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NAIC Spring 2018 National Meeting Update

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NAIC Spring 2018 National Meeting Update

The National Association of Insurance Commissioners (NAIC) recently held its Spring 2018 National Meeting. The following summarizes selected updates on the activities of the Statutory Accounting Principles (E) Working Group (SAPWG) that took place both during this meeting and SAPWG's Feb. 8, 2018, Nov. 6, 2017, and Oct. 12, 2017, conference calls.

More information is available on the NAIC website at http://www.naic.org/cmte_e_app_sapwg.htm.

Use of Net Asset Value as a Practical Expedient to Fair Value

SAPWG exposed an Issue Paper and substantive revisions to SSAP No. 100 *"Fair Value"* for purposes of broadening the use of net asset value per share as a practical expedient to fair value either when specifically named in an SSAP or when certain conditions exist. These revisions adopt FASB ASU 2009-12 Fair Value Measures and Disclosures (Topic 820): *"Investment in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)"* and FASB ASU 2015-07 Fair Value Measurement (Topic 820): *"Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent) (a consensus of the FASB Emerging Issues Task Force)."* These revisions mirror the concepts contained in these FASB ASUs for purposes of statutory accounting guidance. These revisions were adopted and are effective Jan. 1, 2018, with early adoption permitted. SAPWG also submitted a referral to the Blanks (E) Working Group for updates to the Annual Statement regarding these revisions. The Blanks (E) Working Group exposed changes to the Annual Statement instructions at the NAIC Spring 2018 National Meeting.

Bank Loans

SAPWG previously exposed for comment the categorization of loans directly issued by a reporting entity defined as "bank loans" within current statutory accounting guidance. In the exposure, SAPWG posed whether directly issued bank loans should be captured as bonds on Schedule D and permitted as a fixed income instrument within the scope of SSAP No. 26R or moved to a new SSAP and captured within Schedule BA. Interested Parties commented that loans issued directly by an insurer should not be treated differently for statutory accounting purposes than any other fixed income investment. Interested Parties further commented that bank loans are similar to private placement bonds and should remain within the scope of SSAP No. 26R and reported on Schedule D. Interested Parties recommended a change to the definition of bank loans within statutory accounting guidance for purposes of clarifying that direct insurer originations should also be included within the scope of this definition. SAPWG requested a referral from the Valuation of Securities (E) Task Force (VOS) regarding this matter. VOS concurred with Interested Parties' comments. SAPWG adopted revisions to capture directly issued bank loans within SSAP No. 26R. These revisions are effective immediately. NAIC staff requested that SAPWG consider its preference in regards to reporting bank loans separately on Schedule D. SAPWG submitted a referral that was adopted by the Blanks (E) Working Group at the NAIC Spring 2018 National Meeting adding new category lines for bank loans to Schedule D, Part 1, Part 3, Part 4, and Part 5; Schedule DL, Part 1 and Part 2; and Schedule E, Part 2. A new section to Schedule D, Part 1A was also added for bank loans.

VOS has also submitted a referral to SAPWG to review amendments to the Purposes and Procedures Manual of the NAIC Investment Analysis office to ensure that those amendments are consistent with the insurance regulators expectations regarding what should be captured as a bank loan under SSAP No. 26R.

Impact of Future Settled Premiums on Option Valuations

SAPWG previously exposed revisions to SSAP No. 86 *"Derivatives"* to clarify the accounting and reporting of derivative contracts with future settled premiums. The intent of these revisions is to clarify liability recognition for the cost to acquire derivatives with deferred or financing premium with the suggestion of recording a separate "non-derivative" payable for any future settled premiums, as well as specific disclosure and reporting for these premiums. In response, Interested Parties provided a suggested revised Schedule DB with two additional columns added to increase transparency for future settled premiums on option valuations. Interested Parties also suggested additional disclosures regarding this matter in Footnote 8 of the Annual Statement. Interested Parties further commented that current proposed revisions to the accounting guidance surrounding these derivatives are not appropriate. Interested Parties are of the opinion that the premium cost including any deferred premiums of an option contract are already considered in the recorded fair value of these derivatives and therefore bifurcating the deferred premium component separately on the balance sheet would not be proper. SAPWG exposed revisions to SSAP No. 86 along with proposed revisions to Schedule DB to capture individual contract disclosures by year-end 2018. Interested Parties are in support of revisions concerning increased disclosure requirements to capture individual contracts.

