

**Statutory Accounting Principles (E) Working Group
December 11, 2021 – Fall National Meeting
Comment Letters Received**

TABLE OF CONTENTS

COMMENTS / DOCUMENT	PAGE REFERENCE
Comment Letters Received for Items Exposed for the Fall National Meeting	
Interested Parties – October 1, 2021 <ul style="list-style-type: none"> ○ Ref #2021-11: SSAP No. 43R – Credit Tenant Loans - Scope ○ Ref #2021-12EP: Editorial Updates ○ Ref #2021-13: Salvage – Legal Recoveries ○ Ref #2021-14: Policy Statement Terminology Change – Substantive and Nonsubstantive ○ INT 21-02T: INT 21-02T – Hurricane Ida ○ Ref #2019-24: SSAP No. 71 – Levelized and Persistency Commission (Issue Paper) 	1-4
Interested Parties – November 15, 2021 <ul style="list-style-type: none"> ○ Ref #2021-16: SSAP No. 30R – FHLB Disclosure – Blanks Referral ○ Ref #2021-17: SSAP No. 32R – Permitted Valuation Methods ○ Ref #2021-18: VM-21 Scenario Consistency Update ○ Ref #2021-19EP: Editorial Revisions 	5-6

D. Keith Bell, CPA

Senior Vice President
Accounting Policy
Corporate Finance
The Travelers Companies, Inc.
Phone : 860-277-0537
Email: d.keith.bell@travelers.com

Rose Albrizio, CPA

Vice President
Accounting Practices
Equitable
Phone: 201-743-7221
Email: rosemarie.albrizio@equitable.com

October 1, 2021

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: Items Exposed for Comment by the Statutory Accounting Principles Working Group on August 26, 2021 with Comments due October 1, 2021

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the exposure drafts released for comment by the NAIC Statutory Accounting Principles (E) Working Group (the Working Group). We offer the following comments:

Ref #2021-11 SSAP No. 43R

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed the following:

1. Revisions to *SSAP No. 43R—Loan-Backed and Structured Securities*, as illustrated in the proposal, to explicitly identify the SVO-Identified CTLs that are in scope of SSAP No. 43R. These revisions also propose to delete the examples of “other loan-backed and structured securities” in paragraph 27.b. Comments are requested if this deletion is perceived to remove investments from the scope of SSAP No. 43R.
2. Request for comment on the Working Group’s intent to nullify INT 20-10. (This INT nullifies automatically on Oct. 1, 2021, but it is anticipated that the explicit nullification will identify the revisions adopted by the VOSTF for historical reference.)
3. Disposal of agenda item 2020-24: Accounting and Reporting of Credit Tenant Loans without statutory revisions. This was the agenda item in response to the initial VOSTF referral and is no longer applicable with the adopted Task Force edits to clarify that CTLs are mortgage loans in scope of SSAP No. 37.

Interested parties have no comment on this item.

Ref #2021-12 NAIC Accounting Practices and Procedures Manual Editorial and Maintenance Update

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed editorial revisions to the Preamble, *Appendix A-001: Investments of Reporting Entities*, *Appendix C Actuarial Guidelines – Appendices*, *Appendix C-2 Interpretations of the Emerging Actuarial Issues (E) Working Group*, and *SSAP No. 21R —Other Admitted Assets*, as illustrated in the proposal.

Interested parties have no comment on this item.

Ref #2021-13 SSAP No. 55: Salvage - Legal Recoveries

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and took the following actions:

1. Exposed revisions to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*, as illustrated in the proposal, to clarify that salvage and subrogation recoveries should be reported as a reduction of losses and/or loss adjusting expense (LAE reserves), depending on the nature of the costs being recovered. In addition, updates to the disclosure in paragraph 17.h. were exposed.
2. Directed NAIC staff to coordinate develop conforming revisions to the Annual Statement instructions.
3. Directed notification of the exposure to the following actuarial Task Forces:
 - a. Casualty Actuarial and Statistical (C) Task Force,
 - b. Life Actuarial (A) Task Force, and
 - c. Health Actuarial (B) Task Force

Interested parties support this proposal.

Ref #2021-14 Policy Statement Terminology Change – Substantive & Nonsubstantive

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles*, as illustrated in the proposal and suggested by the Financial Condition (E) Committee in their Aug. 14, 2021, referral, to alter the terminology used when discussing types of statutory accounting revisions.

After some discussion and consideration of the proposal and its impact on the implementation of new statutory accounting standards, interested parties concluded that the distinction between substantive (proposed change to “development of new SSAPs or New SAP Concepts in an

Existing SSAPs”) and non-substantive (proposed to change to “Development of SAP Clarifications”) is at times confusing and that there would be more transparency in the development process if the distinction were eliminated. Instead, we recommend that all new standards be handled similarly but that the effective date for each new standard be determined by evaluating the complexity of implementation (e.g., the extent that systems changes are required) and the availability of data to insurers to implement the new standard. This determination would be made as the new standard is being completed and with feedback from industry as to the time needed to adopt the new requirements.

