STATE OF INDIANA

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To: Legislative Council
The Honorable Martin Carbaugh, Chair
House Insurance Committee
The Honorable Eric Bassler, Chair
Senate Insurance and Financial Institutions Committee

From: Stephen W. Robertson, Commissioner, Indiana Department of Insurance
Date: October 30th, 2020

In compliance with IC 27-1-1.5-1(d), the Indiana Department of Insurance (IDOI) submits a list of the following amendments that were made to National Association of Insurance Commissioners (NAIC) documents currently incorporated by reference in the Indiana Code under Title 27.

The documents incorporated by reference include manuals and handbooks published by the NAIC that are used in the regulation of the business of insurance by the IDOI.

Below is a link to the webpage hosted by the IDOI which provides the most up to date version of each of the referenced manuals and handbooks:

https://www.in.gov/idoi/3076.htm

The following list of amendments were implemented after the publication date of the manuals and handbooks incorporated by reference in the Indiana Code under Title 27 and published after October 31st, 2019:

E Committee Memos
Accounting Practices & Procedures Manual

Financial Condition Examiner's Handbook

Financial Analysis Handbook

Annual Statements & Related Material

Purposes &Procedures Manual

Risk Based Capital Instructions

Own Risk Solvency Assessment Manual

Interpretation of the Statutory Accounting Principles Working Group
INT 20-01 – ASU 2020-04 Reference Rate Reform

INT 20-02 – Extension of Ninety-Day Rule for the Impact of COVID-19

INT 20-03 – Troubled Debt Restructuring Due to COVID-19

INT 20-04 – Mortgage Loan Impairment Assessment Due to COVID-19

INT 20-05T – Investment Income Due and Accrued

INT 20-06T – Participation in the 2020 TALF Program

INT 20-07T – Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19

INT 20-08 – COVID-19 Premium Refunds, Limited-Time Exception, Rate Reductions and Policyholder Dividends

Agenda Item 14: Assessment of OTTI Based on Original Contract Terms

A Committee Changes
Valuation Manual

D Committee Changes
Market Regulation Handbook

Action Taken During 2019 Fall National Meeting

Date Released to Executive (EX) Committee and Plenary Members: **Dec. 12, 2019**
Objections Due from Executive (EX) Committee and Plenary Members: **Dec. 23, 2019**

The following technical items were adopted by the Financial Condition (E) Committee at the 2019 Fall National Meeting:

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1. *Accounting Practices and Procedures Manual* (AP&P Manual) Changes and Related Items

- Adopted the following substantive revisions to statutory accounting guidance:

    - None

- Adopted the following nonsubstantive revisions to statutory accounting guidance:

    - *Statement of Statutory Accounting Principles (SSAP) No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*: Revisions adopt: 1) SSAP No. 61R disclosures with an effective date of Dec. 31, 2020; 2) A-791 Q&A updates regarding contracts with medical loss ratios (MLRs); and 3) updates to the 2c. Q&A regarding risk transfer and group term life yearly renewable term (YRT) reinsurance with an effective date of Jan. 1, 2021. (Ref #2017-28)

    - *SSAP No. 68—Business Combinations and Goodwill*: Revisions clarify that goodwill resulting from the acquisition of a subsidiary, controlled or affiliated (SCA) entity by an insurance reporting entity that is reported on the SCA financial statements (resulting from the application of pushdown) is subject to the 10% admittance limit based on the acquiring entity's capital and surplus. (Ref #2019-12)

    - SSAP No. 68 and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Revisions reject *ASU 2019-06, Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. (Ref #2019-29)

    - *SSAP No. 86—Derivatives*: Revisions clarify the recognition and measurement guidance for derivatives that do not qualify as hedging, income generation or replication transactions. (Ref #2019-18)

    - SSAP No. 97: Revisions clarify that nonadmittance is required when there is an unalleviated substantial doubt about an SCA's ability to continue as a going concern identified in any part of the audit report, accompanying financial statements or notes to the financial statements. (Ref #2019-23)

    - *SSAP No. 100R—Fair Value:* Revisions reject *ASU 2019-05, Targeted Transition Relief*. (Ref #2019-28)

    - *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities:* Revisions clarify that only wash sales that cross reporting period end-dates are subject to the wash sale disclosure. (Ref #2019-22)

    - Supplemental Investment Risk Interrogatory (SIRI): Revisions clarify information captured in *Line 13: 10 Largest Equity Interests,* noting that a look-through should only occur for non-diversified funds. (Ref #2019-19)

    - *Appendix A—Excerpts of NAIC Model Laws*: Revisions incorporate the "Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance" (EU Covered Agreement) and the "Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance" (U.K. Covered Agreement), collectively the Covered Agreement, into *Appendix A-785—Credit for Reinsurance.* (Ref #2019-26)

    - *Appendix D—Nonapplicable GAAP Pronouncements*: Revisions reject the following ASUs as not applicable to statutory accounting:

        1. *ASU 2019-03, Updating the Definition of Collections.* (Ref #2019-30)

2. *ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* (Ref #2019-31)

- Adopted the following editorial revisions to statutory accounting (Ref #2019-27EP):

  1. *SSAP No. 62R—Property and Casualty Reinsurance*: Revisions clarify wording in an existing disclosure.

  2. SSAP No. 86: Revisions reference the definition of a structured note in *SSAP No. 26R—Bonds*.

  3. SSAP No. 97: Revisions add two new suffixes for Securities Valuation Office (SVO) filings that have been carried over from the prior year.

2. *Financial Condition Examiners Handbook* Changes, Other Examination Tools and Related Items

- 2020 examiners' suggested salary expressed as a daily rate.
- Troubled companies – Revisions incorporate insights from the Troubled Company Handbook on the following topics: priority ratings guidance, communication expectations for companies that are troubled or potentially troubled and pre-receivership considerations.
- Management letters – Revisions clarify which level of the management letter should be addressed and the level of information that should be included therein.
- Exhibit V (Prospective Risk Assessment) – Revisions encourage enhanced testing of overarching prospective risks and to better facilitate the communication of examination results with the financial analysts.
- Exhibit AA (Summary Review Memorandum) – Revisions add guidance for determining level of concern and overall trend for a particular risk component.
- C-level Interviews - Revisions address the order in which C-level interviews should be conducted, as well as provide a new interview template for interviewing a chief marketing officer.
- Compensation study – Revisions include a description of commonly held roles and responsibilities for commonly held regulatory positions and suggest salary ranges for examiners and analysts based on the results of a state insurance regulator compensation study.
- Information technology (IT) review conclusions – Revisions clarify the scope of the IT review and the way examiners should respond to IT review findings.
- Use of third-party work – Revisions clarify the ways that third-party work can be evaluated and used during an exam's IT review.
- Cybersecurity self-assessment tools – Revisions allow state insurance regulators to incorporate the results of a company's completed self-assessment. Additionally, a drafting group developed a mapping between IT exam guidance and the cybersecurity self-assessment tool developed by the Financial Services Sector Coordinating Council (FSSCC) to facilitate state insurance regulator use of the information contained within the tool.

3. *Financial Analysis Handbook* Changes and Related Items

- Adopted revisions to the *Financial Analysis Handbook* for procedures within the risk repository, regulatory guidance related to parental guarantees, salary compensation, intercompany pooling and interstate communication and coordination, and holding company analysis including lead state guidance, corporate governance, Form F and non-lead state analysis.
- Adopted changes to *Insurance Regulatory Information Systems* (IRIS) for Life ratios to address 2020 annual statement filing blank changes.
- Adopted revisions to regulator only financial analysis solvency tools.

4. Implementation Guide for the *Annual Financial Reporting Model Regulation* (#205) Changes and Related Items

- None

5. *Annual Statement Instructions* Changes and Related Items

- Adopted the following changes to the annual financial statement blanks and/or instructions:

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- 2019-21BWG – Modify the illustrations for Note 33 to disclose individually the Separate Account with Guarantees Products and Separate Account Nonguaranteed Products.
- 2019-22BWG – Add a question regarding the Executive Summary of the PBR Actuarial Opinion to the Supplemental Exhibits and Schedules Interrogatories.
- 2019-23BWG – Modify the instructions and illustration for Note 8 – Derivatives for disclosures captured in *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*. Add instructions and a blanks Page for Schedule DB, Part E, to the quarterly statement.
- 2019-24BWG – Add a Life Experience Data Contact to the electronic Jurat page for life/fraternal companies.
- Editorial/nonsubstantive listing

6. *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) and Related Items

- Adopted the following amendments to the P&P Manual:
  - Added instructions for new administrative fields that identify regulatory transactions that have been submitted to the Securities Valuation Office for analysis, "RTS," and those that have not been submitted, "RT."
  - Updated the interim reporting guidance to insurers on how to assign an NAIC designation to a newly issued or newly acquired for Mortgage Reference Securities prior to the publication of the annual surveillance data.
  - Added instructions for the definition, filing and analysis of Ground Lease Financing (GLF) transactions. The amendment permits the SVO a decision tree analysis approach: 1) the SVO would analyze it to see it if meets the credit tenant loan criteria and the SVO could analyze the sub-leases; 2) assess if the Structured Security Group can model the GLF; and 3) if a ratings agency rating was assigned, authorize the SVO to use that analysis in its assessment.

7. NAIC Risk-Based Capital (RBC) Formula Changes and Related Items

- Adopted proposal 2019-14-CR (2019 Catastrophe Event Lists).
- Adopted proposal 2019-11-P (Clarification to Instructions Regarding Lloyd's of London) and the 2019 reporting guideline.
- Adopted proposal 2019-12-P (Remove PR038 Adjustment for Reinsurance Penalty).
- Adopted the RBC Preamble.

8. *Uniform Certificate of Authority Application* (UCAA), *Company Licensing Best Practices Handbook* and Related Items

- Adopted revisions to the Biographical Affidavit to capture subsidiary information if the affiant was employed at a holding company level.
- Adopted revisions to the Consent to Service of Process form to include "statutory" in front of the home office address listing and add the requirement for the state where regulated if different from the state where organized.
- Adopted revisions to the Company Licensing Best Practices Handbook.
- Adopted revisions to the Biographical Affidavit to specify the purpose of the affidavit and instructions that addendum pages should be signed by the affiant.

9. *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual) and Related Items

- None.

10. *Receivers Handbook for Insurance Company Insolvencies* and Related Items

- Adopted guidance and best practices in administering a large deductible workers' compensation receivership.

11. Process for *Evaluating Qualified and Reciprocal Jurisdictions* and Related Items

- None.

12. NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items

- None.

13. *Troubled Insurance Company Handbook* Changes and Related Items

- None.

14. Risk Retention Group Regulatory Tools and Related Items

- Adopted Frequently Asked Questions (FAQ) and Best Practices documents for risk retention groups (RRGs) to assist states with the registration of RRGs. The new guidance is intended to clarify expectations for RRGs registering in non-domiciliary states and facilitate compliance with the federal Liability Risk Retention Act (LRRA).

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Action Taken During July 1, 2020, Conference Call

Date Released to Executive (EX) Committee and Plenary Members: **Thursday, July 2, 2020**
Objections Due from Executive (EX) Committee and Plenary Members: **Monday, July 13 , 2020**

The following technical items were adopted by the Financial Condition (E) Committee during its July 1, 2020, conference call:

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1. *Accounting Practices and Procedures Manual* (AP&P Manual) Changes and Related Items

- Adopted the following substantive revisions to statutory accounting guidance:
  - *Statement of Statutory Accounting Principle (SSAP) No. 105R—Working Capital Finance Investments* and *Issue Paper No. 163: Working Capital Finance Investments Updates*: Revisions incorporate seven industry-requested modifications to the working capital finance investments (WCFI) program requirements. (Ref #2019-25)
- Adopted the following nonsubstantive revisions to statutory accounting guidance:
  - *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Revisions incorporate principle concepts that will restrict the classification of "rolling" related party or affiliated investments as cash equivalents or short-term investments. The investment schedule will identify investments (or substantially similar investments) that remain on the short-term schedule for more than one consecutive year. (Ref #2019-20)
  - SSAP No. 2R: Revisions reflect that certain cash pools meeting defined criteria shall be reported as cash equivalents. (Ref #2019-42)
  - *SSAP No. 3—Accounting Changes and Corrections of Errors* and *SSAP No. 51R—Life Contracts*: Revisions specify that changes as a result of VM-21, Requirements for Principle-Based Reserves for Variable Annuities, optional phase-in requirements shall be disclosed as a change in valuation basis, with additional disclosures regarding the phase-in period beginning Jan. 1, 2020. (Ref #2019-47)
  - *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Revisions expand guidance regarding financial guarantees and the use of the equity method for when losses exceed the subsidiary, controlled and affiliated entity's (SCA's) equity value. The reported equity losses of an SCA would not go negative (thus stopping at zero); however, the guaranteed liabilities would be reported to the extent that there is a financial guarantee or commitment. (Ref #2018-26)
  - SSAP No. 5R, *SSAP No. 72—Surplus and Quasi-Reorganizations*, and *SSAP No. 86—Derivatives*: Revisions reject *Accounting Standards Update (ASU) 2017-11, Accounting for Certain Financial Instruments with Down Round Features; Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception* in SSAP No. 86 and incorporate guidance into SSAP No. 5R and SSAP No. 72, requiring issued, free-standing financial instruments with characteristics of both liability and equity to be reported as a liability to the extent that the instrument embodies an unconditional obligation of the issuer. (Ref #2019-43)
  - *SSAP No. 25—Affiliates and Other Related Parties*: Revisions data-capture existing disclosures, which are currently completed in a narrative format. (Ref #2019-33)
  - *SSAP No. 26R—Bonds*: Revisions clarify that the assessment of an other-than-temporary impairment (OTTI) shall be based on modified contract terms. The revisions provide consistency with guidance in *SSAP No. 36R—Troubled Debt Restructuring* and SSAP No. 103R. (Ref #2020-14)
  - *SSAP No. 41R—Surplus Notes*: Revisions require disclosures of surplus notes that are structured in a manner in which cash-flow exchanges have been reduced or eliminated. (Ref #2019-37)
  - *SSAP No. 47—Uninsured Plans*:
    1. Revisions reject *ASU 2016-20, Technical Corrections & Improvements to Topic 606, Revenue from Contracts with Customers* in SSAP No. 47. (Ref #2020-08)
    2. Revisions reject *ASU 2018-18, Collaborative Arrangements (Topic 808)* in SSAP No. 47. (Ref #2020-09)

- SSAP No. 51R, *SSAP No. 56—Separate Accounts* and *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*: Revisions: 1) ensure that separate account guaranteed products are referenced in all applicable paragraphs of the withdrawal characteristics disclosures; 2) correct an identified inconsistency in one of the new disclosures regarding products that will move from the reporting line of having surrender charges at 5% or more to the reporting line of surrender charges at less than 5%; and 3) add a cross reference from SSAP No. 56 to the existing disclosures by withdrawal characteristics in SSAP No. 51R and SSAP No. 61R, as the disclosures include separate account products. (Ref #2019-35)

- SSAP No. 51R and *SSAP No. 52—Deposit-Type Contracts*: Revisions add a footnote to aggregate deposit-type contracts captured in annual statement *Exhibit 5 – Life Contracts*. (Ref #2019-08)

- *SSAP No. 53—Property and Casualty Contracts–Premiums*: Revisions clarify that the installment fee guidance should be narrowly applied. (Ref #2019-40)

- *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*: Revisions emphasize existing guidance that loss and loss adjusting expense liabilities are established regardless of payments to third parties (except for capitated health claim payments). (Ref #2018-38)

- *SSAP No. 62R—Property and Casualty Reinsurance*: Revisions add disclosure for reinsurers from reciprocal jurisdictions. (Ref #2019-48)

- SSAP No. 97: Revisions clarify that a more-than-one holding company structure is permitted for look-through if each of the holding companies within the structure complies with the look-through requirements. (Ref #2019-32)

- *SSAP No. 101—Income Taxes*: Revisions reject *ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit*, as statutory accounting requires immediate recognition of unrecognized tax benefits through current income tax expense. (Ref #2019-45)

- *Appendix A—Excerpts of NAIC Model Laws*: *Appendix A-001, Investments of Reporting Entities:* Revisions add "Total Valuation Allowance" to Appendix A-001, Section 3, Summary Investment Schedule. (Ref #2020-07)

- *Appendix B—Interpretations of Statutory Accounting Principles:*

    1. *Interpretation (INT) 20-01: Reference Rate Reform:* Provides optional guidance, allowing for the continuation of certain contracts that are modified in response to *ASU 2020-04, Reference Rate Reform*. Additionally, provides waivers from derecognizing hedging transactions and exceptions for assessing hedge effectiveness as a result of transitioning away from certain interbank offering rates. (Ref #2020-12 and INT 20-01)

    2. *INT 20-02: Extension of Ninety-Day Rule for the Impact of COVID-19:* Provides an optional extension of the 90-day rule before not admitting premium receivables and receivables from non-government uninsured plans in response to COVID-19. (INT 20-02)