SAPWG exposed concepts for further discussion. These concepts raise the question as to whether the asset valuation reserve (AVR) Basic Reserve Calculation inaccurately reflects the risks associated with these types of derivative contracts and if the AVR Basic Reserve Calculation should be calculated based on the derivative contract's fair value exclusive of the impact of future settled premiums. Interested Parties disagreed with this concept stating that there should be no adjustment to the AVR process.

At the NAIC Spring 2018 National Meeting, SAPWG adopted the exposed disclosure revisions to SSAP No. 86 and sent a referral to the Blanks (E) Working Group to capture the adopted disclosures for year-end 2018 reporting. SAPWG deferred any further discussion regarding accounting changes to derivative contracts with future settled premiums until 2019 until after SAPWG and NAIC staff assess the new 2018 adopted disclosure requirements.

Settlement of Variation Margin

SAPWG previously exposed a request for comment from industry regarding the potential impact that the legal settlement of variation margins could have on statutory accounting. Variation margin refers to collateral required to be posted daily on an over-the-counter derivative transaction (mainly swaps) privately negotiated between two counterparties. This collateral has historically been recorded separately from the derivative instrument. Certain exchanges through which these derivative contracts are cleared have recently recognized this variation margin as a legal settlement. Despite this development, Interested Parties have commented that for statutory accounting purposes they are of the opinion that the collateral related to these type of derivatives should continue to be reported separately on the balance sheet versus netted against the book value of the derivative instrument. SAPWG adopted revisions to SSAP No. 86 clarifying that collateral pertaining to derivative contracts that have not terminated or expired are recorded as a separate asset or liability on the balance sheet. Amounts received or paid to adjust variation margin on contracts that have matured, terminated or expired are recorded as an adjustment to the carrying value of the derivative contract. This guidance will be effective beginning Jan. 1, 2018.

Additionally, Interested Parties commented on the diversity in practice regarding the recording of fair value changes of exchange traded futures contracts. Currently, some insurance carriers record the changes in the related variation margin as realized while others record them as unrealized. Interested Parties suggested modifying SSAP No. 86 to allow both approaches, or alternatively if the NAIC preferred that these changes be recorded as unrealized to allow this change to be made on a prospective basis. SAPWG adopted revisions to SSAP No. 86 to require changes to variation margin to be recorded as unrealized gains or losses until the derivative contract matured, terminated, or expired.

This guidance will be effective beginning Jan. 1, 2018.

Variable Annuity Contracts

SAPWG continued its discussion to develop and adopt changes to SSAP No. 86 to allow hedge accounting treatment under SSAP No. 86 for certain limited derivative contracts used to hedge variable annuity guarantees reserved for in accordance with *Actuarial Guideline XLIII – CARVM for Variable Annuities* (AG 43). These discussions emphasize where these contracts otherwise do not meet hedge effectiveness requirements, such requirements can be replaced by other information that demonstrates strong risk management over the identified hedges with additional processes to ensure appropriate financial statement presentation and disclosures, sufficient transparency and regulatory oversight. NAIC staff has been working with Interested Parties on an Issue Paper regarding this matter. This Issue Paper was exposed at the NAIC Spring 2018 National Meeting.

Accounting Standards Updates (ASU) Issued by the Financial Accounting Standards Board

SAPWG adopted the following ASU recently issued by the FASB:

1) FASB ASU 2017-09 Compensation – Stock Compensation (Topic 718): *"Scope of Modification Accounting."*

SAPWG adopted with modification the following ASUs recently issued by the FASB:

1) FASB ASU 2016-09 Compensation – Stock Compensation (Topic 718): *"Improvements to Employee Share-Based Payment Accounting."*
2) FASB ASU 2017-10 Service Concession Arrangements (Topic 853): *"Determining the Customer of the Operation Services."*

SAPWG rejected the following ASUs issued by the FASB:

1) FASB ASU 2017-07 Compensation – Retirement Benefits (Topic 715): *"Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost."*
2) FASB ASU 2013-08 Financial Services – Investment Companies (Topic 946) *"Amendments to the Scope, Measurement and Disclosure Requirements."*
3) FASB ASU 2017-06 Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): *"Employee Benefit Plan Master Trust Reporting."*

SAPWG also exposed an Issue Paper detailing an initial assessment of the effects of FASB ASU 2017-12 – Derivatives and Hedging (Topic 815): *"Targeted Improvements to Accounting for Hedging Activities"* and its impact to statutory accounting. SAPWG has requested comments from Interested Parties regarding this Issue Paper.

