



GAIN COMPLIANCE

Statutory Reporting & Accounting Update: Life/Fraternal

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Agenda

- 2025 Statement Reporting/Accounting
- 2025 Risk-Based Capital (RBC)
- Other Accounting Updates
- Investment Analysis Office
- Valuation of Securities Task Force Reorganization
- Blanks Working Group Update



2025 Reporting/Accounting

Good News!!

- ▶ It's all FREE* this year
 - ▶ *Accounting Practices and Procedures Manual*
 - ▶ And it is a searchable PDF!
 - ▶ *Annual Statement Blanks*
 - ▶ *Annual Statement Instructions*
 - ▶ *RBC Forecasting and Instructions*
 - ▶ Just released November 5, 2025
 - ▶ *2026 Quarterly Instructions and Blanks*
 - ▶ Just released November 5, 2025



Most 2025 Reporting Changes Result from the Bond Project (PBBD)

But Not All

All Statements

- ▶ Jurat Page
 - ▶ Information for company guaranty association assessment (electronic only)
 - ▶ Name, address, telephone number, email address
 - ▶ Person responsible for managing and paying assessments



General Interrogatories

► Question #31

31. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
31.1 Issuer Credit Obligations			
31.2 Asset-Backed Securities			
31.3 Preferred Stocks			
31.4 Totals			



Notes to Financials

- ▶ Many notes have instructional reference changes to accommodate new bond reporting categories and subcategories
- ▶ Some notes have new format splitting out ICOs and ABS
- ▶ **Note 5K** - Investments in tax credit structures (*SSAP No. 93*)
 - ▶ Nature of use, amount recognized, present balance, amortization, schedule of credits expected annually, commitment or contingent commitment, impairment
 - ▶ Disclosure of credits allocated from tax credit investments and unused as of reporting period moved to Note 21 (*SSAP No. 94 - State and Federal Tax Credits*)



Notes to Financials

▶ Note 5L - Restricted Assets

- ▶ Extensive new disclosure of assets held under modified coinsurance (modco) or funds withheld (FWH) reinsurance agreements
 - ▶ Both ceded and assumed assets
- ▶ From revisions to *SSAP No. 1*
- ▶ Includes ALL restricted assets reported on the financial statements
 - ▶ Including from SSAP No. 1, paragraphs 23.b and 23.c for a comparison to total assets
 - ▶ Consequently, may not tie to corresponding general interrogatories since items captured in paragraph 23.c require a corresponding liability and therefore are not captured in the general interrogatory nor as a noncontrolled asset in RBC
- ▶ All of 5L will be required Note for quarterly beginning 2026



Notes to Financials

► Note 5L(1) - Restricted Assets

Restricted Asset Category	Current Year						
	8 Total Nonadmitted Restricted	9 Total Admitted Restricted (5 minus 8)	Percentage		12	13	14
			10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)	<u>Amount Reported in General Interrogatories</u>	<u>Difference from Note and GI</u>	<u>GI Ref</u>

25.04+25.05
26.21
26.22
26.23
26.24
26.25
26.26

- Column 14 - NAIC provides the general interrogatory reference for each reporting line (where appropriate)
- New reporting lines

o. Collateral Assets Received and on Balance Sheet			
p. Assets held under <u>Modco</u> Reinsurance Agreements			
q. Assets held under Funds Withheld Reinsurance			

Excludes collateral under security lending & repurchase agreements reported on balance sheet

Notes to Financials

- ▶ Note 5L(1) - Restricted Assets
 - ▶ Explain differences between Note 5L(1) and the general interrogatories

<u>GI Reference</u>	<u>Difference between Note and GI</u> <u>(Per Column 12 above)</u>	<u>Explanation</u>
<u>25.04+25.05</u>		
<u>26.21</u>		
<u>26.22</u>		
<u>26.23</u>		
<u>26.24</u>		
<u>26.25</u>		
<u>26.26</u>		
<u>26.27</u>		
<u>26.28</u>		
<u>26.29</u>		
<u>26.31</u>		
<u>26.30</u>		
<u>26.32</u>		



Notes to Financials

- ▶ Note 5L(2) - Restricted Assets
 - ▶ Assets pledged as collateral not captured in other categories (excluding Modco/FWH)
 - ▶ Amounts pledged under derivative contracts to agree with Schedule DB

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							8 Total Current Year Admitted Restricted	Percentage	
	Current Year					6 Total From Prior Year	7 Increase/ (Decrease) (5 minus 6)		9 Gross (Admitted & Nonadmitt ed) Restricted to Total Assets	10 Admitted Restricted to Total Admitted Assets
	1 Total General Account (G/A)	2 G/A Supporting Protected Cell Account Activity (a)	3 Total Protected Cell Account Restricted Assets	4 Protected Cell Account Assets Supporting G/A Activity (b)	5 Total (1 plus 3)					
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Total (c)	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Amount of Total pledged under derivative contracts	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Total Excluding Derivative Collateral (Total minus Amt of Total pledged under derivative contracts)	\$	\$	\$	\$	\$	\$	\$	\$	XXX	XXX



Notes to Financials

Reflected as Assets within the Reporting Entity's Financial Statements

	1	2	3	4	5	6	7	8
Assets	BACV Collateral ***	BACV Modco ****	BACV FWH *****	Fair Value Collateral	Fair Value Modco	Fair Value FWH	% of BACV to Total Assets (Admitted and Nonadmitted) *	% of BACV to Total Admitted Assets **
General Account:								
a. Cash, Cash Equivalents and Short-Term Investments	\$	\$	\$	\$	\$	\$ % %
b. Schedule D, Part 1, Section 1 % %
c. Schedule D, Part 1, Section 2 % %
d. Schedule D, Part 2, Section 1 % %

