



# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

## Indiana Department of Insurance

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**To:** The Honorable Rodric Bray, Chairman, and members of the Legislative Council,  
The Honorable Martin Carbaugh, Chairman, and members of the House Financial Institutions and Insurance Committee, and  
The Honorable Andy Zay, Chairman, and members of the Senate Insurance and Financial Institutions Committee

**From:** Amy L. Beard, Commissioner of the Indiana Department of Insurance

**Date:** October 29<sup>th</sup>, 2021

**RE:** Annual Report of Amendments to National Association of Insurance Commissioners Documents Incorporated by Reference Under Title 27 of the Indiana Code

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/doi/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 31<sup>st</sup>, 2020:**

(E) Committee Memos: Fall 2020, Spring 2021, and Summer 2021

Accounting Practices and Procedures Manual

Financial Condition Examiners Handbook

Financial Analysis Handbook

Annual Statement Instructions and Related Material

Purposes and Procedures Manual

Risk-Based Capital Instructions

Own Risk and Solvency Assessment Guidance Manual

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
317-232-2389

COMPANY COMPLIANCE  
317-232-3495

CONSUMER SERVICES  
317-232-2395/1-800-622-4461

FINANCIAL SERVICES  
317-232-2390

MEDICAL MALPRACTICE  
317-232-2402

COMPANY RECORDS  
317-232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-452-4800

Interpretation of the Statutory Accounting Principles Working Group (SAPWG)

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

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

INT 20-10 – Reporting Nonconforming Credit Tenant Loans

November 2020 SAPWG Update

May 2021 SAPWG Update

August 2021 SAPWG Update

(A) Committee Changes

Valuation Manual

(D) Committee Changes

Market Regulation Handbook

## *Action Taken During 2020 Virtual Fall National Meeting*

Date Released to Executive (EX) Committee and Plenary Members:  
Objections Due from Executive (EX) Committee and Plenary Members:

Dec. 14, 2020  
Dec. 24, 2020

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

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

- Adopted the following nonsubstantive revisions to statutory accounting guidance:
  - *Statement of Statutory Accounting Principles (SSAP) No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments*: Revisions require disclosure of cash equivalents that remain on the same reporting schedule for more than one consecutive reporting period. (Ref #2020-20)
  - *SSAP No. 5R—Liabilities, Contingencies and Impairment of Assets*: Removed redundant paragraph references. (Ref #2020-25EP)
  - *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*: Revisions allow leasehold improvements to have lives that match the associated lease term, which agrees with U.S. generally accepted accounting principles (GAAP) in Accounting Standards Codification (ASC) Topic 842 – Leases. (Ref #2020-23)
  - *SSAP No. 37—Mortgage Loans*: Revisions clarify a participant’s required financial rights in a mortgage loan participation agreement, which are reported as mortgage loans. (Ref #2020-19)
  - *SSAP No. 43R—Loan-Backed and Structured Securities*: Revisions update the financial modeling guidance/mapping instructions for residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS) to ensure consistency with guidance recently adopted in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual). (Ref #2020-21)
  - *SSAP No. 62R—Property and Casualty Reinsurance*: Added a table that lists the questions addressed in Exhibit A – Implementation Questions and Answers. (Ref #2020-25EP)
  - *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*:
    - Revisions update guidance, descriptive language, and the delivery process of completed subsidiary, controlled and affiliated (SCA) reviews for both domestic regulators and financial statement filers. The change in delivery of SCA review documents will occur on Jan. 1, 2021. (Ref #2020-17)
    - Revisions delete a previously superseded wording indicating that guarantees or commitments result in a negative equity valuation of the SCA and clarify language in Exhibit C, question 7. (Ref #2020-18)
  - *Appendix B—Interpretations of Statutory Accounting Principles*:
    - Extended the effective dates of three accounting interpretations (INTs) through the third-quarter 2020 financial statements, and confirmed expiration on Dec. 30, 2020, so they are not in effect for year-end 2020:
      - INT 20-02: Extension of 90-Day Rule for the Impact of COVID-19. Provides an optional extension of the 90-day rule before nonadmitting premium receivables and receivables from non-government uninsured plans.
      - INT 20-04: Mortgage Loan Impairment Assessment Due to COVID-19. Provides limited time exceptions to defer impairment assessments for bank loans, mortgage loans and investments that predominantly hold underlying mortgage loans affected by COVID-19 forbearance or modifications.
      - INT 20-05: Investment Income Due and Accrued. This Provides an exception for the nonadmittance of recorded investment income due and accrued that becomes more than 90 days past due.