Goodwill

SAPWG rejected the following ASUs issued by the FASB and pertaining to goodwill and indefinite lived intangible assets:

1) FASB ASU 2010-28 Intangibles – Goodwill and Other (Topic 350): *"When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units With Zero or Negative Carrying Amounts."*
2) FASB ASU 2011-08 Intangibles – Goodwill and Other (Topic 350): *"Testing Goodwill for Impairment."*
3) FASB ASU 2012-02 Intangibles – Goodwill and Other (Topic 350): *"Testing Indefinite-Lived Intangible Assets for Impairment."*
4) FASB ASU 2014-02 Intangibles – Goodwill and Other (Topic 350): *"Accounting for Goodwill."*
5) FASB ASU 2017-04 Intangibles – Goodwill and Other (Topic 350): *"Simplifying the Test for Goodwill Impairment."*

SAPWG previously exposed revisions to SSAP No. 68 *"Business Combinations and Goodwill."* These revisions include additional disclosures pertaining to goodwill reported as a result of a business combination of a Subsidiary, Controlled and Affiliated entity (SCA) accounted for under the statutory purchase method. These revisions include disclosure of the acquisition date of the SCA, original amount of admitted goodwill, the admitted goodwill as of the reporting date and admitted goodwill as a percentage of the SCA's book adjusted carrying value (gross of admitted goodwill). These disclosures are required as long as unamortized goodwill is reported as a component of the SCA. These additional disclosures were adopted at the NAIC Spring 2018 National Meeting effective Dec. 31, 2018. SAPWG has sent a referral to the Blanks (E) Working Group to capture the adopted disclosures within the Annual Statement.

Surplus Notes

SAPWG adopted revisions to SSAP No. 41R *"Surplus Notes"* (SSAP No. 41R) and SSAP No. 97 *"Investments in Subsidiary, Controlled and Affiliated Entities"* clarifying that a surplus note issued by a Parent to an SCA creates a potential double counting situation upon recording of the SCA as an investment by the Parent. The revisions require the elimination of the Parent issued surplus notes from the SCA's value reported by the Parent. Interested Parties agreed with these revisions.

SAPWG exposed revisions to SSAP No. 41R. SAPWG expressed concern that there is a lack of clarity in SSAP No. 41R regarding the accounting treatment of surplus notes issued at a discount or premium. SAPWG exposed substantive changes to SSAP No. 41R and clarified that the net balance of a surplus note recorded to a reporting entity's surplus can never be greater than the amount of cash and liquid admitted assets received on issue. SAPWG also clarified that any amount incurred in excess of cash and liquid admitted assets received is recognized as a liability. Interested Parties commented and disagreed with SAPWG's proposal, stating that the current accounting for surplus note discounts or premiums is appropriate as currently presented in SSAP No. 41R paragraph 8. SAPWG continues to deliberate this issue.

Additionally, SAPWG moved to its non-substantive list an agenda item to expose revisions to clarify under SSAP No. 41R the accounting for "surplus notes" linked to other structures that negate the subordination to policyholder and other claimant requirements of surplus notes under SSAP 41R and therefore disqualify such surplus notes as being recorded as statutory equity. This issue was referred to SAPWG from the Reinsurance (E) Task Force.