Footnotes provide tie-ins to Assets page, Note 5L(1)

	9	10	11	12	13	14	15
Assets	Book/Adjusted Carrying Value (BACV)	Related Party Code					
	FWH Including Modco	1	2	3	4	5	6
General Account:							
a. Cash, Cash Equivalents and Short-Term Investments	\$	\$	\$	\$	\$	\$	\$
b. Schedule D, Part 1, Section 1
c. Schedule D, Part 1, Section 2
d. Schedule D, Part 2, Section 1
e. Schedule D, Part 2, Section 2

- ▶ Note 5L(4) - Restricted Assets
 - ▶ Collateral received and assets held under Modco/FWH reinsurance agreements reflected as assets within the reporting entity's financial Statements
 - ▶ Separate reporting for general / separate accts



Notes to Financials

► Note 5L(4) - Restricted Assets

	1	2
	Amount	% of Liability to Total Liabilities ^{*#}
<u>uy</u> . Recognized Obligation to Return Collateral Asset (General Account)	\$	%
<u>vz</u> . Recognized Obligation to Return Collateral Asset (Protected Cell)	\$	%
<u>aa</u> . Recognized Obligation for <u>Modco</u> assets (General Account)	\$	%
<u>bb</u> . Recognized Obligation for <u>Modco</u> assets (Protected Cell)	\$	%
<u>cc</u> . Recognized Obligation for FWH (excluding <u>Modco</u>) assets (General Account)	\$	%
<u>dd</u> . Recognized Obligation for FWH (excluding <u>Modco</u>) assets (Protected Cell)	\$	%

^{*#} uy + aa + cc = Column 1 divided by Liability Page, Line 26 (Column 1)

vz + bb + dd = Column 1 divided by Liability Page, Line 27 (Column 1)



Notes to Financials

▶ Note 5L(5) - Restricted Assets

- ▶ Assets held under Modco or FWH agreements also pledged for another purpose specific to the insurance reporting entity (not for the benefit of the reinsurer)

	Collateral Held	<u>Modco</u>	FWH
a. Securities Lending			
b. Repo / <u>repurchase</u> Agreements			
c. Placed under option contracts			
d. <u>On</u> deposit with states			
e. On deposit with other regulatory bodies			
f. Pledged as collateral to FHLB (including assets backing funding agreements			
g. Pledged as collateral not captured in other categories			
Total			



Notes to Financials

- ▶ **Note 8 - Derivatives**
 - ▶ Clarification of terminology used for derivative financing premium
 - ▶ Identify where cash flows associated with derivatives are reported in cash flow statement
- ▶ **Note 9B - Income Taxes**
 - ▶ Deletes cumulative temporary differences disclosure



Notes to Financials

► Note 11 - Debt

- New section 11C providing information for unused commitments for and lines of credit financing arrangements
 - Review carefully for definition of unused commitments and lines of credit

	Current Year		Prior Year	
	Unused Commitments	Unused Lines Of Credit	Unused Commitments	Unused Lines Of Credit
Short-Term (contracts terminating in 12 months or less)	\$	\$	\$	\$
Long-Term (contracts terminating in more than 12 months)	\$	\$	\$	\$
Total	\$	\$	\$	\$



Notes to Financials

- ▶ **Note 13K** - Surplus Notes
 - ▶ Slightly updated disclosure via revisions to *SSAP No. 41*
 - ▶ Only insurer-issued notes qualify as surplus notes
- ▶ **New definitions of surplus and capital notes** in *SSAP No. 41*
 - ▶ Definition of surplus note added, “that qualifies as a surplus note pursuant to *SSAP No. 41*”
 - ▶ Capital Notes - Held debt securities that do not qualify as issued surplus notes pursuant to *SSAP No. 41*, that are treated as regulatory capital by the issuer’s primary regulatory authority & do not qualify under the principles-based bond definition solely because interest can be cancelled in the event of financial stress in a non-resolution scenarios without triggering an event of default



Notes to Financials

- ▶ **Note #14A** - Contingent Commitments
 - ▶ Include any commitment to purchase tax credits (*SSAP No. 94*)
- ▶ **Note #21E** - State and Federal Tax Credits
 - ▶ Addition of unused tax credits disclosure & commitment or contingent commitment to purchase tax credits (*SSAPs No. 93 & 94*)
 - ▶ Partially data captured

Note 21E(1)- Carrying value of state & federal tax credits, disaggregated by transferable/certificated and non-transferable, gross of related tax liabilities by jurisdiction and in total

Description of State Transferable and Non-transferable Tax Credits	State Jurisdiction	Carry Value	Unused Amount



Notes to Financials

- ▶ **Note #21E - State and Federal Tax Credits (cont'd)**
 - (2) Total unused tax credits by jurisdiction, disaggregated by transferable / certificated and nontransferable

Note 21E(2)-Total unused tax credits by jurisdiction, disaggregated by transferable/certif and non-transferable

	State Abbreviation	Transferable/ Certificated	Nontransferable	Total
a. State				
b. Federal	XXX			
	XXX			

Note 21E(3)-Method of estimating utilization of remaining state and federal tax credits

Note 21E(4)-Amount of impairment loss (if any)



Notes to Financials

► Note #21E - State and Federal Tax Credits (cont'd)

Note 21E(5)- State and federal tax credits admitted and nonadmitted, disaggregated by transferable/certificated and non-transferable