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

- Adopted revisions to the following sections of the *Financial Condition Examiners Handbook*:
  - Section 1-5: Reinsurance Review to incorporate concepts from recently revised *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786).
  - Reserves/Claims Handling – Life, Reserves/Claims Handling – Health, and Reserves/Claims Handling – Property/Casualty (P/C) examination repositories as part of the annual repository maintenance to ensure appropriate and relevant risks and procedures are included. Minor related updates were made to Section 1-6: Life Insurance Reserves Review for consistency purposes.
  - Section 1-6: Life Insurance Reserves Review, Reserves/Claims Handling – Life and Underwriting exam repositories, and Exhibit Y – Examination Interviews to incorporate consideration of long-term care insurance (LTCI).
  - Exhibit M – Corporate Governance and to the Reserves/Claims Handling P/C exam repository to incorporate feedback from the Actuarial Opinion (C) Working Group and the Casualty Actuarial and Statistical (C) Task Force regarding the definition of “qualified actuary” per the P/C Statement of Actuarial Opinion.
  - Section I-II (D) to adopt a 1% increase in the examiner’s daily rate compensation guidance.
  - Section 1-11, Exhibit M – Corporate Governance and Exhibit AA – Summary Review Memorandum to incorporate updates related to the review and utilization of the Own Risk and Solvency Assessment (ORSA) summary reports as part of a financial condition examination.
  - Exhibit C, Part One – Information Technology (IT) Planning Questionnaire, to include cyber self-assessments as a possible document to obtain during IT planning.

## **3. *Financial Analysis Handbook Changes and Related Items***

- Adopted amendments to the *Financial Analysis Handbook* including guidance and procedures for LTCI, risk retention groups (RRGs), non-troubled insurers and separate accounts; actuarial review considerations for P/C reserves; and revised guidance and review templates for analysis of ORSA summary reports.
- Adopted revisions to Life Insurance Regulatory Information System (IRIS) for ratio 10 (Change in Product Mix) to reflect annual statement changes.

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

- None.

## **5. *Annual Statement Instructions Changes and Related Items***

- Removed actuarial filing questions 29, 30, 31 and 32 from the Supplemental Exhibits and Schedules Interrogatories and removed the related instructions. (2020-24BWG)
- Added a new Column 5 to the annual and quarterly health blank for Schedule T with instructions to specifically capture the Children’s Health Insurance Program (CHIP) premium. Existing columns after the new Column 5 will be renumbered. (2020-25BWG)
- Added a new Column 5 to Schedule DB, Part D, Section 1 and renumbered the remaining columns. Added instruction for the new Column 5, added the column reference to Column 7 and adjusted other column references in crosschecks. Corrected column references for this schedule on the Liability Page, Asset Page and Schedule DB Verification. Modified instruction language for the disclosure Note 8A(8). (2020-26BWG)
- Added a new category line to Schedule E, Part 2 for Qualified Cash Pools Under SSAP No. 2R and renumbered the remaining category lines. Added a new disclosure 5R to the Notes to Financial Statements. (2020-27BWG)
- Modified the instructions and illustration for Note 3A – Business Combinations and Goodwill, Statutory Purchase Method and a new Note 3E for “Subcomponents and Calculations of Adjusted Surplus and Total Admitted Goodwill.” Modified the blank and instructions for Schedule D, Part 6, Section 1 and Section 2. (2020-22BWG)

## **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:

- Instructions for exchange-traded funds (ETFs) that contain a combination of preferred stocks and bonds for possible inclusion on the Securities Valuation Office (SVO)-Identified Preferred Stock ETF list.
- Guidance on initial and subsequent annual filings, methodologies and documentation.

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

- Adopted edits to delete the federal Affordable Care Act (ACA) fee sensitivity test from all three formulas for 2021.
- Adopted edits to add a MAX function to line 17 of the health RBC forecasting formula for 2021.
- Adopted edits to renumber the health RBC forecasting due to the insertion of the bond designation expansion for 2021.
- Adopted the 2020 Catastrophe Event List.

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

- Adopted edits to include the corporate governance annual disclosure (CGAD) to the primary application checklist.
- Adopted revisions to the notary section of the Biographical Affidavit (Form 11) effective Jan. 1, 2021.

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

- None.

**10. *Receiver's Handbook for Insurance Company Insolvencies* and Related Items**

- Adopted amendments that address qualified financial contracts (QFCs).
- Adopted amendments that address administration of large deductible workers' compensation policies in receivership, subject to the NAIC's adoption of a new model Guideline for Administration of Large Deductible Policies in Receivership. The guideline will be considered for adoption by the NAIC at the 2021 Spring National Meeting.

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

- Adopted revisions to the Uniform Application Checklist for Certified Reinsurers and a new Uniform Checklist for Reciprocal Jurisdiction Reinsurers as adopted by the Reinsurance (E) Task Force on June 9.

**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.

## Action Taken During 2021 Spring National Meeting

Date Released to Executive (EX) Committee and Plenary Members:

April 15, 2021

Objections Due from Executive (EX) Committee and Plenary Members:

April 26, 2021

The following technical items were adopted by the Financial Condition (E) Committee during the 2021 Spring National Meeting:

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

- Adopted the following nonsubstantive revisions to statutory accounting guidance:
  - *Statement of Statutory Accounting Principles (SSAP) No. 5R—Liabilities, Contingencies and Impairments of Assets, SSAP No. 72—Surplus and Quasi-Reorganizations, and SSAP No. 86—Derivatives: Revisions reject Accounting Standards Update (ASU) 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* for statutory accounting. (Ref #2020-41)
  - *SSAP No. 25—Affiliates and Other Related Parties: Revisions clarify that an ownership greater than 10% in a reporting entity results in a related party designation, regardless of any disclaimer of control or affiliation. Additionally, the agenda item requires disclosure of such instances and identification of an insurer’s ultimate controlling party, as requested by the Group Solvency Issues (E) Working Group.* (Ref #2019-34)
  - *SSAP No. 26R—Bonds:*
    - Revisions clarify that perpetual bonds are within the scope of SSAP No. 26R, and they are subject to the yield-to-worst concept. Additionally, perpetual bonds that possess a future call date will retain bond accounting—i.e., accounted for at amortized cost. However, if a perpetual bond does not possess a future call date, fair value accounting is required regardless of NAIC designation. (Ref #2020-22)
    - Revisions expand the current called bond disclosures to also include bonds terminated early through a tender offer. (Ref #2020-32)
  - *SSAP No. 32R—Preferred Stock and SSAP No. 86: Revisions direct that publicly traded preferred stock warrants are in the scope of SSAP No. 32R, and they shall be reported at fair value.* (Ref #2020-33)
  - *SSAP No. 43R—Loan-Backed and Structured Securities: Revisions incorporate minor scope modifications to reflect recent changes to the Federal Home Loan Mortgage Corporation (Freddie Mac) Structured Agency Credit Risk (STACR) and Federal National Mortgage Association (Fannie Mae) Connecticut Avenue Securities (CAS) programs, which allow credit risk transfer securities from these programs to remain in the scope of SSAP No. 43R when issued through a real estate mortgage investment conduit (REMIC) structure.* (Ref #2020-34)
- Appendix B—Interpretations (INTs) of Statutory Accounting Principles:
  - *Extended INT 20-03: Troubled Debt Restructuring Due to COVID-19 and INT 20-07: Troubled Debt Restructuring for Certain Debt Instruments Due to COVID-19* through Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.
  - *INT 20-10: Reporting Nonconforming Credit Tenant Loans (CTLs):* This INT allows nonconforming CTLs to continue to be reported on Schedule D Part 1 – Long-Term Bonds if filed with the NAIC Securities Valuation Office (SVO) by Feb. 15, 2021. The provisions within this INT and the ability to continue reporting nonconforming CTLs on Schedule D Part 1 with an SVO-assigned NAIC designation are limited time exceptions that extend only to Oct. 1, 2021.
  - *INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms:* This INT provides a 60-day extension from the 90-day rule for uncollected premium balances, bills receivable, and amounts due from agents and for policies directly affected by the noted events. This INT expired Feb. 28, 2021.

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

- *Appendix D—Nonapplicable GAAP Pronouncements:* Revisions reject ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as not applicable for statutory accounting. (Ref #2020-42)
- *Appendix F—Policy Statements:* Revisions to the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles* clarify the existing process regarding the Working Group’s issuance and adoption of accounting interpretations. (Ref #2020-39)
- *Preamble:* Revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state: 1) shall be reflected in the financial statements filed with the NAIC; and 2) are the financial statements subject to independent audit requirements. (Ref #2020-40)

### **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***

- Added a Health Care Receivables Supplement, Exhibit 3 and 3A, to the Life\Fraternal Annual Statement and added guidance to the Exhibit 3A of the Health Annual Statement. (2020-32BWG)
- Modified Annual Statement Lines (ASLs) on the property/casualty (P/C) Underwriting and Investment (U&I) Exhibits, Exhibit of Premiums and Losses and Insurance Expense Exhibit (IEE) as well as health ASL categories for consistency. (2020-33BWG)
- Added definitions to the P/C blank for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans products to the appropriate line of business categories in the appendix. (2020-34BWG)
- Expanded the number of characters used from seven to 10 in the investment line categories for the investment schedules. Added line categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds. Split the line categories for Mutual Funds, Investment Unit Trusts and Closed-End Funds into lines indicating if designation was assigned by the SVO. Made changes to Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Section 1 and Section 2) to reflect the additional line categories. (2020-35BWG)
- Modified the General Schedules Investment Instructions and Schedule DB General Instructions to reflect treatment of publicly traded stock warrants as being in the scope of *SSAP No. 30R—Unaffiliated Common Stock* or *SSAP No. 32R* and reporting as common and preferred stock (SAPWG 2020-33). (2020-36BWG)
- Added a Schedule Y, Part 3 to capture all entities with ownership greater than 10%, the ultimate controlling parties of those owners and other entities that the ultimate controlling party controls (SAPWG 2020-34). (2020-37BWG)
- Added columns to the Accident and Health Policy Experience Exhibit, removed lines distinguishing between with and without contract reserves, added new product lines, and eliminated the summary tables. Added state reporting to be required with the annual 2022 filing. (2020-38BWG)

### **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:
  - Updated the financial modeling instructions for residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS) for non-legacy securities and mappings to NAIC designation categories.
  - Updated the list of NAIC credit rating providers (CRPs) to reflect nationally recognized statistical ratings organization (NRSRO) changes.

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

*Financial Condition (E) Committee Technical Changes*

- Adopted edits to the bond structure for the health and property and casualty RBC.
- Adopted edit for clarification to PR027 interrogatories.
- Adopted edits to remove operational risk factor from Rcat.

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

- Adopted edits to its 2021 charges to disband the Biographical Third-Party Review (E) Subgroup.