    3. *INT 20-03: Troubled Debt Restructuring Due to COVID-19*: Clarifies that a modification of mortgage loan or bank loan terms, in response to COVID-19, shall follow the provisions detailed in the April 7, 2020, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus," and the provisions of the federal Coronavirus Aid, Relief, and Economic Security Act (CARES) in determining whether the modification shall be reported as a troubled debt restructuring. (INT 20-03)

    4. *INT 20-04: Mortgage Loan Impairment Assessment Due to COVID-19*: Provides limited time exceptions to defer the assessment of impairment for certain bank loans, mortgage loans and investments that predominantly hold underlying mortgage loans, which are affected by forbearance or modifications in response to COVID-19. (INT 20-04)

    5. *INT 20-05: Investment Income Due and Accrued*: Provides temporary exceptions for the assessment of collectability for specific investments, as well as exceptions on the nonadmittance of investment income due and accrued that becomes more than 90 days past due in response to COVID-19. (INT 20-05)

    6. *INT 20-06: Participation in the 2020 TALF Program*: Provides guidance for reporting entities that participate as a direct borrower or material investor in the 2020 Term Asset-Backed Securities Loan Facility (TALF). This guidance permits direct borrowers to admit securities pledged to the TALF program; although, the TALF program does not permit substitution of pledged assets if other admittance criteria is met. (INT 20-06)

    7. *INT 20-07: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19*: Provides temporary practical expedients in assessing whether modifications in response to COVID-19 are insignificant under

SSAP No. 36R and whether a modification shall be considered an exchange under SSAP No. 103R. (INT 20-07)

- o *Appendix D—Nonapplicable GAAP Pronouncements*: Revisions reject the following ASUs as not applicable to statutory accounting:
  1. *ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* (Ref #2019-46)
  2. *ASU 2017-14, Amendments to SEC Paragraphs in Topic 220, Topic 605 and Topic 606* (Ref #2020-10)
  3. *ASU 2017-14, Amendments to SEC Paragraphs in Credit Losses (Topic 326) and Leases (Topic 842)* (Ref #2020-11)
- o Adopted the following editorial revisions to statutory accounting:
  1. *SSAP No. 21R—Other Admitted Assets*: Removes the excerpts from *SSAP No. 4—Assets and Nonadmitted Assets* regarding the definition and accounting treatment for admitted assets. (Ref #2020-06EP)
  2. SSAP No. 51R: Updates various paragraph references, requiring that changes in valuation basis be consistent with the originally adopted language in *Issue Paper No. 154—Implementation of Principle Based Reserving, Exhibit A*. (Ref #2020-06EP)
  3. SSAP No. 62R: Revisions update references in Exhibit A – Implementation Questions and Answers and paragraph 85 to match the current format of property casualty annual statement Schedule F – Reinsurance. (Ref #2019-44EP)
  4. Various other SSAPs: Revisions revise all references to the annual statement instructions for consistency and combine life and fraternal statement references. (Ref #2019-44EP)

2. *Financial Condition Examiners Handbook* Changes, Other Examination Tools and Related Items

- o None

3. *Financial Analysis Handbook* Changes and Related Items

- o None

4. Implementation Guide for the *Annual Financial Reporting Model Regulation* (#205) Changes and Related Items

- o None

5. *Annual Statement Instructions* Changes and Related Items

- o Adopted the following changes to the annual financial statement blanks and/or instructions:
  - o 2019-25BWG – Modify the instruction for Column 10 (Schedule F, Part 3 – Property and Schedule F, Part 2 – Life/Fraternal Workers' Compensation Carve-out supplement) to remove instruction to exclude adjusting and other reserves from the column and add instruction to include along with the defense and cost containment reserves. Add a new instruction for Column 12 for the same schedules. Add crosschecks to Schedule P, Part 1.
  - o 2019-28BWG – Modify the instruction for Supplemental Investment Risk Interrogatories Lines 13.02 through 13.11 clarifying when to identify the actual equity interests within a fund and aggregate those equity interests for determination of the ten largest equity interests.
  - o 2019-29BWG – Modify the instruction and blank for Supplemental Investment Risk Interrogatories Question 14.01.
  - o 2019-30BWG – Add a category and instructions for Reciprocal Jurisdiction Companies in Schedule S for the life/fraternal and health blanks and to Schedule F for the property and title blanks. Add a list of identification numbers in instruction to Schedule Y, Part 1A; Schedule Y, Part 2; and Schedule D, Part 6, Section 1 for Reciprocal Jurisdiction Companies. Add a reference to Reciprocal Jurisdiction Companies in the Trusteed Surplus Statement instructions for life/fraternal, health and property statements.
  - o 2020-01BWG – Add crosschecks to Lines 13 and 14 of the Exhibit of Premiums, Enrollment and Utilization (State Page) to Lines 10 and 11 of the Underwriting and Investment Exhibit, Part 1. Add crosschecks to Lines 9, 10 and 11 of the Underwriting and Investment Exhibit, Part 1 and Schedule T, Line 61.

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- 2020-03BWG – Modify the instruction and illustration for 13(11) to the Notes to Financial Statement. Change the numbering from 1 through 13 to A through M to reflect the disclosure addition for SSAP No. 41R being adopted by the Statutory Accounting Principles (E) Working Group and correct the instruction.
- 2020-04BWG – Modify the instruction and illustration for Note 23A – Unsecured Reinsurance Recoverables to reflect the disclosure addition for SSAP No. 62R being adopted by the Statutory Accounting Principles (E) Working Group.
- 2020-05BWG – Modify the instruction and illustration for Note 2 – Accounting Changes and Correction of Errors to reflect the disclosure addition for SSAP No. 3 and SSAP No. 51R being adopted by the Statutory Accounting Principles (E) Working Group.
- 2020-07BWG – Add new disclosure Note 23 – Reinsurance for reinsurance credit (23H – Life/Fraternal, 23E Health and 23K Property) to reflect the disclosure additions for SSAP No. 61R adopted by the Statutory Accounting Principles (E) Working Group.
- 2020-08BWG – Add a disclosure instruction for 10C to the Notes to Financial Statement for related party transactions not captured on Schedule Y to reflect the disclosure addition for SSAP No. 25 being adopted by the Statutory Accounting Principles (E) Working Group. Combine existing 10C into 1B instructions and illustration narrative.
- 2020-09BWG – Modify the Annual Statement Instructions for Schedule F, Part 3 to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified, and reciprocal reinsurance.
- 2020-10BWG – Revise the column 10 header in the Variable Annuities Supplement blank to be Contract Level Reserves Less Cash Surrender Value. Revise the line descriptions in Lines 1 through 3 in the footer and add a line for the Reserve Credit from Other Reinsurance and for Post-Reinsurance Ceded Aggregate Reserve. Adjust the instructions to correspond with changes made to the blanks as well as changes in the 2020 *Valuation Manual* for the new Variable Annuities Framework.
- 2020-11BWG – For the VM-20 Reserves Supplement Blank, split Part 1 into Part 1A and Part 1B. For Part 1A: change the description header for column 3 to “Due and Deferred Premium Asset” to match the instructions. Add “XXX” in the two places needed to indicate that a due and deferred premium asset does not need to be reported in the lines shown for Total Reserves. Change the reporting units for all columns to be in dollars rather than in thousands. Expand all columns to allow room for a number as large as 999,999,999,999. Change the product labels for clarity. For Part 1B: change the reporting units for the reserve columns to be in dollars rather than in thousands. Expand the reserve columns to allow room for a number as large as 999,999,999,999. Expand the face amount columns to allow room for a number as large as 9,999,999,999. Change the product labels for clarity. Remove Part 2 and re-number the remaining Parts. Adjust the instructions according to the changes made to the blanks. Clarify instructions and add examples for Parts 1A and 1B.
- 2020-12BWG – The proposal will require appointed actuaries to attest to meeting Continuing Education (CE) requirements and participate in the CAS/SOA CE review procedures, if requested.
- 2020-13BWG – Remove Line 24.04 from the General Interrogatories, Part 1 and renumber remaining lines for Interrogatory Question 24. Modify Lines 24.05 and 24.06 to require reporting amounts for conforming and non-conforming collateral programs.
- 2020-14BWG – Modify the columns and rows on the blank pages for the Long-Term Care Experience Reporting Forms 1 through 5 and make appropriate changes to the instructions for those forms.
- 2020-15BWG – Contains a new Private Flood Insurance Supplement collecting residential and commercial private flood insurance data and revisions to the Credit Insurance Experience Exhibit (CIEE) to collect lender-placed flood coverages.
- 2020-16BWG – Modify Questions 3.1 and 3.2 of General Interrogatories Part 2 and provide instructions for the questions.
- 2020-17BWG – Adjust the AVR presentation to include separate lines for each of the expanded bond designation categories.
- 2020-18BWG – Clarify the instructions to indicate which funds reported on Schedule D, Part 2, Section 2 (annual filing) and Schedules D, Part 3 and 4 (quarterly filing) must have an NAIC Designation, NAIC Designation Modifier, and SVO Administrative Symbol. Modify the reference to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* found in the following investment instructions.

- 2020-19BWG – Add a code of "%" to the code column for all investments which have been reported Schedule DA, Part 1 and Schedule E, Part 2 for more than one consecutive year. Add certification to the General Interrogatories, Part 1 inclusion of these investments on Schedule DA, Part 1 and Schedule E, Part 2 (SAPWG 2019-20).
- 2020-20BWG – For Schedule D, Part 1, add code "10" to Column 26 – Collateral Type for ground lease financing. Renumber "Other" code to 11.
- 2020-21BWG – Add new Line 4.05 for valuation allowance for mortgage loans to the Summary Investment Schedule and renumber existing Line 4.05 to 4.06. Modify the instructions to include a crosscheck for new Line 4.05 back to Schedule B – Verification Between years. Clarify the instructions for 4.01-4.04 to explicitly show crosschecking to Column 8 of Schedule B, Part 1.
- 2020-23BWG – Add footnote to Exhibit 5 (life/fraternal & health – life supplement) and Exhibit 3 separate accounts to disclose cases when a mortality risk is no longer present or a significant factor – i.e. due to a policyholder electing a payout benefit (SAPWG 2019-08).
- Adopted its editorial listing.

6. *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) and Related Items

- Adopted the following amendments to the P&P Manual:
  - Amendment to reflect the U.S. Securities and Exchange Commission's (SEC) adoption of a new rule to modernize regulation of exchange-traded funds (ETFs)
  - Amendment to map financially modeled RMBS/CMBS security NAIC designations to NAIC designation categories, including mapping the zero-loss bonds to the 1.A NAIC designation category.
  - Amendment to the P&P Manual for principal protected securities (PPS), with an updated description, definition and instructions; removing these securities from FE eligibility; and requiring all PPS, including those currently designated under the FE process, to be submitted to the Securities Valuation Office (SVO) for review under their Subscript S authority beginning Jan. 1, 2021, and filed with the SVO by July 1, 2021, if previously owned.

7. NAIC Risk-Based Capital (RBC) Formula Changes and Related Items

- Adopted the 2019 Catastrophe Events List.
- Adopted the Bond Designation structure for all RBC formulas.
- Adopted proposal 2019-11-P (Clarification to Instructions Regarding Lloyd's of London) and the 2019 reporting guideline.
- Adopted Proposal 2019-13-L to add a charge for Longevity Risk for Life /Fraternal.
- Adopted Proposal 2020-05CA (Table of Contents and Heading Modifications to RBC Instructions).
- Adopted Proposal 2020-06-L (Longevity Risk Factors and Instructions).
- Adopted Proposal 2018-19-P (Modified Instructions for Uncollateralized Reinsurance Recoverables).
- Adopted Proposal 2020-01-P (P/C Line 1 Premium and Reserve Factors).

8. *Uniform Certificate of Authority Application* (UCAA), *Company Licensing Best Practices Handbook* and Related Items

- None

9. *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual) and Related Items

- None.

10. *Receivers Handbook for Insurance Company Insolvencies* and Related Items

- None

11. Process for *Evaluating Qualified and Reciprocal Jurisdictions* and Related Items

- None.

12. NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items

- None.

13. *Troubled Insurance Company Handbook* Changes and Related Items

- None.

14. Risk Retention Group Regulatory Tools and Related Items

- None

Action Taken During 2020 Virtual Summer National Meeting

Date Released to Executive (EX) Committee and Plenary Members: **August 20, 2020**
Objections Due from Executive (EX) Committee and Plenary Members: **August 31, 2020**

The following technical items were adopted by the Financial Condition (E) Committee during the 2020 Virtual Summer National Meeting:

1. *Accounting Practices and Procedures Manual* (AP&P Manual) Changes and Related Items

- Adopted the following substantive revisions to statutory accounting guidance:
  - *Statement of Statutory Accounting Principles (SSAP) No. 32R—Preferred Stock*: Adopted a substantively revised SSAP No. 32R and corresponding *Issue Paper No. 164—Preferred Stock*, which updates the definitions, measurement and impairment guidance for preferred stock pursuant to the investment classification project. Revised SSAP No. 32R is effective Jan. 1, 2021. (Ref #2019-04)
  - *SSAP No. 106—Affordable Care Act Section 9010 Assessment*: Revisions supersede SSAP No. 106 and nullify *Interpretation (INT) 18-02: ACA Section 9010 Assessment Moratoriums*. (Ref #2020-05)
- Adopted the following nonsubstantive revisions to statutory accounting guidance:
  - *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments*: Revisions update the reporting line for qualifying cash pools and make other clarifying edits. (Ref #2020-16EP)
  - *SSAP No. 26R—Bonds* and *SSAP No. 30R—Unaffiliated Common Stock*: Revisions eliminate references to the "NAIC Bond Fund List" (Bond List) in SSAP No. 26R and add reference to the "NAIC Fixed Income-Like SEC Registered Funds List" in SSAP No. 30R. (Ref #2020-01)
  - SSAP No. 26R: Revisions clarify that the accounting and reporting of investment income and capital gain/loss, due to the early liquidation, either through a called bond or a tender offer, shall be similarly applied. This adoption has a Jan. 1, 2021, effective date with early adoption permitted. (Ref #2020-02)
  - *SSAP No. 51R—Life Contracts*, *SSAP No. 52—Deposit-Type Contracts*, and *SSAP No. 54R—Individual and Group Accident and Health Contracts*: Revisions specify that voluntary decisions to choose one allowable reserving methodology over another, which requires commissioner approval under the *Valuation Manual*, shall be reported as a change in valuation basis. (Ref #2020-04)
  - *SSAP No. 68—Business Combinations and Goodwill*: Revisions add disclosure elements for reported goodwill, and they will be effective for the 2021 reporting year to correspond with blanks changes. (Ref #2020-03)
  - *SSAP No. 86—Derivatives*: Revisions ensure reporting consistency in that derivatives are reported "gross"; i.e., without the inclusion of financing components. Additionally, amounts owed to/from the reporting entity from the acquisition or writing of derivatives shall be separately reflected. The concepts are consistent with existing statutory accounting guidelines, but the revisions clarify the guidance and improve uniform application. The revisions have an effective date of Jan. 1, 2021. (Ref #2019-38)
  - *Appendix B—Interpretations of Statutory Accounting Principles*:
    - *Interpretation (INT) 20-08: COVID-19 Premium Refunds, Limited-Time Exception, Rate Reductions and Policyholder Dividends*: Establishes guidance on how to account for premium refunds, rate reductions and policyholder dividends in response to decreased insured activity related to COVID-19. With regard to premium refunds that are outside of policy terms, the interpretation identifies that these shall be reported as a reduction of premium (and not as an expense) unless specific criteria is met. For situations in which premium refunds are reported as an expense (or in any way that does not reflect a reduction of premium), the interpretation requires disclosure in Note 1 of the financial statements. The interpretation also directs an aggregate disclosure of the full impact from COVID-19. This interpretation was modified from its original adoption to reflect the direction provided by the Financial Condition (E) Committee during its July 1 conference call.

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- *INT 20-09: Basis Swaps as a Result of the LIBOR Transition*: Basis swaps are compulsory derivatives issued by central clearing parties (CCPs) in response to the market-wide transition away from the London Interbank Offered Rate (LIBOR). The interpretation directs that the basis swaps be reported as "hedging - other" and at fair value, thus qualifying for admittance. To be considered or reported as an "effective" hedging, the instrument must qualify as a highly effective hedge under SSAP No. 86.

2. *Financial Condition Examiners Handbook* Changes, Other Examination Tools, and Related Items

- None.

3. *Financial Analysis Handbook* Changes and Related Items

- None.

4. Implementation Guide for the *Annual Financial Reporting Model Regulation* (#205) Changes and Related Items

- None.

5. *Annual Statement Instructions* Changes and Related Items

- None.

6. *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) and Related Items

- Adopted the following amendments to the P&P Manual:
  - Amendment for technical NAIC Designation Category Corrections.
  - Amendment to rename the “U.S. Direct Obligations/Full Faith and Credit Exempt List” as the “NAIC U.S. Government Money Market Fund List” and discontinue the “NAIC Bond Fund List.”
  - Amendment to map short-term credit rating provider (CRP) ratings to NAIC Designation Categories.
  - Amendment to add supranational entities filed with the Securities Valuation Office (SVO) to the Sovereign NAIC Designation Equivalent List.