INT 21-02T: Extension of Ninety-Day Rule for the Impact of Hurricane Ida

The Working Group reached a tentative consensus for a one-time optional extension of the ninety-day rule for uncollected premium balances, bills receivable for premiums and amounts due from agents and policyholders required per SSAP No. 6, paragraph 9. For policies in effect as of the declaration of a state of emergency by either the states, U.S. territories or federal government, as described in paragraph 1, insurers with policyholders in areas impacted by Hurricane Ida, its aftermath and the related flooding may wait 150 days (90 days per existing guidance, plus a 60-day extension), not to extend beyond Jan. 23, 2022, before nonadmitting premiums receivable from those directly impacted policyholders as required per SSAP No. 6, paragraph 9. b. Existing impairment analysis remains in effect for these affected policies.

The Working Group noted that a temporary sixty day (60) extension had previously been provided for other nationally significant disasters including INT 20-11: Extension of Ninety-Day Rule for the Impact of 2020 Hurricanes, California Wildfires and Iowa Windstorms, INT 18-04: Extension of Ninety-Day Rule for the Impact of Hurricane Florence and Hurricane Michael; INT 17-01: Extension of Ninety-Day Rule for the Impact of Hurricane Harvey, Hurricane Irma and Hurricane Maria; INT 13-01: Extension of Ninety-Day Rule for the Impact of Hurricane/Superstorm Sandy; and INT 05-04: Extension of Ninety-day Rule for the Impact of Hurricane Katrina, Hurricane Rita and Hurricane Wilma.

This interpretation will be automatically nullified on Jan. 24, 2022 and will be included as a nullified INT in Appendix H – Superseded SSAPs and Nullified Interpretations in the “As of March 2022” *NAIC Accounting Practices and Procedures Manual*.

Interested parties support this proposal.

Ref #2019-24 SSAP No. 71: Levelized Commissions

The Working Group exposed Issue Paper No. 16x: Levelized Commissions to document the historical discussion and final action adopted through the Executive Committee/Plenary.

Interested parties have no further comment on this item.

* * *

Statutory Accounting Principles Working Group
October 1, 2021
Page 4

Thank you for considering interested parties' comments. If you have any questions in the interim, please do not hesitate to contact us.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: NAIC staff
Interested parties

D. Keith Bell, CPA
Senior Vice President
Accounting Policy
Corporate Finance
The Travelers Companies, Inc.
Phone : 860-277-0537
Email: d.keith.bell@travelers.com

Rose Albrizio, CPA
Vice President
Accounting Practices
Equitable
Phone: 201-743-7221
Email: rosemarie.albrizio@equitable.com

November 15, 2021

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: Items Exposed for Comment by the Statutory Accounting Principles Working Group by eVote on October 25, 2021 with Comments due November 12

Dear Mr. Bruggeman:

Interested parties appreciate the opportunity to comment on the exposure drafts released for comment by the NAIC Statutory Accounting Principles (E) Working Group (the Working Group). We offer the following comments:

Ref #2021-16: SSAP No. 30R – FHLB Disclosure – Blanks Referral

On October 25, 2021, in response to an e-vote to expose, the Working Group exposed this agenda item for public comment. While this agenda item does not propose statutory accounting revisions, it resulted in a referral to the Blanks (E) Working Group to include a supplemental data capture footnote for FHLB borrowings that are classified as a deposit-type contract and reported on *Exhibit 7 – Deposit-Type Contracts*.

Interested parties support the proposed change in this item.

Ref #2021-17: SSAP No. 32R – Permitted Valuation Methods

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 32R—Preferred Stock* to remove lingering references which indicate that cost is an allowable valuation method for redeemable preferred stock.

Interested parties have no comment on this item.

Statutory Accounting Principles Working Group
November 15, 2021
Page 2

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

The Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 108R—Derivatives Hedging Variable Annuity Guarantees* to ensure consistency with revisions to VM-21, removing references to the standard scenario. The Working Group also provided notice of the exposure to the Life Actuarial (A) Task Force. Interested parties support this proposal.

Interested parties agree with this proposal but recommend the following edits for the Working Group's consideration:

14. Deferred assets and deferred liabilities recognized under paragraph 13.b. shall be amortized using a straight-line method into realized gains or realized losses over a finite amortization period. The amortization timeframe shall equal the Macaulay duration of the guarantee benefit cash flows based on the VM-21 Standard Projection with prescribed assumption run scenario that produces ~~VM-21 adjusted run scenario that produces~~ the scenario reserve closest to conditional tail expectation (CTE) 70 (adjusted), but shall not exceed a period of 10 years. The ~~CTE 70 (adjusted)~~ VM-21 Standard Projection with prescribed assumption run ~~and the~~ scenario reserve closest to the CTE 70 (adjusted) ~~are~~ is determined using the method (company specific market path (CSMP) or conditional tail expectations (CTE) with prescribed assumptions (CTEPA)) applied by the reporting entity^{FN} to calculate the prescribed projections amount.

Ref #2021-19: Editorial and Maintenance Update

The Working Group exposed the editorial revisions, as shown in the proposal, for public comment.

Interested parties have no comment on this item.

* * *

Thank you for considering interested parties' comments. If you have any questions in the interim, please do not hesitate to contact us.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: NAIC staff
Interested parties