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

- None

**10. *Receiver's 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 (RRG) Regulatory Tools and Related Items***

- None

**15. *Group Capital Calculation Instructions and Template***

- None



## ***Action Taken During 2021 Summer National Meeting***

Date Released to Executive (EX) Committee and Plenary Members:  
Objections Due from Executive (EX) Committee and Plenary Members:

Aug. 26, 2021  
Sept. 7, 2021

The following technical items were adopted by the Financial Condition (E) Committee during the 2021 Summer National Meeting:

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

- Adopted the following nonsubstantive revisions to statutory accounting guidance:
  - *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds*: Revisions reject *Accounting Standards Update (ASU) 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs* for statutory accounting. (Ref #2021-02)
  - *SSAP No. 47—Uninsured Plans*: Revisions reject *ASU 2021-02, Franchisors – Revenue from Contracts with Customers* for statutory accounting. (Ref #2021-08)
  - *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Revisions incorporate disclosure elements and a data-capture template for where an entity has transferred assets but retains economic interest within the reporting entity, its related parties, or another member within the holding company group. (Ref #2021-03)
  - Adopted agenda items supporting disaggregated product identifiers to be used for each separate account product reported in the general interrogatories. This adoption does not result in statutory revisions, but it is reflected in blanks proposal 2021-03BWG. (Ref #2020-37 and Ref #2020-38)
  - Appendix B—Interpretations of Statutory Accounting Principles:
    - *Interpretation (INT) 20-01: ASU 2020-04 – Reference Rate Reform*: This interpretation provides optional guidance, allowing for the continuation of certain existing hedge relationships and thus does not require hedge dedesignation for derivative instruments affected by changes to interest/reference rates due to reference rate reform. (Ref #2021-01)
    - *INT 21-01: Accounting for Cryptocurrencies*: This interpretation clarifies that directly held cryptocurrencies neither meet the definition of cash in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* nor when directly held meet the definition of an admitted asset per *SSAP No. 4—Assets and Nonadmitted Assets*. (Ref #2021-05)
  - Appendix D—Nonapplicable GAAP Pronouncements: Revisions reject *ASU 2020-11, Financial Services – Insurance: Effective Date and Early Application* as not applicable for statutory accounting. (Ref #2021-07)
  - Adopted editorial revisions (Ref #2021-06EP) to *SSAP No. 53—Property Casualty Contracts—Premiums*, *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, and the *SSAP Glossary*.

### **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***

- Adopted changes to the guidance in Section 11 of the Implementation Guide to facilitate the collection of additional information on the external audit firm’s lead engagement partner through the “Communication of Internal Control Related Matters Noted in an Audit” filing each year.

### **5. *Annual Statement Instructions Changes and Related Items***

- Adopted change to remove language in quarterly General Interrogatories Part 1, line 4.1 that requires filing of a quarterly merger/history form. The annual form is still required (2021-10BWG).
- Adopted Health Actuarial Statement of Opinion Guidance for the 2021 reporting year.

#### **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:
  - Incorporated requirements for the filing of private rating letter rationale reports with the Securities Valuation Office (SVO) beginning Jan. 1, 2022. The amendment includes provisions for deferring and waiving the submission for private letter rating securities in certain situations.
  - Added additional instructions for the review of funds to clarify fund leverage and the use of derivatives.
  - Incorporated provisions to permit securities that are credit tenant loan (CTL)-like and ground lease financing (GLF)-like transactions to use NAIC credit rating provider (CRP) ratings through the filing exemption (FE) process if they are structured as securities.
  - Updated guidance to conform to the Statutory Accounting Principles (E) Working Group's adopted change to *SSAP No. 105R—Working Capital Finance Investments*.

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

- Adopted a number of factor and instruction changes for the RBC formulas:
  - Underwriting risk for investment income.
  - Receivables for securities factors.
  - Health bond factors.
  - Real estate factors.
  - Life bond factors.
  - Longevity risk factors and instructions.
  - Credit risk instructions modification.
  - Underwriting risk line 1 factors.
  - Property/casualty (P/C) bond factors.
  - Edits to the underwriting risk for investment income adjustment.

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

- Adopted the Primary Application forms and instructions.
- Adopted the Redomestication application forms and instructions.
- Adopted edits to the Form A review in the *Company Licensing Best Practices Handbook*.

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

- None

#### **10. *Receiver's Handbook for Insurance Company Insolvencies and Related Items***

- None

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

- Adopted revisions to incorporate provisions for terminating the status of a qualified jurisdiction or reciprocal jurisdiction and to create a passporting process for reciprocal jurisdiction reinsurers.

#### **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

**15. Group Capital Calculation (GCC) Instructions and Template**

- Adopted a revised template for use in the 2021 GCC trial implementation, including changes to gather data on a stress scenario.
- Adopted clarifying edits to the GCC instructions that will be used for the 2021 GCC trial implementation.

## 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; January 6, 2021

#### 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](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 effects 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 COVID-19 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. On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021*, which slightly modified and extended the original CARES Act as shown below:

#### 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~~ **January 1, 2022** 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 **including an insurance company** 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 **under United States Generally Accepted Accounting Principles.**

(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 **including an insurance company** shall defer to the determination of the financial institution, **including an insurance company**, to make a suspension under this section.

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

(1) financial institutions, **including insurance companies**, 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 Statutory Accounting Principles (E) 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. **Original Effective Date:** 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.

