ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE
Monday, June 22, 2020
11:30 a.m. ET / 10:30 a.m. CT
90 minutes

ROLL CALL

Kent Sullivan, Chair
Trinidad Navarro, Vice Chair
Jim L. Ridling
Lori K. Wing-Heier
Elizabeth Perri
Alan McClain
Ricardo Lara
Andrew N. Mais
Karima M. Woods
David Altmaier
Dafne M. Shimizu
Dean L. Cameron
Stephen W. Robertson
Doug Ommen
Vicki Schmidt
Sharon P. Clark
James J. Donelon
Eric A. Cioppa
Gary Anderson
Anita G. Fox
Steve Kelley
Texas
Delaware
Alabama
Alaska
American Samoa
Arkansas
California
Connecticut
District of Columbia
Florida
Guam
Idaho
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Massachusetts
Michigan
Minnesota
Chlora Lindley-Myers
Bruce R. Ramge
Chris Nicolopoulos
Marlene Caride
Russell Toal
Linda A. Lacewell
Mike Causey
Jon Godfread
Jillian Froment
Glen Mulready
Jessica K. Altman
Elizabeth Kelleher Dywer
Larry D. Deiter
Hodgen Mainda
Todd E. Kiser
Michael S. Pieciak
Scott A. White
Mike Kreidler
James A. Dodrill
Mark Afable
Jeff Rude
Missouri
Nebraska
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Pennsylvania
Rhode Island
South Dakota
Tennessee
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its Working Group Reports—Jamie Walker (TX)
      • Summary of Interim adoptions*
      • INT 20-08 **
        Attachment One
        Attachment Two
   b. Blanks (E) Working Group—Jake Garn (UT)
      • May 28 Summary
        Attachment Three

2. Discuss Any Other Matters Brought Before the Task Force—Jamie Walker (TX)

3. Adjournment

* Updated to include March conference call actions
** Added to the materials as a separate vote is planned for this item.
Conference Calls

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP
June 15, 2020 / May 20, 2020 / April 15, 2020 / March 18, 2020

Summary Report

The Statutory Accounting Principles (E) Working Group met via conference call June 15, May 20, April 15 and March 18. During these meetings, the Working Group:

1. Adopted its Jan. 8 minutes which adopted an editorial item (Ref #2019-44) and adopted the 2019 Fall National meeting minutes.

2. Adopted the following substantive revisions to statutory accounting guidance:

3. Adopted the following nonsubstantive revisions to statutory accounting guidance:
   a. **SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments and SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities:** Revisions incorporate principle concepts that will restrict the classification of “rolling” related party or affiliated investments as cash equivalents or short-term investments. The investment schedule will identify investments (or substantially similar investments) that remain on the short-term schedule for more than one consecutive year. (Ref #2019-20)
   b. **SSAP No. 2R:** Revisions reflect that certain cash pools meeting defined criteria shall be reported as cash equivalents. (Ref #2019-42)
   c. **SSAP No. 3—Accounting Changes and Corrections of Errors and SSAP No. 51R—Life Contracts:** Revisions specify that changes as a result of VM-21, *Requirements for Principle-Based Reserves for Variable Annuities*, optional phase-in requirements shall be disclosed as a change in valuation basis, with additional disclosures regarding the phase-in period beginning Jan. 1, 2020. (Ref #2019-47)
   d. **SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets and SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities:** Revisions expand guidance regarding financial guarantees and the use of the equity method for when losses exceed the subsidiary, controlled and affiliated entity’s (SCA’s) equity value. The reported equity losses of an SCA would not go negative (thus stopping at zero); however, the guaranteed liabilities would be reported to the extent that there is a financial guarantee or commitment. (Ref #2018-26)
   e. **SSAP No. 5R, SSAP No. 72—Surplus and Quasi-Reorganizations, and SSAP No. 86—Derivatives:** Revisions reject Accounting Standards Update (ASU) 2017-11, *Accounting for Certain Financial Instruments with Down Round Features; Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Noncontrolling Interests with a Scope Exception* in SSAP No. 86 and incorporate guidance into SSAP No. 5R and SSAP No. 72 requiring issued, free-standing financial instruments with characteristics of both liability and equity to be reported as a liability to the extent that the instrument embodies an unconditional obligation of the issuer. (Ref #2019-43)
   f. **SSAP No. 25—Affiliates and Other Related Parties:** Revisions data-capture existing disclosures, which are currently completed in a narrative format. A blanks proposal to expose the data-capture; the template was proposed to be concurrently exposed. (Ref #2019-33)
   g. **SSAP No. 26R—Bonds:** Revisions clarify that the assessment of an other-than-temporary impairment (OTTI) shall be based on modified contract terms. The revisions provide consistency with guidance in SSAP No. 36R—*Troubled Debt Restructuring* and SSAP No. 103R. (Ref #2020-14)
h. **SSAP No. 41R—Surplus Notes**: Revisions require disclosures of surplus notes that are structured in a manner in which cash-flow exchanges have been reduced or eliminated. (Ref #2019-37)

