



**5. Operational, Governance and Market Conduct Practices:**

Operational, governance and market conduct practices being impacted by the different priorities and level of insurance experience possessed by entrants into the insurance market without prior insurance experience, including, but not limited to, PE owners. For example, a reliance on TPAs due to the acquiring firm's lack of expertise may not be sufficient to administer the business. Such practices could lead to lapses, early surrenders, and/or exchanges of contracts with in-the-money guarantees and other important policyholder coverage and benefits.

**6. Definition of Private Equity (PE):**

**7. Identifying Related Party-Originated Investments (Including Structured Securities):**

The lack of identification of related party-originated investments (including structured securities). This may create potential conflicts of interests and excessive and/or hidden fees in the portfolio structure, as assets created and managed by affiliates may include fees at different levels of the value chain. For example, a CLO which is managed or structured by a related party. (An agenda item and blanks proposal are being developed by SAPWG.)

**SAPWG Completed Actions:**  
Ref #2021-21 included revisions that clarified guidance for related parties and developed a blanks proposal which provided new investment schedule column with reporting codes to identify investments that involve related parties. (Adopted May 2022)

Ref #2021-22BWG added six related party reporting codes effective for year-end 2022. The investment schedule disclosures include codes that identify the role of the related party in the investment, e.g., a code to identify direct credit exposure as well as codes for relationships in securitizations or similar investments. (Adopted May 2022)

**8. Identifying Underlying Affiliated/Related Party Investments and/or Collateral in Structured Securities:**

Though the blanks include affiliated investment disclosures, it is not easy to identify underlying affiliated investments and/or collateral within structured security investments. Additionally, transactions may be excluded from affiliated reporting due to nuanced technicalities. Regulatory disclosures may be required to identify underlying related party investments and/or collateral within structured security investments. This would include, for example, loans in a CLO issued by a corporation owned by a related party. (An agenda item and blanks proposal are being developed by SAPWG.)

**SAPWG Completed Actions:** See above descriptions (Ref # 2021-21 and Ref #2021-22 BWG) on investment reporting codes for year end 2022 reporting.  
Ref #2019-34 included revisions that clarify: 1) identification of related parties; 2) a non-controlling ownership over 10% results in a related party classification regardless of any disclaimer of control or affiliation; 3) a disclaimer of control or affiliation does not eliminate the classification as a "related party" and the disclosure of material transactions. This agenda item also resulted in the creation of a new Schedule Y Part 3, which was effective for year-end 2021. This schedule identifies all entities with greater than 10% ownership - regardless of any disclaimer of affiliation - and whether there is a disclaimer of control/disclaimer of affiliation and identifies the ultimate controlling party. (Ref #2019-34 and Ref #2020-37BWG, both adopted March 2021)

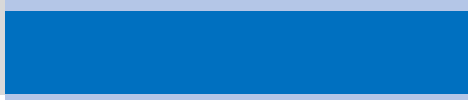
**9. Asset Manager Affiliates and Disclaimers of Affiliation:**

Broader considerations exist around asset manager affiliates (not just PE owners) and disclaimers of affiliation avoiding current affiliate investment disclosures. (A new Sc Y, Pt 3, has been adopted and will be in effect for year-end 2021. This schedule will identify all entities with greater than 10% ownership - regardless of any disclaimer of affiliation - and whether there is a disclaimer of control/disclaimer of affiliation. It will also identify the ultimate controlling party. Additionally, SAPWG is developing a proposal to revamp Schedule D reporting, with primary concepts to determine what reflects a qualifying bond and to identify different types of investments more clearly, including asset-backed securities.)

**SAPWG Completed Actions:**  
See above descriptions of Schedule Y Part 3. (Ref #2019-34 and Ref #2020-37BWG).

**SAPWG Ongoing Work:**  
Ref #2022-15, which clarifies affiliated investment reporting, is planned for adoption consideration at the 2023 Spring National Meeting. It adds guidance on reporting of affiliated investments.

