



Date: 11/23/21

2021 Fall National Meeting
San Diego, California

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Saturday, December 11, 2021

2:00 – 2:30 p.m. PT

Convention Center—Room 28—Upper Level

ROLL CALL

Cassie Brown, Chair	Texas	Troy Downing	Montana
Trinidad Navarro, Vice Chair	Delaware	Eric Dunning	Nebraska
Jim L. Ridling	Alabama	Chris Nicolopoulos	New Hampshire
Lori K. Wing-Heier	Alaska	Marlene Caride	New Jersey
Peni Itula Sapini Teo	American Samoa	Russell Toal	New Mexico
Evan G. Daniels	Arizona	Adrienne A. Harris	New York
Alan McClain	Arkansas	Mike Causey	North Carolina
Ricardo Lara	California	Jon Godfread	North Dakota
Andrew N. Mais	Connecticut	Judith L. French	Ohio
Karima M. Woods	District of Columbia	Glen Mulready	Oklahoma
David Altmaier	Florida	Jessica K. Altman	Pennsylvania
Michelle B. Santos	Guam	Elizabeth Kelleher Dwyer	Rhode Island
Dean L. Cameron	Idaho	Raymond G. Farmer	South Carolina
Amy L. Beard	Indiana	Larry D. Deiter	South Dakota
Doug Ommen	Iowa	Carter Lawrence	Tennessee
Vicki Schmidt	Kansas	Jonathan T. Pike	Utah
Sharon P. Clark	Kentucky	Michael S. Pieciak	Vermont
James J. Donelon	Louisiana	Scott A. White	Virginia
Eric A. Cioppa	Maine	Mike Kreidler	Washington
Gary D. Anderson	Massachusetts	Allan L. McVey	West Virginia
Anita G. Fox	Michigan	Mark Afable	Wisconsin
Grace Arnold	Minnesota	Jeff Rude	Wyoming
Chlora Lindley-Myers	Missouri		

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its Summer National Meeting Minutes
—*Jamie Walker (TX)* Attachment One
2. Consider Adoption of its Working Group Reports—*Jamie Walker (TX)*
 - A. Statutory Accounting Principles (E) Working Group—*Dale Bruggeman (OH)* Attachment Two
 - B. Blanks (E) Working Group—*Kim Hudson (CA) on behalf of Jake Garn (UT)* Attachment Three
3. Discuss Any Other Matters Brought Before the Task Force—*Jamie Walker (TX)*
4. Adjournment

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/fall 2021/tf/app/materials/0-apptf 2021 fall agenda.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/fall%2021/tf/app/materials/0-apptf%2021%20fall%20agenda.docx)

Draft Pending Adoption

Draft: 8/4/21

Accounting Practices and Procedures (E) Task Force Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*) July 27, 2021

The Accounting Practices and Procedures (E) Task Force met July 27, 2021. The following Task Force members participated: Doug Slape, Chair, represented by Jamie Walker (TX); Trinidad Navarro, Vice Chair, represented by Rylynn Brown (DE); Lori K. Wing-Heier and David Phifer (AK); Jim L. Ridling represented by Sheila Travis (AL); Evan G. Daniels represented by Kurt Regner (AZ); Alan McClain represented by Mel Anderson (AR); Ricardo Lara represented by Kim Hudson (CA); Andrew N. Mais represented by William Arfanis and Kathy Belfi (CT); Karima M. Woods represented by N. Kevin Brown (DC); David Altmaier represented by Virginia Christy (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Eric Fletcher (ID); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy (KY); James J. Donelon represented by Melissa Gibson (LA); Gary D. Anderson represented by John Turchi (MA); Eric A. Cioppa and Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Shannon Schmoeger (MO); Mike Causey represented by Monique Smith (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Justin Schrader (NE); Chris Nicolopoulos represented by Doug Bartlett (NH); Linda A. Lacewell represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); Jessica K. Altman represented by Kimberly Rankin (PA); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Raymond G. Farmer represented by Daniel Morris (SC); Carter Lawrence represented by Hui Wattanaskolpant (TN); Jonathan T. Pike represented by Jake Garn (UT); Scott A. White represented by Doug Stolte and David Smith (VA); Michael S. Pieciak represented by Karen Ducharme and Dan Petterson (VT); Mike Kreidler represented by Tim Hays (WA); Mark Afable represented by Amy Malm (WI); James A. Dodrill represented by Jamie Taylor (WV); and Jeff Rude represented by Linda Johnson (WY).