i. **SSAP No. 47—Uninsured Plans**:

1. Revisions reject **ASU 2016-20, Technical Corrections & Improvements – Topic 606, Revenue from Contracts with Customers** in SSAP No. 47. (Ref #2020-08)

2. Revisions reject **ASU 2018-18, Collaborative Arrangements – Topic 808** in SSAP No. 47. (Ref #2020-09)

j. **SSAP No. 51R—Life Contracts, SSAP No. 56—Separate Accounts, and SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance**: Revisions: 1) ensure that separate account guaranteed products are referenced in all applicable paragraphs of the withdrawal characteristics disclosures; 2) correct an identified inconsistency in one of the new disclosures regarding products that will move from the reporting line of having surrender charges at 5% or more to the reporting line of surrender charges at less than 5%; and 3) add a cross reference from SSAP No. 56 to the existing disclosures by withdrawal characteristics in SSAP No. 51R and SSAP No. 61R, as the disclosures include separate account products. (Ref #2019-35)

k. **SSAP No. 51R and SSAP No. 52—Deposit-Type Contracts**: Revisions add a footnote to aggregate deposit-type contracts, which are captured in annual statement Exhibit 5 – Life Contracts. This item did not result in statutory revisions, but instead it resulted in a blanks proposal. (Ref #2019-08)

l. **SSAP No. 53—Property and Casualty Contracts—Premiums**: Revisions clarify that the installment fee guidance should be narrowly applied. If warranted, a separate agenda item would be prepared to discuss any installment expense comments received from the Casualty Actuarial and Statistical (C) Task Force and the Property and Casualty Risk-Based Capital (E) Working Group, as they both were notified of the prior exposure. (Ref #2019-40)

m. **SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses**: Revisions emphasize existing guidance that loss and loss adjusting expense liabilities are established regardless of payments to third parties (except for capitated health claim payments). (Ref #2018-38)

n. **SSAP No. 62R**: Revisions incorporate disclosure updates for reinsurers from reciprocal jurisdictions. (Ref #2019-48)

o. **SSAP No. 97**: Revisions clarify that a more-than-one holding company structure is permitted for look-through if each of the holding companies within the structure complies with the look-through requirements in SSAP No. 97. (Ref #2019-32)


q. **Appendix A—Excerpts of NAIC Model Laws: Appendix A-001, Investments of Reporting Entities**: Revisions add a line for “Total Valuation Allowance” to Appendix A-001, Section 3, Summary Investment Schedule. (Ref #2020-07)

r. **Appendix B—Interpretations of Statutory Accounting Principles**:

1. **Interpretation (INT) 20-01: Reference Rate Reform**: This interpretation provides optional guidance, allowing for the continuation of certain contracts that are modified in response to **Accounting Standard Update (ASU) 2020-04, Reference Rate Reform**. Additionally, it provides waivers from derecognizing hedging transactions and exceptions for assessing hedge effectiveness as a result of transitioning away from certain interbank offering rates. (Ref #2020-12 and INT 20-01)

2. **INT 20-02: Extension of Ninety-Day Rule for the Impact of COVID-19**: This interpretation provides an optional extension of the 90-day rule before nonadmitting premium receivables and receivables from non-government uninsured plans in response to COVID-19. (INT 20-02)