11. Extension of Effective Date: On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021*, which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 6, 2021, the provisions in this INT were tentatively extended to be applicable through the earlier of January 1, 2022 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 terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT and will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

**INT 20-03 Status**

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

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## Interpretation of the Statutory Accounting Principles Working Group

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

#### INT 20-07 Dates Discussed

Email: Vote to Expose May 5, 2020; May 20, 2020; January 6, 2021

#### INT 20-07 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 20-07 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 20-07 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 does not result in an extension of the maturity of the debt by more than three years.

13. 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**

14. 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 20-07 Consensus**

15. The Working Group reached a 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.

16. 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 does not result in an extension of the maturity of the debt by more than three years.

17. 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.

18. 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.

- b. Modifications in response to COVID-19 that exceed the practical expedient of a 10% shortfall in contractual cash flows permitted in this interpretation that were assessed and deemed insignificant under paragraph 10 of SSAP No. 36 shall not be considered an exchange of debt instruments with substantially different terms under SSAP No. 103, paragraph 22. (Under SSAP No. 103, an exchange of debt instruments (in a nontroubled debt situation) is accomplished with debt instruments that are substantially different if the present value of cash flows under the terms of the new instruments is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument.) Reporting entities shall work with auditors and regulators with the application of paragraph 10 of SSAP No. 36 to confirm that a change in contractual cash flows in excess of 10% qualifies as insignificant.

19. 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.

20. **Original Effective Date:** 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. For clarity, this effective timeframe specifies when modifications in response to COVID-19 can be incorporated using the provisions of this interpretation. Once incorporated, the provisions of this interpretation will continue for the duration of the modification.

21. **Extension of Effective Date:** On December 27, 2020, President Trump signed into law the *Consolidated Appropriations Act, 2021*, which slightly modified and extended the original CARES Act. These modifications included extending the provisions for temporary relief from troubled debt restructurings. Accordingly, on January 6, 2021, the provisions in this INT were tentatively extended to be applicable through the earlier of January 1, 2022 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 terminates. With this extension, this INT's effective date corresponds with the current effective dates of the CARES Act. Unless the outbreak under the National Emergencies Act terminates, this INT and will automatically expire on January 2, 2022 (to include year-end 2021 financial statements reporting).

### **INT 20-07 Status**

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

### **Application of the INT 20-07 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. 26R Debt Security**

- A. Insurer modifies a debt instrument captured in scope of SSAP No. 26R 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 11% shortfall of the contractual amount due.
- B. At the time of the restructuring, fair value has dropped below amortized cost.
- C. 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 3 - Application of INT 20-07**

1. As this modification results with a 11% shortfall in the contractual amount due, 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. If the change is assessed as insignificant, although the change in cash flows exceeds 10%, the instrument does not need to be assessed as an exchange of debt instruments pursuant to SSAP No. 103R, paragraph 22. 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 of SSAP No. 36, 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 20-10: Reporting Nonconforming Credit Tenant Loans

#### INT 20-10 Dates Discussed

Evote to Expose November 18, 2020; December 18, 2020; Evote to Adopt December 28, 2020

#### INT 20-04 References

*SSAP No. 43R—Loan-Backed and Structured Securities*

*NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Purposes and Procedures Manual of the Investment Analysis Office*

#### INT 20-10 Issue

1. During the Statutory Accounting Principles (E) Working Group meeting on November 12, 2020, the Working Group discussed and deferred final decision on inconsistencies in the reporting of “nonconforming” credit tenant loans (CTLs) currently reported on Schedule D-1 and directed reporting exceptions for year-end 2020. Due to subsequent questions, this interpretation has been issued to detail the provisions provided and clarify the reporting of CTLs in the year-end 2020 statutory financial statements.

#### INT 20-10 Discussion

2. As detailed in agenda item 2020-24, some reporting entities have reported CTLs that do not qualify as “conforming” CTLs per the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) on Schedule D-1: Long-Term Bonds. CTLs that do not qualify under the P&P Manual structural requirements are noted as “nonconforming” CTLs. During the November 12 discussion, the Working Group deferred final guidance on the reporting of nonconforming CTLs. This deferral was supported as the Working Group has a separate project to assess investments that are captured on Schedule D-1. With this project, it was identified that it would be undesirable to require an investment that is currently being reported on Schedule D-1 to be moved to a different schedule if there was potential for that investment to subsequently qualify for Schedule D-1.

3. Although the Working Group deferred final conclusion on the reporting of nonconforming CTLs, it was identified that the long-standing guidance detailed in the P&P Manual only permits CTLs that met certain structural criteria, which is verified by the SVO, to be reported on Schedule D-1. Under this existing guidance, these conforming CTLs are also prohibited from using CRP ratings in determining NAIC designation but are required to utilize SVO-assigned NAIC designations obtained after the SVO verifies compliance with the structural elements. As such, to ensure that nonconforming CTLs are not provided more favorable provisions than conforming CTLs that meet structural requirements, the Working Group confirmed that only CTLs that are filed with the NAIC SVO by February 15, 2021, shall be reported on Schedule D-1. Key aspects noted in this direction:

- a. This direction is a limited-time exception to the *NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Purposes and Procedures Manual of the Investment Analysis Office* and shall not be inferred to other investments. Pursuant to the noted Policy Statement, obtaining an NAIC designation does not change an investment’s applicable SSAP, annual or quarterly statement reporting schedule, or override other SSAP guidance required for the investment to be an admitted asset. Although nonconforming CTLs will be permitted to be reported on Schedule D-1 when filed with the SVO for future receipt of an SVO-assigned NAIC designation (even without meeting structural requirements), this is strictly a limited-time exception

- to prevent reporting schedule changes while a larger project on the scope of Schedule D-1 is considered.
- b. The requirement to file the nonconforming CTL for an SVO-assigned NAIC designation for Schedule D-1 applies to all investments that represent credit tenant loans. It is not permissible for a reporting entity to classify an investment, which meets the characteristics of a credit tenant loan, as a different type of investment (for example, as a form of leased-backed security) for purposes of reporting the investment on Schedule D-1 without filing for an SVO-assigned NAIC designation.
  - c. The Working Group direction intends to only address nonconforming CTLs that have previously been reported on Schedule D-1 although they did not comply with the requirements of the P&P Manual. This direction is not intended to require, or permit, nonconforming CTLs that have been previously reported as mortgage loans (on Schedule B – Mortgage Loans) or as other invested assets (on Schedule BA – Other Long-Term Invested Assets) to be moved to a different reporting schedule. Nonconforming CTLs that have previously been reported on Schedule B or BA shall remain on that reporting schedule for the duration of this INT.

### INT 20-10 Consensus

4. The Working Group reached a consensus to provide a limited time exception allowing nonconforming CTLs to continue to be reported on Schedule D-1 for year-end 2020 provided they have filed for an SVO-assigned NAIC designation. With the issuance of this interpretation, the Working Group confirmed the provisions and limitations detailed in paragraph 3, and summarized the resulting provisions below:
  - a. CTLs that qualify per the provisions of the P&P Manual are considered to be “conforming” CTLs and shall be reported on Schedule D-1 with the NAIC designation obtained from the SVO.
  - b. CTLs that do not qualify per the provisions of the P&P Manual to be “conforming” CTLs shall follow the accounting and reporting provisions detailed in the following subparagraphs. These CTLs are noted as “nonconforming CTLs.”
    - i. Nonconforming CTLs that have previously been reported on Schedule D-1 may continue to be reported on Schedule D-1 for year-end 2020 if they have filed for an SVO-assigned NAIC designation. This provision only requires that an entity file the security with the SVO by February 15, 2021, not that the entity receive the SVO-assigned designation prior to submitting their 2020 annual statutory financial statements. If an entity does not file the security with the SVO by February 15, 2021, the investment shall be reported on Schedule BA. If reporting on Schedule BA, these CTLs shall not be reported with a credit-rating provider (CRP) determined NAIC designation. For nonconforming CTLs that have been filed with the SVO and retained on Schedule D-1, the reporting entity is required to disclose the total amount of nonconforming CTLs reported on Schedule D-1 on Note 1 as if it were a permitted practice. The reporting entity shall complete the permitted practice disclosures required by *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*, with two separate entries that detail the nonconforming CTLs that were reported on D-1 on one line, and the nonconforming CTLs that were not reported on Schedule BA on a separate line within this disclosure. (These lines will likely net to a zero impact to statutory surplus; therefore, the separate line reporting is required.)
    - ii. Nonconforming CTLs that have been previously reported on a different reporting schedule (e.g., Schedule B or Schedule BA) shall remain on the prior reporting schedule. There is no requirement for reporting entities to pursue SVO-assigned designations for these CTLs or disclose these nonconforming CTLs in Note 1. Furthermore, reporting entities that have previously reported nonconforming CTLs on Schedule D-1 that do not want to file with

the SVO or that do not want to disclose in Note 1 pursuant to paragraph 4.b.i. are permitted to reclassify these CTLs to Schedule B or Schedule BA without NAIC designations.

5. The exceptions granted in this interpretation are applicable for the year-end 2020 statutory financial statement only. Nonconforming CTLs that have been filed with the SVO and are reported on Schedule D-1 shall continue the Note 1 reporting for each 2021 quarterly financial statement until an SVO-assigned designation is received. The provisions within this INT, and the ability to continue reporting nonconforming CTLs on Schedule D-1 with an SVO-assigned NAIC designation, are limited time exceptions that extend only to October 1, 2021. The exceptions provided in this INT shall not be interpreted to indicate the likely conclusion of the Working Group in determining the appropriate reporting schedule for nonconforming CTLs. All reporting entities shall be prepared to make adjustments to comply with the reporting schedule utilized for nonconforming CTLs upon final conclusion by the Working Group.

#### **INT 20-10 Status**

6. On November 18, 2020, the Statutory Accounting Principles (E) Working Group exposed this interpretation to provide a limited-time exception on the reporting of nonconforming CTLs. On December 18, 2020, the Working Group exposed revisions to this interpretation to allow continued D-1 reporting of nonconforming CTLs if they are filed with the SVO by February 15, 2021. With this provision, nonconforming CTLs reported on Schedule D-1 that have not received an SVO-assigned designation shall be disclosed in Note 1 as if a permitted practice. On December 28, 2020, the Working Group finalized action, via evote, to adopt the interpretation exposed December 18, 2020.