1. Adopted its Spring National Meeting Minutes

Ms. Walker directed the members to the Task Force's 2021 Spring National Meeting minutes. Ms. Malm made a motion, seconded by Ms. Weaver, to adopt the Task Force's March 23 minutes (*see NAIC Proceedings – Spring 2021, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Statutory Accounting Principles (E) Working Group

Mr. Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which conducted e-votes that concluded July 20, July 12, April 20. The Working Group also met May 20.

Mr. Bruggeman stated that during the July 20 e-vote, the Working Group exposed agenda item 2021-10: *Statement of Statutory Accounting Principles (SSAP) No. 32R—Clarification of Effective Call Price* for a public comment period ending Aug. 6. He said that during the July 12 e-vote, the Working Group adopted its May 20, April 20, and Spring National Meeting minutes.

Mr. Bruggeman provided the action for the May 20 meeting. Mr. Bruggeman stated that the Working Group adopted the following nonsubstantive revisions to statutory accounting guidance:

- A. *SSAP No. 26R—Bonds*: Revisions reject *Accounting Standards Update (ASU) 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs* for statutory accounting. (Ref #2021-02)
- B. *SSAP No. 47—Uninsured Plans*: Revisions reject *ASU 2021-02, Franchisors – Revenue from Contracts with Customers* for statutory accounting. (Ref #2021-08)
- C. *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Revisions incorporate disclosure elements and a data-capture template for where an entity has transferred assets but retains economic interest within the reporting entity, its related parties, or another member within the holding company group. (Ref #2021-03)

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- D. Adopted agenda items supporting disaggregated product identifiers to be used for each separate account product reported in the general interrogatories. This adoption does not result in statutory revisions, but it is reflected in the Working Group recommendation to support blanks proposal 2021-03BWG. (Ref #2020-37 and Ref #2020-38)
- E. *Interpretation (INT) 20-01: ASU 2020-04 – Reference Rate Reform*: This interpretation provides optional guidance, allowing for the continuation of certain existing hedge relationships and thus does not require hedge dedesignation for derivative instruments affected by changes to interest/reference rates due to reference rate reform. This interpretation is all-encompassing for “any hedging relationships” within the scope of INT 20-01 and captures all hedging transaction types, regardless of if the transaction occurred bilaterally or through a central clearing party. (Ref #2021-01)
- F. *INT 21-01: Accounting for Cryptocurrencies*: This interpretation clarifies that directly held cryptocurrencies neither meet the definition of cash in *SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments* nor when directly held, meet the definition of an admitted asset per *SSAP No. 4—Assets and Nonadmitted Assets*. (Ref #2021-05)
- G. *Appendix D—Nonapplicable GAAP Pronouncements*: Revisions reject *ASU 2020-11, Financial Services – Insurance: Effective Date and Early Application* as not applicable for statutory accounting. (Ref #2021-07)
- H. Adopted the following editorial revisions (Ref #2021-06EP):
 - 1. *SSAP No. 53—Property Casualty Contracts—Premiums*: Revisions retitle to *SSAP No. 53—Property and Casualty Contracts—Premiums*.
 - 2. *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Revisions correct grammatical errors in paragraph 54.
 - 3. *SSAP Glossary*: Revisions remove the footnote in the Glossary title and replace it as an opening paragraph with updated verbiage.

Mr. Bruggeman stated that the Working Group exposed the substantive proposed bond definition to be used for all securities in determining whether they qualify for reporting on Schedule D, Part 1 – Long-Term Bonds. The definition intends to reflect principal concepts to ensure appropriate consideration on whether a structure qualifies as an issuer credit obligation or an asset-backed security (ABS) prior to reporting as a bond. The public comment period for this agenda item ended July 15. (Ref #2019-21)