3. **INT 20-03: Troubled Debt Restructuring Due to COVID-19**: This interpretation clarifies that a modification of mortgage loan or bank loan terms, in response to COVID-19, shall follow the provisions detailed in the April 7,
4. INT 20-04: Mortgage Loan Impairment Assessment Due to COVID-19: This interpretation provides limited time exceptions to defer the assessment of impairment for certain bank loans, mortgage loans and investments that predominantly hold underlying mortgage loans, which are affected by forbearance or modifications in response to COVID-19. (INT 20-04)

5. INT 20-05: Investment Income Due and Accrued: This interpretation provides temporary exceptions for the assessment of collectability for specific investments, as well as exceptions on the nonadmittance of investment income due and accrued that becomes more than 90 days past due in response to COVID-19. (INT 20-05)

6. INT 20-06: Participation in the 2020 TALF Program: This interpretation provides guidance for reporting entities that participate as a direct borrower or material investor in the 2020 Term Asset-Backed Securities Loan Facility (TALF). This interpretation permits direct borrowers to admit securities pledged to the TALF program, although the TALF program does not permit substitution of pledged assets, if other admittance criteria is met. (INT 20-06)

7. INT 20-07: Troubled Debt Restructuring of Certain Debt Investments Due to COVID-19: This interpretation provides temporary practical expedients in assessing whether modifications in response to COVID-19 are insignificant under SSAP No. 36R and in assessing whether a modification shall be considered an exchange under SSAP No. 103R. (INT 20-07)

8. INT 20-08: COVID-19 Premium Refunds, Rate Reductions and Policyholder Dividends: This interpretation proposes guidance on how to account for premium refunds, rate reductions and policyholder dividends in response to decreased insured activity related to COVID-19. With regards to premium refunds that are outside of policy terms, the interpretation identifies that these shall be reported as a reduction of premium (and not as an expense). It also provides guidance on premium reductions and policyholder dividends. The interpretation directs an aggregate disclosure to allow for easy identification of the full impact from COVID-19 in the financial statements. (INT 20-08)

s. Appendix D—Nonapplicable GAAP Pronouncements:

9. Revisions reject ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities as not applicable to statutory accounting. (Ref #2019-46)


11. Revisions reject ASU 2017-14, Amendments to SEC Paragraphs in Credit Losses (Topic 326) and Leases (Topic 842) for statutory accounting. (Ref #2020-11)

4. Adopted the following editorial revisions to statutory accounting:

a. SSAP No. 21R: Removes the excerpts from SSAP No. 4—Assets and Nonadmitted Assets regarding the definition and accounting treatment for admitted assets. (Ref #2020-06EP)

b. SSAP No. 51R: Updates various paragraph references, requiring that changes in valuation basis be consistent with the originally adopted language in Issue Paper No. 154—Implementation of Principle Based Reserving, Exhibit A. (Ref #2020-06EP)

c. SSAP No. 62R: Revisions update references in Exhibit A – Implementation Questions and Answers and paragraph 85 to match the current format of property casualty annual statement Schedule F – Reinsurance. (Ref #2019-44EP)

d. Various other SSAPs: Revisions revise all references to the annual statement instructions for consistency and combine life and fraternal statement references. (Ref #2019-44EP)

5. Disposed the following without revisions to statutory accounting guidance:
a. Agenda item 2019-39: Acceptable Collateral for Derivatives was disposed without statutory revisions as third-party
derivative exposure through centrally cleared exchanges is appropriately captured in the existing financial statement
disclosure requirements and blanks. (Ref #2019-39)

b. Agenda Item 2019-41: Eliminating Financial Modeling Process: This item proposed revisions to SSAP No. 43R—
Loan-Backed and Structured Securities to remove the financial modeling process. This item was proposed in response
to initial action by the Valuation of Securities (E) Task Force. As the Task Force has taken a different approach, this
agenda item was disposed without statutory revisions. (Ref #2019-41)

6. The effective dates for the following INTs are as follows:

a. INT 20-02, INT 20-04 and INT 20-05 are effective for the March 31, 2020, and June 30, 2020, financial statements
only, but consideration of an extension will occur in August 2020.