7. NAIC Risk-Based Capital (RBC) Formula Changes and Related Items

- Adopted the edits to the C-3 RBC instructions for 2020.

8. *Uniform Certificate of Authority Application* (UCAA), *Company Licensing Best Practices Handbook*, and Related Items

- None.

9. *NAIC Own Risk and Solvency Assessment (ORSA) Guidance Manual* (ORSA Guidance Manual) and Related Items

- None.

10. *Receivers Handbook for Insurance Company Insolvencies* and Related Items

- Adopted revised guidance in Chapters 3 and 10 to address federal taxes and federal releases.

11. *Process for Evaluating Qualified and Reciprocal Jurisdictions* and Related Items

- None.

12. NAIC Enterprise Risk Report (Form F) Implementation Guide and Related Items

- None.

13. *Troubled Insurance Company Handbook* Changes and Related Items

- None.

14. Risk Retention Group (RRG) Regulatory Tools and Related Items

- None.

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Interpretation of the Statutory Accounting Principles (E) Working Group

INT 20-01: *ASU 2020-04 - Reference Rate Reform*

INT 20-01 Dates Discussed

Email Vote to Expose March 26, 2020; April 15, 2020

INT 20-01 References

Current:
SSAP No. 15—Debt and Holding Company Obligations
SSAP No. 22R—Leases
SSAP No. 86—Derivatives

This INT applies to all SSAPs with contracts within scope of ASU 2020-04, which allows for modifications due to reference rate reform and provides for the optional expedient to be accounted for as a continuation of the existing contract.

INT 20-01 Issue

1. This interpretation has been issued to provide statutory accounting and reporting guidance for the adoption with modification of *ASU 2020-04 – Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* for applicable statutory accounting principles. The Financial Accounting Standards Board (FASB) issued ASU 2020-04 in March 2020 as optional, transitional and expedient guidance as a result of reference rate reform.

2. Reference rate reform typically refers to the transition away from referencing the London Interbank Offered Rate (LIBOR), and other interbank offered rates (IBORs), and moving toward alternative reference rates that are more observable or transaction based. In July 2017, the governing body responsible for regulating LIBOR announced it will no longer require banks to continue LIBOR submissions after 2021 – likely sunsetting both the use and publication of LIBOR. An important note is that while LIBOR is the primary interbank offering rate, other similar rates are potentially affected by reference rate reform.

3. With a significant number of financial contracts solely referencing IBORs, their discontinuance will require organizations to reevaluate and modify any contract that does not contain a substitute reference rate. A large volume of contracts and other arrangements, such as debt agreements, lease agreements, and derivative instruments, will likely need to be modified to replace all references of interbank offering rates that are expected to be discontinued. While operational, logistical, and legal challenges exist due to the sheer volume of contracts that will require modification, accounting challenges were presented as contract modifications typically require an evaluation to determine whether the modifications result in the establishment of a new contract or the continuation of an existing contract. As is often the case, a change to the critical terms (including reference rate modifications) typically requires remeasurement of the contract, or in the case of a hedging relationship, a dedesignation of the transaction.

4. The overall guidance in ASU 2020-04 is that a qualifying modification (as a result of reference rate reform) should not be considered an event that requires contract remeasurement at the modification date or reassessment of a previous accounting determination. FASB concluded that as reference rate changes are a market-wide initiative, one that is required primarily due to the discontinuance of LIBOR, it is outside the control of an entity and is the sole reason compelling an entity to make modifications to contracts or hedging strategies. As such, FASB determined that the traditional financial reporting requirements of discontinuing such contracts and treating the modified contract as an entirely new contract or hedging relationship would 1) not provide decision-useful information to financial statement users and 2) require a reporting entity to incur significant costs in the financial statement preparation and potentially reflect an adverse financial statement impact, one of which may not accurately reflect the intent or economics of a modification to a contract or hedging transaction.

5. Guidance in ASU 2020-04 allows a method to ensure that the financial reporting results would continue to reflect the intended continuation of contracts and hedging relationships during the period of the market-wide transition to alternative reference rates – thus, generally not requiring remeasurement or dedesignation if certain criteria are met.

6. The optional, expedient and exceptions guidance provided by the amendments in ASU 2020-04 are applicable for all entities. However, they are only effective as of March 12, 2020 through December 31, 2022. This is because the amendments in ASU 2020-04 are intended to provide relief related to the accounting requirements in generally accepted accounting principles (GAAP) due to the effects of the market-wide transition away from IBORs. The relief provided by the amendments is temporary in its application in alignment with the expected market transition period. However, the FASB will monitor the market-wide IBOR transition to determine whether future developments warrant any changes, including changes to the end date of the application of the amendments in this ASU. If such an update occurs, the Working Group may also consider similar action. It is not expected that the Working Group will take action prior to or in the absence of a FASB amendment.

7. The accounting issues are:

a. Issue 1: Should a reporting entity interpret the guidance in ASU 2020-04 as broadly accepted for statutory accounting?

b. Issue 2: Should the optional, expedient and exception guidance in ASU 2020-04 apply to debt and other service agreements addressed in SSAP No. 15?

c. Issue 3: Should the optional, expedient and exception guidance in ASU 2020-04 apply to lease transactions addressed in SSAP No. 22R?

d. Issue 4: Should the optional, expedient and exception guidance in ASU 2020-04 apply to derivative transactions addressed in SSAP No. 86?

INT 20-01 Discussion

8. For Issue 1, the Working Group came to the consensus that ASU 2020-04 shall be adopted, to include the same scope of applicable contracts or transactions for statutory accounting with the only modification related to a concept not utilized by statutory accounting, as noted below. The Working Group agreed the amendments provide appropriate temporary guidance that alleviate the following concerns due to reference rate reform:

a. Simplifies accounting analyses under current GAAP and statutory accounting principles (SAP) for contract modifications.

i. All contracts within scope of ASU 2020-04, which allows for modifications due to reference rate reform and provides for the optional expedient to be accounted for as a continuation of the existing contract.

b. Allows hedging relationships to continue without dedesignation upon a change in certain critical terms.

c. Allows a change in the designated benchmark interest rate to a different eligible benchmark interest rate in a fair value hedging relationship.

d. Suspends the assessment of certain qualifying conditions for fair value hedging relationships for which the shortcut method for assuming perfect hedge effectiveness is applied.

e. Simplifies or temporarily suspends the assessment of hedge effectiveness for cash flow hedging relationships.

f. The only SAP modification to this ASU is related to the option to sell debt currently classified held-to-maturity. This concept is not employed by statutory accounting and thus is not applicable.

9. For Issue 2, the Working Group came to the consensus that debt and service agreement modifications, as a result of reference rate reform, should not typically rise to the level of requiring a reversal and rebooking of the liability, as SSAP No. 15 states such liabilities should only be derecognized if extinguished. A reference rate modification should not generally require de-recognition and re-recognition under statutory accounting. Nonetheless, for clarity and consistency with ASU 2020-04, the Working Group came to the consensus that should an eligible contract be affected by reference rate reform, then the temporary guidance in ASU 2020-04 shall apply.

10. For Issue 3, the Working Group came to the consensus that lease modifications, solely caused by reference rate reform and ones eligible for optional expedience, likely do not rise to the level of a modification requiring re-recognition as a new lease under statutory accounting. SSAP No. 22R, paragraph 17 states only modifications in which grant the lessee additional rights shall be accounted for as a new lease. These changes are outside the scope allowed for optional expedience in ASU 2020-04. Nonetheless, for clarity and consistency with ASU 2020-04, the Working Group came to a consensus that if an eligible lease affected by reference rate reform, then the temporary guidance in ASU 2020-04 shall apply.

11. For Issue 4, the Working Group came to the consensus that ASU 2020-04 shall be applied to derivative transactions as the following considerations provided in the ASU are appropriate for statutory accounting:

a. For any hedging relationship, upon a change to the critical terms of the hedging relationship, allow a reporting entity to continue hedge accounting rather than dedesignate the hedging relationship.

b. For any hedging relationship, upon a change to the terms of the designated hedging instrument, allow an entity to change its systematic and rational method used to recognize the excluded component into earnings and adjust the fair value of the excluded component through earnings.

c. For fair value hedges, allow a reporting entity to change the designated hedged benchmark interest rate and continue fair value hedge accounting.

d. For cash flow hedges, adjust the guidance for assessment of hedge effectiveness to allow an entity to continue to apply cash flow hedge accounting.

12. Additionally, for GAAP purposes, if an entity has not adopted the amendments in *ASU 2017-12, Derivatives and Hedging*, it is precluded from being able to utilize certain expedients for hedge accounting. For statutory accounting purposes, only the hedge documentation requirements were adopted from ASU 2017-12, while the remainder of the items are pending statutory accounting review. The Working Group concluded that all allowed expedient methods are permitted as elections for all reporting entities under statutory accounting. However, if a reporting entity is a U.S. GAAP filer, the reporting entity may only make elections under ASU 2017-12 if such elections were also made for their U.S. GAAP financials.

INT 20-01 Status

13. No further discussion is planned.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-02: Extension of Ninety-Day Rule for the Impact of COVID-19

INT 20-02 Dates Discussed

Email Vote to Expose March 26, 2020; April 15, 2020

INT 20-02 References

SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers (SSAP No. 6)
SSAP No. 47—Uninsured Plans (SSAP No. 47)
SSAP No. 51—Life Contracts (SSAP No. 51)
SSAP No. 65—Property and Casualty Contracts (SSAP No. 65)

INT 20-02 Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay home" orders and forced all non-essential businesses to temporarily close. This has led to a significant increase in unemployment and, in certain states, mandatory closure of many businesses. Total economic damage is still being assessed however, the total impact is likely to exceed $1 trillion in the U.S. alone. This interpretation is intended to cover policies impacted by COVID-19.

2. Should a temporary extension of the 90-day rule, extending the nonadmission guidance for premium receivables due from policyholders or agents and for amounts due from policyholders for high deductible policies, and for uncollected uninsured plan receivables (excluding Medicare and similar government plans) be granted for the March 31st and June 30th, 2020 (1st and 2nd quarter) financial statements, for policies in U.S. jurisdictions that have been impacted by COVID-19?

INT 20-02 Discussion

3. The Working Group reached a consensus for a one-time optional extension of the ninety-day rule for uncollected premium balances, bills receivable for premiums and amounts due from agents and policyholders and for amounts due from policyholders for high deductible policies and amounts due from non-government uninsured plans, as follows:

a. For policies in effect and current prior to the date as of the declaration of a state of emergency by the U.S. federal government on March 13, 2020 and policies written or renewed on or after March 13, insurers may follow the timeline described in paragraph 5before nonadmitting premiums receivable from policyholders or agents as required per SSAP No. 6, paragraph 9.

b. For uncollected uninsured plan receivables (excluding Medicare and similar government plans) which were current prior to the date of the declaration of a state of emergency by the U.S. federal government on March 13, 2020 and policies written or renewed on or after March 13, insurers may follow the

timeline described in paragraph 5 before nonadmitting these balances as required per SSAP No. 47, paragraph 10.a.

c. For life premium due and uncollected which were current prior to the date of the declaration of a state of emergency by the U.S. federal government on March 13, 2020, and policies written or renewed on or after March 13, insurers may follow the timeline described in paragraph 5 before nonadmitting these balances as required per SSAP No. 51R, paragraph 12.

d. For high deductible policies in effect and current prior to the date as of the declaration of a state of emergency by the U.S. federal government on March 13, 2020 and policies written or renewed on or after March 13, insurers may follow the timeline described in paragraph 5before nonadmitting amounts due from policyholders for high deductible policies as required per SSAP No. 65, paragraph 37.

e. Existing impairment analysis remains in effect for these affected policies.

4. The Working Group noted that a 60-day extension had been granted previously for regionally significant catastrophes, including *INT 13-01: Extension of Ninety-Day Rule for the Impact of Hurricane/Superstorm Sandy;* and *INT 05-04: Extension of Ninety-day Rule for the Impact of Hurricane Katrina, Hurricane Rita and Hurricane Wilma*, *INT 17-01: Extension of Ninety-Day Rule for the Impact of Hurricane Harvey, Hurricane Irma and Hurricane Maria*, and *INT 18-04: Extension of Ninety-Day Rule for the Impact of Hurricane Florence and Hurricane Michael*. This recommendation is for a longer period than the extensions that have been granted in the past as COVID-19 is a nationally significant event due to the expected overall impact to the U.S. economy.

5. Due to the short-term nature of this extension, which is only applicable for the March 31st and June 30th, 2020 (1st and 2nd quarter) financial statements and only for the categories of assets listed in paragraph 3, this interpretation will be publicly posted on the Statutory Accounting Principles (E) Working Group's website. This INT will allow assets that meet the definition of paragraph 3 to be admitted assets even if they are greater than 90 days past due. As the exceptions provided in this interpretation are not applicable in the September 30, 2020 (3rd quarter) financial statements, this interpretation will automatically expire as of September 29, 2020. This interpretation will be automatically nullified on September 29, 2020 and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the "as of March 2021" *Accounting Practices and Procedures Manual*.

INT 20-02 Status

6. The Statutory Accounting Principles (E) Working Group will subsequently review this interpretation to determine if an extension is needed to the effective date.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-03: Troubled Debt Restructuring Due to COVID-19

INT 20-03 Dates Discussed

Email Vote to Expose March 26, 2020; April 15, 2020

INT 20-03 References

SSAP No. 36—Troubled Debt Restructuring

INT 20-03 Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay home" orders and forced all non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

2. In response to COVID-19, Congress and Federal and state prudential banking regulators have considered provisions pertaining to mortgage loans as a result of the effects of the COVID-19. These provisions are intended to be applicable for the term of the loan modification, but solely with respect to a modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019.

3. Furthermore, guidance has been issued by the Financial Condition (E) Committee to all U.S. insurers filing with the NAIC in an effort to encourage insurers to work with borrowers who are unable to, or may become unable to meet their contractual payment obligations because of the effects of COVID-19. As detailed in that guidance, the Committee, which is the NAIC parent committee of all the solvency policy making task forces and working groups of the NAIC, supports the use of prudent loan modifications that can mitigate the impact of COVID-19.

4. This interpretation considers the interagency guidance issued by Federal and state prudential banking regulators on March 22, 2020 addressing whether the modification of mortgage loan or bank loan terms in response to COVID-19 shall be considered a troubled debt restructuring.

INT 20-03 Discussion

5. *SSAP No. 36—Troubled Debt Restructuring* provides guidance, predominantly adopted from U.S. GAAP, in determining whether a debt restructuring is considered a troubled debt restructuring. Additionally, SSAP No. 36 provides accounting and disclosure guidance when a troubled debt restructuring has been deemed to occur. Pursuant to existing guidance in SSAP No. 36, a debt restructuring is not necessarily considered a troubled debt restructuring and a creditor must assess whether the debtor is experiencing financial difficulties. The guidance also indicates that a delay in payment that is insignificant is not a concession

6. On March 22, 2020, the Federal and state prudential banking regulators issued a joint statement that included guidance on their approach to the accounting for loan modifications in light of the economic impact of the coronavirus pandemic. The guidance was developed in consultation with the staff of the FASB who concur with the approach and indicated that they stand ready to assist stakeholders with any questions. This interagency statement is provided below and is accessible through the FASB response via the following link:

https://fasb.org/cs/Satellite?c=FASBContent_C&cid=1176174374016&pagename=FASB%2FFASBContent_C%2FNewsPage

Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB),and the State Banking Regulators (hereafter, the agencies), are issuing this interagency statement to provide additional information to financial institutions who are working with borrowers affected by the Coronavirus Disease 2019 (also referred to as COVID-19). The United States has been operating under a presidentially declared emergency since March 13, 2020, and financial institutions and their customers are affected by COVID-19. The agencies understand that this unique and evolving situation could pose temporary business disruptions and challenges that affect banks, credit unions, businesses, borrowers, and the economy. The agencies will continue to communicate with the industry as this situation unfolds, including through additional statements, webinars, frequently asked questions, and other means, as appropriate.

Working with Customers

The agencies encourage financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. The agencies view loan modification programs as positive actions that can mitigate adverse affects on borrowers due to COVID-19. The agencies will not criticize institutions for working with borrowers and will not direct supervised institutions to automatically categorize all COVID19 related loan modifications as troubled debt restructurings (TDRs). The agencies will not criticize financial institutions that mitigate credit risk through prudent actions consistent with safe and sound practices. The agencies consider such proactive actions to be in the best interest of institutions, their borrowers, and the economy. This approach is consistent with the agencies' longstanding practice of encouraging financial institutions to assist borrowers in times of natural disaster and other extreme events. The agencies also will not criticize institutions that work with borrowers as part of a risk mitigation strategy intended to improve an existing non-pass loan.

Accounting for Loan Modifications

Modifications of loan terms do not automatically result in TDRs. According to U.S. GAAP, a restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

Working with borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered TDRs. For modification programs designed to provide temporary relief for current borrowers affected by COVID-19, financial institutions may presume that borrowers that are current on payments are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program.

