

2024 Fall National Meeting
Denver, Colorado

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

Sunday, November 17, 2024

9:00 – 11:00 a.m.

Meeting Summary Report

The Statutory Accounting Principles (E) Working Group met Nov. 17, 2024. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes.
2. Adopted its Sept. 12 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted, via e-vote, revisions to *Statement of Statutory Accounting Principles (SSAP) No. 26—Bonds* and Issue Paper No. 169 to incorporate guidance for debt securities issued by funds that represent operating entities with a Jan. 1, 2025, effective date. (Ref #2024-01)
3. Adopted its Oct. 4 minutes. During this meeting, the Working Group took the following action:
 - A. Exposed, via e-vote, the updated *Principles-Based Bond Definition Implementation Questions & Answers (Q&A)* for a public comment period ending Oct. 28. (Ref #2019-21)
4. Adopted the following clarifications to statutory accounting guidance:
 - A. *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies, SSAP No. 93—Investments in Tax Credit Structures, and SSAP No. 94—State and Federal Tax Credits*: Adopted clarifications expand and update guidance on tax credit investments effective Jan. 1, 2025. (Ref #2024-18)
 - B. *SSAP No. 101—Income Taxes*: Adopted revisions reject, with modification, *Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures*. The adoption also removes an existing SSAP disclosure. (Ref #2024-11)
 - C. *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*: Adopted revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01, Definitions for Terms in Requirements. (Ref #2024-17)
 - D. *Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions & Answers (Q&A)*: Adopted the exposed Q&A, updated for interested parties' comments, in a new interpretation. (Ref #2019-21)
 - E. *Appendix D—Nonapplicable U.S. Generally Accepted Accounting Principles (GAAP) Pronouncements*: Rejected *ASU 2024-02, Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)

5. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending Jan. 31, 2025, except for agenda item 2024-26EP, which is exposed for a public comment period ending Dec. 9, 2024.
 - A. *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*: Exposed revisions to the SSAP and the existing *Annual Statement Instructions/Illustrations* for the restricted asset disclosure in Note 5L specify how modified coinsurance (modco) and funds withheld assets reported within a ceding company’s financial statements shall be captured. This exposure also includes a reconciliation of items reported as restricted between Note 5L and the general interrogatories. (Ref #2024-20)
 - B. *SSAP No. 16—Electronic Data Processing Equipment and Software*: Exposed revisions clarify references to accounting standards codification (ASC) by including the relevant ASUs. (Ref #2024-25)
 - C. *SSAP No. 26*: Exposed editorial revisions clarify the scope of the annual audited disclosure. The disclosure shall include investments receiving bond treatment by reporting categories. (Ref #2024-26EP)
 - D. *SSAP No. 86—Derivatives*: Exposed revisions ensure consistent terminology for financing derivatives and clarify that derivative premium shall not be captured as a realized gain or loss and shall not be included in the interest maintenance reserve (IMR). (Ref #2024-23)
 - E. *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Exposed concept agenda item with requests for comments on the options offered to include: 1) clarifying statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries; 2) sponsoring a blanks proposal to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held by an investment subsidiary; or 3) referrals to the Capital Adequacy (E) Task Force and related risk-based capital working groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets within an investment subsidiary. (Ref #2024-21)
 - F. *SSAP No. 104—Share-Based Payments*: Exposed revisions to adopt with modification *ASU 2024-01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards*, which provides clarifications on the application of the guidance to profit interests and similar awards. (Ref #2024-22)
 - G. *INT 24-02: Medicare Part D Prescription Payment Plans* and *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage*: Exposed INT 24-02 and minor edits to INT 05-05 to provide accounting and reporting for the Medicare Part D prescription payment plan. Notification of the exposure will be provided to the Health Insurance and Managed Care (B) Committee and Health Risk-Based Capital (E) Working Group, and an annual statement blanks proposal and disclosures will be developed for future discussion. (Ref #2024-24)
 - H. *Annual Statement Blanks*: Re-exposed revisions to provide more granular reporting lines on Schedule BA Other Invested Assets for Collateral Loans. This action allows concurrent exposure with the Blanks (E) Working Group on its corresponding blanks proposal. (Ref #2023-28)

6. Directed NAIC staff on the following items:
 - A. Directed NAIC staff to prepare an agenda item to classify issue papers in level 5 of the statutory hierarchy.
 - B. *SSAP No. 86*: Directed NAIC staff to modify the agenda item proposing to bifurcate embedded derivatives and capture limited revisions to clarify reporting when a bond is sold and reacquired from a special purpose vehicle (SPV) with derivative wrappers (or other components). (Ref #2024-16)

7. Received updates on the following:
 - A. U.S. GAAP exposures, noting that items will be addressed during the normal maintenance process.
 - B. IMR Ad Hoc Group activities, noting that its discussions have focused on IMR from reinsurance transactions and has directed a reassessment of existing guidance.
 - C. The Bond Project Implementation Small Group, which has concluded its regular meetings. The Small Group addressed the items presented and referred the Q&A guide to the Working Group. The Small Group may resume future discussions if necessary.
 - D. Use of third-party vendors and checklists to determine bond definition compliance and classification.
 - E. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the application paper on climate risk.
 - F. Reinsurance exposures. The comment deadline for three reinsurance-related agenda items (2024-05, 2024-06, 2024-07) exposed at the Summer National Meeting was delayed at the request of the American Council of Life Insurers (ACLI) to Dec. 9 and Dec 16. The ACLI provided short verbal comments.
 - G. Lloyd's has submitted requests that resulted in the removal of several inactive syndicates from the NAIC *Listing of Companies*. NAIC staff is coordinating with Lloyd's to determine if a guidance memorandum needs to be sent to the Blanks (E) Working Group regarding year-end reporting instructions.