	Total Admitted	Total <u>Nonadmitted</u>
a. State		
1. Transferrable		
2. Non-transferrable		
b. Federal		
1. Transferrable		
<u>2.</u> Non-transferrable		



Notes to Financials

- ▶ **Note #28** - Health Care Receivables
 - ▶ Adds information on Medicare Part D Prescription Payment Plans
 - ▶ Amounts included in other health care receivables which are recoverable from participants in Medicare Part D Prescription Payment plan for the current reporting period \$_____
 - ▶ Aging of receivables

1	2	3	4	5	6	7	8
Name of Plan	Current Period Gross*	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
Medicare Prescription Payment Plan Recoverables

- ▶ Incurred claims expenses include write-offs of impaired Medicare Prescription Payment Plan receivables of \$_____ for (CY) and \$_____ for (PY).



Notes to Financials

- ▶ **Note #28** - Health Care Receivables
 - ▶ *INT 24-02T* contains accounting guidance for these plans
 - ▶ Recoverables accrued & reported as asset “health care and other amounts receivable”
 - ▶ Payment made to pharmacy and then billed to Plan participant
 - ▶ Payment to pharmacy is consider a claims expense, recoverable is a contra-claim expense
 - ▶ Recoverables are from Plan participants, NOT from pharmacy
 - ▶ Subject to 90-day overdue assessment, non admission & impairment analysis
 - ▶ Write-offs reported as claim expenses; different than CMS treatment
 - ▶ Administration expense of Plan **NOT** included in claim expenses, or claim adjustment expenses (CAE)



Investment Schedules

- ▶ Many, many editorial changes have been made since the original adoption of investment schedules revisions
 - ▶ EDITORIAL REVISIONS ARE **NOT** ALL NONSUBSTANTIVE
 - ▶ Review posted editorial changes carefully



Investment Schedules

- ▶ NAIC does not expect prior year information to be restated for new bond classifications
 - ▶ Some schedules are so marked, or instructions state, but NAIC may have missed something here or there
 - ▶ PBBD is prospective only --- not retrospective
 - ▶ Includes affected General Interrogatories and Notes to Financials
 - ▶ As far as NAIC concerned, also applies to audited financials


NAIC Designation	1 1 Year or Less				9 Total from Col. 7 Prior Year	10 % From Col. 8 Prior Year
6. Project Finance Bonds Issued by Operating Entities (Unaffiliated)						
6.1 NAIC 1.....	XXX	XXX
6.2 NAIC 2.....	XXX	XXX
6.3 NAIC 3.....	XXX	XXX
6.4 NAIC 4.....	XXX	XXX
6.5 NAIC 5.....	XXX	XXX
6.6 NAIC 6.....	XXX	XXX
6.7 Totals					XXX	XXX

Sch D - Pt1A now only
1 part with 55
sections

Columns not XXX'd out
in Section 53, PY bonds



Schedule D - Verification Between Years



	1 Total	2 Issuer Credit Obligations	3 Asset-Backed Securities	4 Preferred Stock	5 Common Stock
1. Book/adjusted carrying value, December 31 of prior year.....					
2. Cost of bonds and stocks acquired, Part 3, Column 6					
3. Accrual of discount.....					XXX
4. Unrealized valuation increase/(decrease)					
5.. Total gain (loss) on disposals, Part 4, Column 18					
6. Consideration for bonds and stocks disposed, Part 4, Column 6					
7. Amortization of premium					XXX
8. Total foreign exchange change in book/adjusted carrying value					
9. Current year's other-than-temporary impairment recognized					
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees, Note 5Q, Line 2					XXX
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9+10)					
12. Total <u>nonadmitted</u> amounts					
13. Statement value at end of current period (Line 11 minus Line 12).....					



Schedule D - Summary by Country

- ▶ No changes to the columns

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 <u>Actual</u> Cost	4 Par Value of Bonds
BONDS					
Issuer Credit Obligations					
Governments and Municipalities	1. United States .....	.....	.....	.....	.....
	2. Canada .....	.....	.....	.....	.....
	3. Other Countries .....	.....	.....	.....	.....
	4. Total	.....	.....	.....	.....
All Other Issuer Credit Obligations (unaffiliated)	5. United States .....	.....	.....	.....	.....
	6. Canada .....	.....	.....	.....	.....
	7. Other Countries .....	.....	.....	.....	.....
	8. Total	.....	.....	.....	.....
All Other Issuer Credit Obligations (affiliated)	9. Total	.....	.....	.....	.....
	10. Total Issuer Credit Obligations	.....	.....	.....	.....
Asset-Backed Securities					
Asset-Backed Securities (unaffiliated)	11. United States .....	.....	.....	.....	.....
	12. Canada .....	.....	.....	.....	.....
	13. Other Countries .....	.....	.....	.....	.....
	14. Total	.....	.....	.....	.....
Asset-Backed Securities (affiliated)	15. Total	.....	.....	.....	.....
	16. Total Asset-Backed Securities	.....	.....	.....	.....
	17. Total Bonds	.....	.....	.....	.....