Revenue Recognition

SAPWG rejected all newly adopted FASB guidance as it pertains to revenue recognition. Revenue recognition will be applied for statutory accounting purposes consistent with the guidance contained in existing SSAPs. FASB ASUs rejected during the NAIC 2018 Spring National Meeting include:

1) FASB ASU 2014-09 Revenue from Contracts With Customers (Topic 606): Sections A, B, and C.
2) FASB ASU 2015-14 Revenue from Contracts With Customers (Topic 606): *"Deferral of the Effective Date."*
3) FASB ASU 2016-08 Revenue from Contracts With Customers (Topic 606): *"Principal vs. Agent Considerations (Reporting Revenue Gross vs. Net)."*
4) FASB ASU 2016-10 Revenue from Contracts With Customers (Topic 606): *"Identifying Performance Obligations and Licensing."*
5) FASB ASU 2016-12: Revenue from Contracts With Customers (Topic 606): *"Narrow-Scope Improvements and Practical Expedients."*

Credit Loss Model

SAPWG revisited previous discussions concerning FASB ASU 2016-13: Financial Instruments – Credit Losses (Topic 326): *"Measurement of Credit Losses on Financial Instruments."* SAPWG exposed for comment an Issue Paper addressing ASU 2016-13 and potential concepts for a credit loss model under statutory accounting. NAIC has initially communicated that adoption of some form of the U.S. GAAP credit loss model could be necessary as FASB ASU 2016-13 would present a more conservative form of accounting under U.S. GAAP than was previously applied for statutory accounting purposes. Interested Parties have initially commented that other mechanisms currently exist within statutory accounting and risk-based capital whereby the effects are similar to those under the proposed credit loss model. Discussion of this matter is ongoing.

Federal Tax Reform

SAPWG issued INT 18-01: *Updated Tax Estimates Under the Tax Cuts and Jobs Act* on Feb. 8, 2018. INT 18-01 provides accounting guidance consistent with interpretive accounting guidance issued by the SEC's Office of the Chief Accountant and Division of Corporate Finance included in Staff Accounting Bulletin (SAB) No. 118 pertaining to the Tax Cuts and Jobs Act (the Act). INT 18-01 requires statutory reporting entities to adhere to the following concepts regarding their year-end 2017 statutory financial statements:

1) Year-end 2017 statutory financial statements must reflect the income tax effects of the Act in which the accounting estimates under SSAP No. 101 *"Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10"* are "complete" (for example, recalculation of deferred tax assets and liabilities from a 35% tax rate to a 21% tax rate).
2) Year-end 2017 statutory financial statements must recognize impacts for tax accounting estimates in accordance with the Act that may be considered "incomplete" when a reasonable estimate is determinable. A statutory reporting entity may not have all necessary information available to prepare and analyze a "complete" estimate for certain tax effects under the Act but may have enough information to determine a reasonable estimate.
3) Where a statutory reporting entity cannot determine a reasonable estimate, the guidance in SSAP No. 101 will continue to be applied based upon the provisions of the tax laws in effect prior to the Act being enacted.

Consistent with SAB No. 118, statutory reporting entities are required to work towards completion of the tax accounting changes required under the Act within one year from the date of enactment of the Act.

INT 18-01 provides a limited time, limited scope exception to the Type I subsequent event guidance in SSAP No. 9 *"Subsequent Events."* For Type I subsequent events identified after the 2017 annual statutory statement is filed, but before the 2017 audited financial statements are issued, reporting entities are typically required by their state regulator to amend their filed annual statutory statements to reflect any adjustments as the result of a Type I subsequent event. INT 18-01 eliminates this requirement. INT 18-01 states that updates to tax estimates recorded at Dec. 31, 2017, pertaining to the Act but adjusted subsequent to year-end and after filing of the 2017 annual statutory statement but before filing of the 2017 audited financial statements will be reported as a change in accounting estimate in the period of change in accordance with SSAP No. 3 *"Accounting Changes and Correction of Errors."* Changes occurring subsequent to year-end but before the filing of the 2017 statutory annual statement must be adjusted in the 2017 statutory annual statement before filing as appropriate.

Although statutory reporting entities will not be required to recognize updated tax estimates pertaining to the Act in the audited financial statements and after the statutory annual statement has been filed, certain disclosures are required to be included within the audited financial statements as follows:

1) Qualitative disclosures of the income tax effects of the Act for which accounting is incomplete, and why the initial accounting is incomplete.
2) Disclosures of items reported as provisional amounts, the additional information needed to be obtained, prepared, or analyzed in order to complete the accounting requirements and when the accounting for the income tax effects will be completed.

