

## ***Financial Condition (E) Committee Technical Changes***

**Background Information.** At the 2009 NAIC Fall National Meeting, the NAIC Membership approved a new process for the final adoption of technical matters coming from the Financial Condition (E) Committee. The new process was enacted to get these technical changes to the industry and impacted parties as quickly as possible to allow them more time to modify their systems and processes for such changes.

### **Details of Process Adopted.**

1. A list of technical items (shown on page(s) that follow) will be provided from the Financial Condition (E) Committee to the Joint Executive/Plenary within one week of the completion of the national meeting;
2. The list only contains what the Financial Condition (E) Committee considers technical and routine, and does not include items that are significant by NAIC standards (e.g. it would not include proposed model laws, model regulations, or guidelines) or items consider controversial;
3. Members of the Joint Executive/Plenary have 10 days to review the attached list, and voice their objection of a specific item;
4. If no objections are raised on a particular item, or any of the items, each and all will be considered adopted by the Joint Executive/Plenary, similar to the consent agenda process;
5. If there is an objection on any one or multiple items, a joint Executive/Plenary conference call will be scheduled on that particular item(s);
6. The other items will be considered adopted, and thus inserted into the appropriate publication and/or made available to the industry and other parties for implementation;

**Request for Approval.** Under the above process, the Executive Committee/Plenary members are hereby requested to review the attached list and voice any objections to a specific item(s) by April 18, 2011. Any item(s) receiving an objection will be pulled from this automatic consideration, and a call will be scheduled to address the issue.

## ***Actions Taken During the Spring of 2011***

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

**Wednesday, April 6, 2011**  
**Monday, April 18th, 2011**

**The following items were adopted by the Financial Condition (E) Committee at the 2011 Spring National Meeting**

---

### **1. NAIC Accounting Practices & Procedures Manual Changes and Related items**

- Adopted Jan. 12, 2011, editorial Changes to the AP&P Manual and Feb. 15 comment letter to Financial Accounting Standards Board (FASB) Financial Instruments Comment Letter.
- *SSAP No. 100—Fair Value Measurements* (SSAP No. 100) (Ref #2010-16): New disclosures of the fair value hierarchy, as well as the method used to obtain the fair value measurement. For specific investment schedules in which fair value is already captured, the new disclosure requirements for individual investments will be satisfied through the completion of an electronic column added to the investment schedules. Additionally, for all financial instruments, an aggregate disclosure will also be completed through a new financial statement note that summarizes hierarchy levels by type of financial instrument. Revisions also require a gross presentation of purchases, sales, issues and settlement (each separately) within the reconciliation for fair value measurements categorized within Level 3 of the fair value hierarchy. These changes are effective for the beginning of 2012.
- *SSAP No. 65—Property and Casualty Contracts* (SSAP No. 65) (Ref #2010-19): Revisions to allowing a single collateral deposit to cover multiple high-deductible policies.
- *SSAP No. 22—Leases* (SSAP No. 22) (Ref #2010-20): Revisions adopt guidance from the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Topic 420) that specifically pertains to lease modifications or early termination.

### **2. Financial Condition Examiners Handbook Changes**

- No changes adopted.

### **3. Model Audit Rule Implementation Guide Changes**

- No changes adopted.

### **4. Annual Statement Instructions changes**

- Adopted blanks proposal to modify the instruction and illustration for Note 32, A through E (Life and Fraternal), to disclose the general account and separate account amounts and the total. (2010-15BWG)
- Adopted blanks proposal to modify the investment instructions and matrix for the NAIC Designation Column for bonds with three new suffixes (2010-20BWG).
- Received SSAP 100 - Fair Value Memorandum and Guidance Document, Supplemental Health Care Exhibit Memorandum, 2010-13BWG and Interim Editorial Changes, Supplemental Health Care Exhibit Guidance Document – 02/14/2011.
- Adopted the listing of editorial changes.

### **5. Purposes and Procedures Manual of the NAIC Securities Valuation Office & Related Items**

- No changes adopted.

### **6. NAIC Risk Based Capital Formula Changes**

- Adopted a change to the 2011 Life RBC formula for qualifying derivatives. The adopted proposal provides life insurers with credit in the C-1 risk component of the RBC formula for basic and intermediate hedges that reduce the economic credit risk associated with such assets.
- Adopted a change to the 2011 Life RBC formula for the additional deferred tax asset sensitivity test. The adopted proposal adds new lines to the additional deferred tax asset sensitivity test on the Total Adjusted Capital page.

**7. NAIC UCAA Manual and Company Licensing Best Practices Handbook**

- Adopted the Review of Electronic Applications Coordination and Processing (REACAP) Program criteria. (Formerly known as the Company Licensing Pilot Project)
- Adopted amendments to the *Company Licensing Best Practices Handbook*, which included Appendix A: the federal Dodd-Frank reinsurance provisions; the NAIC SMI new holding company protocols, as it pertains to the company licensing; and added Appendix C: REACAP Criteria