

**Statutory Accounting Principles (E) Working Group
January 27, 2022
Comment Letters Received**

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January 14, 2022

Mr. Dale Bruggeman, Chairman
Statutory Accounting Principles Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Comments on the Items Exposed for Comment during the Statutory Accounting Principles Working Group (the “Working Group”) Meeting on December 11, 2021 with Comments Due January 14, 2022

Dear Mr. Bruggeman:

Interested parties would like to thank the Statutory Accounting Principles Working Group (the “Working Group”) for the opportunity to comment on the items exposed for comment with comments due January 14th. We offer the following comments:

Ref #2021-18: VM-21 Scenario Consistency Update

The Working Group exposed revisions, to SSAP No. 108— Derivatives Hedging Variable Annuity Guarantees, as illustrated in the proposal. The revisions, which incorporate edits proposed from Life Actuarial (A) Task Force representatives, ensure consistency with revisions to VM-21 by removing reference to the standard scenario while adding reference to the conditional tail expectation 70 guidance. This agenda item has a shortened exposure period, ending Jan. 14, 2022, so that the Working Group may consider adoption for year-end 2021 reporting.

Interested parties do not object to these changes.

Ref #2021-31: Life Reinsurance Disclosure Clarifications

The Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to SSAP No. 61R, as in the proposal. These revisions intend to clarify, and in some cases, narrow the scope of certain disclosures. This agenda item also has a shortened exposure period, ending Jan. 14, 2022, so that the Working Group may consider adoption for year-end 2021 reporting.

Interested parties appreciate the exposure to clarify and narrow the scope of information requested in the SSAP No. 61R disclosures, specifically to paragraphs 78-83. Our understanding is that the original intent of these additional disclosures was to obtain information on ceded reinsurance. We note that the reference to “ceding” in paragraphs 79 and 80 should be “ceded” as is written in paragraph 81. For paragraph 81, we would suggest deleting “assumed or” so that the scope of disclosure remains consistent from 2020 to 2021 (with the extraneous disclosures clarified).

* * * * *

If you have any questions or would like to discuss these comments, please do not hesitate to contact us

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Interested parties

To: The Statutory Accounting Principles (E) Working Group

From: Selected members of the American Institute of Certified Public Accountants' (AICPA) NAIC Task Force

Date: January 14, 2022

Thanks again for considering the comments we submitted in 2021 related to these new disclosures and in developing the Form A. The AICPA NAIC Task Force has two additional comments that we would also appreciate that you consider:

1. Several of our members pointed out it might be confusing and/or lead to inconsistent practice to allow the disclosures to be included in either the footnotes or a supplemental schedule, because footnotes and supplemental information provide different levels of auditor assurance. Therefore, it would be unusual to have the option to include the disclosures in either place. As a result, we are recommending the following revisions below as "friendly amendments" to maintain the disclosures in a supplemental schedule, consistent with 2020. (This is also consistent with the intent of our comments last year.)

78. Disclosures for paragraphs 79-84 are required to be included with the annual audit report financial statements beginning with the period ended December 31, 2020, regarding reinsurance contracts. The disclosures required within paragraphs 79-84 shall ~~can~~ be included in accompanying supplemental schedules ~~or the notes~~ of the annual audit report beginning in year-end 2020. If the disclosures are not applicable, an affirmative statement that no such contracts were identified is acceptable in the notes to the financial statements. These disclosures shall be limited to reinsurance contracts entered into, renewed or amended on or after January 1, 1996. This limitation applies to the annual audit report only and does not apply to the statutory annual statement interrogatories and the property and casualty reinsurance summary supplemental filing.

2. On a related issue and assuming the Working Group agrees to the changes above in paragraph 78 of SSAP No. 61R, we would like to comment on SAPWG's conclusion that the life reinsurance supplemental schedule should be comparative. The other required schedules to the financial statements do not require comparable information. (A list of the schedules is below.) For these schedules, the annual statement instructions set out the form and content of the schedules which reflects a one year presentation. It would be useful to understand why this schedule would be different and if that was the intent of SAPWG. Do you know whether the decision to make the disclosure comparable considered that the other required schedules are not required to be comparable? In either case, we would like to request that the guidance in SSAP 61R (or in the 2022 annual statement instructions) state whether the schedule should be comparative.

With regard to the conclusion in the minutes that indicates that the change would be done prospectively, this seems like an accommodation to prevent companies from having to fix prior years (which we don't want to discourage), but there could be some complexity in reporting on a comparative schedule that is not comparable because the guidance changed (e.g., the basis for preparing the schedule is not comparable) and could lead to diversity in approach in how individual companies and auditors deal with reporting in the current year.

Below is a list of current supplemental schedules which are not comparative (i.e. only the current year is presented)

- Supplemental schedule of assets and liabilities
- Supplemental schedule of Investment Risk Interrogatories
- Summary Investment Schedule
- Supplemental P/C Reinsurance Contracts Disclosures

Thanks

Kim

Kim Kushmerick

Director, Accounting Standards — Public Accounting