b. INT 20-03 and INT 20-07 have an effective date that mirrors the CARES Act and will only be applicable for the
period beginning on March 1, 2020, and ending on the earlier of Dec. 31, 2020, or the date that is 60 days after the
date on which the national emergency concerning the COVID–19 outbreak terminates.

c. INT 20-08 is effective on its June 15, 2020, adoption and is effective for 2020 reporting.
Interpretation of the Statutory Accounting Principles Working Group

INT 20-08: COVID-19 Premium Refunds, Rate Reductions and Policyholder Dividends

INT 20-08 Dates Discussed

Email Vote to Expose May 5, 2020; May 20, 2020; June 15, 2020

INT 20-08 References

SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets
SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items
SSAP No. 53—Property Casualty Contracts—Premiums
SSAP No. 54R—Individual and Group Accident and Health Contracts
SSAP No. 65—Property and Casualty Contracts
SSAP No. 66—Retrospectively Rated Contracts

INT 20-08 Issue

COVID-19

1. A previously unknown virus began transmitting between October 2019 and March 2020, with the first deaths in the U.S. reported in early March 2020. The disease caused by the virus is known as Coronavirus Disease 2019 (COVID-19). Several states and cities have issued “stay home” orders and forced all non-essential businesses to temporarily close. This led to a significant increase in unemployment and the potential permanent closure of many businesses. Total economic damage is still being assessed however the total impact is likely to exceed $1 trillion in the U.S. alone.

Refunds, Rate Reductions and Policyholder Dividends

2. The federal, state or local government orders requiring non-essential workers to “stay home” caused a significant reduction in commercial and non-commercial activity, including automotive usage. Some consumer groups wrote letters and issued press releases calling for insurance premium refunds or pricing decreases, which included specific comments directed toward consumer automotive lines. The comments presumed that the decrease in activity would result in fewer losses.

3. Many insurers began issuing voluntary premium refunds, future rate reductions or policyholder dividends because of the decreased activity. The majority of the refunds were related to automotive lines of business. Insurers have provided the reductions in a variety of ways. Some of the rate reductions were specific for in-force policies, whereas some of the rate reductions would apply to future policy renewals.

4. The majority of the refunds or rate reductions are being offered voluntarily and are not amounts required under the policy terms. The aggregate monetary amount of the return of funds is considered materially significant.
Jurisdiction Directed

5. In addition, a few jurisdictions have issued bulletins directing refunds and rate reductions on accident and health insurance and varying lines of property and casualty insurance, including but not limited to: private passenger automobile, commercial automobile, workers’ compensation, commercial multiple peril, commercial liability and medical professional liability. In addition, some jurisdictions have indicated support for refunds or rate reductions, but also directed that payment of such amounts require either premium rate filings or policy form amendments.

Accounting Issues

6. This intent of this interpretation is to address questions related to refunds, rate reductions and policyholder dividends in response to the decreased activity related to COVID-19. Because there are a variety of ways that reporting entities are accomplishing a similar objective of returning money or reducing premiums, this interpretation provides guidance on the following issues:

- Issue 1: How to account for refunds not required under the policy terms.
- Issue 2: How to account for refunds required under the policy terms.
- Issue 3: How to account for rate reductions on inforce and renewal business.
- Issue 4: How to account for policyholder dividends.
- Issue 5: Where to disclose refunds, rate reductions and policyholder dividends related to COVID-19 decreases in activity.

INT 20-08 Discussion

7. As an overall guiding principle, the accounting shall follow existing statutory accounting principles and annual statement reporting where feasible.

Issue 1: How to Account for Refunds Not Required Under the Policy Terms

8. The Working Group reached a consensus that voluntary refunds because of decreased activity related to COVID-19 and jurisdiction-directed refunds which are not required by the policy terms, are fundamentally a return of premium. Such refunds shall be accounted for as immediate adjustments to premium. The refunds shall be recognized as a reduction to written or earned premium and the unearned premium reserve adjusted accordingly.

9. Refunds shall be recognized as a liability when the definition of a liability in SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets is met. For example, the declaration of a voluntary dividend by the board of directors will trigger liability recognition. In cases where the refunds are directed by a jurisdiction, the SSAP No. 5R definition of a liability shall be used to determine timing of liability recognition.

