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

**ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE**  
Tuesday, March 23, 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

**Summary Report**

The Accounting Practices and Procedures (E) Task Force met March 23, 2021. During this meeting, the Task Force:

1. **Adopted its 2020 Fall National Meeting minutes.**

2. **Adopted the report of the Statutory Accounting Principles (E) Working Group, which met March 15, except for agenda item 2019-24, which received a separate vote. The report included the following action:**
   
   a. **Adopted its Jan. 25, 2021; Jan. 6, 2021; Dec. 28, 2020; Dec. 18, 2020; Dec. 8, 2020; and Nov. 12, 2020, minutes. The interim minutes included the following adoptions to Appendix B—Interpretations (INTs) of Statutory Accounting Principles:**
      
      i. **Extended INT 20-03: Troubled Debt Restructuring Due to COVID-19 and INT 20-07: Troubled Debt Restructuring for Certain Debt Instruments Due to COVID-19 through Jan. 1, 2022, or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak terminates.**

      ii. **INT 20-10: Reporting Nonconforming Credit Tenant Loans (CTLs): This INT allows nonconforming CTLs to continue to be reported on Schedule D Part 1 – Long-Term Bonds if filed with the NAIC Securities Valuation Office (SVO) by Feb. 15, 2021. The provisions within this INT and the ability to continue reporting nonconforming CTLs on Schedule D Part 1 with an SVO-assigned NAIC designation are limited time exceptions that extend only to Oct. 1, 2021.**

      iii. **INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms: This INT provides a 60-day extension from the 90-day rule for uncollected premium balances, bills receivable, and amounts due from agents and for policies directly impacted by the noted events. This INT expires Feb. 28, 2021.**

   b. **Adopted the following nonsubstantive revisions to statutory accounting guidance:**
      
      1. Revisions reject *Accounting Standards Update (ASU) 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity for statutory accounting.* (Ref #2020-41)

      2. **Revisions clarify that an ownership greater than 10% in a reporting entity results in a related party designation, regardless of any disclaimer of control or affiliation. Additionally, revisions require disclosure of such instances and identification of an insurer’s ultimate controlling party, as requested by the Group Solvency Issues (E) Working Group. (Ref #2019-34)*
3. Revisions clarify that perpetual bonds are within the scope of Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds, and they are subject to the yield-to-worst concept. Additionally, perpetual bonds that possess a future call date will retain bond accounting—i.e., accounted for at amortized cost. However, if a perpetual bond does not possess a future call date, fair value accounting is required regardless of NAIC designation. (Ref #2020-22)

4. Revisions expand the current called bond disclosures to also include bonds terminated early through a tender offer. (Ref #2020-32)

5. Revisions direct that publicly traded preferred stock warrants are in the scope of SSAP No. 32R—Preferred Stock, and they shall be reported at fair value. (Ref #2020-33)

6. Revisions incorporate minor scope modifications to reflect recent changes to the Federal Home Loan Mortgage Corporation (Freddie Mac) Structured Agency Credit Risk (STACR) and Federal National Mortgage Association (Fannie Mae) Connecticut Avenue Securities (CAS) programs, which allow credit risk transfer securities from these programs to remain in the scope of SSAP No. 43R—Loan-Backed and Structured Securities when issued through a real estate mortgage investment conduit (REMIC) structure. (Ref #2020-34)

7. Revisions reject ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets as not applicable for statutory accounting. (Ref #2020-42)

8. Revisions to the NAIC Policy Statement on Maintenance of Statutory Accounting Principles clarify the existing process regarding the Working Group’s issuance and adoption of accounting interpretations. (Ref #2020-39)

9. Preamble revisions clarify that while any state in which a company is licensed can issue prescribed practices, the prescribed practices directed by the domiciliary state: 1) shall be reflected in the financial statements filed with the NAIC; and 2) are the financial statements subject to independent audit requirements. (Ref #2020-40)

c. Exposed the following nonsubstantive revisions to statutory accounting guidance:

1. Interpretation (INT) 21-01T: Statutory Accounting Treatment for Cryptocurrencies, which clarifies that cryptocurrencies do not meet the definition of cash, and they are nonadmitted assets for statutory accounting. The Working Group requested comments on interest and ownership of cryptocurrencies. (Ref #2021-05)

2. Revisions reject:

   i. ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs for statutory accounting. (Ref #2021-02)

   ii. ASU 2021-02, Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient. (Ref #2021-07).

