Virtual Meeting  
*(in lieu of meeting at the 2021 Summer National Meeting)*

**ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE**

Tuesday, July 27, 2021  
12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

**Meeting Summary Report**

The Accounting Practices and Procedures (E) Task Force met July 27, 2021. During this meeting, the Task Force:

1. Adopted its Spring National Meeting minutes.

2. Adopted the report of the Statutory Accounting Principles (E) Working Group, which conducted e-votes that concluded July 20, July 12, and April 20, and met May 20. The report included the following action:
   
a. During its July 20 e-vote, the Working Group exposed agenda item 2021-10: SSAP No. 32R—Clarification of Effective Call Price for a public comment period ending Aug. 6.

b. During its July 12 e-vote, the Working Group adopted its May 20, April 20, and Spring National Meeting minutes.

c. During its May 20 meeting, the Working Group adopted the following nonsubstantive revisions to statutory accounting guidance:
   
   1. Revisions reject the following for statutory accounting:
      
a. **Accounting Standards Update (ASU) 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs.** (Ref #2021-02)

b. **ASU 2021-02, Franchisors – Revenue from Contracts with Customers** for statutory accounting. (Ref #2021-08)

c. **ASU 2020-11, Financial Services – Insurance: Effective Date and Early Application.** (Ref #2021-07)

   2. Revisions incorporate disclosure elements in **Statement of Statutory Accounting Principles (SSAP) No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities** and a data-capture template for where an entity has transferred assets but retains economic interest within the reporting entity, its related parties, or another member within the holding company group. (Ref #2021-03)

   3. Adopted agenda items supporting disaggregated product identifiers to be used for each separate account product reported in the general interrogatories. This adoption does not result in statutory revisions, but it is reflected in the Working Group recommendation to support blanks proposal 2021-03BWG. (Ref #2020-37 and Ref #2020-38)

   4. **Adopted Interpretation (INT) 20-01: ASU 2020-04 – Reference Rate Reform,** which provides optional guidance, allowing for the continuation of certain existing hedge relationships and
thus does not require hedge dedesignation for derivative instruments affected by changes to interest/reference rates due to reference rate reform. (Ref #2021-01)

5. Adopted INT 21-01: Accounting for Cryptocurrencies, which clarifies that directly held cryptocurrencies neither meet the definition of cash in SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments, nor do they meet the definition of an admitted asset per SSAP No. 4—Assets and Nonadmitted Assets when directly held. (Ref #2021-05)

6. Adopted editorial revisions to retitle SSAP No. 53—Property Casualty Contracts—Premiums to SSAP No. 53—Property and Casualty Contracts—Premiums; correct grammatical errors in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, paragraph 54; and remove the footnote in the Glossary title and replace it as an opening paragraph with updated verbiage. (Ref #2021-06EP)

7. Exposed the substantive proposed bond definition to be used for all securities in determining whether they qualify for reporting on Schedule D, Part 1 – Long-Term Bonds. The definition intends to reflect principal concepts to ensure appropriate consideration on whether a structure qualifies as an issuer credit obligation or an asset-backed security (ABS) prior to reporting as a bond. The public comment period ends July 15. (Ref #2019-21)

8. Exposed nonsubstantive revisions to SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies and SSAP No. 97 to indicate that the equity method valuation reference in SSAP No. 97 can result in a negative equity valuation and to limit the statutory adjustments match in SSAP No. 97, paragraph 9. The exposed revisions are that foreign insurance subsidiary, controlled and affiliated entities (SCAs) shall stop at zero (and thus not be subject to negative equity valuations) when applying paragraph 9 adjustments in cases where the foreign insurance subsidiary is not engaged in providing services to, or holding assets on behalf of, U.S. insurers. The public comment period ends July 15. (Ref #2021-04)

9. Adopted a response to the Life Risk-Based Capital (E) Working Group on its referral request to consider accounting and reporting aspects of an American Council of Life Insurers (ACLI) proposal regarding real estate in the life risk-based capital (RBC) formula. The adopted response identifies concerns on the reliability and consistency of fair value data to be considered before allowing reporting entities to reduce RBC using the fair value of real estate.

10. Received an update on the following projects and referrals:

   a. Directed a referral to be sent to the Life Actuarial (A) Task Force seeking input regarding whether the Task Force would consider changes to the reserve framework of fixed indexed annuity products, as its response will influence the accounting options for derivatives hedging these products. (Ref #2020-36)

   b. Directed NAIC staff to develop additional revisions to address the diversity in state Affordable Care Act (ACA) reinsurance programs. (Ref #2021-09)

   c. INT 20-10: Reporting Nonconforming Credit Tenant Loans: Contingently exposed nonsubstantive revisions in anticipation of a Valuation of Securities (E) Task Force proposal to revise filing exempt (FE) requirements for credit tenant loans (CTLs). After the Statutory Accounting Principles (E) Working Group meeting on May 24, the Valuation of Securities (E) Task Force did not expose the anticipated revisions. Instead, the Task Force
exposed edits to clarify that the reference to mortgage loans in the CTL definition pertains to items in scope of SSAP No. 37—Mortgage Loans, and the Accounting Practices and Procedures Manual (AP&P Manual) determines investment accounting and reporting. With this Task Force action, the revisions to INT 20-10 were not exposed. The Working Group will review INT 20-10 after the Task Force concludes actions after its exposure.

d. Received a response from the Valuation of Securities (E) Task Force regarding CTLs and information regarding Securities Valuation Office (SVO) filings received.

e. During its April 20 e-vote, the Working Group voted to update exposed agenda item 2021-03: SSAP No. 103R – Disclosures to reflect interested parties’ preliminary comments. While minor revisions were proposed to SSAP No. 103R disclosures, the primary changes from the original agenda item were reflected in the data-capture template, which includes instructions, updated capture fields, and column descriptions.

3. Adopted the report of the Blanks (E) Working Group, which met July 22 and took the following action:

a. Adopted its May 26 minutes, which included the following action:

1. Adopted an editorial listing and the following eight blanks proposals:

a. 2021-01 – add reference to health care receivables line in the Asset page.

b. 2021-02BWG – add questions to the General Interrogatories, Part 1 regarding depository institution holding companies as it pertains to the group capital calculation (GCC).

c. 2021-03BWG – add category lines to the Separate Accounts General Interrogatories for additional granularity.

d. 2021-04BWG – add a General Interrogatory to identify insurers that utilize third parties to pay agent commissions in which the amounts advanced by the third parties are not settled in full within 90 days.

e. 2021-05BWG – modify Note 17B(4) to reflect changes made by the Statutory Accounting Principles (E) Working Group reference number 2021-03 regarding transferred assets.

f. 2021-06BWG – add crosschecks to the long-term care (LTC) reporting forms to gain consistency.

g. 2021-07BWG – add additional line categories to capture collateral type data for all residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and loan-backed and structured securities (LBSS) regardless of reporting category.

h. 2021-08BWG – add a new supplement Mortgage Guaranty Insurance Exhibit to capture more information from mortgage guaranty insurers.

2. Exposed five proposals for public comment.
b. Adopted 2021-10BWG – remove language in quarterly General Interrogatories Part 1, line 4.1 that requires filing of a quarterly merger/history form. The annual form shall still be required.

c. Adopted its editorial listing.


e. Deferred four proposals for additional discussion for a 90-day public comment period ending Oct. 22.

4. Adopted its 2022 proposed charges.

5. Adopted revisions to the Model Audit Rule Implementation Guide developed by the NAIC/American Institute of Certified Public Accountants (AICPA) Working Group to collect additional information on the lead engagement partner.