



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: March 24, 2022

RE: Report of Amendments to National Association of Insurance Commissioners Documents Incorporated by Reference under Title 27 of the Indiana Code.

The Indiana Department of Insurance submits this report of amendments to National Association of Insurance Commissioners (NAIC) documents that are incorporated by reference under Title 27 of the Indiana Code in accordance with the reporting requirements under IC §27-1-1.5-1(b).

Amendments to the following documents were adopted by the NAIC Financial Condition (E) Committee after an open hearing and comment period:

- Accounting Practices and Procedures Manual
- Financial Condition Examiners Handbook
- Financial Analysis Handbook
- Annual Statement Instructions
- Purposes and Procedures Manual of the NAIC Investment Analysis Office
- NAIC Risk-Based Capital Instructions

The Department submits this report prior to implementing the below amendments in the regulation of the business of insurance in Indiana.

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

Action Taken During 2021 Fall National Meeting

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

Dec. 21, 2021

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

Jan. 3, 2022

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

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

- Adopted the following substantive revisions to statutory accounting guidance:
 - *Issue Paper No. 165—Levelized Commissions* to document the discussion that led to the adoption of nonsubstantive revisions to *Statement of Statutory Accounting Principles (SSAP) No. 71—Policy Acquisition Costs and Commissions* from agenda item 2019-24: Levelized and Persistency Commission. (Ref #2019-24)
- Adopted the following nonsubstantive revisions to statutory accounting guidance:
 - *SSAP No. 32R—Preferred Stock*:
 - Revisions clarify that historical cost is not a permitted valuation method. (Ref #2021-17)
 - Revisions clarify that the “effective call price” valuation ceiling shall apply when the issuer has announced that the instrument will be called, or the call is currently exercisable by the issuer. (Ref #2021-10)
 - *SSAP No. 43R—Loan-Backed and Structured Securities*:
 - Revisions capture Securities Valuation Office (SVO)-identified credit tenant loans (CTLs) in scope and removed examples of securities from a non-scope paragraph. (Ref #2021-11)
 - Revisions direct that residual equity tranches shall be reported on Schedule BA: Other-Long Term Invested Assets for year-end 2022 reporting. However, for entities currently reporting on Schedule D-1, early application (reclassification) is permitted. In addition, the Working Group provided a joint memorandum with the Valuation of Securities (E) Task Force to the Blanks (E) Working Group to clarify that a self-assigned NAIC 5GI is not permitted for residual tranches, and such items reported on Schedule D-1 for year-end 2021 are required to be reported with an NAIC 6 designation. (Ref #2021-15)
 - *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Revisions clarify that the required adjustments directed in SSAP No. 97, paragraph 9, may result in a negative equity valuation. Revisions also clarify that foreign insurance subsidiary, controlled and affiliated (SCA) entities, when applying paragraph 9 adjustments, may stop at zero if the entity does not provide services or hold assets on behalf of a U.S. based reporting entity. (Ref #2021-04)
 - *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*: Revisions clarify that salvage and subrogation estimates and recoveries should be reported as a reduction to both claims/losses and loss adjustment expenses (LAEs), as appropriate. (Ref #2021-13)
 - *NAIC Policy Statement on Maintenance of Statutory Accounting Principles: Revisions*, in response to a referral received from the Financial Condition (E) Committee, adopted modification to the terms “substantive” and “nonsubstantive.” Effective Jan. 1, 2022, substantive modifications will be identified as a “new SAP concept,” while nonsubstantive modifications will be an “SAP clarification.” (Ref #2021-14)
- Adopted an agenda item supporting supplemental reporting of Federal Home Loan Bank (FHLB) borrowings classified as a deposit-type contract and reported on Exhibit 7 – Deposit-Type Contracts. (Ref #2021-16)
- Adopted the following editorial revisions (Ref #2021-19EP and (Ref #2021-12EP):
 - Preamble: Incorporates a paragraph number for the existing statutory hierarchy section.
 - *SSAP No. 16R—Electronic Data Processing Equipment and Software*: Correct various paragraph references.