   iii. ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application (Ref #2021-08).
3. Exposed revisions to INT 20-01: ASU 2020-04 – Reference Rate Reform. INT 20-01 exposes a temporary (optional) expedient and exception guidance for ASU 2021-01, Reference Rate Reform (Topic 848): Scope with an expiration date of Dec. 31, 2022. The optional expedients would expand the current exceptions to allow for the continuation of the existing hedge relationship and thus not require hedge redesignation for derivative instruments affected by changes to interest/reference rates due to reference rate reform, regardless of whether they reference the London Interbank Offered Rate (LIBOR) or another rate that is expected to be discontinued. The exception in INT 20-01 would apply for affected derivatives used for discounting, margining, or contract price alignment. (Ref #2021-01)

4. Exposed agenda item 2021-04 with the intent to dispose without statutory edits. NAIC staff noted that the long-standing, required statutory adjustments to SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, paragraph 8.b.iv. – Foreign Insurance SCA Entities could result in negative equity valuation, as assets held in a foreign subsidiary should not be valued in a more favorable manner than had they been held directly by the insurer. Industry comments are requested regarding detailed instances of negative value subsidiary, controlled and affiliated entities (SCAs).

5. Revisions propose data-captured templates for existing disclosures in SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which are currently only completed in narrative form. A blanks proposal will be concurrently exposed with the Working Group’s exposure. (Ref #2021-03)

6. Revisions include state Affordable Care Act (ACA) reinsurance programs, which are using Section 1332 waivers in the scope of SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act. The revisions continue to follow the hybrid accounting approach for the state ACA programs, as they operate in a similar manner. (Ref #2021-09)

7. Re-exposed agenda item 2020-36 on SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees to provide additional time for interested parties to develop a proposal for establishing accounting and reporting guidance for derivatives hedging the growth in interest for fixed indexed products.

8. Blanks proposals concurrently exposed with related Blanks (E) Working Group proposals:

   i. Re-exposed to modify the current General Interrogatory instructions and require that a distinct disaggregated product identifier be used for each product represented. The disaggregation will require that each separate account product filing or policy form be separately identified. The instructions will also indicate that companies may eliminate proprietary information. (Ref #2020-37 and 2021-03BWG)

   ii. Re-exposed sponsored blanks agenda item to clarify reporting by each separate product filing or policy form and add product identifiers, specifically for pension risk transfer (PRT) and registered index-linked annuity (RILA) transactions in the Separate Account General Interrogatories. (Ref #2020-38 and 2021-03BWG)

9. Exposed the following editorial revisions (Ref #2021-06EP):
i. SSAP No. 53—Property Casualty Contracts—Premiuns: Revisions retitle to SSAP No. 53—
Property and Casualty Contracts—Premiuns.
ii. SSAP No. 97: Revisions correct grammatical errors in paragraph 54.
iii. SSAP Glossary: Revisions remove the footnote in the Glossary title and replace it as an
opening paragraph with updated verbiage.

d. Disposed agenda item 2020-35: SSAP No. 97 – Audit Opinions without statutory revisions.
(Ref #2020-35)

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

1. Received an update that NAIC staff, industry and key state insurance regulators have made
significant progress on agenda item 2019-21: SSAP No. 43R – Investment Classification Project.
While discussions remain ongoing, it is anticipated that a public exposure will occur via an
interim meeting prior to the Summer National Meeting. The exposure will include additional
principle concepts on which investments are eligible for reporting on Schedule D as a bond.

2. Received an update that INT 19-02: Freddie Mac Single Security Initiative remains in full effect.
The Freddie Mac Single Security Initiative remains an ongoing program, and it does not appear
to be subject to termination in the foreseeable future.

3. Received an update on agenda item 2019-49: Retroactive Reinsurance Exception addresses a
referral from the Committee on Property and Liability Financial Reporting (COPLFR) of the
American Academy of Actuaries (Academy), which noted diversity in reporting regarding
companies applying the retroactive reinsurance exception, which allows certain contracts to
be reported prospectively. NAIC staff have held preliminary discussion with Casualty Actuarial
and Statistical (C) Task Force members, with a preliminary recommendation that the premium
and losses transferred under such transactions should be allocated to the prior Schedule P
calendar year premiums and the losses allocated to the prior accident year incurred losses.

