

2009 Winter National Meeting

Date Released to Joint Executive/Plenary:
Objections Due From Joint/Executive Members

Monday, January 11, 2010
Wednesday, January 21, 2010

The following items were adopted by the Financial Condition (E) Committee at the 2009 Winter National Meeting and no objections were raised from NAIC Commissioners under the New E Committee Process

1. NAIC Annual Statement Blanks & Instructions Proposals

- 2009-33BWG – Add instructions to Schedule T, Details of Write-ins for Line 58, Other Alien, to clarify that the reporting entity should list the jurisdiction (country) for the write-in line description and make the instruction consistent for all statement types.
- 2009-34BWG – Add instructions to Line 24 of the Asset page to include receivables for securities not received within 15 days of settlement date. Modify the "exclude" statement for Line 9 of the Asset page to clarify the exclusion of receivables for securities not received within 15 days of the settlement date.
- 2009-36BWG – Add line categories to Schedule S to group separately U.S. and non-U.S. insurers reported in the schedule. Modify the instructions for the Location column to indicate the use of postal code in the column to indicate domiciliary jurisdiction and change the column description from Location to Domiciliary Jurisdiction. Change Property and Title Schedule F Location Column description to be consistent with Life, Health and Fraternal and their respective annual statement schedules.
- 2009-37BWG – Modify instruction for IMR (Interest Maintenance Reserve) Line 2 and AVR (Asset Valuation Reserve) Line 2 with language for other than temporary impairments to reflect changes initiated by the adoption of *SSAP No. 43 Revised—Loan-backed and Structured Securities* which superseded the recently adopted *SSAP No. 98—Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43—Loan-backed and Structured Securities*.

2. NAIC Accounting Practices & Procedures Manual Changes

- *SSAP No. 62R—Property and Casualty Reinsurance – Revised (SSAP No. 62R.)* This SSAP expands the exceptions for retroactive reinsurance to include property/casualty reinsurance run-off agreements that meet specified criteria. This change, sponsored by the RAA, represents significant departure in that it is less conservative than GAAP and life-loss portfolio accounting for retroactive reinsurance. However, there are several additional criteria, including commissioner approval, financial strength of the nonaffiliated assuming entity, and unlimited transfer of risk, without the ability to cancel the contract. This item was adopted by the Working Group with a split vote of 9-3.
- *SSAP No. 100—Fair Value Measurements* provides statutory accounting guidance on defining fair value, when other statutory accounting pronouncements require or permit fair value measurements, establishing a framework for measurement of fair value, and expanding fair value disclosures. SSAP No. 100 is effective for Dec. 31, 2010, annual financial statements, with interim and annual reporting thereafter. Early adoption is permitted for Dec. 31, 2009, annual financial statements. In addition to adopting SSAP No. 100, the Working Group also adopted various nonsubstantive revisions to other SSAPs to reflect the new fair value guidance.
 - Nonsubstantive disclosures to *SSAP No. 60—Financial Guaranty Insurance*, beginning with 2009 year-end.
 - Nonsubstantive revisions to *SSAP No. 43R—Loan-Backed and Structured Securities – Revised* to update the statutory accounting guidance to reflect the revised "Residential Mortgage-Backed Securities Designation Process" originating from the Valuation of Securities (E) Task Force.
 - *Issue Paper No. 140—Substantive Revisions to SSAP No. 43* to provide a historical reference of the guidance superseded by *SSAP No. 43R—Loan-backed and Structured Securities – Revised*.
 - Nonsubstantive revisions to: 1) *SSAP No. 9—Subsequent Events*; 2) reference the new FASB codification and GAAP hierarchy in the preamble and in two interpretations; 3) update the bond categories to mirror what has been adopted by the Blanks (E) Working Group; 4) Appendices A-815 Model Regulation Permitting the Recognition of Preferred Mortality Tables for use in Determining Minimum Reserve Liabilities and A-830-Valuation of Life Insurance Model Regulation to reflect changes adopted by the Life and Health Actuarial Task Force.
- Adopted two interpretations, one on the Federal Term Assets-Backed Securities Lending Facility (TALF) Program which indicates that loans received and collateral provided under the program do not meet the criteria for offset. The second interpretation incorporates "rejected" and "non-applicable" FASB EITFs in a single listing within a designated interpretation.

3. NAIC Risk Based Capital Formula Changes

- Adopted a 5% RBC After Covariance charge for the additional deferred tax assets (DTA) allowed by SSAP 10R in the 2009 Life RBC formula.
- Revised the sensitivity test to incorporate the impact of the additional (or incremental) increase in carrying value of DTA.
- Adopted a charge to the American Academy of Actuaries (AAA) to review the factor(s) for DTA going forward for all 3 RBC formulas.
- Adopted a change to the Life RBC blank to add a line to the Off Balance Sheet Page LR015 to replace the instructional process used in 2009 for the charge for additional DTA.
- New Task Force procedures to adjust the timeline of events that must be completed by specified meetings, including structural changes being completed by the end of December as opposed to the Winter National Meeting.

4. Financial Condition Examiners Handbook Changes

- Adopted 18 newly created Examination Repositories for inclusion in the Handbook to assist the examiner in identifying the risks that are often inherent within some of the more standard key activities of a typical insurance company.
- Adopted revisions to the following sections of the Financial Condition Examiners Handbook:
 - Phase 3 – Identify and Evaluate Risk Mitigation Strategies
 - General Examination Procedures – Review of Subsequent Events
 - Exhibit M – Understanding the Corporate Governance Structure
 - Exhibit T – Sample Letter of Representation
 - Exhibit V – Prospective Risk Assessment
 - Exhibit Y – Examination Interviews

5. Financial Analysis Handbook Changes

- Adopted revisions to the following sections of the Financial Analysis Handbook:
 - Level 1 Analysis
 - Level 1 Analysis for Fraternal
 - Level 2 Risk-Based Capital for Health
 - Supplemental Actuarial Opinion for Health
 - Supplemental Holding Company Analysis
 - Supplemental Audited Opinion
 - Automated I-SITE Reports

6. Model Audit Rule Implementation Guide Changes

- Section 3 – Updated the definition of “Group of Insurers” to clarify regulator expectations in this area.
- Section 7D – Added additional guidance to consider in determining whether relief from the lead partner rotation requirement should be granted.
- Section 7G – Added guidance to clarify prohibited bookkeeping services.
- Section 16 – Added guidance regarding the use of an SSAE No. 15 report.