Modification or deferral programs mandated by the federal or a state government related to COVID-19 would not be in the scope of ASC 310-40, e.g., a state program that requires all institutions within that state to suspend mortgage payments for a specified period.

The agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. Regardless of whether modifications result in loans that are considered TDRs or are adversely classified, agency examiners will not criticize prudent efforts to modify the terms on existing loans to affected customers.

In addition, the FRB, the FDIC, and the OCC note that efforts to work with borrowers of one-to four family residential mortgages as described in the modification section of this document, where the loans are prudently underwritten, and not past due or carried in nonaccrual status, will not result in the loans being considered restructured or modified for the purposes of their respective risk-based capital rules.

Past Due Reporting

With regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal loan documents. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral.

Nonaccrual Status and Charge-offs

Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to stressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements discussed in this statement, these loans generally should not be reported as nonaccrual. As more information becomes available indicating a specific loan will not be repaid, institutions should refer to the charge-off guidance in the instructions for the Consolidated Reports of Condition and Income.

Discount Window Eligibility

Institutions are reminded that loans that have been restructured as described under this statement will continue to be eligible as collateral at the FRB's discount window based on the usual criteria.

7. On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). The provisions in Section 4013 specifically address temporary relief from troubled debt restructurings:

SEC. 4013. TEMPORARY RELIEF FROM TROUBLED DEBT RESTRUCTURINGS.

(a) DEFINITIONS.—In this section:

(1) APPLICABLE PERIOD.—The term ''applicable period'' means the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

(2) APPROPRIATE FEDERAL BANKING AGENCY.—The term ''appropriate Federal banking agency''— (A) has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and (B) includes the National Credit Union Administration.

(b) SUSPENSION.—

(1) IN GENERAL.—During the applicable period, a financial institution may elect to— (A) suspend the requirements under United States generally accepted accounting principles for loan modifications related to the coronavirus disease 2019 (COVID–19) pandemic that would otherwise be categorized as a troubled debt restructuring; and (B) suspend any determination of a loan modified as a result of the effects of the coronavirus disease 2019 (COVID–19) pandemic as being a troubled debt restructuring, including impairment for accounting purposes.

(2) APPLICABILITY.—Any suspension under paragraph (1)—

(A) shall be applicable for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019; and

(B) shall not apply to any adverse impact on the credit of a borrower that is not related to the coronavirus disease 2019 (COVID–19) pandemic.

(c) DEFERENCE.—The appropriate Federal banking agency of the financial institution shall defer to the determination of the financial institution to make a suspension under this section.

(d) RECORDS.—For modified loans for which suspensions under subsection (a) apply—

(1) financial institutions should continue to maintain records of the volume of loans involved; and

(2) the appropriate Federal banking agencies may collect data about such loans for supervisory purposes.

8. On April 7, 2020, the Federal and state prudential banking regulators issued a revised joint statement to reflect the issuance of the CARES Act:

https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200407a1.pdf

Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)

The Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB) (hereafter, the agencies), in consultation with the state financial regulators, are issuing this revised interagency statement to provide additional information to financial institutions that are working with borrowers affected by the Coronavirus Disease 2019 (also referred to as COVID19). The United States has been operating under a presidentially declared emergency since March 13, 2020 (National Emergency). The agencies

understand that this unique and evolving situation could pose temporary business disruptions and challenges that affect banks, credit unions, businesses, borrowers, and the economy.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. As discussed in more detail below, the CARES Act creates a forbearance program for federally backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the National Emergency, and provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles (GAAP) related to troubled debt restructurings (TDR) for a limited period of time to account for the effects of COVID-19.

The agencies originally issued a statement on March 22, 2020, to encourage financial institutions to work prudently with borrowers and to describe the agencies' interpretation of how current accounting rules under U.S. GAAP apply to certain COVID-19-related modifications. This revised interagency statement clarifies the interaction between the March 22, 2020, interagency statement and section 4013 of the CARES Act, Temporary Relief from Troubled Debt Restructurings (section 4013), as well as the agencies' views on consumer protection considerations. The agencies will continue to communicate with the industry as this situation unfolds, including through additional statements, webinars, frequently asked questions, and other means, as appropriate.

Working with Customers: General Safety and Soundness Considerations

The agencies encourage financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. The agencies view loan modification programs as positive actions that can mitigate adverse effects on borrowers due to COVID-19. The agencies will not criticize institutions for working with borrowers in a safe and sound manner. As described below, institutions generally do not need to categorize COVID-19-related modifications as TDRs, and the agencies will not direct supervised institutions to automatically categorize all COVID-19 related loan modifications as TDRs.

The agencies will not criticize financial institutions that mitigate credit risk through prudent actions consistent with safe and sound practices. The agencies consider such proactive measures to be in the best interest of institutions, their borrowers, and the economy. This approach is consistent with the agencies' longstanding practice of encouraging financial institutions to assist borrowers in times of natural disaster and other extreme events although the agencies recognize that the effects of this event are particularly extreme and broad-based. The agencies also will not criticize institutions that work with borrowers as part of a risk mitigation strategy intended to improve an existing non-pass loan.

Financial institutions have broad discretion to implement prudent modification programs consistent with the framework included in this statement

Accounting and Reporting Considerations

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under section 4013 or in accordance with ASC Subtopic 310-40.[5] If a loan modification is not eligible under section 4013, or if the institution elects not to account for the loan modification under section 4013, the financial institution should evaluate whether the modified loan is a TDR.

Accounting for Loan Modifications under Section 4013

To be an eligible loan under section 4013 (section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A)

60 days after the date of termination of the National Emergency or (B) December 31, 2020 (applicable period).

Financial institutions accounting for eligible loans under section 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification. Financial institutions do not have to report section 4013 loans as TDRs in regulatory reports. However, consistent with section 4013, financial institutions should maintain records of the volume of section 4013 loans. Data about section 4013 loans may be collected for supervisory purposes. Institutions do not need to determine impairment associated with certain loan concessions that would otherwise have been required for TDRs (e.g., interest rate concessions, payment deferrals, or loan extensions). For the most recent information on reporting requirements for section 4013 loans, refer to the Federal Financial Institutions Examination Council Instructions.

Accounting for other Loan Modifications Not under Section 4013
There are circumstances in which a loan modification may not be eligible under Section 4013 or in which an institution elects not to apply Section 4013. For example, a loan that is modified after the end of the applicable period would not be eligible under Section 4013. For such loans, the guidance below applies.

Modifications of loan terms do not automatically result in TDRs. According to ASC Subtopic 310-40, a restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs under ASC Subtopic 310-40. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

Accordingly, working with borrowers who are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19 generally would not be considered TDRs. More specifically, financial institutions may presume that borrowers are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program, if:

- The modification is in response to the National Emergency;
- The borrower was current on payments at the time the modification program is implemented; and
- The modification is short-term (e.g., six months).

Government-mandated modification or deferral programs related to COVID-19 would not be in the scope of ASC Subtopic 310-40, for example, a state program that requires institutions to suspend mortgage payments within that state for a specified period.

Credit Risk

The agencies' examiners will exercise judgment in reviewing loan modifications and will not automatically adversely risk rate credits that are affected by COVID-19. All loan modifications should comply with applicable laws and regulations and be consistent with safe and sound practices (including maintenance of appropriate allowances for loan and lease losses or allowances for credit losses, as applicable). Regardless of whether modifications result in loans that are considered TDRs, section 4013 loans, or are

adversely classified, agency examiners will not criticize prudent efforts to modify the terms on existing loans to affected customers.

Regulatory Capital

The FRB, the FDIC, and the OCC note that efforts to work with borrowers of one-to-four family residential mortgages as described above, where the loans are prudently underwritten, and not 90 days or more past due or carried in nonaccrual status, will not result in the loans being considered restructured or modified for the purposes of their respective risk-based capital rules.

Past Due Reporting

With regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral.

Nonaccrual Status and Charge-offs

Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to stressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements discussed in this statement, these loans generally should not be reported as nonaccrual. As more information becomes available indicating a specific loan will not be repaid, institutions should refer to the charge-off guidance in the instructions for the Consolidated Reports of Condition and Income.

Discount Window Eligibility

Institutions are reminded that loans that have been restructured as described under this statement will generally continue to be eligible as collateral at the FRB's discount window based on the usual criteria.

Working with Customers: Consumer Protection Considerations

The agencies encourage financial institutions to consider prudent arrangements that can ease cash flow pressures on affected borrowers, improve their capacity to service debt, increase the potential for financially stressed residential borrowers to keep their homes, and facilitate the financial institution's ability to collect on its loans. Additionally, such prudent arrangements may mitigate the long-term impact of this emergency on consumers by avoiding delinquencies and other adverse consequences.

When working with borrowers, lenders and servicers should adhere to consumer protection requirements, including fair lending laws, to provide the opportunity for all borrowers to benefit from these arrangements. When exercising supervisory and enforcement responsibilities, the agencies will take into account the unique circumstances impacting borrowers and institutions resulting from the National Emergency. The agencies will take into account an institution's good-faith efforts demonstrably designed to support consumers and comply with consumer protection laws. The agencies expect that supervisory feedback for institutions will be focused on identifying issues, correcting deficiencies, and ensuring appropriate remediation to consumers. The agencies do not expect to take a consumer compliance public enforcement action against an institution, provided that the circumstances were related to the National Emergency and that the institution made good faith efforts to support borrowers and comply with the consumer protection requirements, as well as responded to any needed corrective action.

INT 20-03 Consensus

9. The Working Group reached a consensus to clarify that a modification of mortgage loan or bank loan terms in response to COVID-19 shall follow the provisions detailed in the April 7, 2020 "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" (detailed in paragraph 8) and the provisions of the CARES Act (detailed in paragraph 7) in determining whether the modification shall be reported as a troubled debt restructuring within SSAP No. 36.

10. This interpretation is effective for the specific purpose to address loan modifications in response to COVID-19. Consistent with the CARES act, this interpretation is only applicable for the term of the loan modification, but solely with respect to any modification, including a forbearance arrangement, interest rate modification, a repayment plan and other similar arrangement that defer or delays the payment of principal or interest for a loan that was not more than 30 days past due as of December 31, 2019. As determined in the CARES Act, this interpretation will only be applicable for the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

INT 20-03 Status

11. The Statutory Accounting Principles (E) Working Group will subsequently review this interpretation to determine if an extension is needed to the effective date.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-04: Mortgage Loan Impairment Assessment Due to COVID-19

INT 20-04 Dates Discussed

Email Vote to Expose March 26, 2020; April 15, 2020

INT 20-04 References

SSAP No. 26R—Bonds
SSAP No. 30—Common Stock
SSAP No. 37—Mortgage Loans
SSAP No. 43R—Loan-backed and Structured Securities
SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies

INT 20-04 Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay home" orders and forced all non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

2. In response to COVID-19, Congress and Federal and state prudential banking regulators have considered provisions pertaining to loans as a result of the effects of the COVID-19. While primarily related to mortgage loans, these provisions are intended to be applicable for the term of a loan modification, but solely with respect to a modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019.

3. Furthermore, guidance has been issued by the Financial Condition (E) Committee to all U.S. insurers filing with the NAIC in an effort to encourage insurers to work with borrowers who are unable to, or may become unable to meet their contractual payment obligations because of the effects of COVID-19. As detailed in that guidance, the Committee, which is the NAIC parent committee of all the solvency policy making task forces and working groups of the NAIC, supports the use of prudent loan modifications that can mitigate the impact of COVID-19.

4. This interpretation intends to address the impact of loan forbearance or prudent modifications on the statutory accounting and reporting requirements for bank loans, mortgage loans, as well as investments with underlying mortgage loans. Particularly, this interpretation considers whether a temporary, limited-time statutory exception for the assessment of impairment shall be granted for bank loans, mortgage loans and investment products with underlying mortgage loans. This exception would only defer the assessment of impairment due to situations caused by the forbearance or modification of mortgage loan payments and would not delay the recognition of other than temporary impairments if the entity made a decision to sell the investment and/or if provisions other than the limited-time forbearance or modifications of

mortgage loans payments caused the entity to identify that they would not recover the reported carrying value of the investment.

INT 20-04 Discussion

5. Although a variety of structures have the potential to be impacted by the economic stimulus provisions, this interpretation is limited to investments specifically identified. Except for the specific inclusion of bank loans, this interpretation does not include investments captured in scope of *SSAP No. 26R—Bonds* or investments captured in the identified standards that are not predominantly impacted by underlying mortgage loans with forbearance or modification provisions in response to COVID-19. Investments in scope of this interpretation include:

a. *SSAP No. 26R—Bonds:* Bank loans in scope of SSAP No. 26R

b. *SSAP No. 37—Mortgage Loans:* All mortgage loans in scope of SSAP No. 37.

c. *SSAP No. 30—Common Stock:* SEC registered investments with underlying mortgage loans (e.g., mortgage-backed mutual funds).

d. *SSAP No. 43R—Loan-backed and Structured Securities:* Securities in scope of SSAP No. 43R with underlying mortgage loans. This includes residential and commercial mortgage backed securities (RMBS & CMBS), and credit risk transfers (CRTs) issued through government sponsored enterprises (GSEs). Other investments in scope of SSAP No. 43R are also captured within this interpretation if the underlying investments predominantly reflect mortgage loan products.

e. *SSAP No. 48—Joint Ventures, Partnerships and Limited Liabilities Companies:* Investments in scope of SSAP No. 48 that have underlying characteristics of mortgage loans. These investments could include private equity mortgage loan funds.

Bank Loans

6. Bank loans, if meeting certain parameters, are in scope of *SSAP No. 26R—Bonds.* Bank loans per SSAP No. 26R, are defined as fixed-income instruments, representing indebtedness of a borrower, made by a financial institution. Bank loans can be issued directly by a reporting entity or acquired through an assignment, participation or syndication. The guidance in SSAP No. 26R states an other-than-temporary impairment shall be considered to have occurred it if is probable the reporting entity will be unable to collect amounts due according the contract terms of a debt security in effect at the date of issue/acquisition. The measurement of the impairment loss shall not include partial recoveries of fair value subsequent to the balance sheet date. The impairment guidance applicable to bank loans states that if it is probable or if repayment does not occur according to the terms of the original contract (i.e. payment timing and amounts), an impairment shall be considered to have occurred.

Mortgage Loans

7. Mortgage loans are in scope of *SSAP No. 37—Mortgage Loans* and reported on Schedule B: Mortgage Loans. The guidance in SSAP No. 37, paragraph 16 identifies that a mortgage loan shall be considered impaired when mortgage loan payments are not received in accordance with the contractual terms of the mortgage agreement. As such, a deference or modification of mortgage loan payments (whether interest or principal) would ordinarily trigger an impaired classification and require impairment assessment under SSAP No. 37.The guidance in SSAP No.

37 utilizes a valuation allowance to recognize unrealized losses from impairment assessments and permits subsequent reversals of unrealized losses reflected in the valuation allowance based on subsequent assessments. If an impairment is deemed other than temporary, the unrealized loss is realized without the potential for subsequent recoveries.

SEC Registered Funds with Underlying Mortgage Loans

8. The scope of *SSAP No. 30—Common Stock* includes SEC registered open-end investment companies (mutual funds), closed-end funds and unit investment trusts, regardless of the types or mix of securities owned by the fund. Investments in scope of this statement include mortgage-backed mutual funds and other such investments. Items in scope of SSAP No. 30 are reported on Schedule D-2-2: Common Stock. These investments are reported at fair value, with changes in fair value recognized as unrealized gains or losses. The guidance in SSAP No. 30 requires recognition of an other than temporary impairment (OTTI) (realized loss) if a reporting entity decision has decided to sell the security at an amount below its carrying value or if the decline in fair value is determined to be other than temporary pursuant to *INT 06-07: Definition of Phrase "Other Than Temporary."* As investments in scope of SSAP No. 30 are reported at fair value, subsequent recoveries (or losses) in fair value, after recognition of an OTTI, are recognized as unrealized gains or losses until sold or additional OTTI recognition.

Loan-backed and Structured Securities with Underlying Mortgage Loans

9. The scope of *SSAP No. 43R—Loan-backed and Structured Securities* includes residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS) and credit risk transfers (CRTs) issued through government sponsored enterprises (GSEs). (These are commonly referred as Structured Agency Credit Risk Securities (STACRs), which are issued by Freddie Mac, and Connecticut Avenue Securities (CAS), which are issued by Fannie Mae.) Other mortgage loan products that meet the structural requirements as a LBSS can also be captured in scope of SSAP No. 43R. Investments in scope of this statement securities are reported on Schedule D-1: Long-Term Bonds. Pursuant to the guidance in SSAP No. 43R, paragraphs 30-36, if a fair value of a LBSS is less than its amortized cost basis at the balance sheet date, an entity shall assess whether the impairment is other than temporary. Recognition of an OTTI is then contingent on the reporting entity intentions:

a. If the entity intends to sell the security, an OTTI shall be considered to have occurred. In these situations, the entity shall recognize a realized loss for the difference between the amortized cost basis and fair value. These realizes losses are not permitted to be reversed.

b. If the entity does not intend to sell the security, the entity shall assess whether it has the intent and ability to retain the investment in the security for a period of time sufficient to recover the amortized cost basis. If the entity does not have the intent and ability to retain the investment for the time sufficient to recover the amortized cost basis, an OTTI shall be considered to have occurred. In these situations, the entity shall recognize a realized loss for the difference between the amortized cost basis and fair value. These realizes losses are not permitted to be reversed.

c. Regardless if the entity does not have the intent to sell or has the intent and ability to hold, if the entity does not expect to recover the entire amortized cost basis of the security, an OTTI shall be considered to have occurred. In these

situations, the entity shall recognize a realized loss for the difference between the amortized cost basis and the present value of cash flows expected to be collected.