Mr. Bruggeman stated that the Working Group exposed nonsubstantive revisions to *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* and *SSAP No. 97* to indicate that the equity method valuation reference in *SSAP No. 97* can result in a negative equity valuation and to limit the statutory adjustments match in *SSAP No. 97*, paragraph 9. The exposure requests public comments on language suggested by interested parties that foreign insurance subsidiary, controlled and affiliated entities (SCAs) shall stop at zero (and thus not be subject to negative equity valuations) when applying paragraph 9 adjustments in cases where the foreign insurance subsidiary is not engaged in providing services to, or holding assets on behalf of, U.S. insurers. The public comment period for this agenda item ended July 15. (Ref #2021-04)

Mr. Bruggeman stated that the Working Group adopted a response to the Life Risk-Based Capital (E) Working Group on its referral request to consider accounting and reporting aspects of an American Council of Life Insurers (ACLI) proposal to modify the treatment of real estate in the life risk-based capital (RBC) formula. The adopted response identifies concerns on the reliability and consistency of fair value data to be considered before allowing reporting entities to reduce RBC through the reported fair value of real estate.

Mr. Bruggeman stated that the Working Group received an update on the following projects and referrals:

- A. The Working Group directed a referral to be sent to the Life Actuarial (A) Task Force seeking input regarding whether the Task Force would consider changes to the reserve framework of fixed indexed annuity products, as its response will likely directly influence the accounting options for derivatives hedging these products. (Ref #2020-36)

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- B. *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act*: The Working Group directed NAIC staff to develop additional revisions that expand the guidance to address the diversity in state Affordable Care Act (ACA) reinsurance programs identified in the industry comments. (Ref #2021-09)
- C. *INT 20-10: Reporting Nonconforming Credit Tenant Loans*: Contingently exposed nonsubstantive revisions in anticipation of a Valuation of Securities (E) Task Force proposal to revise filing exempt (FE) requirements for credit tenant loans (CTLs). Subsequent to the Working Group meeting, on May 24, the Task Force did not expose the anticipated revisions. Instead, the Task Force exposed edits to clarify that the reference to mortgage loans in the CTL definition pertains to items in scope of *SSAP No. 37—Mortgage Loans* and that the *Accounting Practices and Procedures Manual* (AP&P Manual) determines investment accounting and reporting. With this Task Force action, the revisions to INT 20-10 were not exposed. It is anticipated that the Working Group will review INT 20-10 after the Task Force concludes actions after their exposure.
- D. Received a response from the Valuation of Securities (E) Task Force regarding CTLs and information regarding Securities Valuation Office (SVO) filings received.

Mr. Bruggeman stated that during the April 20 e-vote, the Working Group voted to update exposed agenda item 2021-03: SSAP No. 103R – Disclosures to reflect interested parties’ preliminary comments. While minor revisions were proposed to SSAP No. 103R disclosures, the primary changes from the original agenda item were reflected in the data capture template, which include instructions, updated capture fields, and column descriptions.

Mr. Bruggeman made a motion, seconded by Mr. Eft to adopt the report of the Statutory Accounting Principles (E) Working Group (Attachment One). The motion passed unanimously.

3. Adopted the Report of the Blanks (E) Working Group

Mr. Garn provided the report of the Blanks (E) Working Group, which met July 22, 2021.

Mr. Garn stated the working Group adopted its May 26 minutes, which included the following action:

- A. Mr. Garn stated the Working Group adopted its editorial listing and eight blanks proposals:
 - 1. 2021-01 – add reference to health care receivables line in the Asset page.
 - 2. 2021-02BWG – add questions to the General Interrogatories, Part 1 regarding depository institution holding companies as it pertains to the group capital calculation (GCC).
 - 3. 2021-03BWG – add category lines to the Separate Accounts General Interrogatories for additional granularity.
 - 4. 2021-04BWG – add a General Interrogatory to identify insurers that utilize third parties to pay agent commissions in which the amounts advanced by the third parties are not settled in full within 90 days.
 - 5. 2021-05BWG – modify Note 17B(4) to reflect changes made by the Statutory Accounting Principles (E) Working Group reference number SAPWG 2021-03 regarding transferred assets.
 - 6. 2021-06BWG – add crosschecks to the long-term care (LTC) reporting forms to gain consistency.
 - 7. 2021-07BWG – add additional line categories to capture collateral type data for all residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and loan-backed and structured securities (LBSS) regardless of reporting category.
 - 8. 2021-08BWG – add a new supplement Mortgage Guaranty Insurance Exhibit to capture more information from mortgage guaranty insurers.
- B. Exposed five proposals for public comment.

Mr. Garn stated that the Working Group adopted its editorial listing and 2021-10BWG – remove language in quarterly General Interrogatories Part 1, line 4.1 that requires filing of a quarterly merger/history form. The annual form shall still be required.

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Mr. Garn stated that the Working Group adopted Health Actuarial Statement of Opinion Guidance for the 2021 reporting year.

Mr. Garn said the Working Group deferred four proposals for additional discussion for a 90-day public comment period ending Oct. 22.

Mr. Garn made a motion, seconded by Ms. Smith to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

4. Adopted its 2022 Proposed Charges

Ms. Walker directed the Task Force to its 2022 proposed charges, noting that the proposed charges were previously distributed and are unchanged from last year.

Ms. Orth made a motion, seconded by Mr. Bruggeman, to adopt the Task Force's 2022 proposed charges (Attachment Three). The motion passed unanimously.

5. Adopted Revisions to the Model Audit Rule Implementation Guide

Mr. Stolte, chair of the NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group, introduced the proposed additions to the NAIC's *Model Audit Rule Implementation Guide*. He noted that the revisions, shown as tracked revisions beginning on page 10, were adopted via an e-vote of the NAIC/AICPA (E) Working Group that concluded May 17. He stated that the updated version of the Implementation Guide has been posted to the NAIC website with plans to be included in the 2022 publication of the AP&P Manual. In accordance with the instructions on page 1 of the *Model Audit Rule Implementation Guide*, the changes are subject to review and adoption by the Task Force.

Mr. Stolte stated that no comments were received during the Working Group's last exposure of proposed changes. The revisions have been proposed to facilitate the collection of additional information on the external audit firm's lead engagement partner through the "Communication of Internal Control Related Matters Noted in an Audit" filing provided to each insurer's domestic regulator/NAIC each year.

Mr. Stolte stated that the purpose of the additional information is to allow for regulatory review and verification of compliance with audit partner rotation and qualification requirements. He said the information is being proposed for collection through the internal control letter as it receives confidential treatment from the NAIC and regulators, which preserves the lead audit partner's personal information. The changes are proposed to be effective for audits as of Dec. 31, 2021, and thereafter.

Mr. Stolte made a motion, seconded by Mr. Hudson to adopt the revisions to the *Model Audit Rule Implementation Guide* (Attachment Four). The motion passed unanimously.

Having no further business, the Accounting Practices and Procedures (E) Task Force adjourned.

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Attachment Two
(Pending)

Report of the
Statutory Accounting Principles (E)
Working Group

Virtual Meeting

BLANKS (E) WORKING GROUP

Tuesday, November 16, 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

Meeting Summary Report

The Blanks (E) Working Group met Nov. 16, 2021. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes, which included the following action:
 - A. Adopted proposal 2021-10BWG – remove language in quarterly General Interrogatories Part 1, line 4.1 that requires filing of a quarterly merger/history form. The annual form shall still be required.
 - B. Adopted its editorial listing.
 - C. Adopted the Health Actuarial Statement of Opinion Guidance for the 2021 Reporting Year.
 - D. Deferred four proposals for a 90-day public comment period ending Oct. 22.
2. Adopted the following proposal:
 - A. 2021-14BWG – Expand the number of lines of business reported on Schedule H to match the lines of business reported on the Health Statement. Modify the instructions so they will be uniform between life/fraternal and property.
3. Adopted its editorial listing.
4. Approved the State Filing Checklists content.
5. Rejected proposal 2021-11BWG requesting to add a new annual statement supplement to the Property/Casualty (P/C) statement to capture exposure data for Annual Statement Lines 4, 19.1, 19.2, and 21.2 of the Exhibit of Premiums and Losses.
6. Deferred proposal 2021-13BWG for a public comment period ending March 4, 2022. Proposal 2021-13BWG adds a new supplement to capture premium and loss data for Annual Statement Lines 17.1, 17.2, and 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability by more granular lines of business.
7. Exposed seven new proposals for a public comment period ending March 4, 2022.

[BWG 11.16.2021 Mtg Summary Report](#)