10. Immediate adjustment to premium is consistent with the existing guidance in SSAP No. 53—Property Casualty Contracts—Premiums. SSAP No. 53 guidance requires adjustments to the premium charged for changes in the level of exposure to insurance risk. It is also consistent with the treatment of loss sensitive premium adjustments in SSAP No. 66—Retrospectively Rated Contracts. While some of the voluntary or jurisdiction-directed refunds may not be required by
the explicit policy terms, the principle of reversing premium in the same way that the premium was originally recognized continues to apply.

11. Immediate adjustments to premium for voluntary accident and health premium refunds is also consistent with the guidance in SSAP No. 54R—Individual and Group Accident and Health Contracts on contracts subject to redetermination. While some of the voluntary or jurisdiction-directed refunds may not be required by the explicit policy terms, the principle of reversing premium in the same way that the premium was originally recognized continues to apply. The liability for voluntary health premium refunds attributable to COVID-19 and which are not required under the policy terms shall be recognized in aggregate write-ins for other liabilities.

12. Reporting the voluntary or jurisdiction-directed refund as an expense is not consistent with statutory accounting guidance and would inappropriately present the expense ratios in the statutory accounting financial statements. Reporting the refund as an expense, or any other method besides a decrease to premium, would be considered a permitted or prescribed practice and shall be disclosed as required by SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures:

   a. Reporting the refunded amounts as a miscellaneous underwriting expense is not consistent with the underwriting expense description. This reporting option is inconsistent with the characterization of the amount as a return of premium.

   b. Reporting the refunds as premium balances charged off (e.g., bad debt expense) is inconsistent with guidance in SSAP No. 53, paragraph 14, on earned but uncollected premium. It is also inconsistent with the annual statement instructions as the amount is not an uncollectible amount, but rather a voluntary choice by the reporting entity to reduce the amount charged.

**Issue 2: How to Account for Refunds Required Under the Policy Terms**

13. While most of the premium refunds are voluntary or jurisdiction-directed and not required under the policy terms, some policies have terms that require an adjustment to premium based on either the level of exposure to insurance risk or the level of losses. If the policy terms change the amount charged, existing guidance in SSAP No. 53, SSAP No. 54R or SSAP No. 66 continues to apply:

   a. SSAP No. 53 provides guidance for policies in which the premium amount is adjusted for changes in the level of exposure to insurance risk. This is often seen in commercial lines of business such as workers’ compensation. The guidance notes that audits often occur after the policy term or mid-term in the policy. SSAP No. 53 refers to the adjustment to premium (either due to the customer or to the insurer) as earned but unbilled (EBUB) premium. SSAP No. 53 requires such adjustment to premium to be made immediately either through written premium or earned premium. SSAP No. 53 also requires recognition of the related liabilities and expenses such as commissions and premium taxes based on when the premium is earned.

   b. SSAP No. 54R provides guidance for policies subject to redetermination in which the premium is subject to adjustments by contract terms. This is commonly seen in federal and state groups. The guidance notes that estimates are based on experience to date and premium adjustments are estimated for the portion of the policy that has expired. Accrued return premiums are recorded as a
liability with a corresponding entry to written premium. Refunds required under the policy terms would continue to be reported as retrospective or redetermination premium liabilities if applicable.

c. SSAP No. 66 provides guidance for policies whose terms or legal formulas determine premium based on losses. SSAP No. 66 references other applicable statements based on contract type for the initial accrual of premium. Estimates of premium adjustments are accrued based on activity to date and result in immediate adjustments to premium. SSAP No. 66 guidance specifies the corresponding annual statement reporting lines for different entity types.

**Issue 3: How to Account for Rate Reductions**

14. Some reporting entities are offering rate reductions instead of premium refunds. Some of these rate reductions provide one-time price decreases to future payments on in-force policies. Other reporting entities have provided offers of rate reductions on future renewals. Some of the offers for future rate reductions are only applicable to in-force policyholders as of a specified date. Some reporting entities have offered one-time rate reductions for future renewals for both existing and new policyholders for 2020.

   a. Rate reductions on in-force business, shall be recognized as immediate adjustments to premium.

   b. Rate reductions on future renewals shall be reflected in the premium rate charged on renewal. This is because it is outside of the policy boundary to require the accrual before contract inception. While the amount of future rate reduction can be estimated, it is not a change to existing policy terms and policyholders are not obligated to renew at the reduced rate, therefore, payment of the amount is avoidable. Such amounts shall be disclosed as discussed in Issue No. 5.