Other Invested Assets with Underlying Mortgage Loans

10. The scope of *SSAP No. 48—Joint Ventures, Partnerships and Limited Liabilities Companies* includes investments that may have underlying characteristics of mortgage loans. These items are reported on Schedule BA: Other Long-Term Invested Assets. These investments could include private equity mortgage loan funds as well mortgage or hybrid real estate investment trusts (REITs). The guidance in SSAP No. 48, paragraph 19 requires recognition of an OTTI if it is probable that the reporting entity will be unable to recover the carrying amount of the investment or sustain earnings to justify the carrying amount of the investment. The existing guidance already indicates that a depressed fair value below the carrying amount or the existence of operating losses are not necessarily indicators of a loss that is other than temporary.

INT 20-04 Consensus

11. The Working Group reached a consensus for limited time exceptions to defer assessments of impairment for bank loans, mortgage loans and investments which predominantly hold underlying mortgage loans, which are impacted by forbearance or modifications in response to COVID-19. These exceptions are applicable for the March 31st and June 30th, 2020 (1st and 2nd quarter) financial statements and only in response to mortgage loan forbearance or modifications granted in response to COVID-19. As such, the exceptions provided in this interpretation are not applicable in the September 30, 2020 (3rd quarter) financial statements.

12. For modification programs designed to provide temporary relief for borrowers current as of December 31, 2019, the reporting entities may presume that borrowers are current on payments are not experiencing financial difficulties at the time of the modification for purposes of determining impairment status and thus no further impairment analysis is required for each loan modification in the program. The exceptions granted in this interpretation are detailed as follows:

a. *SSAP No. 26R—Bonds*: Provide a limited-time exception for assessing impairment under SSAP No. 26, paragraph 13, for bank loans with payments (either principal or interest) that have short-term deferrals or modifications in response to COVID-19. This interpretation shall not delay impairment assessments for reasons other than the short-term deferral or modification of interest or principal payments in response to COVID-19 and shall not delay recognition of realized losses if a reporting entity believes a bank loan is OTTI.

b. *SSAP No. 37—Mortgage Loans*: Provide a limited-time exception for assessing impairment under SSAP No. 37, paragraph 16, for mortgage loans with payments (either principal or interest) that have short-term deferrals or modifications in response to COVID-19. This interpretation shall not delay impairment assessments for reasons other than the short-term deferral or modification of interest or principal payments in response to COVID-19 and shall not delay recognition of realized losses if a reporting entity believes a mortgage loan is OTTI.

c. *SSAP No. 30R—Common Stock:* Provide a limited-time exception for assessing OTTI under SSAP No. 30, paragraph 10, and INT 06-07 due to fair value declines for SEC registered funds that have underlying mortgage loans that have been deferred or modified in response to COVID-19 unless the reporting entity intends to sell the security. If the entity has made a decision to sell the security,

recognition of the OTTI shall continue to be required. As these investments are reported at fair value, declines in fair value would continue to be reported as unrealized losses.

d. *SSAP No. 43R—Loan-backed and Structured Securities:* Provide a limited-time exception for assessing OTTI under SSAP No. 43R, paragraphs 30-36, due to fair value declines in investments that have underlying mortgage loans deferred or modified in response to COVID-19 unless the reporting entity intends to sell the security. If the entity has made a decision to sell the security, then recognition of an OTTI shall continue to be required.

e. *SSAP No. 48—Joint Ventures, Partnerships and Limited Liabilities Companies:* Provide a limited-time exception for assessing OTTI under SSAP No. 48 due to fair value declines in investments that have underlying mortgage loans deferred or modified in response to COVID-19 unless the entity intends to sell the security. Additionally, an OTTI shall be assessed if factors other than the mortgage loan forbearance or modification have resulted with a decline that is considered other than temporary, or the reporting entity does not believe it is probable they will collect the carrying amount of the investment.

13. Subsequent to modifications or restructurings that impact original contractual terms of items in scope of this interpretation, future assessments of impairment shall be based on the modified terms.

14. As detailed in paragraph 11, the exceptions granted in this interpretation are applicable for the March 31st and June 30th, 2020 (1st and 2nd quarter) financial statements and only in response to bank and mortgage loan forbearance or modifications granted in response to COVID-19. As the exceptions provided in this interpretation are not applicable in the September 30, 2020 (3rd quarter) financial statements, this interpretation will automatically expire as of September 29, 2020. This interpretation will be publicly posted on the Statutory Accounting Principles (E) Working Group's website. This interpretation will be automatically nullified on September 29, 2020 and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the "as of March 2021" *Accounting Practices and Procedures Manual*.

INT 20-04 Status

15. The Statutory Accounting Principles (E) Working Group will subsequently review this interpretation to determine if an extension is needed to the effective date.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-05T: Investment Income Due and Accrued

INT 20-05T Dates Discussed

Email Vote to Expose _________

INT 20-05T References

- *SSAP No. 34—Investment Income Due and Accrue*

INT 20-05T Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay home" orders and forced all non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

2. In response to COVID-19, temporary interpretations have been considered to provide exceptions to existing statutory accounting guidance with regards to the 90-day rule for various receivables, as well as guidance on the assessment of impairment and trouble debt restructurings. In response to these interpretations, a request to provide a temporary exception to *SSAP No. 34—Investment Income Due and Accrued* has been requested.

3. This interpretation intends to assess the requirements to review investment income due and accrued and consider whether temporary exceptions could be granted in response to COVID-19. Issues addressed within this interpretation include:

   a. Recognition and admittance of investment income under SSAP No. 34.

   b. Review of FASB staff technical inquiries and responses on investment income.

INT 20-05T Discussion

SSAP No. 34 Provisions

4. Investment income due is defined in SSAP No. 34 as the investment income earned and legally due to be paid to the reporting entity as of the reporting date. Investment income accrued is defined as investment income earned as of the reported date but not legally due to be paid to the reporting entity until subsequent to the reporting date.

5. Pursuant to SSAP No. 34, investment income due and accrued shall be recorded as an asset and assessed for impairment in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*. Amounts determined to be uncollectible shall be written off, and then an assessment shall be made of the remaining balance to determine nonadmitted amounts. SSAP No. 34 identifies this as a two-step process as follows:

a. Investment income due and accrued is assessed for collectibility. If in accordance with SSAP No. 5R, it is probable the investment income due and accrued balance is uncollectible, the amount shall be written off and shall be charged against investment income in the period the determination was made.

b. Any remaining investment income due and accrued (amounts considered probable for collection) representing either 1) amounts that are over 90-days past due (generated by any assets except mortgage loans in default) or 2) amounts designated elsewhere in the *NAIC Accounting Practices and Procedures Manual* as nonadmitted shall be considered nonadmitted. These items shall be subject to continuing assessments of collectibility and, if determined to be uncollectible, a write-off shall be recorded in the period such determination is made.

6. Pursuant to SSAP No. 34, accrued interest on mortgage loans in default shall only be recorded if deemed collectible. If uncollectible, accrued interest shall not be recorded and any previously accrued amounts shall be written off. If a mortgage loan in default has interest 180-days past due, which is assessed as collectible, all interest shall be recorded as a nonadmitted asset.

FASB Staff Technical Inquiry

7. The FASB staff received a technical inquiry regarding the recognition of interest income in response to COVID-19 when a "loan payment holiday" is provided that allows the borrowers to temporarily stop payments. The FASB Staff technical inquiry on interest income recognition was discussed April 17, 2020. In the scenario considered by the FASB staff:

a. Interest is not accrued when the loan payment holiday is in effect.

b. The loan modification did not represent a troubled debt restructuring.

c. The loan modification would be accounted for as a continuation of the original lending arrangement (not as an extinguishment with a new loan recognized).

8. With this inquiry two views were presented in how interest should be recognized when a payment holiday is given and interest is not accrued:

a. View 1 – Upon modification, a new effective interest rate is determined that equates to the revised remaining cash flows to the carrying amount of the original debt and is applied prospectively for the remaining term. That is, interest income is recognized during the payment period holiday.

b. View 2 – Upon modification, the institution should recognize interest income on the loan in accordance with the contractual terms. Under this view, the institution would not recognize interest income during the payment holiday and would resume recognizing interest income when the payment holiday.

9. The FASB staff reviewed the submission and concluded both views to be appropriate.

INT 20-05T Tentative Consensus

10. The Working Group considered limited time collectibility assessments and admittance exceptions for investment income due and accrued and reached the following tentative consensus:

a. Continue with existing guidance in SSAP No. 34 that investment income shall be recorded when due (earned and legally due) or accrued (earned but not legally due until after the reporting date). If investments have been impacted by forbearance or other modification provisions, a reporting entity shall assess whether the investment income has been earned in accordance with the modified terms. Investment income shall only be recognized when earned.

b. Continue with existing guidance in SSAP No. 34 to require an assessment of whether recorded investment income due and accrued is uncollectible.

i. For mortgage loans, bank loans and investment products with underlying mortgage loans impacted by forbearance or modification provisions, reporting entities may presume that borrowers and investments that were current as of Dec. 31, 2019, were not experiencing financial difficulties at the time of the forbearance or modification for purposes of determining collectibility. For these investments, further evaluation of collectibility is not required for the 1st and 2nd quarter 2020 financial statements unless other indicators that interest would not be collected are known (e.g., the entity has filed for bankruptcy).

ii. For investments not impacted by forbearance or modification provisions, this interpretation does not provide an assumption of collectibility and the provisions of SSAP No. 34 shall be followed in evaluating collectibility and assessing whether an impairment exists.

c. Provide an exception for the nonadmittance of recorded investment income due and accrued that is deemed collectible and over 90-days past due. With this exception, reported investment income interest due and accrued that becomes over 90-days past due in the 1st or 2nd quarter may continue to be admitted in the June 30th, 2020 (1st and 2nd quarter) financial statements. This exception does not encompass mortgage loans in default. Mortgage loans in default shall continue to follow the SSAP No. 34 guidance.

11. The Working Group considered the FASB technical guidance and reached a tentative consensus consistent with the FASB staff on how interest should be recognized when a payment holiday is given and interest is not accrued. With this guidance, either of the following methods could be applied:

a. A new effective interest rate is determined that equates the revised remaining cash flows to the carrying amount of the original debt and is applied prospectively for the remaining term. With this approach, interest income is recognized during the payment period holiday.

b. The reporting entity should recognize interest income on the loan in accordance with the contractual terms. Under this view, the reporting entity would recognize no interest income during the payment holiday and would resume recognizing interest income when the payment holiday ends.

12. The exceptions and provisions detailed in this interpretation are applicable for the June 30th, 2020 (2nd quarter) financial statements. As the exceptions provided in this interpretation are not applicable in the September 30, 2020 (3rd quarter) financial statements, as this interpretation will automatically expire as of September 29, 2020. This interpretation will be publicly posted on

the Statutory Accounting Principles (E) Working Group's website. This interpretation will be automatically nullified on September 29, 2020 and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the "as of March 2021" *Accounting Practices and Procedures Manual*.

INT 20-05T Status

13. The Statutory Accounting Principles (E) Working Group will subsequently review this interpretation to determine if an extension is needed to the effective date.

Exposure Staff Note: This item will be considered for extension in August 2020.

14. Further discussion is planned.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-06T: Participation in the 2020 TALF Program

INT 20-06T Dates Discussed

Email Vote to Expose _________

INT 20-06T References

SSAP No. 64—Offsetting and Netting of Liabilities
SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities
INT 01-31: Assets Pledged as Collateral

INT 20-06T Issue

1. The Federal Reserve reestablished the Term Asset-Backed Securities Loan Facility (TALF) on March 23, 2020, to support the flow of credit to consumers and businesses. The TALF program will enable the issuance of asset-backed securities (ABS) backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA), and certain other assets.

2. Under the TALF program, the Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated ABS backed by newly and recently originated consumer and small business loans. The Federal Reserve will lend an amount equal to the market value of the ABS less a haircut and will be secured at all times by the ABS. Treasury, using the Exchange Stabilization Fund (ESF), will also make an equity investment in the special purpose vehicle (SPV) established by the Federal Reserve for this facility.

3. The TALF is established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary.

4. Per review of public data available from the prior 2009 TALF program, there were a limited number of insurance reporting entities that were the actual borrower (entity that directly received the loan) under the TALF program. Rather, in most instances, insurance reporting entities were a material investor to the actual borrower. Per the TALF data, a material investor reflects the entity or individual with 10 percent or greater beneficial ownership interest in any class of securities of a borrower. Such ownership interest may be a direct, intermediate or ultimate interest. Due to the different methods of participating in the TALF program, this interpretation focuses on both reporting entity borrowers and reporting entity investors.

5. For reporting entity borrowers (entity that directly received the loan), the accounting issues addressed in this interpretation include:

   a. How the loan received, and collateral provided shall be reported within the statutory financial statements.

   b. Whether the pledged assets shall be reported as admitted assets as the collateral pledged to the TALF program is not permitted to be substituted.

6. For reporting entities that are not the direct borrowers, but represent investors to the direct borrower, the accounting issues addressed in this interpretation include:

a. How the reporting entity shall report their investment to a TALF borrower.

b. Whether the reporting entity investor is permitted to pledge assets under the TALF program, and retain admittance, when the reporting entity is not the direct borrower under the TALF program.

7. The April 9, 2020 term sheet for the 2020 TALF program:

https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a1.pdf

Term Asset-Backed Securities Loan Facility

Effective April 9, 2020
(The Board of Governors of the Federal Reserve System ("Board") and Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.)

Facility:
The TALF is a credit facility authorized under section 13(3) of the Federal Reserve Act intended to help meet the credit needs of consumers and businesses by facilitating the issuance of asset-backed securities ("ABS") and improving the market conditions for ABS more generally.

The TALF will serve as a funding backstop to facilitate the issuance of eligible ABS on or after March 23, 2020. Under the TALF, the Federal Reserve Bank of New York ("Reserve Bank") will commit to lend to a special purpose vehicle ("SPV") on a recourse basis. The Department of the Treasury will make an equity investment of $10 billion in the SPV, as described below.

The TALF SPV initially will make up to $100 billion of loans available. The loans will have a term of three years; will be nonrecourse to the borrower; and will be fully secured by eligible ABS.

Eligible Borrowers:
All U.S. companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. For the purpose of this document, a U.S. company is defined as a business that is created or organized in the United States or under the laws of the United States and that has significant operations in and a majority of its employees based in the United States.

Eligible Collateral:
Eligible collateral includes U.S. dollar denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or, in the case of non-mortgage backed ABS, the highest short-term investment-grade rating category from at least two eligible nationally recognized statistical rating organizations ("NRSROs") and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO. All or substantially all of the credit exposures underlying eligible ABS must have been originated by a U.S. company, and the issuer of eligible collateral must be a U.S. company. With the exception of commercial mortgage-backed securities ("CMBS"), eligible ABS must be issued on or after March 23, 2020. CMBS issued on or after March 23, 2020, will not be eligible. For CMBS, the underlying credit exposures must be to real property located in the United States or one of its territories. Eligible collateral must be ABS where the underlying credit exposures are one of the following:

1) Auto loans and leases;
2) Student loans;

3) Credit card receivables (both consumer and corporate);
4) Equipment loans and leases;
5) Floorplan loans;
6) Insurance premium finance loans;
7) Certain small business loans that are guaranteed by the Small Business Administration;
8) Leveraged loans; or
9) Commercial mortgages.

Eligible collateral will not include ABS that bear interest payments that step up or step down to predetermined levels on specific dates. In addition, the underlying credit exposures of eligible collateral must not include exposures that are themselves cash ABS or synthetic ABS.

To be eligible collateral, all or substantially all of the underlying credit exposures must be newly issued, except for legacy CMBS.

The feasibility of adding other asset classes to the facility or expanding the scope of existing asset classes will be considered in the future.

Conflicts of interest: Eligible borrowers and issuers of eligible collateral will be subject to the conflicts of interest requirements of section 4019 of the CARES Act.

Restriction on single-asset single-borrower ("SASB") CMBS and commercial real estate collateralized loan obligations ("CRE CLOs"): SASB CMBS and CRE CLOs will not be eligible collateral.

Restrictions on CLO loan substitution: Only static CLOs will be eligible collateral.

Collateral Valuation: Haircut schedule is below. The haircut schedule is consistent with the haircut scheduled used for the TALF established in 2008.