INT 18-01 also clarifies that tax rate changes to deferred tax assets and liabilities will be reported in statutory surplus within changes in deferred tax assets and liabilities with tax effects previously reflected in unrealized gains (loss), net of tax to be re-measured for the change in corporate tax rate in statutory surplus within change in unrealized gains (loss). Tax effects pertaining to non-admitted deferred tax assets will be reported in statutory surplus within change in non-admitted assets.

INT 18-01 will be automatically nullified on Dec. 31, 2018, and pertains to only the Dec. 31, 2017, NAIC statutory filings.

SAPWG continued discussion of the Act during the NAIC Spring 2018 National Meeting. Discussion focused on incorporation of changes to SSAP No. 101 *"Income Taxes"* as a result of the Act with input from Interested Parties. Interested Parties recommended that both the accounting treatment of Alternative Minimum Tax (AMT) credits (as a deferred tax asset or current tax recoverable) and Global Intangible Low Based Income (GILTI) (as a deferred tax or expensed in the year incurred) follow the accounting policy elections put forth by the FASB with appropriate disclosure as to which method was adopted. For GILTI, Interested Parties have recommended that reporting entities be allowed to make a separate reporting election for statutory accounting purposes from that chosen for U.S. GAAP as a separate election for statutory accounting purposes may be necessary under some circumstances. NAIC staff recommended that both issues be addressed in separate agenda items. Discussion of this matter is ongoing.

Additionally, Interested Parties requested that the Financial Condition (E) Committee take various actions to address the effects of federal tax reform on the Life RBC calculation. Interested Parties expressed that significant modeling efforts are required to the Life RBC calculation pertaining to the C-1 and C-2 factors as these factors are calculated using models that consider tax cash flows and cash flows discounted at after tax rates. Interested Parties also asked that the minimum RBC ratio required for the Life principle-based reserving exemption be modified for the effects of the reduction in the corporate tax rate. Discussion of these matters is ongoing.

Investment Classification Project

SAPWG exposed revisions to SSAP No. 30 *"Unaffiliated Common Stock."* The current definition of common stock will be retained within SSAP No. 30 but revised to separately identify items in scope of SSAP No. 30 but not considered to be common stock by definition such as mutual funds and exchange traded funds. Substantive revisions to SSAP No. 30 are to include closed-end funds and unit investment trusts whereby guidance is anticipated to require the recording of these items at fair value (using net asset value as a measure of fair value where necessary). Reporting enhancements to capture NAIC designations on Schedule D-2-2 were also recommended. SAPWG directed NAIC to proceed with an Issue Paper proposing these revisions.

Certain Interested Parties have requested that the scope of investment funds on the Securities Valuation Office "Bond Fund List" allowed to apply the "systematic value" method be expanded. NAIC has recommend that the scope not be expanded and has asked for further direction from SAPWG regarding this matter.

Wash Sale Disclosures

SAPWG adopted revisions to SSAP No. 103R *"Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"* to clarify that wash sale disclosures exclude all cash equivalents, derivative transactions and short term investments with credit assessment equivalent to an NAIC 1 or 2 designation. The revisions include clarification that the disclosure should be in the financial statements when a security is sold. Interested Parties agreed with these revisions.

FASB Codification References

Due to time and resource constraints, SAPWG disposed of recommendations to update each SSAP where applicable with the relevant FASB codified reference for U.S. GAAP as currently the SSAPs' references to U.S. GAAP pronouncements are outdated and have not been updated for FASB codification.

Reporting NAIC Designations as Weighted Averages

SAPWG exposed revisions to clarify accounting and reporting guidance for investment securities acquired in lots. The revisions remove the ability to report NAIC designations for securities acquired at different purchase prices within the same lot under a "weighted average" method. The revisions require reporting the entire investment in a single reporting line at the lowest NAIC designation that would apply to a lot, or reporting the investment separately by purchase lot in the investment schedule. Interested Parties have yet to comment on this exposure.

Presentation and Disclosure of Pension and Postretirement Plan Assets

SAPWG adopted revisions to SSAP No. 92 *"Postretirement Benefits Other Than Pensions"* and SSAP No. 102 *"Pensions"* to remove the disclosure requirement pertaining to the reconciliation of plan assets classified as Level 3 within the fair value hierarchy. Interested Parties had no comment regarding this matter.

