

NAIC Summer 2021 Meeting Summary

The NAIC held its Summer National Meeting in Columbus, Ohio, in a hybrid format. Sessions that were not part of the in-person meeting were held virtually throughout the summer.

In this edition, you'll find a summary of statutory accounting adoptions made by the Statutory Accounting Principles Working Group (SAPWG) since the Spring National Meeting 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
2020-37	56	Separate Account Product Mix	Accepts Blanks Working Group (BWG) proposal 2021-03BWG which updates the General Interrogatory instructions for separate accounts and requires disaggregated product identifiers to be used for each product represented. Adds product identifiers for pension risk transfer transactions and registered indexed linked annuity products. No change to statutory accounting.	05.20.21
2020-38	56	Pension Risk Transfer Disclosure	Accepts BWG proposal 2021-03BWG which enhances reporting for pension risk transfer products and transactions within the General Interrogatories. No change to statutory accounting.	05.20.21
2021-01	86	ASU 2021-01, Reference Rate Reform	Expands the scope of <i>INT 20-01: Reference Rate Reform</i> to include derivative contracts affected by changes to interest rates used for discounting, margining or contract price alignment, consistent with ASU 2021-01, <i>Reference Rate Reform (Topic 848)</i> .	05.20.21

Ref #	SSAP No	Title	Revision Description	Effective
2021-03	103R	SSAP No 103R - Disclosures	Adds disclosures and a data capture template for certain disclosures in SSAP No 103R – <i>Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i> .	05.20.21
2021-05	2R	Accounting for Cryptocurrencies	Adopts <i>INT 21-01: Statutory Accounting Treatment for Cryptocurrencies</i> , which clarifies that directly held cryptocurrencies do not meet the definition of cash or admitted assets.	05.20.21
2021-06EP	Multiple	Editorial Updates	Editorial revisions to SSAP No 53, SSAP No 97 and the <i>SSAP Glossary of the Accounting Practices and Procedures Manual</i> .	05.20.21
2021-04	48, 97	Valuation of Foreign Insurance SCAs	Places a valuation floor of zero on foreign insurance SCAs when they are not engaged in providing services or holding assets on behalf of the reporting entity or its affiliates. Clarifies that the equity method valuation referenced in SSAP No 97 can result in a negative equity valuation for SSAP No 48 entities.	08.26.21
2021-10	32R	SSAP No 32R – Clarification of Effective Call Price	The effective call price valuation limitation on certain preferred stocks only applies if the call is currently exercisable by the issuer or if the issuer has announced the security will be redeemed or called.	08.26.21
Appendix G	N/A	Appendix G - Implementation Guide for the Annual Financial Reporting Model Regulation	Requires the lead audit partner to be named and the year in which he or she began serving in that capacity in the material weakness letter provided to regulators annually.	12.31.21

Rejected ASUs

The following [FASB ASUs](#) were rejected by the SAPWG during the Summer National Meeting:

- ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs*
- ASU 2020-11, *Financial Services – Insurance (Topic 944): Effective Date and Early Application*
- ASU 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*

Reinsurance (E) Task Force

As of July 16, 2021, 42 U.S. jurisdictions have adopted the 2019 revisions to the Credit for Reinsurance Model Law ([#785](#)) and 4 jurisdictions have actions under consideration. The adoption rate for the Model Law has almost doubled since March when adoptions amounted to only 23 states. Fifteen U.S. jurisdictions have adopted the 2019 revisions to the Credit for Reinsurance Model Regulation ([#786](#)) and 7 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 Reinsurance Task Force Chair strongly encouraged states to plan to adopt by July 1, 2022, in order to give the Federal Insurance Office time to complete its federal preemption analysis.

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.

The Task Force adopted nonsubstantive revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions*, with revisions incorporated to add a provision for terminating the status of a qualified jurisdiction or reciprocal jurisdiction and create a passporting process for certified and reciprocal jurisdiction reinsurers. The revisions are consistent with the International Covered Agreements and the Model Law and Regulation.

Financial Regulation Standards and Accreditation (F) Committee

The Committee exposed a modified version of the 2020 Revisions to the Holding Company System Regulatory Act ([#440](#)) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions ([#450](#)) as an update to the accreditation standards. The revisions implement a Group Capital Calculation (GCC) for purposes of group solvency supervision and a Liquidity Stress Test (LST) for macroprudential surveillance. The public comment exposure period is 1 year beginning January 1, 2022 with the expectation that the normal timeline for adoption of a Part A accreditation standard will be followed, and the effective date for all states will be January 1, 2026. A modification was added to permit Commissioners to exempt certain insurance holding company systems.

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

The Committee adopted revisions to the Part A Preamble to include the *Term and Universal Life Insurance Reserve Financing Model Regulation* ([#787](#)) as a new accreditation standard. The Model Regulation establishes standards for reserve financing arrangements related to term life and universal life insurance policies that have secondary guarantees. The revision will be effective as an accreditation standard on September 1, 2022 with enforcement beginning on January 1, 2023.

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

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