (LST) for macroprudential surveillance.

The GCC is necessary to meet certain requirements in the International Covered Agreements that the states have a “worldwide group capital calculation” in place by Nov. 7, 2022. The exposure recommends an effective date of January 1, 2026 and strongly encourages states who are the groupwide supervisor of an EU or UK operating group subject to the International Covered Agreements to adopt the revisions early.

If you have any questions about the Spring National Meeting update you can [contact us here](#).

Authors:

[Lauren Darr](#), CPA, Partner

[Rick Nelson](#), CFE, CIE, Principal

Scott Haynes, CPA, CPCU, AIAF, Manager