Other Working Groups

In addition to SAPWG, several other committees, working groups, and task forces met during the NAIC Spring 2018 National Meeting. The following represents selected updates concerning the activities of some of them.

Investment Risk-Based Capital (E) Working Group

The Investment Risk Based Capital (E) Working Group (IRBC) continued discussion regarding updates to the bond factors in the current Life RBC formula with a target implementation date of year-end 2019. The IRBC discussed recent feedback on the previously exposed updated set of base factors and portfolio adjustment factors for the Life RBC formula. IRBC elected to narrow efforts in the near future regarding the various concerns expressed on the most recent iteration of the bond factors to a single assumption, the risk premium offset (i.e., the amount of credit losses that are already included in the statutory policy reserves). An updated model adjusting for this assumption and the performance of a sensitivity analysis on the resulting bond factors will be presented to IRBC for discussion and exposure in 2018.

IRBC also continued its discussion on expanding the granularity of NAIC bond designations for purposes of both the Health and Property and Casualty RBC formulas. IRBC discussed basing these risk charges assuming a representative investment portfolio with a time horizon of four years for Property and Casualty insurers and one year for Health insurers to model the new factors.

Property and Casualty Risk-Based Capital (E) Working Group

The Property and Casualty Risk-Based Capital (E) Working Group (PCRBC) discussed a referral from SAPWG regarding the ability of property and casualty insurers to report NAIC designations on schedule BA of the Annual Statement similar to what is permitted for life and fraternal companies. As a result, life and fraternal companies are able to get a more favorable RBC charge for schedule BA investments than their property and casualty counterparts. Referrals have also been sent to the Capital Adequacy (E) Task Force, the Valuation of Securities (E) Task Force and the Blanks (E) Working Group to inquire as to whether property and casualty insurers should be afforded the same RBC treatment for schedule BA investments. Discussion of this matter is ongoing.

Reinsurance (E) Task Force

The Reinsurance (E) Task Force (RTF) discussed the recent “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” otherwise known as the Covered Agreement which was signed on Sept. 22, 2017. The Covered Agreement includes a provision to eliminate reinsurance collateral requirements for European Union (EU) reinsurers that meet certain requirements in order for U.S. insurers that cede to them to take credit for such reinsurance on their financial statements. States have five years to adopt reinsurance collateral reforms or be subject to federal preemption.

A public hearing regarding the Covered Agreement was held on Feb. 20, 2018. Based upon feedback at the hearing, the RTF requested that the Financial Condition (E) Committee take the following actions:

1) Adopt a request for NAIC Model Law Development with respect to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786). These models should be revised to conform to the requirements of the Covered Agreement with respect to EU reinsurers and provide reinsurers domiciled in certain other NAIC qualified jurisdictions (Bermuda, Japan, Switzerland, and the United Kingdom) with similar reinsurance collateral reductions as those afforded by the Covered Agreement. These non-EU qualified jurisdictions must agree to comply with the U.S. approach to group supervision, including group capital. The estimated completion date of this charge is Fall 2018.

2) Adopt charges to the RTF and its Qualified Jurisdiction (E) Working Group and Reinsurance Financial Analysis (E) Working Group to develop a process to implement changes to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786). Revisions should include a process to address the effect of a breach of the Covered Agreement on a reinsurer’s collateral obligations and the effect of a failure of a non-EU qualified jurisdiction

to meet the standards imposed by its agreement. The estimated completion date of this charge is Fall 2018.

3) Adopt charges to the Capital Adequacy (E) Task Force to evaluate changes to the Life and Health RBC formulas specific to reinsurance credit risk charges to be based on the financial strength of the reinsurer consistent with the Property and Casualty RBC formula, giving consideration to public default experience and current factors used by credit rating agencies. Consider also whether adjustments are needed to the Property and Casualty RBC formula to consider such information relative to non-rated reinsurers. The estimated completion date of this charge is Fall 2020.

4) Adopt charges to SAPWG to review the current calculation of the Schedule F penalty and if any adjustments to the calculation of the Schedule F penalty are required as a result of the Covered Agreement or agreements with non-EU qualified jurisdictions. The estimated completion date of this charge is Fall 2020.

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