**Issue 4: How to Account for Policyholder Dividends**

15. **SSAP No. 65—Property and Casualty Contracts**, paragraph 46 requires that dividends to policyholders immediately become liabilities of the reporting entity when they are declared by the board of directors and shall be recorded as a liability.

16. The Working Group noted that policyholder dividends are typically only provided on participating policies or policies issued by non-stock companies, such as mutual entities and other corporate entity types in which profits are shared with policyholders.

17. Research during the development of this item identified that a small number of jurisdictions have legal restrictions which only allow policyholder dividends to be provided after the expiration of the policy period for which the dividend was earned. This interpretation only addresses policyholder dividends which are permitted by the applicable jurisdiction.

18. The property and casualty annual statement blank provides specific reporting lines for policyholder dividends including, but not limited to a liability line and a line in the income statement and statement of cash flow. For those entities whose policies are participating or whose corporate shell type and/or membership structure allow for policyholder dividends, the accounting for policyholder dividends is unchanged by this interpretation.
19. This interpretation does not change the policyholder dividend disclosure or reporting but provides additional guidance that such policyholder dividends issued in response to COVID-19 decreases in activity shall also be disclosed as discussed in Issue 5.

**Issue 5: Where to Disclose Refunds, Rate Reductions and Policyholder Dividends Related to COVID-19 Decreases in Activity**

20. There are various places in the notes to the statutory annual statement where disclosures of various aspects of premium refunds, premium reductions or policyholder dividends are required. This interpretation does not recommend changes to those existing disclosures. This interpretation does, however, recommend a consistent annual statement disclosure for all such amounts to allow for comparable disclosures.

21. SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items requires disclosure of the nature and financial effects of each unusual or infrequent event or transaction. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. This disclosure is currently required to be reported in annual statement Note 21A. (Reporting entities shall maintain jurisdiction-specific information to be made available upon request from department of insurance or revenue regulators.)

22. To allow for aggregate, consistent assessment, the Working Group came to a consensus that all COVID-19 inspired premium refunds, rate reductions, and policyholder dividends shall be disclosed as unusual or infrequent items in annual statement 21A. This disclosure is in addition to other existing disclosures on various items related to the policyholder payments. For clarification, refunds required under policy terms in-force prior to the federal declaration of emergency for the COVID-19 pandemic as discussed in paragraph 13 (i.e., policies that require an adjustment to premium based on either the level of exposure to insurance risk or the level of losses) are not required to be aggregated in disclosures of COVID-19 inspired premium refunds, rate reductions and policyholder dividends. Policies whose terms were modified after the declaration of emergency in response to COVID-19 are required to disclose the COVID-19 inspired premium refunds, rate reductions and policyholder dividends.

**INT 20-08 Consensus**

23. The Working Group reached a consensus to prescribe statutory accounting guidance for insurance reporting entities providing refunds in response to COVID-19. Pursuant to this consensus:

   a. Reporting entities that provide voluntary or jurisdiction-directed refunds which are not required under the policy terms shall follow the guidance in paragraphs 8-12 of this interpretation. This guidance stipulates that such refunds shall be recognized as a reduction of premium. Refunds that are recognized in a different manner (e.g., as an expense), shall be considered a permitted or prescribed practice pursuant to SSAP No. 1.

   b. Reporting entities that provide refunds in accordance with insurance policy terms shall follow paragraph 13 of this interpretation. This guidance indicates that existing statutory accounting principles in SSAP No. 53, SSAP No. 54R or SSAP No. 66 shall be followed as applicable.
c. Reporting entities that provide rate reductions shall follow paragraph 14 of this interpretation. This guidance provides direction based on whether the rate reduction is for in-force or future policies.

d. Reporting entities that provide policyholder dividend shall follow the existing guidance for policyholder dividends which is summarized in paragraphs 15-19 and in addition, shall complete the disclosures described in paragraphs 20-22.

e. This interpretation, paragraphs 20-22 indicates that reporting entities shall continue to comply with all statutory accounting disclosure requirements, but also requires that all premium refunds, rate reductions and/or policyholder dividends provided because of the decreased activity due to COVID-19 shall be aggregated and reported in Note 21A as unusual or infrequent items.

