

NAIC Spring 2023 Meeting Summary

Johnson Lambert LLP is dedicated to keeping you informed of changes adopted by the NAIC. 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 2023 statutory basis financial statements and the latest updates on activities proposed or adopted by the Risk-Focused Surveillance Working Group, the Financial Condition Committee and the Financial Regulation Standards and Accreditation Committee.

Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2017-33	86	Issue Paper No 167 – <i>Derivatives and Hedging</i>	No change to statutory accounting. Adopts Issue Paper No. 167 – <i>Derivatives and Hedging</i> , detailing the hedge accounting changes adopted in NAIC REF#2022-09, which were effective 01.01.23.	03.22.23
2022-15	25	Affiliate Reporting Clarification	Revision to SSAP No. 25 to clarify that any asset held by a reporting entity that was issued by an affiliated entity, or that includes the obligations of an affiliated entity is an affiliated investment.	03.22.23
2022-16	100R	ASU 2022-03, <i>Fair Value Measurement of Restricted Securities</i>	Adopts ASU 2022-03 with modification. Equity securities that are subject to contractual sale restrictions are to be reported and disclosed as restricted assets in accordance with SSAP No. 1 and subject to admittance considerations under SSAP No. 4.	03.22.23

Ref #	SSAP No	Title	Revision Description	Effective
2022-17	34	Interest Income Disclosure Update	<p>Adds new disclosure requirements to SSAP No. 34 – <i>Investment Income Due and Accrued</i>:</p> <ul style="list-style-type: none"> • Disclose gross, nonadmitted, and admitted amounts of interest income due and accrued, • Disclose aggregate deferred interest, and • Disclose the cumulative amount of paid-in-kind (PIK) interest included in the current principal balance. 	12.31.23

Rejected ASUs

The following [FASB ASUs](#) were rejected by the SAPWG during the Spring, 2023 meeting:

- ASU 2022-04, *Disclosure of Supplier Finance Program Obligations*

Risk-Focused Surveillance (E) Working Group

The Risk-Focused Surveillance Working Group discussed and exposed changes to the NAIC’s Financial Analysis Handbook and Financial Condition Examiners Handbook to provide additional guidance for regulators when they review cost-sharing or service agreements and transactions with affiliates, specifically agreements that incorporate market-based reimbursement for services performed, commonly referred to as “cost-plus” reimbursement. The proposed guidance includes revisions to Analyst procedures for Form D Filings in order to evaluate the fairness and reasonableness of fees, and revisions to Examiner guidance to verify information for agreements and transactions with affiliates during financial examinations. The exposure requests input from regulators and interested parties on whether and how guidance on cost-plus reimbursement rates for affiliated service contracts should be developed and included in the Handbook guidance. The exposure has a comment period ending May 8, 2023.

Financial Condition (E) Committee

The Financial Condition (E) Committee adopted an action from the Valuation of Securities (E) Task Force that authorizes the Securities Valuation Office (SVO) to model collateralized loan obligations (CLOs) for NAIC designations, effective January 1, 2024. CLOs are structured finance securities that are generally collateralized by a pool of below investment grade, first lien, senior secured, syndicated bank loans. By including CLO investments in the SVO's financial modeling process, insurers can continue to participate in the CLO market.

Financial Regulation Standards and Accreditation (F) Committee

The 2020 revisions to the Insurance Holding Company System Regulatory Act ([#440](#)) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions ([#450](#)) will be considered for adoption at the 2023 Summer National Meeting, and if, adopted, will become an accreditation standard for all states effective Jan. 1, 2026. The Model Law and Model Regulation require implementation of a group capital calculation (GCC) for the purposes of group solvency supervision and a liquidity stress test (LST) for macroprudential surveillance.

The Committee discussed comment letters received during the 1 year comment period ending December 31, 2022 that raise concerns over applicability to Risk Retention Groups (RRGs), and request to allow the Commissioner the option to exempt an RRG from the GCC reporting requirements. Proposed elements for the GCC were modified to allow state Commissioners to grant exemptions to Groups meeting certain qualifications set forth in Model #450 Section 21A and Section 21B without the requirement to file at least once.

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

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