4. Received an update on the reporting and extinguishment of loans received from the Paycheck
Protection Program (PPP). For statutory accounting, the authoritative guidance in SSAP
No. 15—Debt and Holding Company Obligations, paragraph 11 provides that debt is
recognized until extinguished, including formally being forgiven. In addition, per SSAP No. 15,
paragraph 25, gains on termination of debt are recognized as capital gains.

5. Received an update on the Valuation of Securities (E) Task Force discussion regarding revisions
as coordination regarding the revisions to SSAP No. 105R—Working Capital Finance
Investments adopted by the Working Group in May 2020 (agenda item 2019-25). During its
Nov. 18, 2020, meeting, the Task Force directed a referral to the Working Group, which is still
pending. NAIC staff anticipate addressing this referral when received.

6. Received an update on current U.S. generally accepted accounting principles (GAAP)
exposures/invitations to comment, noting that no comments by the Working Group are
planned during the exposure periods.

f. The public comment period for all exposed agenda items ends April 30.
3. The Task Force separately adopted the Statutory Accounting Principles (E) Working Group agenda item 2019-24 regarding levelized commissions as adopted by the Working Group, including the following:
   

b. The Working Group affirmed the nonsubstantive classification of these revisions as consistent with the original intent of SSAP No. 71.

c. In addition, the Working Group exposed a new annual statement general interrogatory to identify the use of a third party for the payment of commission expenses, which will be concurrently exposed with the Blanks (E) Working Group.

4. Adopted the report of the Blanks (E) Working Group, which met March 16 and took the following action:

   a. Adopted its Dec. 16, 2020, minutes, which included the following action:
      1. Adopted its editorial listing and adopted four blanks proposals: 1) 2020-28BWG – remove Note 22; 2) 2020-29BWG – remove a line category from the investment schedules; 3) 2020-30BWG – move an interrogatory question from the annual blank to the quarterly blank; and 4) 2020-31BWG – changes to the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibits.

      2. Exposed seven proposals for a 60-day public comment period ending Feb. 16.

   b. Adopted its editorial listing and the following proposals:

      1. 2020-32BWG – Add a new Health Care Receivables Supplement to the Life\Fraternal Annual Statement that adds Exhibits 3 and 3A from the Health Annual Statement to the Life\Fraternal annual filings. Add a guidance document reference to Health Annual Statement, Exhibit 3A.

      2. 2020-33BWG – Modify Annual Statement Lines (ASLs) used on Underwriting and Investment (U&I) Exhibits, State Page and Insurance Expense Exhibit (IEE). Change Health ASL categories used in Property to be consistent with other statement types. Update ASL references used in crosschecks. Update definitions used in the appendix for the Health ASLs.

      3. 2020-34BWG – Add definitions for the Occupational Accident, Fiduciary Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Kidnap & Ransom Liability and Tuition Reimbursement Plans products to the Lines of Business in the appendix.

      4. 2020-35BWG – Expand the number of characters used from seven to 10 in the investment line categories for Schedules D, DA, DL and E excluding Schedule D, Part 6 (Sections 1 and 2) and Schedule E (Part 1 and 3). Add line categories for Unaffiliated Certificates of Deposit and Exchange Traded Funds (ETFs). Split the line categories for Mutual Funds, Investment Unit Trusts and Closed-End Funds into lines indicating if the fund has been assigned a designation by the Securities Valuation Office (SVO). Revise the Summary Investment Schedule, Summary by Country and Schedule D, Part 1A (Sections 1 and 2) to reflect the additional line categories.

      5. 2020-36BWG – Modify the General Schedules Investment Instructions and Schedule DB General Instructions to reflect treatment of publicly traded stock warrants as being in the
scope of SSAP No. 30R—Unaffiliated Common Stock or SSAP No. 32R and reporting as common and preferred stock (SAPWG 2020-33).

6. 2020-37BWG – Add a new Schedule Y, Part 3 to capture all entities with ownership greater than 10%, the ultimate controlling parties of those owners and other entities that the ultimate controlling party controls (SAPWG 2020-34).

7. 2020-38BWG – Make changes to the Accident and Health Policy Experience Exhibit by adding new columns, removing lines distinguishing with and without contract reserves, adding some new product lines, eliminating summary tables, changing the date that the exhibit is due and having it reported by state.

c. Exposed five new proposals for a six-week comment period ending April 27.

d. Received a Valuation of Securities (E) Task Force memorandum regarding administrative codes for residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS).