Meeting Summary Report

The Accounting Practices and Procedures (E) Task Force met Dec. 8, 2019. During this meeting, the Task Force:

1. Adopted its Aug. 22 and Summer National Meeting minutes.

2. Adopted the report of the Statutory Accounting Principles (E) Working Group, which met Dec. 7 and took the following action:
   a. Adopted its Sept. 9 and Summer National Meeting minutes.
   b. Adopted the following nonsubstantive revisions to statutory accounting guidance:
      1. Revisions adopt: 1) Statement of Statutory Accounting Principles (SSAP) No. 61R—Life, Deposit-Type and Accident and Health Reinsurance disclosures with an effective date of Dec. 31, 2020; 2) A-791 Q&A updates regarding contracts with medical loss ratios (MLRs); and 3) updates to the 2c. Q&A regarding risk transfer and group term life yearly renewable term (YRT) reinsurance with an effective date of Jan. 1, 2021. The proposed revisions to the A-791 Q&A regarding the scope of nonproportional contracts subject to Appendix A-791 were referred to the informal life and health reinsurance drafting group to address informal application questions. The Working Group directed notification to the Life Actuarial (A) Task Force.
      2. Revisions clarify that goodwill resulting from the acquisition of a subsidiary, controlled or affiliated (SCA) entity by an insurance reporting entity that is reported on the SCA financial statements (resulting from the application of pushdown) is subject to the 10% admittance limit based on the acquiring entity’s capital and surplus. The remainder of the agenda item was re-exposed.
      3. Revisions clarify the recognition and measurement guidance for derivatives that do not qualify as hedging, income generation or replication transactions.
      4. Revisions clarify that nonadmittance is required when there is an unalleviated substantial doubt about an SCA’s ability to continue as an ongoing concern identified in any part of the audit report.
      5. Revisions reject:
          i. ASU 2019-05, Targeted Transition Relief
          ii. ASU 2019-06, Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities
          iii. ASU 2019-03, Updating the Definition of Collections
          iv. ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
      6. Revisions clarify that only wash sales that cross reporting period end-dates are subject to the wash sale disclosure.
      8. Revisions incorporate the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (EU Covered Agreement) and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (U.K. Covered Agreement), into Appendix A-785—Credit for Reinsurance.
      9. Adopted the following editorial revisions to statutory accounting:
          i. Clarify wording in an existing SSAP No. 62R—Property and Casualty Reinsurance disclosure.
          ii. Reference the definition of a structured note.
          iii. Add two new suffixes for Securities Valuation Office (SVO) filings carried over from the prior year.
   c. Exposed the following substantive revisions to statutory accounting guidance:
      1. A revised issue paper and a substantively-revised SSAP No. 32—Preferred Stock.
      2. SSAP No. 105—Working Capital Finance Investments incorporating industry revisions to program requirements, as directed by the Working Group, and directed NAIC staff to draft an issue paper
   d. Exposed the following nonsubstantive revisions to statutory accounting guidance:

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Casualty Risk-Based Capital (E) Working Group will be notified of the exposure. Reporting installment fee expenses. The Casualty Actuarial and Statistical (C) Task Force and the Property and requested comments on preferred approaches for reporting retroactive contracts that meet the exception for related liabilities are not recognized as paid until the losses are paid to claimants or claims are adjusted. Revisions incorporate disclosure updates for reinsurers from reciprocal jurisdictions. Revisions clarify the reporting of derivatives with financing premiums, and requested comments on whether guidance to separately identify and reclassify related installment fee expenses should be reported, whether guidance to separately identify and reclassify related liabilities are not recognized as paid until the losses are paid to claimants or claims are adjusted. Revisions incorporate interested parties’ recommendations to separate the guidance by product type and incorporate guidance for when certain freestanding instruments shall be recognized as liabilities, not equity.

Revisions expand guidance regarding financial guarantees and the use of the equity method for when losses exceed the equity value. The “Illustration of the Application of INT 00-24” will be inserted as an exhibit. SSAP No. 25—Affiliates and Other Related Parties:

- Revisions specify that cash pooling structures that meet specified criteria qualify as cash equivalents.
- Revisions incorporate additional concepts to prevent the “rolling” of certain investments as cash equivalents or short-term investments. Revisions exclude qualifying cash pools from rolling requirements.
- Revisions reject 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 and incorporate guidance for when certain freestanding instruments shall be recognized as liabilities, not equity.
- Revisions expand guidance regarding financial guarantees and the use of the equity method for when losses exceed the equity value. The “Illustration of the Application of INT 00-24” will be inserted as an exhibit.
- 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-captured template was proposed to be concurrently exposed.
  - Revisions clarify the types of entities that are included as related parties and that a non-controlling ownership interest greater than 10% is a related party and subject to the related party disclosures, the guidance for disclaimers of affiliation, and control for statutory accounting. The revisions also reject seven Financial Accounting Standards Board (FASB) ASUs for statutory accounting. The exposure includes an intent to dispose agenda item 2011-16, which is a historical item drafted to consider the SSAP No. 25 definition. With exposure, directed notification to the Group Solvency Issues (E) Working Group.
- Revisions provide enhanced disclosures to identify when an issued surplus note’s anticipated or typical cash flows have been partially or fully offset by a held asset.
- Revisions eliminate the multi-step financial modeling designation guidance in determining final NAIC designations for residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS) securities. This exposure is contingent on a related action by the Valuation of Securities (E) Task Force.
- Revisions include footnote excerpts in the reporting exhibits to aggregate deposit-type contracts captured in Exhibit 5 – Life Contracts and an inquiry as to whether a similar footnote would be beneficial for Exhibit 6 – Accident and Health Contracts. Comments regarding instruction clarifications for Exhibit 7 – Deposit-Type Contracts were requested. With exposure, directed notification to the Financial Stability (EX) Task Force.
- Revisions propose minor edits to the liquidity disclosures regarding withdrawal characteristics for life and deposit-type contracts to match noted reporting clarifications.
- Revisions expand managing general agent (MGA) and third-party administrator (TPA) disclosures.
- Revisions clarify that the installment fee guidance should be narrowly applied. Comments are requested on how related installment fee expenses should be reported, whether guidance to separately identify and reclassify installment fee expenses to other expenses should be provided, and whether diversity should be permitted in reporting installment fee expenses. The Casualty Actuarial and Statistical (C) Task Force and the Property and Casualty Risk-Based Capital (E) Working Group will be notified of the exposure.
- Revisions incorporate interested parties’ recommendations to separate the guidance by product type and emphasize guidance that loss and loss adjusting expense liabilities are established regardless of payments to third parties (except for capitaded health claim payments). The revisions emphasize existing guidance that claims that related liabilities are not recognized as paid until the losses are paid to claimants or claims are adjusted.
- Revisions incorporate disclosure updates for reinsurers from reciprocal jurisdictions.
- Requested comments on preferred approaches for reporting retroactive contracts that meet the exception for prospective accounting and the characteristics of the approaches. Requested industry and state insurance regulator volunteers, and directed notification to the Casualty Actuarial and Statistical (C) Task Force.
- Revisions include additional NAIC staff modifications regarding persistency commission and levelized commission arrangements to address certain comments received to allow for further discussion. With exposure, directed a referral to the Life Actuarial (A) Task Force.
- Revisions clarify the reporting of derivatives with financing premiums, and requested comments on whether guidance allowing offset should be considered for derivatives and related financing provisions.
- Revisions clarify that the fair value of collateral received or held for derivative disclosure purposes shall be reported net of collateral paid/pledged if a counterparty has the legal right to offset. Updates to applicable annual statement instructions are proposed to be concurrently exposed.
- Revisions clarify that the “assignment” of goodwill is a disclosure element. Also directed revisions to the Sub-1 Acquisition Overview filing template to capture this information for new SCA acquisitions.
- Revisions clarify that a look-through of a more-than-one holding company structure is permitted if each of the holding companies within the structure complies with the requirements.
22. Revisions reject ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.*

23. Exposed the following editorial revisions to statutory accounting:
   i. Update references in SSAP No. 62R Exhibit A – Implementation Questions and Answers, which provides a retroactive reinsurance illustration and update, and paragraph 85 to match the current format of property/casualty (P/C) annual statement Schedule F – Reinsurance.
   ii. Revise references to the annual statement instructions and combine the life and fraternal references.

   e. Received an update on the following projects and referrals:
      2. Responses for the data call on “linked” surplus notes to address the Surplus Note Accounting – Referral from the Reinsurance (E) Task Force are requested by Dec. 31, 2019.
      3. FASB delayed implementation of ASU 2016-13: Credit Losses until 2023 for everyone except large U.S. Securities and Exchange Commission (SEC) filers, which are required to follow the ASU in 2020.
      5. No comments by the Working Group are planned regarding U.S. generally accepted accounting principles (GAAP) exposures. Received information from industry on recent FASB discussions. NAIC staff will address the expected Reference Rate Reform FASB project to ensure that it will be promptly reviewed.

   f. The comment deadline for new and exposed items is Jan. 31, 2020, except for the editorial agenda item (Ref #2019-44EP), which has a Dec. 20, 2019, comment deadline.

3. Adopted the report of the Blanks (E) Working Group, which met via conference call Oct. 22 and took the following action:
   a. Adopted its Sept. 5 and Aug. 20 minutes, which included:
      1. An email vote for exposure of blanks proposal 2019-24BWG. The proposal adds a life experience data contact to the electronic Jurat page for life/fraternal company filers only to allow NAIC staff and state insurance regulators to locate a contact person more easily from each legal entity life insurance company to facilitate communication regarding data studies and submissions to the NAIC.
   b. Adopted four blanks proposals:
      1. 2019-21BWG – Modify the illustrations for Note 33 to disclose individually the Separate Account with Guarantees Products and Separate Account Nonguaranteed Products.
      2. 2019-22BWG – Add a question regarding the Executive Summary of the PBR Actuarial Opinion to the Supplemental Exhibits and Schedules Interrogatories.
      3. 2019-23BWG – Modify the instructions and illustration for Note 8 – Derivatives for disclosures adopted by SSAP No. 108. Add instructions and a blanks page for Schedule DB, Part E, to the quarterly statement.
      4. 2019-24BWG – Add a Life Experience Data Contact to the electronic Jurat page for life/fraternal companies.
   c. Exposed its revised procedures.
   d. Exposed three proposals for a public comment period ending Nov. 22.
   e. Adopted the editorial listing.
   f. Approved the State Filing Checklist templates.
   g. Approved the posting of clarifying 2019 filing guidance for the Life Analysis of Operations by Lines of Business.