7. No further discussion is planned.

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**Revisions to the  
As of March 2020, Accounting Practices and Procedures Manual**

On **November 12, 2020**, the Statutory Accounting Principles (E) Working Group adopted the following revisions to the *As of March 2020 Accounting Practices and Procedures Manual*. Documents associated with these revisions are linked to the reference numbers in bold text below.

Ref #	SSAP/Appendix	Title	Summary
<b>2020-17</b>	SSAP No. 97  <b>Sub 1</b>  <b>Sub 2</b>	Updating the SCA Review Process  <i>Nonsubstantive</i>  Effective Immediately (Nov. 12, 2020)  Delivery of SCA Documents - Effective Jan. 1, 2021	Revisions updated 1) the descriptive language regarding the SCA review and 2) the communication process of completed SCA reviews for both domestic regulators and financial statement filers. The change in delivery of SCA review documents will occur on Jan. 1, 2021.
<b>2020-18</b>	SSAP No. 97	SSAP No. 97 Update  <i>Nonsubstantive</i>  Effective Immediately (Nov. 12, 2020)	Revisions remove a superseded statement that guarantees or commitments from the insurance reporting entity to the SCA could result in a negative equity valuation of the SCA. The Working Group also directed NAIC staff to draft a separate agenda item to review if some of the provisions (i.e. potential negative valuation) of SSAP No. 97, paragraph 9 (requiring limited statutory basis of accounting adjustments) should no longer apply to 8.b.iv. (foreign insurance SCA) entities.
<b>2020-19</b>	SSAP No. 37	Clarification Edits - Mortgage Loan Participations  <i>Nonsubstantive</i>  Effective Immediately (Nov. 12, 2020)	Revisions clarify that a participant's financial rights and obligations for a participating loan are not required to extend beyond the attachment of cashflows.
<b>2020-20</b>	SSAP No. 2R	Disclosure of Rolled Cash Equivalent Investments  <i>Nonsubstantive</i>  Effective Immediately (Nov. 12, 2020)	Revisions expand current "rolled" short-term investments disclosures to include certain rolled cash equivalent investments.
<b>2020-21</b>	SSAP No. 43R	Designation Categories for RMBS/CMBS Investments  <i>Nonsubstantive</i>  Effective Immediately (Nov. 12, 2020)	Revisions reflect the recently updated final designation guidance for RMBS/CMBS securities recently adopted by the Valuation of Securities (E) Task Force in the P&P manual.

<b>Ref #</b>	<b>SSAP/Appendix</b>	<b>Title</b>	<b>Summary</b>
<b>2020-23</b>	SSAP No. 19 SSAP No. 73	Update to Leasehold Improvements <i>Nonsubstantive</i> Effective Immediately (Nov. 12, 2020)	Revisions update the amortization guidance for leasehold improvements. The updated language will allow leasehold improvements to have lives that match the associated lease term, which agrees with U.S. GAAP in ASC Topic 842.
<b>2020-25EP</b>	SSAP No. 5R SSAP No. 62R	Editorial Revisions <i>Nonsubstantive</i> Effective Immediately (Nov. 12, 2020)	Revisions remove redundant paragraph references in SSAP No. 5R and add a table that lists the questions addressed in SSAP No. 62R Exhibit A - Implementation Questions and Answers.

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**Revisions to the  
As of March 2021, Accounting Practices and Procedures Manual**

On **May 20, 2021**, the Statutory Accounting Principles (E) Working Group adopted the following revisions to the *As of March 2021 Accounting Practices and Procedures Manual*. Documents associated with these revisions are linked to the reference numbers in bold text below.

Ref #	SSAP/ Appendix	Title	Summary
<a href="#">2020-37</a>	SSAP No. 56	Separate Account Product Mix  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Adopted the agenda item recommendation which supports adoption of blanks proposal 2021-03BWG by the Blanks (E) Working Group. This agenda item does not result in statutory accounting revisions.
<a href="#">2020-38</a>	SSAP No. 56	Pension Risk Transfer Disclosure  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Adopted the agenda item recommendation which supports adoption of blanks proposal 2021-03BWG by the Blanks (E) Working Group. This agenda item does not result in statutory accounting revisions.
<a href="#">2021-01</a>	SSAP No. 86  <a href="#">INT 20-01</a>	<i>ASU 2021-01, Reference Rate Reform</i>  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Revisions provide temporary (optional) expedient and exception interpretative guidance, with an expiration date of Dec. 31, 2022. These optional expedients expand the current INT and clarify that derivative instruments affected by changes to the interest rates used for discounting, margining or contract price alignment as a result of reference rate reform will be in scope of INT 20-01. This exception will allow for continuation of the existing hedge relationship and thus not require hedge dedesignation. This INT is all-encompassing for “any hedging relationships” and captures all hedging transaction types within the scope of the interpretation, regardless of if the transaction occurred bilaterally or through a central clearing party.
<a href="#">2021-02</a>	SSAP No. 26R	<i>ASU 2020-08, Premium Amortization on Callable Debt Securities</i>  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Revisions reject ASU 2020-08 for statutory accounting.