Investment Schedules

- ▶ **LEI column** removed from all except Schedule DB
 - ▶ Also removed from General Interrogatory 17.6
- ▶ **Capital structure** column removed from D-1-1 and D-1-2
- ▶ **‘Restricted Code’** column replaces ‘Code’ column
- ▶ **Some columns moved** from the ‘printed’ schedule to the electronic only reporting
 - ▶ For example, the foreign code
 - ▶ Previous electronic column order rearranged



Investment Schedules

- ▶ Dates when transferring from Schedule D to Schedule BA
 - ▶ Disposal on Schedule D - Part 4 - 1/1/2025
 - ▶ Acquisition on Schedule BA - Part 2 - 1/1/2025
 - ▶ **HOWEVER**, Date of Original Acquisition column on Schedule BA - Part 1 should show the same date as was shown on Schedule D
- ▶ Cash Flow
 - ▶ Will need to disclose transfer from Schedule D to Schedule BA as non-cash transaction



Interest Income Due & Accrued

- ▶ Schedule D - Part 1
 - ▶ Report gross amount due - not just admitted amount
- ▶ Schedule DA - Part 1
 - ▶ Columnar heading changed to “Interest Income Due and Accrued December 31 of Current Year”
 - ▶ Report gross amount due - not just admitted amount
- ▶ Aggregate amount of due & accrued investment income from all schedules may no longer directly tie to asset page reporting



Investment Schedules

- ▶ Schedule D - Part 1 - Section 1 (ICOs)
 - ▶ Bonds Issued by Funds Representing Operating Entities
 - ▶ Replaces original category of Bonds Issued from SEC Registered Business Development Corps; Closed-End Funds & REITs
 - ▶ Editorial changes
 - ▶ Schedule D - Part 1 - Section 1 (ICOs)
 - ▶ Call Date
 - ▶ Call Date - Make Whole Call Provision
 - ▶ Now two separate columns



Investment Schedules

- ▶ Schedule D - Parts 3 & 4
 - ▶ Disposals and reacquisitions
 - ▶ Security sold to SPV or other entity and then reacquired from the SPV/entity where original security is combined with derivative or other components (such as a credit repack note) reported as disposal and acquisition
 - ▶ Clarification came from SSAP, but did not result an accounting revision



Investment Schedules

- ▶ **Schedule BA**
 - ▶ All Schedule BA categories now divided into unaffiliated & affiliated subcategories
 - ▶ New reporting for debt securities not qualifying as bonds
 - ▶ By reason not a bond
 - ▶ New reporting for Tax Credit Structures
 - ▶ Must now be reported on Schedule BA not Schedule D



Investment Schedules

- **Schedule BA heads up!**
 - Beginning 1/1/2026, expanded reporting for collateral loans
 - Includes expanded collateral loan reporting in AVR

Reviewing 2024 filing, NAIC found that insurers with loans that are not backed by qualifying collateral are admitting the collateral loan. This should only happen with a permitted or prescribed practice.



Investment Schedules

- ▶ Schedule BA RBC affects
 - ▶ Life RBC allows a “look-through” for some Schedule BA assets through AVR reporting
 - ▶ For example, Lines 22 through 28 - Other invested assets with underlying characteristics of bonds, are assigned bond factors for AVR and are pulled through accordingly to Life RBC
 - ▶ Schedule BA lines 0199999, 0299999, 0599999, 0699999, 0999999, 1099999, 1399999, 1499999



Investment Schedules

▶ Schedule E - Part 2

- ▶ Removed SVO Bond ETF lines and instructions
 - ▶ No longer to be included in this schedule
- ▶ Removed footnote regarding joint ventures and transportation equipment
 - ▶ No longer to be reported in this schedule



Cash Equivalents & Short-Term Investments

Under SSAP No. 2, following do **NOT** qualify regardless of maturity date at purchase

- ▶ Certificates of Deposit
- ▶ Certain related party or affiliated investments
- ▶ Derivative instruments
- ▶ Securities that are reset at predefined dates
- ▶ Mortgage loans captured under SSAP No. 37
- ▶ All asset-backed securities (ABS)
- ▶ All Schedule BA-type investments including
 - ▶ Working Capital Finance Notes
 - ▶ Surplus/Capital Notes
 - ▶ And more



Supplements

- ▶ Supplemental Health Care Exhibit

- ▶ Removal of ACA disclosure for transitional reinsurance and risk corridors program from Part 1
- ▶ New footnote for reporting premium deficiency reserves included in Part 2

(a) Column 13, Line 1.1 includes direct written premium of \$..... for stand-alone dental and \$..... for stand-alone vision policies

(b) Premium Deficiency Reserves included in Column 13, Line 2.19 \$.....

- ▶ Market Conduct Annual Statement Premium Exhibit

- ▶ Line added for reporting pet insurance
- ▶ According to NAIC many companies indicate lines of business that should file the MCAS statement but then do not file the MCAS



Life/Fraternal Statement

- ▶ Interest Maintenance Reserve (IMR)
 - ▶ Instruction reference changes for bond reporting
 - ▶ *Int 23-01* allowing negative IMR (renewed, **but amended**)
 - ▶ Extended through year-end 2026
 - ▶ Establishes additional current-period admittance limit
 - ▶ 10% limit applied to 'adjusted capital and surplus' reported in prior period financials
 - ▶ But also not more than 20% of the current period unadjusted capital and surplus
 - ▶ Companies admitting negative IMR **must** complete required Note disclosure
 - ▶ No disclosure, must nonadmit all negative IMR
 - ▶ Companies admitting IMR must capture admitted IMR in the PBR calculation or asset adequacy testing/cash flow testing
 - ▶ Definition of IMR added to *SSAP No. 7*
 - ▶ Deletion of hypothetical IMR



Negative IMR disclosure

Note 21J(1) Net negative (disallowed) IMR

Total	General Account*	Insulated Separate Account**	Non-Insulated Separate Account**
\$	\$	\$	\$