Pricing: For CLOs, the interest rate will be 150 basis points over the 30-day average secured overnight financing rate ("SOFR"). For SBA Pool Certificates (7(a) loans), the interest rate will be the top of the federal funds target range plus 75 basis points. For SBA Development Company Participation Certificates (504 loans), the interest rate will be 75 basis points over the 3-year fed funds overnight index swap ("OIS") rate. For all other eligible ABS with underlying credit exposures that do not have a government guarantee, the interest rate will be 125 basis points over the 2-year OIS rate for securities with a weighted average life less than two years, or 125 basis points over the 3-year OIS rate for securities with a weighted average life of two years or greater. The pricing for other eligible ABS will be set forth in the detailed terms and conditions. Fees: The SPV will assess an administrative fee equal to 10 basis points of the loan amount on the settlement date for collateral.

Maturity: Each loan provided under this facility will have a maturity of three years.

Investment by the Department of the Treasury: The Department of the Treasury, using the Exchange Stabilization Fund, will make an equity investment of $10 billion in the SPV.

Non-Recourse: Loans made under the TALF are made without recourse to the borrower, provided the requirements of the TALF are met.

Prepayment: Loans made under the TALF will be pre-payable in whole or in part at the option of the borrower, **but substitution of collateral during the term of the loan generally will not be allowed.**

Program Termination: No new credit extensions will be made after September 30, 2020, unless the TALF is extended by the Board of Governors of the Federal Reserve System and the Department of the Treasury.

Other Terms and Conditions: More detailed terms and conditions will be provided at a later date, primarily based off of the terms and conditions used for the 2008 TALF. In addition, the Federal Reserve reserves the right to review and make adjustments to these terms and conditions – including size of program, pricing, loan maturity, collateral haircuts, and asset and borrower eligibility requirements – consistent with the policy objectives of the TALF.

INT 20-06T Discussion

For Reporting Entity Borrowers - Insurance Reporting Entity Received the Loan

8. Reporting entity borrowers shall report the cash received under the TALF program with a corresponding liability. The liability shall be captured in scope of *SSAP No. 15—Debt and Holding Company Obligations* and reported as "borrowed money." The disclosures in SSAP No. 15 shall be completed. Once the cash received has been reinvested, the reporting entity shall report the acquired asset in accordance with the applicable statement of statutory accounting principle.

9. Reporting entity borrowers shall report asset-backed securities pledged to the TALF program as restricted assets with the appropriate code in the investment schedules and disclosed in accordance with *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*, and in General Interrogatory, Part 1: 25.30 – Pledged as Collateral. Assets pledged to the TALF program are subject to the underlying asset risk-based capital charge but are excluded from an additional "restricted asset" risk-based capital charge. (As a carryover from the 2009 TALF Program, existing provisions in the risk-based capital instructions instruct the removal of assets pledged to the TALF program reported as restricted assets in the General Interrogatories.)

10. Reporting entity borrowers are permitted to continue reporting pledged asset-backed securities as admitted assets in the statutory financial statements if the following two conditions are met:

a. Asset qualified as an admitted asset before it was pledged to the TALF program.

b. The reporting entity has not committed an uncured contract default.

11. As the TALF program specifically identifies that substitution of pledged collateral during the term of the loan will generally not be allowed, this interpretation provides an exception to existing statutory accounting requirements. Pursuant to *INT 01-31: Assets Pledged as Collateral*, a pledged asset shall be readily substitutable in order to be admitted in the statutory financial statements. With the exception in this interpretation, assets held by the insurance reporting entity (borrower) that are pledged to the TALF program can be admitted even though they are not generally substitutable.

12. Reporting entity borrowers shall not net the obligation to return the liability and the pledged collateral in the statutory financial statements. The criteria for a valid right of offset in *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* has not been met for these transactions. Specifically, the reporting entity does not have the right to offset the amount owed under the TALF program and the reporting entity does not intend to setoff the amount owed. Although the collateral pledged could be claimed under the TALF program in the event that the

insurer reporting entity commits a loan repayment default, the ability to claim pledged collateral does not represent a "right of setoff" with the counterparty.

13. Although the transaction is similar to a repurchase agreement accounted for as a secured borrowing, the TALF transaction is not a repurchase transaction. As such, the provisions and disclosures for repurchase agreements are not applicable. Particularly, as each TALF loan will have a three-year maturity, the loan will not be impacted by the statutory accounting provisions that require short-term (less than one year) repurchase agreements for admittance purposes.

14. In the event that a reporting entity commits a contract default, and the pledged collateral is retained under the TALF program, the reporting entity shall follow the guidance in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, paragraph 20, in removing the pledged assets and liability from the statutory financial statements.

For Reporting Entity Investors - Insurance Reporting Entity Does Not Receive the Loan but is an "Investor" to an Entity that was the Direct TALF Borrower

15. Reporting entity investors shall report the investment in the borrower in accordance with the underlying nature of the investment and the relationship with the borrower. The underlying investments will be subject to the reporting and RBC requirements for the applicable SSAP and reporting schedule:

a. If the borrower is a limited liability company (LLC), the investment shall be reported in accordance with *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies.*

b. If the borrower is a private equity fund (e.g., joint venture), the investment shall be reported in accordance with *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies.*

c. If the borrower is an affiliate, the investment shall be reported in accordance with *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities.*

16. Reporting entity investors are not permitted to admit assets pledged to the TALF program if they are not the direct borrower. This is because the return of the assets would be contingent on the action of the actual borrower to the TALF program and not the reporting entity. This provision is consistent with *SSAP No. 4—Assets and Nonadmitted Assets*, footnote 2:

> If assets of an insurance entity are pledged or otherwise restricted by the action of a related party, the assets are not under the exclusive control of the insurance entity and are not available to satisfy policyholder obligations due to these encumbrances or other third-party interests. Thus, pursuant to SSAP No. 4, paragraph 2(c), such assets shall not be recognized as an admitted asset on the balance sheet. Additional guidance for assets pledged as collateral is included in INT 01-31.

INT 20-06T Tentative Consensus

17. The Working Group reached a tentative consensus to prescribe statutory accounting guidance for insurance reporting entity involvement in the 2020 TALF Program. Pursuant to this consensus:

a. Reporting entities borrowers who directly receive the TALF loan shall follow guidance in paragraphs 8-14 of this interpretation for the statutory accounting

and reporting. As detailed in paragraph 11, this interpretation provides an exception to allow admitted asset reporting for the pledged securities although the TALF program does not permit the pledged assets to be generally substitutable.

b. Reporting entities that do not directly receive the TALF loan, but are investors to borrowers that receive the TALF loan, shall follow the provisions in paragraphs 15-16 for the statutory accounting and reporting.

18. The provisions detailed in this interpretation are applicable for the duration of the 2020 TALF loan program.

INT 20-06T Status

19. Further discussion is planned.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-07T: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19

INT 20-07T Dates Discussed

Email: Vote to Expose May __, 2020

INT 20-07T References

SSAP No. 26R—Bonds
SSAP No. 36—Troubled Debt Restructuring
SSAP No. 43R—Loan-backed and Structured Securities
SSAP No. 103R—Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

INT 20-07T Issue

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay at home" orders and forced non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

2. In response to COVID-19, Congress and federal and state prudential banking regulators issued provisions pertaining to loan modifications as a result of the effects of COVID-19. These provisions are intended to be applicable for the term of the loan modification, but solely with respect to a modification, including a forbearance arrangement, interest rate modification, repayment plan, or other similar arrangements that defers or delays the repayment of principal and/or interest, that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019.

3. On April 15, the Statutory Accounting Principles (E) Working Group issued *INT 20-03T: Troubled Debt Restructuring Due to COVID-19*. This interpretation provides guidance for mortgage loans and bank loans, consistent with the CARES Act and an April 7 interagency statement in recognizing troubled debt restructurings in response to COVID-19. Although the original comment letter received from interested parties proposed an expansion to all SSAP No. 26R and SSAP No. 43R debt securities, during the April 15 discussion, the comments presented from interested parties clarified their request to expand the interpretation was primarily related to private placement debt securities. The Working Group requested that interested parties provide more detail on this request.

4. On April 23, the interested parties submitted a comment letter requesting expansion consideration to all debt instruments in scope of SSAP No. 26R and SSAP No. 43R. In making these expanded requests, the interested parties' comment letter stated that from a practical standpoint, actual relief will almost exclusively apply to private placement debt securities. However, by referencing "all debt securities," it will not be necessary to provide a precise definition of a private placement debt security. In addition to considering edits for troubled debt restructuring, the comment letter also requested exceptions to impairment recognition for these securities.

5. The issues addressed in this interpretation include:

a. Should exceptions be provided to the determination of troubled debt restructurings and impairment for all debt securities in response to COVID-19?

b. Should exceptions be considered in the determination of troubled debt restructurings for non-public debt instruments in which the reporting entity is a direct, active, participant in the modification negotiations?

c. Should exceptions be considered to assist with the determination of insignificant modifications in accordance with SSAP No. 36, paragraph 10?

INT 20-07T Discussion

Consideration of Exceptions for All Debt Securities

6. After evaluating the April 23 interested parties' comment letter, this interpretation considers statutory accounting exceptions to minimize documentation and assessment requirements for specific debt securities. However, due to the importance of state regulators having accurate and reliable financial statement information, this interpretation does not propose the following:

a. Exceptions to the recognition of a troubled debt restructuring for debt securities with modifications that result in non-insignificant concessions to a debtor that is experiencing financial difficulties.

b. Exceptions to the assessment or recognition of impairment for debt instruments.

7. With the conclusion in paragraph 6, this interpretation does not eliminate a reporting entity's responsibility to recognize modifications in debt instruments that to a debtor that is experiencing financial difficulties that qualify as concessions under SSAP No. 36. Furthermore, this interpretation does not delay the assessment and recognition of impairment for debt instruments that are not captured in scope of INT 20-04. As detailed above, these exceptions are not granted due to the importance of state regulators having timely, accurate and reliable financial information.

Consideration of Exceptions if the Reporting Entity is a Direct, Active Participant in Negotiating Modifications

8. Consideration was given as to whether exceptions should be provided for troubled debt restructuring and impairment assessments for situations in which the reporting entity is a direct, active participant in negotiating debt instrument modifications. However, due to the vast nature of non-public instruments that are currently classified as debt instruments that are designed in response to specific insurance reporting entity needs (such as collateralized fund obligations, principal protected notes, and other non-traditional securitizations), using direct, active participation as the sole threshold in determining whether exceptions should be granted was viewed as too expansive to ensure appropriate recognition of non-insignificant concessions and/or known impairments in the statutory financial statements.

Consideration of Provisions to Assist with Existing Troubled Debt Restructuring Guidance

9. Pursuant to existing guidance in SSAP No. 36, not all modifications are considered a troubled debt restructuring. In order to be troubled debt restructuring, a creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise. As such, in order to be considered a troubled debt restructuring, the debtor must be having financial difficulties and the modification must be considered a concession. Pursuant to paragraph 10 of SSAP No. 36, a restructuring that results in only a delay in payment

that is insignificant is not a concession. The guidance also indicates that the following factors, when considered together, may indicate that a restructuring results in a delay in payment that is insignificant:

a. The amount of the restructured payments subject to the delay is insignificant relative to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due.

b. The delay in timing of the restructured payment period is insignificant to any one of the following:

i. frequency of payments due under the debt

ii. debt's original contractual maturity,

iii. debt's original expected duration.

10. Although this interpretation does not support exceptions that would result with "significant" modifications (concessions) not being recognized, from information received, differing assessments of what could be considered insignificant, and the required documentation, may be prohibitive in providing modifications. Particularly, it has been noted that the assessments are subject to auditor assessment and there are concerns that a modification considered insignificant by a reporting entity may be subsequently assessed as a significant modification by the reporting entity's auditor.

Practical Expedients to Assessing Concessions

11. This interpretation, as a means of assisting with troubled debt restructuring assessments, provides limited-time practical-expedient determinants that can be used in accordance with existing SSAP No. 36 provisions in determining whether a modification shall be considered a troubled debt restructuring. These provisions are intended to assist reporting entities and auditors when considering whether a modification is insignificant. If a modification is considered insignificant, then the modification is not a concession, and recognition of a troubled debt restructuring, and disclosure is not required. If a modification does not meet the practical expedient provisions provided within this interpretation, the modification shall not automatically be considered a "non-insignificant" modification (concession). Rather, the reporting entity can continue to apply the existing guidance in SSAP No. 36 in assessing whether the modification is insignificant and is therefore not a concession. Modifications that qualify as concessions (do not qualify as insignificant) are required to follow the existing guidance in SSAP No. 36 as a troubled debt restructuring.

12. Specifically, this interpretation provides the following limited-time practical expedients:

a. Paragraph 10.a. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay is insignificant to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due. For the duration of this interpretation, debt security restructurings in response to COVID-19 are considered to be insignificant if the restructuring results with a change that reflects a 10% or less shortfall amount in the contractual amount due.

b. Paragraph 10.b. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay in timing of the restructured payment period

is insignificant to the frequency of payments due under the debt, debt's original contractual maturity or the debt's original expected duration. For the duration of this interpretation, debt security restructurings in response to COVID-19 are considered to be insignificant if the restructuring results with a one-time 6-month or less delay in payment receipts. (This timeframe is consistent with the provisions in the interagency statements for loans.) (This guidance does not provide explicit provisions on the application of this 6-month delay. For example, it could include forbearance modifications that require catch-up provisions within a 6-month timeframe or modifications that result with a 6-month payment "holiday" with a corresponding extension of the original contract duration. Although the later provision may be considered a long-term change (as the maturity may not occur for several years), as the extension only reflects a short-term modification (6-months or less) from the original duration, it is considered a short-term modification under this interpretation.)

c. For the duration of this interpretation, debt security restructurings in response to COVID-19 that solely impact covenant requirements are not considered troubled debt restructurings.

Practical Expedients on Debt Extinguishments and Exchanges

13. In addition to the limited-time practical expedients to SSAP No. 36, this interpretation provides an exception to assess modifications as an exchange of debt instruments under paragraph 22 of *SSAP No. 103R—Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.* Pursuant to the guidance in SSAP No. 103, debt instruments that are exchanged with substantially different terms are reported as an extinguishment and a new debt instrument. Pursuant to the provisions in this interpretation:

a. Modifications that reflect a 10% or less change in contractual cash flows considered insignificant pursuant to paragraph 12.a. do not need to be further evaluated to determine whether the modification is more than minor based on the specific facts and circumstances (and other relevant considerations) surrounding the modification. As such, these investments shall not be reported as an extinguishment and a new debt instrument.

INT 20-07T Tentative Consensus

14. The Working Group reached a tentative consensus in response to requests to consider exceptions to statutory accounting guidance for troubled debt restructurings and impairment for all debt instruments. Pursuant to this consensus:

a. This interpretation does not provide exceptions to the recognition of a troubled debt restructuring for debt securities with modifications that result in non-insignificant concessions to a debtor that is experiencing financial difficulties.

b. This interpretation does not provide exceptions to the assessment or recognition of impairment for debt instruments. Pursuant to the guidance in SSAP No. 26R, after a modification for a debt instrument, assessment of OTTI shall be based on the current terms of the debt instrument.

(Exposure Staff Note – This statement corresponds with Agenda Item 2020-14.)

c. This interpretation does not provide exceptions for trouble debt restructuring determination and impairment assessments for situations in which the reporting entity is a direct, active participant in negotiating debt instrument modifications.

15. In response to assessments on the application of existing SSAP No. 36 provisions, particularly in determining whether a modification is a concession (insignificant), this consensus provides the following limited-time practical expedients in determining whether a modification is a concession under SSAP No. 36:

a. Paragraph 10.a. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay is insignificant to the unpaid principal or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due. For the duration of this interpretation, debt security restructurings in response to COVID-19 are considered to be insignificant if the restructuring results with a change that reflects a 10% or less shortfall amount in the contractual amount due.

b. Paragraph 10.b. of SSAP No. 36 identifies that restructured payments are considered insignificant if the delay in timing of the restructured payment period is insignificant to the frequency of payments due under the debt, debt's original contractual maturity or the debt's original expected duration. For the duration of this interpretation, debt security restructurings in response to COVID-19 are considered to be insignificant if the restructuring results with a one-time 6-month or less delay in payment receipts. (This timeframe is consistent with the provisions in the interagency statements for loans.)

c. For the duration of this interpretation, debt security restructurings in response to COVID-19 that solely impact covenant requirements are not considered troubled debt restructurings.

16. In response to assessments on the application of existing SSAP No. 103R provisions, particularly in determining whether a modification that is not a troubled debt restructuring needs to be assessed as an exchange, this consensus provides the following exceptions to SSAP No. 103R:

a. Modifications that reflect a 10% or less change in contractual cash flows considered insignificant under this interpretation do not need to be further evaluated to determine whether the modification is more than minor based on the specific facts and circumstances (and other relevant considerations) surrounding the modification. As such, these investments shall not be reported as an extinguishment and a new debt instrument.