As part of a project known as the bond project, the SAPWG is developing a proposal to revise Schedule D reporting, which intends to determine what is considered a qualifying bond and to identify different types of investments more clearly. For example, the current bond proposal would divide Schedule D-1 into a Schedule D-1-1 for issuer credit obligations andk33.4 (a)103.4 (.J)0 Tc p rd36 146.7.6 0aivp24.3 (-1-)JJ-2 (0)11.3 sse(0)11.3 (e0.01 Tc -0)J0 Tc 0 Tw 2.5 .36 0.011 Tw 3.6 b.6 (q)a)JETTJEk(.J)M(f)22.5204 222.2401 Tm Tc 0 Tw 2.5 378.9605 208.34da

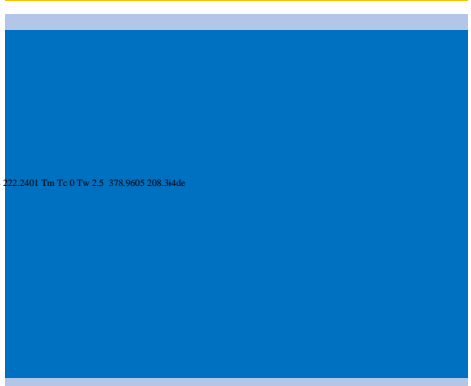


**SAPWG Update: Closed**  
No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral objective and are complete.

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No further work deemed necessary. Previous initiatives have addressed the PE concern, the referral objective and are complete.

**EOTF/AWG Update: 12-1-23**  
AG 53 Guidance Document - more refined information to be attained for year-end 2023 e.g., structured asset information by tranche

**EOTF/AWG Update: 7-22-24**  
The AG 53 reports collected information relating to affiliated investments. Review of this information is in progress.



SAPWG Ongoing Work  
x ~~Asst~~ on: ~~to~~ ~~State~~ D  
d ~~planned~~ 2/25  
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<b>VOSTF Update: 2-6-24</b> In 2023 the Securities Valuation Office (SVO) proposed an amendment to the Purpose and Procedures Manual of the NAIC Investment Analysis Office (the P&P Manual) to make all Structured Equity and Funds, which captures a subset of the privately structured securities market, ineligible for filing exemption. The Task Force deferred action on that proposal and instructed the SVO to instead draft a new proposal that was more limited in scope and which would enable the targeting of individual securities with material risk assessment differences. Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below.  The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold.	<b>VOSTF Update: 7-17-24</b> Privately structured securities with material differences in assessment between Credit Rating Providers and the SVO would be captured in the discussion on Reliance on Rating Agencies in 11, below.  The proposal for the SVO to develop the analytic capability to collect and analyze risk metrics is currently on hold.
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<b>SAPWG Update:</b> No further work deemed necessary. Previous initiatives have addressed the PE concern and the referral objective is complete. The bond proposal and the reporting changes have been approved and will be (c)10.6 (nd v)22 (j)44.6 (l)(e)10.6 (d a)108ad w,ad woposeportEk ( bo)1(nd a)10(d.7)ETEMC 37 &MCIS 43 >>B	<b>SAPWG Update:</b>
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b. Department of Labor Protections:

MWG Update: NAIC ~~is~~ ~~not~~  
~~in~~ ~~the~~ ~~process~~

MWG Update: Discussions with DoL continue. DoL is in the process of updating their fiduciary requirements under 95-1, which require due diligence in assessing an insurer prior to a PRT transaction.

MWG update: Closed  
DOL revised their fiduciary standards (95-1) and duties to evaluate an insurance company prior to approving a PRT.  
MWG update: Closed  
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c. State Guaranty Funds Compared to PBGC Protection – NOLHGA 2016 Study

No further action was deemed necessary MWG Update:  
NAIC ~~is~~ ~~not~~ ~~in~~ ~~the~~ ~~process~~  
~~of~~ ~~the~~ ~~study~~  
is MWG.

Closed  
It appears state guaranty funds provide adequate protections for PRT business according to NOLHGA study and other research. No further action was deemed necessary.  
Closed  
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d. RBC Treatment of PRT Business:

Sent a referral to the Longevity Risk (E/A) Subgroup recognizing its work will also address PRT business and indicating the MWG regulators will monitor this work.

LATF Update: ~~The LongRisk (E/A) Sub~~  
~~group~~ ~~is~~ ~~not~~ ~~in~~ ~~the~~ ~~process~~ ~~of~~ ~~the~~ ~~study~~  
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LATF Update: July 12, 2023, per D. Flemming:  
No change in this item as the VM-22 framework is not final yet.

