

NAIC Summer 2024 Meeting Summary

Johnson Lambert LLP is dedicated to keeping you informed of changes adopted by the NAIC. In this edition, you'll find a summary of statutory accounting adoptions made by the Statutory Accounting Principles Working Group (SAPWG) during the Summer National Meeting that will impact statutory basis financial statements and the latest updates on activities of the Cybersecurity Work Group and the Climate and Resiliency Task Force.

Statutory Accounting Updates

Ref #	SSAP No	Title	Revision Description	Effective
2024-13	107	Update SSAP No. 107 Disclosures	Removes the transitional reinsurance program and risk corridor disclosure requirements and illustrations (Exhibit B) from SSAP No. 107 - <i>Risk-Sharing Provisions of the Affordable Care Act</i> as both programs have expired.	05.15.24
2022-12	25, 63, INT 03-02	Review of INT 03-02: Modification to an Existing Intercompany Pooling Arrangement	Transfers of assets and liabilities between affiliates in connection with modifying an intercompany pooling agreement should be valued at statutory book value for assets and statutory value for liabilities. When assets are transferred, disclose the statement value and fair value of assets received or transferred. Nullifies INT 03-02 – <i>Modification to an Existing Intercompany Pooling Arrangement</i> .	08.13.24

Ref #	SSAP No	Title	Revision Description	Effective
2023-26	15, 86	ASU 2023-06, Disclosure Improvements	<p>Adopts ASU – 2023-06, <i>Disclosure Improvements, Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative</i>, with modification to defer consideration of disclosures related to repurchase and reverse repurchase agreements.</p> <p>New disclosures for unused commitments and lines of credit, disaggregated by short-term and long-term:</p> <ul style="list-style-type: none"> • The amount and term of unused commitments for financing arrangements, • The amount and terms of unused lines of credit for financing arrangements, and • The amount of the line of credit that supports commercial paper borrowings or similar arrangements. <p>New disclosure for derivatives includes the accounting policy for where cash flows associated with derivative instruments are presented in the statement of cash flow.</p>	08.13.24
2024-02	19, 73	ASU 2023-01, Leases (Topic 842), Common Control Arrangements	<p>Adopts the leasehold improvement amortization guidance included in ASU 2023-01, <i>Leases (Topic 842), Common Control Arrangements</i>, for leases between entities under common control, with modification to reject the practical expedient for private companies and not-for-profit entities.</p>	08.13.24

Ref #	SSAP No	Title	Revision Description	Effective
2024-03	20, INT 21-01	ASU 2023-08, Accounting for Crypto Assets	Adopts the definition of crypto assets from ASU 2023-08, <i>Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60), Accounting For and Disclosure of Crypto Assets</i> , with modification for statutory accounting that directly-held crypto assets are nonadmitted assets. Nullifies INT 21-01 Accounting for Cryptocurrencies.	08.13.24
2024-14EP	Various	Editorial Revisions	Removes the “Revised” and “R” identifiers from SSAP titles and references within the accounting practices and procedures manual.	08.13.24
2019-21	Issue Paper No. 169	Principles-Based Bond Definition	Adopts Issue Paper No. 169, which documents the discussions and decisions related to the principles-based bond project.	01.01.25
2023-16	Schedule BA	Schedule BA Categories	No change to statutory accounting. Revision proposes clarified definitions of each category on Schedule BA to further enhance consistent application, which will be used to sponsor a Blanks Working Group proposal.	01.01.25
2024-08	26R, 30R, 32R, 43R, 48	Residual Consistency Revisions	Consistency revisions to various SSAPs for residual tranches and residual security interests to refer to the accounting and reporting guidance for residuals in SSAP No. 21R - <i>Other Admitted Assets</i> .	01.01.25
2024-09	2R	SSAP 2R Clarification	Removes lingering references to items that are no longer in scope of the cash equivalent and short-term investment guidance, including asset-back securities, mortgage loans, and Schedule BA assets.	01.01.25

Cybersecurity (H) Work Group

The [Cybersecurity Working Group](#) heard a presentation on The State of the Cyber Insurance Market focusing on trends, challenges, and opportunities. The cybersecurity landscape has evolved over the past decade, with ransomware adding a new dimension to existing threats such as data breaches and litigation. During the COVID-19 pandemic, ransomware became a major topic and the interest level in cybersecurity increased. The underwriting process is evolving as insureds, increasingly knowledgeable about ransomware, demand more specific coverage and detailed explanations of their protection against these attacks. As a result, minimum coverage levels are increasing. This shift is also forcing brokers and insureds to become more knowledgeable about cybersecurity and the policy wording needed to address their specific concerns. Successfully selling cybersecurity coverage requires a consultative approach to help companies understand their risks and recognize the value of this protection. The presentation concluded with a recommendation to regulators to be open to using data analysis to reduce policyholder risk and emphasized the importance of how fundamentally different cybersecurity is from most insurance coverages.

Climate and Resiliency (EX) Task Force

The [Climate and Resiliency Task Force](#) heard a presentation from reThought Flood, a flood insurance managing general agent (MGA), on innovative flood insurance products. There is a protection gap in flood insurance driven by 1) insurers that are concerned about deploying capacity, 2) agents that are not confident in selling that flood insurance is a value, and 3) insureds that are not aware they need coverage. The vision of reThought Flood is to increase capacity for writers of flood insurance and increase the number of policyholders with flood insurance protection. When there are more insurers writing the insurance, there will be better coverage and more reasonable premiums. In terms of mitigating damage, models can predict what flooding will look like with a high level of precision, which can make education and mitigation strategies more effective in the long run.

The Task Force also heard a *Global Risks Report 2024* presentation from Marsh McLennan covering the shift in focus from economic risks over the past ten years to more of a focus on environmental risks as well as most recently technology risk. The top three risks companies are concerned about in the near term include: 1) Technology risks including misinformation/disinformation and cybersecurity, 2) Environmental risks like extreme weather events and pollution, and 3) Societal risks including polarization and lack of economic opportunity. Current impacts from these risks include AI-generated misinformation and cyber attacks and distressed supply chains coming from geopolitical impacts and extreme weather events. Insurers are encouraged to take a longer term view of risks and build resilience into their organizations. The current growth in alternative risk structures including risk mutualization, captive insurance companies, and special purpose reinsurance vehicles is expected to continue as insurers look for affordable ways to address risk.

If you have any questions about the Summer National Meeting update, you can [contact us here](#).

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