17. The Working Group highlights that modifications that would be considered troubled debt restructurings, particularly as they provide a non-insignificant concession, may be presented to the domiciliary state regulatory for a permitted practice exception to prevent troubled debt restructuring recognition and disclosure. However, the Working Group concluded that the need for reliable and accurate financial information does not permit exceptions that would allow wide-spread non-insignificant restructurings to occur and not be recognized on the statutory financial statements.

18. This interpretation is effective for the specific purpose to provide practical expedients in assessing whether modifications in response to COVID-19 are insignificant under SSAP No. 36 and in assessing whether a change is substantive under SSAP No. 103R. This interpretation will only be applicable for the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020, or the date that is 60 days after the date on which the national emergency concerning the

novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates.

INT 20-07 Status

19. The Statutory Accounting Principles (E) Working Group will subsequently review this interpretation to determine if an extension is needed to the effective date.

20. Further discussion is planned.

Application of the INT 20-07T Consensus

Example 1: Payment Holiday with Extension of Payment Term for SSAP No. 26R Instrument

A. Insurer modifies a debt instrument captured in scope of SSAP No. 26R to provide a payment holiday for 6-months in response to COVID-19. For the duration of the payment holiday, no payments are due, however the original maturity of the debt instrument has been extended from 10 years to 10 years and 6 months, with all terms and conditions remaining the same except for the payment holiday.

B. The amount of restructuring is considered insignificant as it results in a less than 10% shortfall in the contractual amount due.

C. At the time of the restructuring, fair value has dropped below amortized cost.

D. At the time of the restructuring, the reporting entity believes it is probable that the reporting entity will collect all amounts due in accordance with the modified terms of the debt instrument. Furthermore, the reporting entity does not intend to sell the instrument.

Example 1 - Application of INT 20-07

1. As this modification only extends the duration 6-months and results in a less than 10% shortfall in the contractual amount due, pursuant to the practical expedients in INT 20-07, the modification is considered insignificant and not a concession under SSAP No. 36. As this modification is not a concession, accounting and reporting as a troubled debt restructuring is not required.

2. As this modification is less than 10% of the contractual cash flows, pursuant to the practical expedients in INT 20-07, further assessment is not required to determine whether the modification is more than minor under SSAP No. 103R. As such, the modification shall not be reported as an extinguishment and a new debt instrument.

3. As the reporting entity believes it is probable that they will collect all amounts due in accordance with the modified terms of the debt instrument, no other-than-temporary impairment recognition is required under SSAP No. 26R. Future assessments of impairment will be based on the modified terms of the debt instrument.

Example 2: Reduction of Covenant Terms for SSAP No. 43R Instrument

A. Insurer modifies a debt instrument captured in scope of SSAP No. 43R to eliminate covenant terms in response to COVID-19. For the remainder of the maturity of the debt instrument, the covenant terms will reflect the modification incorporated in response to

COVID-19. There has been no changes to the debt instrument with the exception of the covenant requirements.

B. At the time of the restructuring, fair value has dropped below amortized cost.

C. At the time of the restructuring, the reporting entity has the intent and ability to hold debt instrument to recover the amortized cost basis. Additionally, the reporting entity has not identified that a non-interest related decline exists.

Example 2 - Application of INT 20-07

1. As this modification only pertains to covenant components (and not the amount or timing of payments), pursuant to the practical expedients in INT 20-07, the modification is considered insignificant and not a concession under SSAP No. 36. As this modification is not a concession, accounting and reporting as a troubled debt restructuring is not required.

2. As this modification does not change the contractual cash flows, pursuant to the practical expedients INT 20-07, further assessment is not required to determine whether the modification is more than minor under SSAP No. 103R. As such, the modification shall not be reported as an extinguishment and a new debt instrument.

3. As the reporting entity has the intent and ability to hold the debt security to recover the amortized cost basis, and they have not identified a non-interest related decline, an other-than-temporary impairment is not required under SSAP No. 43R.

Example 3: Reduction in Interest Rate and Covenants for SSAP No. 43R Debt Security

A. Insurer modifies a debt instrument captured in scope of SSAP No. 43R in response to COVID-19 to eliminate interest payments for a 12-month timeframe, and to eliminate covenant requirements for the same 12-month timeframe. This change will represent an 10% shortfall of the contractual amount due.

B. At the time of the restructuring, fair value has dropped below amortized cost.

D. At the time of the restructuring, the reporting entity has the intent and ability to hold debt instrument to recover the amortized cost basis. Additionally, the reporting entity has not identified that a non-interest related decline exists.

Example 3 - Application of INT 20-07

1. Although this modification results with a 10% shortfall in the contractual amount due, the modification is greater than 6-months, therefore the reporting entity cannot assume the change is insignificant, and therefore not a concession, under the practical expedients provided within this interpretation.

2. The reporting entity may continue to assess whether this modification is an insignificant change under paragraph 10 of SSAP No. 36. (If the reporting entity elects not to further assess for insignificance, then would proceed with considering the change as a concession.) If the reporting entity concludes that the change is insignificant, and therefore not a concession, then recognition as a troubled debt restructuring is not required. An OTTI is not required at the time of the modification if the reporting entity has the intent and ability to hold to recover the modified amortized cost basis and if the reporting entity has not

identified that a non-interest related decline exists. Future assessments of impairment will be based on the modified terms of the debt instrument.

3. If the reporting entity concludes that the change is not insignificant under paragraph 10, then the modification is a concession and further assessment as a troubled debt restructuring is required. Assuming there is no collateral, a realized loss shall be recognized for the difference between fair value and amortized cost. Subsequent to this realized loss recognition, future assessments of impairment will be based on the modified terms of the debt security.

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Interpretation of the Statutory Accounting Principles Working Group

INT 20-08: COVID-19 Premium Refunds, Limited-Time Exception, Rate Reductions and Policyholder Dividends

INT 20-08 Dates Discussed

Email Vote to Expose May 5, 2020; May 20, 2020; June 15, 2020, July 22, 2020

INT 20-08 References

SSAP *No. 5R—Liabilities, Contingencies and Impairments of Assets*
SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items
SSAP No. 53—Property Casualty Contracts—Premiums
SSAP No. 54R—Individual and Group Accident and Health Contracts
SSAP No. 65—Property and Casualty Contracts
SSAP No. 66—Retrospectively Rated Contracts

INT 20-08 Issue

COVID-19

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued "stay home" orders and forced all non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

Refunds, Rate Reductions and Policyholder Dividends

2. The federal, state or local government orders requiring non-essential workers to "stay home" caused a significant reduction in commercial and non-commercial activity, including automotive usage. Some consumer groups wrote letters and issued press releases calling for insurance premium refunds or pricing decreases, which included specific comments directed toward consumer automotive lines. The comments presumed that the decrease in activity would result in fewer losses.

3. Many insurers began issuing voluntary premium refunds, future rate reductions or policyholder dividends because of the decreased activity. The majority of the refunds were related to automotive lines of business however, some accident and health products also provided payments. Insurers have provided the reductions in a variety of ways. Some of the rate reductions were specific for in-force policies, whereas some of the rate reductions would apply to future policy renewals. Insurers provided unprecedentedly large payments to policyholders in an expedited fashion. These payments were viewed by regulators and insurers as being in the best interests of policyholders.

Voluntary

4. The majority of the refunds or rate reductions are being offered voluntarily and are not amounts required under the policy terms. The aggregate monetary amount of the return of funds is considered materially significant.

Jurisdiction Directed

5. In addition, a few jurisdictions have issued bulletins directing refunds and rate reductions on accident and health insurance and varying lines of property and casualty insurance, including but not limited to: private passenger automobile, commercial automobile, workers' compensation, commercial multiple peril, commercial liability and medical professional liability. In addition, some jurisdictions have indicated support for refunds or rate reductions, but also directed that payment of such amounts require either premium rate filings or policy form amendments.

Accounting Issues

6. This intent of this interpretation is to address questions related to refunds, rate reductions and policyholder dividends in response to the decreased activity related to COVID-19. Because there are a variety of ways that reporting entities are accomplishing a similar objective of returning money or reducing premiums, this interpretation provides guidance on the following issues:

- Issue 1: How to account for refunds not required under the policy terms.
- Issue 2: How to account for refunds required under the policy terms.
- Issue 3: How to account for rate reductions on inforce and renewal business.
- Issue 4: How to account for policyholder dividends.
- Issue 5: Where to disclose refunds, rate reductions and policyholder dividends related to COVID-19 decreases in activity.

INT 20-08 Discussion

7. As an overall guiding principle, the accounting shall follow existing statutory accounting principles and annual statement reporting where feasible with more specific accounting applicable for the issues within this interpretation.

INT 20-08 Consensus

Issue 1: How to Account for Refunds Not Required Under the Policy Terms

8. The Working Group reached a consensus that voluntary refunds, because of decreased activity related to COVID-19 and jurisdiction-directed refunds which are not required by the policy terms, are fundamentally a return of premium. Absent meeting the criteria for the limited-time exception to report as an aggregate write in for other underwriting expense as discussed in paragraphs 12-13, such refunds shall be accounted for as immediate adjustments to premium. The refunds shall be recognized as a reduction to written or earned premium and the unearned premium reserve adjusted accordingly.

9. Refunds shall be recognized as a liability when the definition of a liability in *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets* is met. For example, the declaration of a voluntary dividend by the board of directors will trigger liability recognition. In cases where the

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refunds are directed by a jurisdiction, the SSAP No. 5R definition of a liability shall be used to determine timing of liability recognition.

10. Immediate adjustment to premium is consistent with the existing guidance in *SSAP No. 53—Property Casualty Contracts—Premiums.* SSAP No. 53 guidance requires adjustments to the premium charged for changes in the level of exposure to insurance risk. It is also consistent with the treatment of loss sensitive premium adjustments in *SSAP No. 66—Retrospectively Rated Contracts*. While some of the voluntary or jurisdiction-directed refunds may not be required by the explicit policy terms, the principle of reversing premium in the same way that the premium was originally recognized continues to apply.

11. Immediate adjustments to premium for voluntary accident and health premium refunds is also consistent with the guidance in *SSAP No. 54R—Individual and Group Accident and Health Contracts* on contracts subject to redetermination. While some of the voluntary or jurisdiction-directed refunds may not be required by the explicit policy terms, the principle of reversing premium in the same way that the premium was originally recognized continues to apply. The liability for voluntary health premium refunds attributable to COVID-19 and which are not required under the policy terms shall be recognized in aggregate write-ins for other liabilities.

Limited-Time Exception – Expense Reporting

12. Reporting the voluntary or jurisdiction-directed refund as an expense is not consistent with statutory accounting guidance. However, due to the variety of ways that COVID-19 premium reductions were approved by the various jurisdictions, this interpretation grants a limited-time exception to the existing reporting guidance to allow underwriting expense reporting. This limited-time exception applies to property and casualty lines of business in which the reporting entity filed policy endorsements or manual rate filings prior to June 15, 2020 which allow for discretionary payments to policyholders due to the COVID-19 related issues. In these cases, the reporting entities disclosed to the jurisdictions where the policies are written their intention to report their payments to policyholders as expenses. These property and casualty lines of business are permitted to report such policyholder payments as other underwriting expenses. This interpretation intends to be clear that manual rate filings and policy endorsements are not a source of authoritative accounting and this limited-time exception should not be used as an analogy for application to other such filings.

13. Application of this limited-time exception shall also be subject to the additional disclosures provided in Issue 5 below. Reporting the COVID-19 premium reductions as an expense as provided for in this limited-time exception, shall be disclosed as if it were a permitted practice. The reporting entity shall complete the permitted practices disclosures required by *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* in annual statement Note 1 and any other disclosures pursuant to Issue 5 of this interpretation. This interpretation provides a limited-time exception for reporting premium refunds, and does not require domiciliary jurisdiction approval as a permitted practice if the requirements of this interpretation are met. However, disclosure in Note 1 in a manner consistent with permitted practices is required because of the impact on premium which is a key measurement metric for insurers. If a domestic jurisdiction disapproved reporting as an underwriting expense, the limited-time exception does not apply.

Issue 2: How to Account for Refunds Required Under the Policy Terms

14. While most of the premium refunds are voluntary or jurisdiction-directed and not required under the policy terms, some policies have terms that require an adjustment to premium based on either the level of exposure to insurance risk or the level of losses. If the policy terms change the

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amount charged, existing guidance in SSAP No. 53, SSAP No. 54R or SSAP No. 66 continues to apply:

a. SSAP No. 53 provides guidance for policies in which the premium amount is adjusted for changes in the level of exposure to insurance risk. This is often seen in commercial lines of business such as workers' compensation. The guidance notes that audits often occur after the policy term or mid-term in the policy. SSAP No. 53 refers to the adjustment to premium (either due to the customer or to the insurer) as earned but unbilled (EBUB) premium. SSAP No. 53 requires such adjustment to premium to be made immediately either through written premium or earned premium. SSAP No. 53 also requires recognition of the related liabilities and expenses such as commissions and premium taxes based on when the premium is earned.

b. SSAP No. 54R provides guidance for policies subject to redetermination in which the premium is subject to adjustments by contract terms. This is commonly seen in federal and state groups. The guidance notes that estimates are based on experience to date and premium adjustments are estimated for the portion of the policy that has expired. Accrued return premiums are recorded as a liability with a corresponding entry to written premium. Refunds required under the policy terms would continue to be reported as retrospective or redetermination premium liabilities if applicable.

c. SSAP No. 66 provides guidance for policies whose terms or legal formulas determine premium based on losses. SSAP No. 66 references other applicable statements based on contract type for the initial accrual of premium. Estimates of premium adjustments are accrued based on activity to date and result in immediate adjustments to premium. SSAP No. 66 guidance specifies the corresponding annual statement reporting lines for different entity types.

Issue 3: How to Account for Rate Reductions

15. Some reporting entities are offering rate reductions instead of premium refunds. Some of these rate reductions provide one-time price decreases to future payments on in-force policies. Other reporting entities have provided offers of rate reductions on future renewals. Some of the offers for future rate reductions are only applicable to inforce policyholders as of a specified date. Some reporting entities have offered one-time rate reductions for future renewals for both existing and new policyholders for 2020.

a. Rate reductions on in-force business, shall be recognized as immediate adjustments to premium.

b. Rate reductions on future renewals shall be reflected in the premium rate charged on renewal. This is because it is outside of the policy boundary to require the accrual before contract inception. While the amount of future rate reduction can be estimated, it is not a change to existing policy terms and policyholders are not obligated to renew at the reduced rate, therefore, payment of the amount is avoidable. Such amounts shall be disclosed as discussed in Issue No. 5.

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Issue 4: How to Account for Policyholder Dividends

16. *SSAP No. 65—Property and Casualty Contracts,* paragraph 46 requires that dividends to policyholders immediately become liabilities of the reporting entity when they are declared by the board of directors and shall be recorded as a liability.

17. The Working Group noted that policyholder dividends are typically only provided on participating policies or policies issued by non-stock companies, such as mutual entities and other corporate entity types in which profits are shared with policyholders.

18. Research during the development of this item identified that a small number of jurisdictions have legal restrictions which only allow policyholder dividends to be provided after the expiration of the policy period for which the dividend was earned. This interpretation only addresses policyholder dividends which are permitted by the applicable jurisdiction.

19. The property and casualty annual statement blank provides specific reporting lines for policyholder dividends including, but not limited to a liability line and a line in the income statement and statement of cash flow. For those entities whose policies are participating or whose corporate shell type and/or membership structure allow for policyholder dividends, the accounting for policyholder dividends is unchanged by this interpretation

20. This interpretation does not change the policyholder dividend disclosure or reporting but provides additional guidance that such policyholder dividends issued in response to COVID-19 decreases in activity shall also be disclosed as discussed in Issue 5.

Issue 5: Where to Disclose Refunds, Rate Reductions and Policyholder Dividends Related to COVID-19 Decreases in Activity

21. There are various places in the notes to the statutory annual statement where disclosures of various aspects of premium refunds, premium reductions or policyholder dividends are required. This interpretation does not recommend changes to those existing disclosures. This interpretation does, however, provides consistent annual statement disclosure for all such amounts to allow for comparable disclosures.

22. *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items* requires disclosure of the nature and financial effects of each unusual or infrequent event or transaction. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. This disclosure is currently required to be reported in annual statement Note 21A. (Reporting entities shall maintain jurisdiction-specific information to be made available upon request from department of insurance or revenue regulators.)

23. To allow for aggregate, consistent assessment, the Working Group came to a consensus that all COVID-19 inspired premium refunds, rate reductions, and policyholder dividends shall be disclosed as unusual or infrequent items in annual statement Note 21A. This disclosure is in addition to other existing disclosures on various items related to the policyholder payments.

a. For clarification, refunds required under policy terms in-force prior to the federal declaration of emergency for the COVID-19 pandemic as discussed in paragraph 13 (i.e., policies that require an adjustment to premium based on either the level of exposure to insurance risk or the level of losses) are not required to be aggregated

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in disclosures of COVID-19 inspired premium refunds, rate reductions and policyholder dividends.

b. Policies whose terms were modified after the declaration of emergency in response to COVID-19 are required to disclose the COVID-19 inspired premium refunds, rate reductions and policyholder dividends.