<b>Ref #</b>	<b>SSAP/ Appendix</b>	<b>Title</b>	<b>Summary</b>
<b>2021-03</b>	SSAP No. 103R	SSAP No. 103R – Disclosures  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Revisions incorporate additional disclosure elements and a data-capture template for certain disclosures in SSAP No. 103R. The disclosures and data-capture template will assist state insurance regulators in their assessment of situations where an entity has transferred assets but economic interest is retained by the reporting entity, its related parties or another member within the holding company group.
<b>2021-05</b>	SSAP No. 2R  <b>INT 21-01</b>	Accounting for Cryptocurrencies  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	The INT clarifies that directly held cryptocurrencies do not meet the definition of cash in <i>SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments</i> nor, when directly held, meet the definition of an admitted asset per <i>SSAP No. 4—Assets and Nonadmitted Assets</i> .
<b>2021-06EP</b>	SSAP No. 53  SSAP No. 97  SSAP Glossary	Editorial Updates  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Adopted editorial revisions to <i>SSAP No. 53—Property Casualty Contracts—Premiums</i> , <i>SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities</i> and the SSAP Glossary.
<b>2021-07</b>	Appendix D	<i>ASU 2020-11, Financial Services – Insurance: Effective Date</i>  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Revisions reject ASU 2020-11 as not applicable for statutory accounting.
<b>2021-08</b>	SSAP No. 47	<i>ASU 2021-02, Franchisors Revenue from Contracts with Customers</i>  <i>Nonsubstantive</i>  Effective Immediately (May 20, 2021)	Revisions reject ASU 2021-02 for statutory accounting.

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**Revisions to the  
As of March 2021, Accounting Practices and Procedures Manual**

On **August 26, 2021**, the Statutory Accounting Principles (E) Working Group adopted the following revisions to the *As of March 2021 Accounting Practices and Procedures Manual*. Documents associated with these revisions are linked to the reference numbers in bold text below.

Ref #	SSAP/ Appendix	Title	Summary
<b>2021-04</b>	SSAP No. 48 SSAP No. 97	Valuation of Foreign Insurance SCAs  <i>Nonsubstantive</i>  Effective Immediately (August 26, 2021)	Revisions in SSAP No. 48 clarify that the equity method valuation referenced in SSAP No. 97 can result in a negative equity valuation regardless of if the investment is supported by an audit.  Revisions in SSAP No. 97 direct that when applying the “limited statutory accounting adjustments” (SSAP No. 97, paragraph 9) to foreign insurance SCAs (SSAP No. 97, paragraph 8.b.iv. entities), the resultant equity value shall stop at zero (and thus not be subject to negative equity valuations) in cases where the foreign insurance subsidiary is not providing services to, or holding assets on behalf of, U.S. insurers.
<b>2021-10</b>	SSAP No. 32R	Clarification of “Effective Call Price”  <i>Nonsubstantive</i>  Effective Immediately (August 26, 2021)	Revisions clarify that the “effective call price” valuation limitation, for all instruments within scope of the standard, shall only apply if the call is currently exercisable by the issuer or if the issuer has announced that the instrument will be redeemed/called.

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Attachment Number	Page Number	LATF VM Amendment	Valuation Manual Reference	Valuation Manual Amendment Proposal Descriptions	LATF Adoption Date
1	1	2019-58	Section A.1	Clarify that prescribed templates are subject to the VM governance requirements for substantive changes	5/21/20
2	3	2019-60	VM-20 Section 9.C.5.a, 9.C.7.b.ii	VM-20 restriction on using different credibility methods for significantly different blocks of business	2/6/20
3	7	2019-61	Section II, Subsection 1.D.3	The Life PBR Exemption restriction is intended to apply to ULSG with material secondary guarantees regardless of whether the secondary guarantee is an embedded guarantee or is a separate rider.	2/6/20
4	9	2019-62	VM-20 Sec 9.C.4 and VM-31 Sec 3.B.3, Sec 3.D.1.d, Sec 3.D.3, Sec 3.D.4 and Sec 3.D.8.a	Reserving for additional risk arising from term conversions	2/27/20
5	13	2020-05	VM-20 3.C.4	Clarify that the NPR assumes continuous deaths and immediate payment of claims, and does not apply to surrenders	6/11/20
6	14	2020-06	VM-20 Section 9.F.8.d., VM-31 Section 3.D.6	Guidance for replacement of LIBOR in swap spread determination	6/25/20
7	18	2020-07	VM-02 Section 3.A	Remove 4% Floor from Life Standard Nonforfeiture Rate	6/25/20

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## 2021 RELEASE OF THE *MARKET REGULATION HANDBOOK*

The following items represent all revisions adopted by the NAIC in 2020, which are incorporated into the 2021 release of the NAIC *Market Regulation Handbook*.

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

- A new Limited Long-Term Care examination standards chapter (Chapter 26A—Conducting the Limited Long-Term Care Examination); and
- A new Property/Casualty Travel Insurance examination standards chapter (Chapter 21A—Conducting the Property and Casualty Travel Insurance Examination).

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

- Five new stand alone standardized data requests, addressing:
  - Workers' Compensation in force policies;
  - Farmowners in force policies;
  - Farmowners claims;
  - Inland Marine in force policies; and
  - Inland Marine claims.