Financial Condition (E) Committee Technical Changes

- *SSAP No. 21R—Other Admitted Assets*: Updates improve the readability of paragraph 9 regarding receivables for securities.
- *SSAP No. 43R*: Remove outdated references to guidance previously deleted.
- *Appendix A-001*: Updates designation codes for preferred stock as noted in Section 2 of *Appendix A-001: Investments of Reporting Entities*.
- *Appendix C*: Updates reference to the former Emerging Actuarial Issues (E) Working Group, as well as adds reference to the Valuation Analysis (E) Working Group’s use of included interpretations.
- *Appendix C-2*: Updates reference to the former Emerging Actuarial Issues (E) Working Group, as well as adds reference to the Valuation Analysis (E) Working Group’s use of included interpretations.
- *Appendix B—Interpretations (INTs) of Statutory Accounting Principles*:
 - *Adopted INT 21-02: Extension of the Ninety-Day Rule for the Impact of Hurricane Ida*: This INT provides temporary options to the “90-day rule” in *SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers* for policies affected by Hurricane Ida. The INT automatically nullifies Jan. 24, 2022. (Ref #2021-13)
 - *Nullified INT 20-10: Reporting Nonconforming Credit Tenant Loans*. (Ref #2021-11)

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

- Adopted revisions to the following sections of the *Financial Condition Examiners Handbook*:
 - *Reserves/Claims Handling – Life, Reserves/Claims Handling – Health, Reserves/Claims Handling – Property/Casualty (P/C) and Underwriting examination repositories* to incorporate additional procedures for evaluating the completeness and accuracy of data.
 - *Section 1-1 (D): Coordination of Holding Company Group Exams* to simplify and clarify the roles and responsibilities of states that are, or could be, involved in a coordinated examination.
 - *Section 1-3 (A): General Information Technology Review, Exhibit C, Part One – IT Planning Questionnaire (ITPQ), and Exhibit C, Part Two – IT Work Program and Instructional Notes* to incorporate guidance for evaluating the accessibility and transferability of policyholder data, if warranted, during the information technology (IT) review of a financial condition examination.
 - *Section 1-3 (A): General Information Technology Review, and Exhibit C, Part Two – IT Work Program* to incorporate high-level guidance for evaluating an insurer’s cyber hygiene and susceptibility to ransomware attacks.
 - *Developed the Cybersecurity Vulnerability Response Plan* document available on the Information Technology (IT) Examination (E) Working Group web page, which provides guidance for investigating emerging cyber vulnerabilities in the period between full scope examinations, when appropriate.
 - *Section 1-2 (D): Salary and Per Diem Guidelines and Section 1-2 (E): General Salary Guidelines* to include updated salary ranges and legacy daily rates for various financial examination positions adopted by the Risk-Focused Surveillance (E) Working Group.

3. *Financial Analysis Handbook Changes and Related Items*

- Updated salary ranges for various financial analyst positions adopted by the Risk-Focused Surveillance (E) Working Group
- Adopted guidance and procedures for lead state analysis of liquidity stress testing (LST) filings.
- Adopted guidance and procedures for lead state analysis of group capital calculation (GCC) filings.
- Adopted updates to guidance and procedures for analysis of P/C credit risk and reserves; life captive reinsurance transactions; and quarterly non-troubled assessment of risk retention groups (RRGs).

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

- None

5. Annual Statement Instructions Changes and Related Items

- Adopted change to expand the number of lines of business reported on Schedule H to match the lines of business reported on the health statement. Modify the instructions so they will be uniform between life/fraternal and property (2021-14BWG).

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

- Adopted the following amendments to the P&P Manual:
 - Added the U.S. International Development Finance Corporation (DFC) to the “U.S. Government Full Faith and Credit – Filing Exempt” list.
 - Added Spanish generally accepted accounting principles (GAAP) to the list of Countries and Associated National Financial Presentation Standards after a technical procedural assessment.
 - Added back zero-loss criteria for legacy-modeled residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).
 - Removed residual tranches from receiving an NAIC designation.
 - Added clarifications to the 5GI mapping to NAIC designation category.

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

- Adopted the 2021 Catastrophe Event List.

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

- Adopted the Request for Disclaimer

9. NAIC Own Risk and Solvency Assessment 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

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

- None

14. Troubled Insurance Company Handbook Changes and Related Items

- None

15. Risk Retention Group Regulatory Tools and Related Items

- None

16. Group Capital Calculation Instructions and Template

- None