24. All reporting entities shall provide the following information regarding their COVID-19 premium refunds, limited-time exception payments, rate reductions and policyholder dividends as unusual or infrequent items:

a. A description of the accounting practice.

b. The amount of COVID-19 "payments" to policyholders by major category (premium refunds, limited-time exception payments, rate reductions or policyholder dividends).

25. Reporting entities that utilize the limited-time exception expense reporting described in paragraphs 12 and 13 shall additionally provide the following to illustrate in annual statement Note 1 the impact of reporting the payments as an aggregate underwriting expense rather than a return of premium as if it were a permitted practice. As detailed in paragraph 13 domiciliary jurisdiction approval as a permitted practice is not required to apply the limited-time exception. Disclosure is required because of the impact on premium which is a key measurement metric for insurers:

a. A statement that the accounting practice is a limited-time exception to recognize such amounts as an aggregate underwriting expense rather than an return of premium. This disclosure shall include the financial statement reporting line(s) predominantly impacted by the limited-time exception. (Although most practices impact net income or surplus, direct reference to those lines should be avoided. The intent is to capture the financial statement line(s) reflecting the practice which ultimately impacts net income or statutory surplus.) Additionally, a reference to Note 1 shall be included in the individual notes to financial statements impacted by the limited-time exception as applicable.

b. The monetary effect on revenue and expense.

c. If a reporting entity's risk-based capital would have triggered a regulatory event had it not used the limited-time exception, that fact should be disclosed.

d. The reasons the reporting entity elected to use the limited-time exception rather than as a return of premium.

e. Note 1 shall also identify the impact of not reporting such amounts as a return of premium on the operating percentages and other percentages reported in the Five Year Historical Data Exhibit and disclose the percentages/ratios as reported and as adjusted to report payments to policyholders as a return of premium.

i. The operating ratios to be reported include:

1. Premium earned,

2. Losses incurred,

3. Loss expenses incurred,

4. Other underwriting expenses incurred, and

5. Net underwriting gain or loss.

ii. The other ratios to be reported include:

1. Other underwriting expenses to net premiums written,

2. Losses and loss expenses incurred to premiums earned, and

3. Net premiums written to policyholder's surplus.

26. If a domiciliary jurisdiction's prescribed or permitted practices allow voluntary COVID-19 payments which are either consistent with the limited-time exception or different from a reduction in premium, the reporting entity shall complete the disclosures in Note 1 which identify that a permitted or prescribed practice was applied and in paragraphs 24 and 25 of this Interpretation. The disclosure in paragraph 25 in such instances shall reflect the impact on the ratios in paragraph 25 compared to the default premium treatment.

Does Not Address Premium Taxation

27. The Working Group noted that premium taxation requirements vary by jurisdiction and this interpretation is not intended to address premium taxation in any jurisdiction. Taxation is determined by the jurisdiction where the premium is written/returned to the policyholder according to the laws, regulations and general administrative rules applicable to all insurance enterprises licensed in a that jurisdiction. This interpretation defers to each jurisdiction's premium tax requirements for purposes of determining taxable amounts.

Effective Date

28. The limited-time exception allowance for expense reporting for endorsements and rate filings prior to June 15, 2020, applies only to these specific issues arising from COVID-19, is effective for second quarter reporting and will sunset January 1, 2021. This interpretation will be automatically nullified on January 1, 2021 and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the "as of March 2021" *Accounting Practices and Procedures Manual*.

INT 20-08 Status

29. This interpretation was amended on July 22, 2020 to include the limited-time exception and specific related disclosures by a two-thirds majority of the Accounting Practices and Procedures (E) Task Force membership. No further discussion is planned.

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Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A

Issue: Assessment of OTTI Based on Original Contract Terms

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
This agenda item intends to clarify the assessment of other than temporary impairment (OTTI) guidance in *SSAP No. 26R—Bonds*. It has been identified that there is a disconnect between SSAP No. 26R, *SSAP No. 36R—Troubled Debt Restructuring* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* with how modifications to debt instruments are considered for OTTI. It has been noted that this is a long-standing disconnect that has recently been identified as a result of the number of debt restructurings that have occurred in response to COVID-19.

In short summary, existing guidance in SSAP No. 26R identifies that OTTI assessments are based on the contractual terms of a debt security in effect at the date of acquisition. However, if a debt instrument has been modified pursuant to SSAP No. 36 or SSAP No. 103 (nontroubled situations), subsequent assessments of OTTI shall be based on the modified contractual terms of the debt instrument, and not revert back to the original acquisition terms.

This agenda item intends to correct this disconnect between SSAP No. 26R, SSAP No. 36 and SSAP No. 103R.

Existing Authoritative Literature:

SSAP No. 26R—Bonds

Impairment

13. An other-than-temporary(INT 06-07) impairment shall be considered to have occurred if it is probable that the reporting entity will be unable to collect all amounts due **according to the contractual terms of a debt security in effect at the date of acquisition**. A decline in fair value which is other-than-temporary includes situations where a reporting entity has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a bond is other-than-temporary, an impairment loss shall be recognized as a realized loss equal to the entire difference between the bond's carrying value and its fair value at the balance sheet date of the reporting period for which the assessment is made. The measurement of the impairment loss shall not include partial recoveries of fair value subsequent to the balance sheet date. For reporting entities required to maintain an AVR/IMR, the accounting for the entire amount of the realized capital loss shall be in accordance with SSAP No. 7. The other-than-temporary impairment loss shall be recorded entirely to either AVR or IMR (and not bifurcated between credit and non-credit components) in accordance with the annual statement instructions.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): Not Applicable

Staff Recommendation:

NAIC Staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and consider revisions to *SSAP No. 26R—Bonds* to clarify the interrelationship between SSAP No. 26R, SSAP No. 36 and SSAP No. 103 when there is a modification to a debt instrument.

SSAP No. 26R—Bonds

Impairment

13. An other-than-temporary(INT 06-07) impairment shall be considered to have occurred if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition [FN]. A decline in fair value which is other-than-temporary includes situations where a reporting entity has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a bond is other-than-temporary, an impairment loss shall be recognized as a realized loss equal to the entire difference between the bond's carrying value and its fair value at the balance sheet date of the reporting period for which the assessment is made. The measurement of the impairment loss shall not include partial recoveries of fair value subsequent to the balance sheet date. For reporting entities required to maintain an AVR/IMR, the accounting for the entire amount of the realized capital loss shall be in accordance with SSAP No. 7. The other-than-temporary impairment loss shall be recorded entirely to either AVR or IMR (and not bifurcated between credit and non-credit components) in accordance with the annual statement instructions.

New Footnote: If a bond has been modified from original acquisition, the guidance in *SSAP No. 36—Troubled Debt Restructuring* and paragraph 22 of *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* shall be followed, as applicable. After modification of original terms, future assessments to determine other-than-temporary impairment shall be based on the current contractual terms of the debt instrument.

Staff Review Completed by:

Julie Gann - NAIC Staff, May 2020

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Attachment Number	Page Number	LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
1	3	2017-70	VM Section II	Revisions to the reserve methodology for valuing term riders	8/3/2018
2	7	2018-03	VM-20 Section 7.D.1, 7.D.3, and 7.D.7	Clarifying Starting Asset Language	8/3/2018
3	16	2018-06	VM-02, VM-20	Definition of Ordinary Life	11/13/2018
4	18	2018-08	Introduction, Part II, Section D	Life PBR Exemption Revision	9/27/2018
5	20	2018-11	VM-20 Sect. 6.A.2, 6.A.3 VM-31 Sect 3.C.10	Clarify details of Stochastic Exclusion Tests and results	12/13/2018
6	23	2018-15	VM-01, VM20 Section 5.A	Add Definitions to VM-01	2/21/2019
7	25	2018-17	VM-20 Sect 9.C., VM-31 Sect 3.C.3	Aggregation of Mortality Segments - Credibility	11/13/2018
8	28	2018-41	VM-02 Sect 3 and 5, VM-20 Sect 3.C.1.a.	Move VM-02 Definitions to VM-01.	1/31/2019
9	32	2018-42	VM-20 Sections 9.C.2 and 9.C.4	Clarify when capping of face amounts is appropriate	4/25/2019
10	35	2018-43	VM-01	Provide a definition for Insurance Department	4/4/2019
11	36	2018-44	VM-20 Sect 7.F.6	IUL Deterministic Reserve	3/14/2019
12	41	2018-45	VM-20 Sect 9C	Adjustments to company experience mortality rates	5/30/2019
13	48	2018-48	VM-20 Sections 3.B.4.a, 3.C.3.b.	Clarify handling of YRT reinsurance assumed, term riders and paid-up term	2/21/2019
14	52	2018-49	VM-20 Section 3.B.6.d.iii	Update to reflect adoption of APF 2017-88	11/13/2018

Attachment Number	Page Number	LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
15	54	2018-50	VM-31 Section 3.C.2.a	Require modeling system version number	11/13/2018
16	56	2018-51	VM-31 Section 2	Revision of VM-31 reporting requirements	11/13/2018
17	58	2018-52	VM-20 Section 3.C.1	Revise NPR calculation to address substandard mortality	11/13/2018
18	60	2018-53	VM-20 Section 7.E.1.g, VM-31 Sections 3.C.6, 3.C.13, VM-G 3.A.6.d.ii	Clarify Alternative Investment Strategy parameters	5/14/2019
19	64	2018-54	VM-31 Section 11.j	Additional instructions for ULSG reserve reporting	11/13/2018
20	66	2018-55	VM-01, VM-20 Sect. 2, 4, 5 VM-31 Sect. 11	Replace references to Product Group	5/9/2019
21	71	2018-56	VM-20 Section 8.D.1	Determination of a Pre-Reinsurance-Ceded Minimum Reserve	5/14/2019
22	73	2018-57	VM-20 Section 3.C.1, VM-31 Section 3.C.3	Adjustments to the NPR Mortality	6/20/2019
23	75	2018-61	VM-31 Section 3.C.3.h	Clarify the VM-31 definition of credibility	1/31/2019
24	77	2018-62	VM-31 Section 3.C.2.e	Revise VM-31 Actuarial Report Requirements to properly reflect the degree of model validation	3/7/2019
25	79	2018-63	VM-20 Section 3.C.3.c.ii	Clarify the appropriate annual lapse rate	3/14/2019
26	81	2018-64	VM-A/VM-C	Clarify that the requirements of VM-A and VM-C are not limited to reserves	4/4/2019
27	83	2018-66	VM-20 Section 2.D	Delete VM-20 Section 2.D	4/4/2019
28	87	2019-01	VM-20 Section 6.B. and VM-31 Section 3.C.10	Modify DET for conservatively reserved policies	6/20/2019

Attachment Number	Page Number	LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
29	92	2019-04	VM-20 Section 3.B.5 and 3.B.6	Clarifying the ULSG expense allowance formulas.	4/4/2019
30	96	2019-05	VM-31 Section 3.C.11	Clarify VM-31 reporting requirement mandated in previously adopted APF 2018-54	2/21/2019
31	98	2019-06	VM-20 Section 9.E.1, VM-31 Section 3.C.5	Recommendations 20 and 21 from VAWG's memo regarding PBR Recommendations and Referrals to LATF.	5/21/2019
32	101	2019-07	VM-31 Section 3.C.3.j	Recommendation #11 from VAWG's memo regarding PBR Recommendations and Referrals to LATF. The new post-level term language relates to VAWG recommendation #17.	5/9/2019
33	103	2019-08	VM-31 Section 3.C.3.i.	Recommendation #14 from VAWG's memo regarding the PBR Recommendations and Referrals to LATF.	4/4/2019
34	105	2019-09	VM-31 Section 3.C.6.i	Recommendation #22 from VAWG's 10/24/18 memo regarding PBR Recommendations and Referrals to LATF.	4/4/2019
35	107	2019-10	VM-20 Section 8.D.2 and VM-31 Section 3.C.10.c	Recommendation #28 from VAWG's 10/24/2018 memo regarding PBR Recommendations and Referrals to LATF. It also provides clarity in VM-20 Section 8.D.2.	4/4/2019
36	109	2019-11	VM-20 Sec 9.D.3.e, 9.D.6 and VM-31 Sec 3.C.4	Clarify requirements for documentation of A/E ratios and testing sufficiency of lapse margins	5/9/2019
37	114	2019-12	VM-01 and VM-20 Section 7.D.7	Revise PIMR language	4/4/2019
38	116	2019-13	Guidance Note following VM-20 Section 6.A.2.a	Guidance Note to Clarify SERT Numerator	4/4/2019
39	119	2019-14	VM-31 Section 3.B.3 and VM-G Section 1.E	Additional governance documentation	5/21/2019
40	121	2019-15	VM-31 Section 3.C.11	Recommendations #18, #29, #30 and third consideration in recommendation #5 from VAWG memo	4/4/2019
41	125	2019-16	VM-20 Sec. 9.C.3.c.ii, 9.C.4.b.ii, 9.C.6 and VM-31 Sec. 3.C.3.k, 3.C.3.c.ii	Recommendations #35 and #36 from VAWG memo	5/2/2019
42	134	2019-18	VM-20 Section 9.G.8.b	Make VM-20 consistent with VM-21 as to revenue-sharing rules.	5/2/2019

Attachment Number	Page Number	LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
43	136	2019-19	VM-20 Section 9.E.1.b	Clarify Guidance Note about expense spreading.	5/9/2019
44	138	2019-21	VM-20 Section 9.C.3.g	Specify date associated with 2008 VBT Table	5/9/2019
45	140	2019-22	VM-20 Section 9.D	Need for limiting modeling of option elections to those that could contain an element of anti-selection.	5/9/2019
46	142	2019-23	VM-31 Sec. 3.C.1, 3.C.3, VM-20 9.B.1/9.C.2.e	Recommendation #6, #7 and part of #4 of VAWG memo	5/21/2019
47	147	2019-25	VM-31 Sec. 3.C.3.h	Recommendation #12 and part of #34 of VAWG memo	5/2/2019
48	149	2019-26	VM-01	Revisions to VM-01	6/20/2019
49	160	2019-27	VM-21	Revisions to VM-21	6/20/2019
50	291	2019-28	VM-31	Revisions to VM-31	6/20/2019
51	332	2019-29	VM-20 Sec. 6.A.1.b	CDHS and Stochastic Exclusion	6/4/2019
52	334	2019-31	Section 2.D	Revision to the Life PBR Exemption	6/25/2019
53	336	2019-32	VM-20 Section 2.C	Allocation of the DR/SR Excess as Appropriate	5/9/2019
54	337	2019-35	VM-31 Section 3.C.8.a	Clarification of whether a reinsurance agreement involves a captive	5/9/2019
55	339	2019-36	Section II	Clarify Section II Reserve Requirements for Deposit Type Contracts	6/20/2019
56	341	2019-37	VM-G	VM-G requirements when exclusion tests are passed	5/14/2019

Attachment Number	Page Number	LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
57	347	2019-38	VM-02 Sec 5E	Revert to 2001 CSO for GI business	5/30/2019
58	349	2019-39	VM-20 Sec 8.C	Interim solution of YRT Reinsurance Treatment	6/20/2019
59	353	2019-43	VM-20 Section 2.A and 3.D	Addresses VAWG Recommendation #32	5/21/2019
60	356	2019-44	VM-31 Section 3.B	Addresses VAWG Recommendation #3 and #4	5/21/2019
61	360	2019-46	VM-50 Sec 3.B.6 VM51 Sec 2.D	Experience reporting Agent Trigger	6/20/2019
62	365	2019-52	Intro, VM-01, VM-20, VM-31	Addresses VAWG Recommendation #5	5/30/2019
63	371	2019-53	VM-20 Sec 9.C.2.g & 9.C.6.c	Clarify the language related to smoothing	6/4/2019
64	374	2019-54	VM-31 Section 3.C.12	Addresses VAWG Recommendation #2	6/4/2019
65	376	2019-55	VM-20 Sec 7.L	Delete a CHDS criterion that was moved to VM-01	6/20/2019

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2020 RELEASE OF THE *MARKET REGULATION HANDBOOK*

The following items represent all revisions adopted by the NAIC in 2019, which are incorporated into the 2020 release of the NAIC *Market Regulation Handbook.*

New regulator guidance relating to the following was incorporated into the *Market Regulation Handbook*:

- Mental health parity (MHPAEA) examination questions/standards and guidance (Chapter 24B—Conducting the MHPAEA Related Examination);
- MHPAEA analysis data collection tool (Chapter 24B—Conducting the MHPAEA Related Examination; and
- Insurance data security post-breach checklist (Addendum A to Operations/Management Examination Standard #17 in Chapter 20—General Examination Standards).

New regulator guidance relating to the following was incorporated into the online reference documents of the *Market Regulation Handbook*:

- Insurance data security pre-breach checklist; and
- Five new stand alone personal lines standardized data requests,* addressing:
    - Private Passenger Auto in force policies;
    - Private Passenger Auto claims;
    - Homeowners in force policies;
    - Homeowners claims; and
    - Personal lines declinations.

    *The combined NAIC Property and Casualty Personal Lines Standardized Data Request, Revised 2006 is replaced by the above-referenced new personal lines-related standardized data requests.

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