24. The Working Group noted that premium taxation requirements vary by jurisdiction. Taxation is determined by the jurisdiction where the premium is written/returned to the policyholder according to the laws of that jurisdiction.

25. This interpretation will be automatically nullified on January 1, 2021 and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the “as of March 2021” Accounting Practices and Procedures Manual.

INT 20-08 Status

26. Further discussion is planned.
The Blanks (E) Working Group met via conference call May 28, 2020. During this call, the Working Group:

1. Adopted its Dec. 17, 2019, minutes.

2. Adopted 24 proposals:
   a. 2019-25BWG – Modify the instruction for Column 10 (Schedule F, Part 3 – Property and Schedule F, Part 2 – Life/Fraternals Workers’ Compensation Carve-out supplement) to remove instruction to exclude adjusting and other reserves from the column and add instruction to include those reserves with the defense and cost containment reserves. Add a new instruction for Column 12 for the same schedules. Add crosschecks to Schedule P, Part 1.
   b. 2019-28BWG – Modify the instruction for Supplemental Investment Risk Interrogatories Lines 13.02 through 13.11 clarifying when to identify the actual equity interests within a fund and aggregate those equity interests for determination of the ten largest equity interests.
   c. 2019-29BWG – Modify the instruction and blank for Supplemental Investment Risk Interrogatories Question 14.01.
   d. 2019-30BWG – Add a category and instructions for Reciprocal Jurisdiction Companies in Schedule S for the life/fraternal and health blanks and to Schedule F for the property and title blanks. Add a list of identification numbers in instruction to Schedule Y, Part 1A; Schedule Y, Part 2; and Schedule D, Part 6, Section 1 for Reciprocal Jurisdiction Companies. Add a reference to Reciprocal Jurisdiction Companies in the Trustees Surplus Statement instructions for life/fraternal, health and property statements.
   e. 2020-01BWG – Add crosschecks to Lines 13 and 14 of the Exhibit of Premiums, Enrollment and Utilization (State Page) to Lines 10 and 11 of the Underwriting and Investment Exhibit, Part 1. Add crosschecks to Lines 9, 10 and 11 of the Underwriting and Investment Exhibit, Part 1 and Schedule T, Line 61.
   f. 2020-03BWG – Modify the instruction and illustration for 13(11) to the Notes to Financial Statement. Change the numbering from 1 through 13 to A through M to reflect the disclosure addition for SSAP No. 41R—Surplus Notes being adopted by the Statutory Accounting Principles (E) Working Group and correct the instruction.
   g. 2020-04BWG – Modify the instruction and illustration for Note 23A – Unsecured Reinsurance Recoverables to reflect the disclosure addition for SSAP No. 62R—Property and Casualty Reinsurance being adopted by the Statutory Accounting Principles (E) Working Group.
   h. 2020-05BWG – Modify the instruction and illustration for Note 2 – Accounting Changes and Correction of Errors to reflect the disclosure addition for SSAP No. 3—Accounting Changes and Corrections of Errors and SSAP No. 51R—Life Contracts being adopted by the Statutory Accounting Principles (E) Working Group.
   i. 2020-07BWG – Add new disclosure Note 23 – Reinsurance for reinsurance credit (23H – Life/Fraternals, 23E Health and 23K Property) to reflect the disclosure additions for SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance adopted by the Statutory Accounting Principles (E) Working Group.
   j. 2020-08BWG – Add a disclosure instruction for 10C to the Notes to Financial Statement for related party transactions not captured on Schedule Y to reflect the disclosure addition for SSAP No. 25—Affiliates and Other Related Parties being adopted by the Statutory Accounting Principles (E) Working Group. Combine existing 10C into 1B instructions and illustration narrative.
   k. 2020-09BWG – Modify the Annual Statement Instructions for Schedule F, Part 3 to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified, and reciprocal reinsurance.
   l. 2020-10BWG – Revise the column 10 header in the Variables Annuities Supplement blank to be Contract Level Reserves Less Cash Surrender Value. Revise the line descriptions in Lines 1 through 3 in the footer and add a line for the Reserve Credit from Other Reinsurance and for Post-Reinsurance Ceded Aggregate Reserve. Adjust the instructions to correspond with changes made to the blanks as well as changes in the 2020 Valuation Manual for the new Variable Annuities Framework.
   m. 2020-11BWG – For the VM-20 Reserves Supplement Blank, split Part 1 into Part 1A and Part 1B. For Part 1A: change the description header for column 3 to “Due and Deferred Premium Asset” to match the instructions. Add “XXX” in the two places needed to indicate that a due and deferred premium asset does not need to be reported in the lines shown.
for Total Reserves. Change the reporting units for all columns to be in dollars rather than in thousands. Expand all columns to allow room for a number as large as 999,999,999,999. Change the product labels for clarity. For Part 1B: change the reporting units for the reserve columns to be in dollars rather than in thousands. Expand the reserve columns to allow room for a number as large as 999,999,999,999. Expand the face amount columns to allow room for a number as large as 9,999,999,999. Change the product labels for clarity. Remove Part 2 and re-number the remaining Parts. Adjust the instructions according to the changes made to the blanks. Clarify instructions and add examples for Parts 1A and 1B.