* General Account should equal IMR Exhibit line 6|

** Insulated & Non-insulated Separate Account should equal the total reported in IMR Exhibit line 6 for each type of separate account insulated/non-insulated

Note 21J(2) Negative (disallowed) IMR admitted

Total	General Account*	Insulated Separate Account**	Non-Insulated Separate Account**
\$	\$	\$	\$

* General Account should equal Assets Page write-in for line 25 for Admitted Disallowed IMR

** Insulated & Non-insulated Separate Account should equal the total reported in Assets Page write-in for line 15 for Admitted Disallowed IMR for each type of separate account (insulated/non-insulated)



Life/Fraternal

(3) Calculated adjusted capital and surplus

	Total
a. Prior Period General Account Capital & Surplus <u>From</u> Prior Period SAP Financials	\$
b. Net Positive Goodwill (admitted)	\$
c. EDP Equipment & Operating System Software (admitted)	\$
d. Net DTAs (admitted)	\$
e. Net Negative (disallowed) IMR (admitted)	\$
f. Adjusted Capital & Surplus (a-(b+c+d+e))	\$

(4) Percentage of adjusted capital and surplus

	Total
Percentage of Total Net Negative (disallowed) IMR admitted in General Account or recognized in Separate Account to adjusted capital and surplus	%



Life/Fraternal Statement

- ▶ **Asset Valuation Reserve (also separate accounts)**
 - ▶ Line 8 now indicates “Intentionally left blank”
 - ▶ Used to be “Total Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion”
 - ▶ New section for reporting of Tax Credit Structures as well as Surplus and Capital Notes
 - ▶ Several other changes to correspond to investment schedule revisions
 - ▶ For example, line for reporting Schedule DA mortgages was removed
 - ▶ Pay close attention to instructional changes; lots of changes for reporting Schedule BA assets
 - ▶ Remember, AVR reporting carries through to the Life RBC



Life/Fraternal Statement

- ▶ General Interrogatories
 - ▶ Previous #14 reporting total dividends paid to stockholders deleted
- ▶ Note 21J - Admitting Negative IMR
 - ▶ Instructional clarification emphasizing admittance limitations set in *INT 23-01*; numbers to be entered as positive; added crosschecks



Life/Fraternal Statement

▶ Note #35 - Separate Accounts

- ▶ New disclosure if company “early adopts” revisions to *SSAP No. 56* that are effective January 1, 2026
 - ▶ SSAP revisions provide guidelines for assets using a measurement value other than fair value (particularly “book-value separate accounts”) as well as transfers between separate and general accounts with IMR/AVR recognition
 - ▶ Companies will need to modify their separate account product “plans/memorandums of operations” with state of domicile
 - ▶ Effective 1/1/2026, with early adoption allowed; after January 1, 2026, companies will need to have an approved permitted or prescribed practice to use book-value measurement or a different approach for transfers and recognition of IMR/AVR outside of what is detailed in revisions



Life/Fraternal Statement

- ▶ State Page
 - ▶ Instructional clarifications for many columns
 - ▶ What lines of business to include/not include
 - ▶ Opens some columns for A&H that were originally XXX'd out
 - ▶ Adds footnote for reporting A&H Direct Premiums Earned by line of business
 - ▶ In August, added instruction indicating columns 14 & 15 apply only to life & annuity contracts



Life/Fraternal Statement

► New Schedule S - Part 8

- Asset supporting Modco and other reinsurance agreements
 - Both ceded and assumed assets; both general and separate accounts
 - Reported by asset type in the aggregate (six pages)
 - Will flow directly into amounts reported in Life/Fraternal RBC adjustments
 - May not tie to general interrogatory

		Ceded General Account Assets		Ceded Guaranteed Separate Account Assets		Total Ceded Assets		Assumed General Account Assets		Assumed Guaranteed Separate Account Assets		Total Assumed Assets	
		1	2	3	4	5	6	7	8	9	10	11	12
		FWH B/ACV	Modco B/ACV	FWH B/ACV	Modco B/ACV	FWH B/ACV Col 1+3	Modco B/ACV Col 2+4	FWH B/ACV	Modco B/ACV	FWH B/ACV	Modco B/ACV	FWH B/ACV Col 7+9	Modco B/ACV Col 8+10
	LONG-TERM BONDS												
1	Exempt Obligations.....												
2.1	NAIC Designation Category 1.A.....												
2.2	NAIC Designation Category 1.B.....												
2.3	NAIC Designation Category 1.C.....												
2.4	NAIC Designation Category 1.D.....												
2.5	NAIC Designation Category 1.E.....												
2.6	NAIC Designation Category 1.F.....												
2.7	NAIC Designation Category 1.G.....												
2.8	Subtotal NAIC 1 (2.1+2.2+2.3+2.4+2.5+2.6+2.7)												

2025 RBC



All RBC Formulas

- ▶ Many, many updated annual statement sources, format changes are few
- ▶ To accommodate new statement reporting for bonds, new Schedule BA reporting, new definition of cash equivalents and short-term investments



All RBC Formulas

► Updated health underwriting factors

TIERED RBC FACTORS*						
	Comprehensive (Hospital & Medical) - Individual & Group	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
\$0 - \$3 Million	0.1440	0.0987	0.1153	0.251	0.130	0.130
\$3 - \$25 Million	0.1440	0.0609	0.0716	0.251	0.130	0.130
Over \$25 Million	0.0844	0.0609	0.0716	0.151	0.130	0.130

■



All RBC Formulas

▶ Action Levels

- ▶ Company action level triggered because of trend test is now an action level
 - ▶ Requires company to prepare and submit an RBC Plan to the state of domicile

1	Company Action Level
2	Regulatory Action Level
3	Authorized Control Level
4	Mandatory Control Level
5	Company Action Level - Trend Test
0	None



LRBC Trend Test

- ▶ Companies with Total Adjusted Capital (TAC) ≥ 2.0 and < 3.0 times the Authorized Control Level trigger trend test
- ▶ Test looks for historical downward trend of RBC over current year, the prior year and the average of the last three years
- ▶ Company whose TAC after adjusting for the maximum annual margin decrease trending below 1.9 times current Authorized Control Level triggers Company Action Level



Life / Fraternal RBC Trend Test

Criteria for Applying Trend Test

(1) Authorized Control Level Risk-Based Capital

LR031 Calculation of Authorized Control Level
Risk-Based Capital Column (1) Line (75)

(2) Trend Test Safe Harbor

3.0 x Line (1)

(3) Total Adjusted Capital

LR033 Calculation of Total Adjusted Capital Line (13)

Trend Test Data

(4) First Prior Year Total Adjusted Capital

Five-Year Historical Data Page 22 Column 2 Line 30

(5) First Prior Year Authorized Control Level Risk-Based Capital

Five-Year Historical Data Page 22 Column 2 Line 31

(6) Third Prior Year Total Adjusted Capital

Five-Year Historical Data Page 22 Column 4 Line 30

(7) Third Prior Year Authorized Control Level Risk-Based Capital

Five-Year Historical Data Page 22 Column 4 Line 31

Trend Test Calculation (only if applicable†)

(8) Current Year Margin

Line (3) - Line (1)

(9) First Prior Year Margin

Line (4) - Line (5)

(10) Third Prior Year Margin

Line (6) - Line (7)

(11) Decrease in Margin from First Prior Year

Line (9) - Line (8) (use zero if negative)

(12) Decrease in Margin from Third Prior Year

Line (10) - Line (8) (use zero if negative)

(13) Average decrease in Last Three Years

1/3 of Line (12)

(14) Marginal Difference

Greater of Line (11) and Line (13)

(15) Total Adjusted Capital Less Margin Difference

Line (3) - Line (14)

(16) Level of Risk-Based Capital‡

1.9 x Line (1)

Tax Credit Structures

- ▶ Different reporting between Life/Fraternal, Property/Casualty & Health
 - ▶ Life/Fraternal - Real estate section LR007

Yield Guaranteed State Tax Credit Investments	Federal Guaranteed Low Income Housing Tax Credits	0.0014
Qualifying Federal Tax Credit Investments	Federal Non-Guaranteed Low Income Housing Tax Credits	0.0260
Qualifying State Tax Credit Investments	State Guaranteed Low Income Housing Tax Credits	0.0260
Other Tax Credit Investments	State Non-Guaranteed Low Income Housing Tax Credits	0.1500

Also changes to Asset
Concentration



Life / Fraternal RBC

- ▶ Page LR008 (Other Long-Term Assets) reorganized
 - ▶ Grouping of same risk components (C-1o vs. C1-cs) to facilitate proper Modco/FWH reinsurance agreements (next slide)



Life / Fraternal RBC

	Annual Statement Source	Carrying Value	Common Assets +	RBC Subtotal 1	Factor	Requirement
<u>Schedule BA - Unaffiliated Common Stock/ equity interests and Affiliated Non-Insurance Stock (C1-cs)</u>						
(42) Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line 65			X	\$	=
(43) Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line 66			X	0.3000	=
(44) Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69			X	0.3000	=
(45) Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92			X	0.4500	=
Total Schedule BA Unaffiliated Common Stock/ equity interests and						
(46) (44) Affiliated Non-Insurance Stock (C1-cs)	Line (42) + (43) + (44) + (45)					
(pre-MODCO/Funds Withheld)						
(47) (45) Reduction in RBC for MODCO Funds Withheld						
Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(48) (46) Increase in RBC for MODCO Funds Withheld						
Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
Total Schedule BA Unaffiliated Common Stock/ equity interests and						
(49) (47) Affiliated Non-Insurance Stock (C1-cs)	Lines (46) - (47) + (48) (44) - (46) + (46)					
(including MODCO/Funds Withheld.)						
<u>Schedule BA - All Other (C-1e)</u>						
(50.1) BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67					
(50.2) BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68					
(50.3) Total Schedule BA Affiliated Common Stock - C-1e	Line (50.1) + (50.2) (48.1) - (48.2)			X	0.3000	=
(49.1) BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69					
(49.2) Total Sch BA Affiliated Common Stock - C-1e	Line (49.1)			X	0.3000	=
(51) (50) Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 2999999 + Line 3099999, in part			X	0.0680	=
(61) Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92			X	0.4500	=
(52.1) NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 100			X	0.0050	=
(52.2) NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line 101			X	0.0163	=
(52.3) Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)					
(53.1) Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line 99 + 102					
(53.2) Less NAIC 1 & thru 6 Rated/Designated Surplus	Column (1) Lines (22) (23) through (27) + Column (1)					
Notes and Capital Notes	Lines (32) (23) through (37)					
(53.3) Net Other Schedule BA Assets	Line (53.1) less (53.2)			X	0.3000	=
(54) Total Schedule BA Assets C-1e	Lines (11) + (21) + (31) + (41) + (50.3) (48.3) + (51) (60) + (52.3) + (53.3)					



Life / Fraternal RBC

- ▶ **Updates to C2** - Life insurance indicates general interrogatories added in 2024 as annual statement sources
- ▶ **Reporting of Schedule BA assets in asset concentration**
 - ▶ With the new statement reporting, some assets were ending up with a RBC total charge of more than 45% because of asset concentration. Instructions needed to be clarified
 - ▶ Instructional changes needed adjustment for debt instruments moved to Schedule BA
 - ▶ Include invested assets with the underlying characteristics of bonds per AVR classifications
 - ▶ Using ‘look through,’ will receive same RBC factor as bonds



Life / Fraternal RBC

- ▶ **Asset Concentration instructional change**
 - ▶ Deletes reference to NAIC 1 Hybrids as they no longer exist
 - ▶ When determining 10 largest exposures, 'bond' category includes applicable Other Invested Assets with Underlying Characteristics of Bonds that are reported in lines 22 through 25 of the AVR Equity and Other Invested Asset Component table
 - ▶ Joint ventures, partnerships, limited liability and other fund structures are aggregated for consideration of inclusion



Ongoing RBC Projects

- ▶ Life / Fraternal RBC - already exposed for comment
 - ▶ Changes to the covariance calculation because of formula section correlations
 - ▶ Academy presentation exposed for comment through November 10
- ▶ C-3 Phase I instructions - proposed 200 scenarios
- ▶ C-3 Phase 2 updates
- ▶ Longevity C-2 factor development from longevity reinsurance exposure



Other Accounting Changes

ACCOUNTING



Accounting Updates

- ▶ Issue papers added to statutory hierarchy
 - ▶ Now on Level 5 of hierarchy
 - ▶ Mean issue papers only to be used if they do not conflict with other sources of statutory procedure (anything in higher levels)
 - ▶ Reason; issue papers are not normally revised if SSAP has modifications or revisions

Statutory Hierarchy

Level 1 - SSAPs
Concepts

Level 2 - Interpretations

Level 3 - A/S instructions & P&P manual

Level 4 - SAP Preamble & Statement of

Level 5 - Nonauthoritative GAAP & Issue Papers



Accounting Updates

- ▶ Consistency of residual tranches and residual security interests
 - ▶ Revisions to SSAP Nos. 26, 30, 32, 46, 48
 - ▶ Removes previous language in each SSAP and refers reader to SSAP No. 21 for accounting guidance and reporting
 - ▶ To be reported in Schedule BA

For example, SSAP No. 32 now states that investments in the form of preferred stock that are in substance residual interests or a residual security tranche fall under SSAP No. 21



Accounting Updates

▶ SSAP No. 86 - Derivatives

- ▶ Clarifying language regarding derivative financing premium
 - ▶ Terminology used was inconsistent
 - ▶ Companies to amortize derivative premiums over the life of the derivative contract
 - ▶ Derivative premium is not an “underlying” in a derivative contract, but cost of acquiring or writing a derivative contract
 - ▶ Should not be a component in determining realized losses at expiration
- ▶ Also resulted in revisions to annual statement instructions for Schedule DB
- ▶ More work to come



- ▶ Revisions to SSAP No. 61 and Appendix A-791 from Valuation Analysis Working Group referral regarding reinsurance risk transfer and reserve credit
 - ▶ Reinsurance treaties involving more than one type of reinsurance and having an interdependence of the types of reinsurance, must do risk analysis in the aggregate, not separately
 - ▶ For example, experience refunds based on the aggregate experience
 - ▶ Companies evaluating risk transfer separately have overstated reinsurance reserve credit
 - ▶ As adopted by SAPWG, effective year-end 2026 to all existing treaties
 - ▶ Adopted by SAPWG & APPTF, but delayed by Financial Conditions Committee
 - ▶ Financial Conditions Committee has released for comment through November 7 a new version



SAPWG - Exposed for Comment

- ▶ Investment Subsidiaries (annual statement reporting)
 - ▶ Statement proposal to remove separate reporting of in annual statement in Schedule D - Part 6 - Section 1
 - ▶ There is no concept of investment subsidiaries in *SSAP No. 97*
 - ▶ Remove “look through” approach for Asset Valuation Reserve (AVR)
 - ▶ Recommends removing references and “look through” approach from Life/Fraternal RBC



SAPWG - Exposed for Comment

- ▶ Sale-Leaseback transactions (*SSAP No. 22*)
 - ▶ Clarifies that cash received by insurer from sale do not qualify for sale-leaseback accounting if access is restricted
 - ▶ Would need to be accounted for by the seller using financing method
 - ▶ Will also develop transition guidance



SAPWG - Exposed for Comment

- ▶ Mortgage loans in statutory trusts (*SSAP No. 37*)
 - ▶ Allows residential mortgage loans, cash and cash equivalents, real estate in QUALIFIED statutory trusts to be reported as if directly held
 - ▶ Trust liabilities reported in accordance with *AP&P Manual*
 - ▶ Revenue and expenses as if directly held
 - ▶ Additional Note disclosure
- ▶ Retirement plan assets held at NAV to be included in fair value disclosure (Note 20)



SAPWG - Exposed for Comment

- ▶ *SSAP No. 101 - Income Taxes*
 - ▶ Would adopt certain revisions from *ASU 2019-12* and fully incorporating U.S. GAAP guidance from *APB No. 28*
- ▶ *SSAP Nos. 21, 26, 43*
 - ▶ Expansion of annual audited only disclosures
 - ▶ Expands reporting of non-bond debt securities by maturity date
 - ▶ More consistent reporting of impaired securities for all debt securities and residuals



SAPWG - Exposed for Comment

- ▶ A new SSAP for ALM (asset liability management) derivatives
- ▶ Private placement securities (expand - slide in Farm Bureau?)





Investment Analysis Office (IAO) (aka SVO, SSG)

Collateralized Loan Obligations (CLOs)

Modelling of CLOs being delayed (again) until
year-end 2026



P&P Manual Revisions

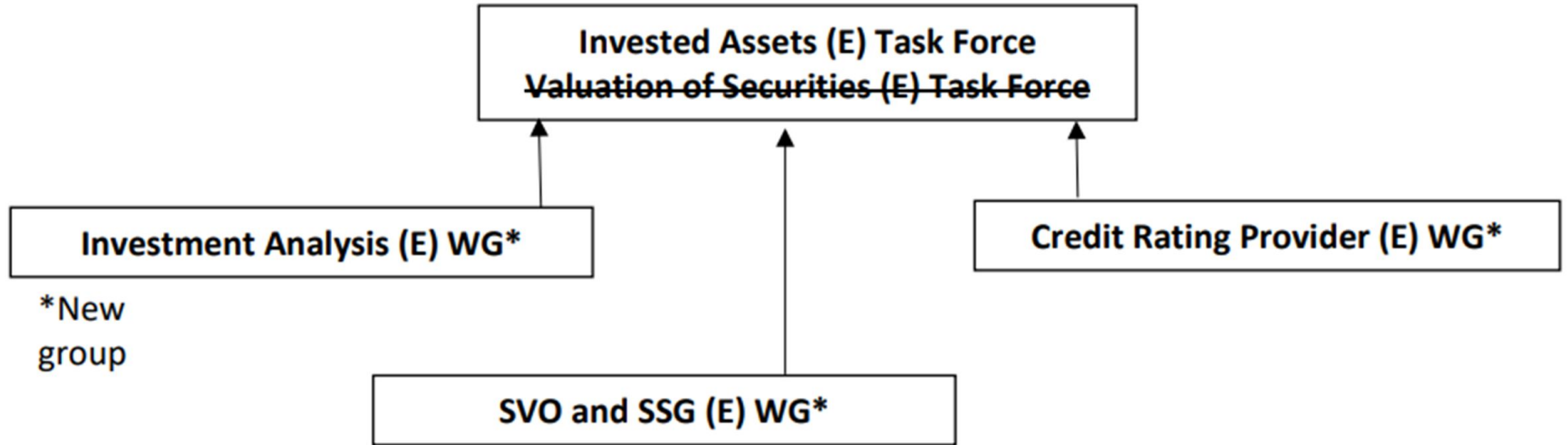
- ▶ Requirement to file private letter rationale reports within 90 days
- ▶ Requires private rating letter rationale reports to contain analytical substance
- ▶ Technical corrections caps on NAIC Designations of CRP-rated securities



Reorganization of the Valuation of Securities Task Force (VOSTF)



Reorganization of VOSTF



Reorganization of VOSTF

- ▶ Invested Assets Task Force
 - ▶ Commissioner level membership
 - ▶ Other groups to consist of deputy-level financial, actuarial, and investment regulatory expertise
 - ▶ Oversee other groups
 - ▶ Provide education to regulators on investment products
 - ▶ Understand new or evolving investment products



Reorganization of VOSTF

- ▶ Invested Analysis Working Group
 - ▶ Monitor risks associated with all types of invested assets
 - ▶ Analyze new or evolving investment products or new investment characteristics that could pose risks to insurers
 - ▶ Provide recommendations for policy changes
 - ▶ Develop best practice examples of supervisory plans that monitor complex investments
 - ▶ Oversee revised portfolio analysis product
 - ▶ Implementation of revised systems
 - ▶ Monitor information technology and data resources needs to ensure data can be retrieved efficiently and effectively



Reorganization of VOSTF

- ▶ Securities Valuation Office & Structured Securities Working Group
 - ▶ Very similar to what VOSTF has been doing
 - ▶ Review and monitor SVO and SSC
 - ▶ Maintain and revise *P&P Manual*
 - ▶ Identify improvement to the credit filing and designation processes
 - ▶ Recommend to Task Force scope of securities required to be filed with SVO and to be filed/modeled with SSG
 - ▶ Oversee private letter rating submissions and review
 - ▶ Provide periodic operational reports on categories of filings



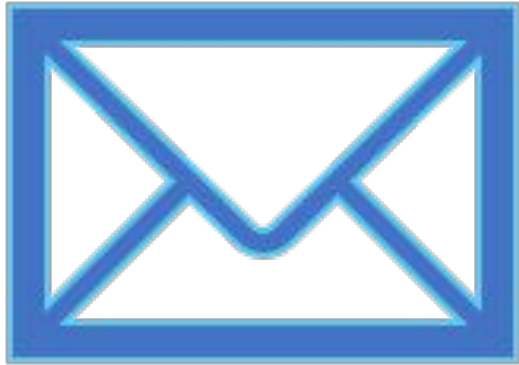
Reorganization of VOSTF

- ▶ Credit Rating Provider Working Group
 - ▶ To be staffed by 2 new dedicated staff members with credit rating analytical or quantitative backgrounds
 - ▶ Once developed implement CRP due diligence framework
 - ▶ PWC assisting in development of due diligence framework
 - ▶ Goal is to reduce “blind” reliance on CRPs
 - ▶ Will retain SVO ability to perform credit assessment where needed
 - ▶ Identify improvements to the filing exempt (FE) process



Blanks Working Group Meeting November 5





Any Questions?

You can find me at:

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THANK YOU!