n. 2020-12BWG – The proposal will require appointed actuaries to attest to meeting Continuing Education (CE) requirements and participate in the CAS/SOA CE review procedures, if requested.

o. 2020-13BWG – Remove Line 24.04 from the General Interrogatories, Part 1 and renumber remaining lines for Interrogatory Question 24. Modify Lines 24.05 and 24.06 to require reporting amounts for conforming and non-conforming collateral programs.

p. 2020-14BWG – Modify the columns and rows on the blank pages for the Long-Term Care Experience Reporting Forms 1 through 5 and make appropriate changes to the instructions for those forms.

q. 2020-15BWG – A new Private Flood Insurance Supplement collecting residential and commercial private flood insurance data and revisions to the Credit Insurance Experience Exhibit (CIEE) to collect lender-placed flood coverages.

r. 2020-16BWG – Modify Questions 3.1 and 3.2 of General Interrogatories Part 2 and provide instructions.

s. 2020-17BWG – Adjust the AVR presentation to include separate lines for each of the expanded bond designation categories.

t. 2020-18BWG Modified – Clarify the instructions to indicate which funds reported on Schedule D, Part 2, Section 2 (annual filing) and Schedules D, Part 3 and 4 (quarterly filing) must have an NAIC Designation, NAIC Designation Modifier, and SVO Administrative Symbol. Modify the reference to the Purposes and Procedures Manual of the NAIC Investment Analysis Office found in the following investment instructions.

u. 2020-19BWG – Add a code of “%” to the code column for all investments which have been reported Schedule DA, Part 1 and Schedule E, Part 2 for more than one consecutive year. Add certification to the General Interrogatories, Part 1 inclusion of these investments on Schedule DA, Part 1 and Schedule E, Part 2 (SAPWG 2019-20).

v. 2020-20BWG – For Schedule D, Part 1, add code “10” to Column 26 – Collateral Type for ground lease financing. Renumber “Other” code to “11”

w. 2020-21BWG – Add new Line 4.05 for valuation allowance for mortgage loans to the Summary Investment Schedule and renumber existing Line 4.05 to 4.06. Modify the instructions to include a crosscheck for new Line 4.05 back to Schedule B – Verification Between years. Clarify the instructions for 4.01-4.04 to explicitly show crosschecking to Column 8 of Schedule B, Part 1.

x. 2020-23BWG – Add footnote to Exhibit 5 (life/fraternal & health – life supplement) and Exhibit 3 separate accounts to disclose cases when a mortality risk is no longer present or a significant factor – i.e. due to a policyholder electing a payout benefit (SAPWG 2019-08).

3. Adopted its editorial listing.