

2024 Summer National Meeting
Chicago, Illinois

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Wednesday, August 14, 2024

11:30 a.m. – 12:00 p.m. CDT

Meeting Summary Report

The Accounting Practices and Procedures (E) Task Force met on Aug. 14, 2024. During this meeting, the Task Force:

1. Adopted its Spring National Meeting minutes.
2. Adopted its proposed 2025 charges.
3. Adopted the report of the Statutory Accounting Principles (E) Working Group which met Aug. 13. During this meeting, the Working Group took the following action:
 - A. Adopted its Spring National Meeting minutes.
 - B. Adopted its May 15 minutes. During this meeting, the Working Group took the following action:
 - i. Adopted support and sponsorship for the Schedule BA modified blanks proposal 2023-12BWG, which incorporates revisions for non-bond debt securities pursuant to the principles-based bond project effective Jan. 1, 2025. (Ref #2023-16)
 - ii. Adopted revisions to *Statement of Statutory Accounting Principles (SSAP) No. 107—Risk-Sharing Provisions of the Affordable Care Act*, which removed the transitional reinsurance program and risk corridor disclosures, as both programs have expired. In addition, the roll-forward illustration in Exhibit B was revised to remove the portion for the transitional reinsurance program and the risk corridors program. (Ref #2014-13)
 - iii. Exposed revisions to *Issue Paper No. 169: Principles-Based Bond Project*, detailing the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)
 - C. Adopted the following clarifications to statutory accounting guidance:
 - i. Adopted revisions to eliminate lingering references that imply that asset-backed securities (ABS), mortgage loans, or other Schedule BA: Other Long-Term Invested Assets items are permitted to be reported as cash equivalents or short-term investments. (Ref #2024-09)
 - ii. Adopted, with modification, disclosures from Accounting Standards Update (ASU) 2023-06, *Disclosure Improvements* for unused commitments and lines of credit, disaggregated by short-term and long-term, and disclosure of cash flows from derivatives. The remaining disclosures related to repurchase and reverse repurchase agreements were added to agenda item 2024-04 for further consideration as part of that project. (Ref #2023-26)
 - iii. Adopted, with modification, the leasehold improvement guidance from ASU 2023-01, *Leases (Topic 842), Common Control Arrangements*, modified to align with existing guidance and reject the practical expedient for private companies and not-for-profit entities. (Ref #2024-02)

- iv. Adopted revisions to clarify that directly-held crypto assets are non-admitted assets and adopt the definition of crypto assets from *ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets*. (Ref #2024-03)
 - v. Adopted revisions that address transfers of assets when modifying intercompany pooling agreements and nullify *Interpretation (INT) 03-02: Modification to an Existing Intercompany Pooling Arrangement*. (Ref #2022-12)
 - vi. Adopted revisions that refer to *SSAP No. 21R—Other Admitted Assets* for the residual definition and accounting and reporting guidance. (Ref #2024-08)
 - vii. Adopted editorial revisions to remove the “Revised” and “R,” previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the *Accounting Practices and Procedures Manual (AP&P Manual)*. (Ref #2024-14EP)
 - viii. Adopted *Issue Paper No. 169, Principles-Based Bond Project*, which details the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)
- D. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending Sept. 27, except for agenda items 2024-10 and 2024-15, which have a public comment period ending Nov. 8, and agenda item 2024-01, which has a public comment period ending Sept. 6.
- i. Exposure clarifies the guidance for debt securities issued by funds to clarify U.S. Securities and Exchange Commission (SEC) registration is a practical safe harbor and should not be utilized as a proxy for other debt securities issued by funds. Debt securities issued by funds must be classified in accordance with the issuer’s primary purpose. (Ref #2024-01)
 - ii. Exposure includes clarifications to the accounting guidance for *SSAP No. 93R—Investments in Tax Credit Structures* and *SSAP No. 94R—State and Federal Tax Credits*. (Ref #2024-18)
 - iii. Exposure on the measurement method guidance, which specifies the process of transferring assets for cash between the general account and book-value separate accounts. (Ref #2024-10)
 - iv. Re-exposed revisions to *SSAP No. 61R—Life, Deposit-Type, and Accident and Health Reinsurance*, which incorporate guidance consistent with *SSAP No. 62R—Property and Casualty Reinsurance*, Exhibit A Implementation Questions and Answers, question 10. This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contract features, such as experience rating refunds. Also exposed reference to A-791, paragraph 6, guidance for yearly renewable term contracts regarding the entirety of the contract. (Ref #2024-06)
 - v. Exposed concept agenda item to consider new guidance for interest-rate hedging derivatives that do not qualify as accounting effective hedges under *SSAP No. 86—Derivatives* but are used for asset-liability management (ALM). (Ref #2024-15)
 - vi. Exposed revisions to address debt security investments with derivative components that do not qualify as structured notes. The proposed guidance would require the separation of the derivatives from the debt security and be applicable to “credit repack” investments and any type of debt security with derivative wrappers or components. (Ref #2024-16)
 - vii. Exposed revisions to reject, with modification, *ASU 2023-09, Improvements to Income Tax Disclosures*. The exposure also proposes to remove one of the existing disclosures detailed within the ASU. (Ref #2024-11)

- viii. Exposed revisions to *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees* to update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to *Valuation Manual (VM)-01*. (Ref #2024-17)
 - ix. Re-exposed revisions to *Appendix A-791 Life and Health Reinsurance Agreements (A-791)* to remove the first sentence of the A-791, paragraph 2c’s question and answer. (Ref #2024-05)
 - x. Exposed a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the property/casualty (P/C) and title annual statement blanks to capture information on modified coinsurance (modco) and funds withheld. (Ref #2024-07)
 - xi. Exposed revisions to provide more reporting lines for collateral loans. (Ref #2023-28)
 - xii. Exposed a memorandum that details an overview and discussion of securities lending and repurchase/reverse repurchase agreements. (Ref #2024-04)
 - xiii. Exposed the *Current Expected Credit Losses (CECL) Issuer Paper* to document pre-CECL generally accepted accounting principles (U.S. GAAP) impairment guidance for historical purposes. (Ref #2023-24)
 - xiv. Exposed the *New Market Tax Credit Project Issue Paper* detailing the discussions and decisions underlying the new market tax credit project. (Ref #2022-14)
 - xv. Exposed agenda item to reject *ASU 2024-02, Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)
 - xvi. Exposed the *Bond Project Question-and-Answer Implementation Guide (Q&A)*, which addresses topics in applying the principles-based bond definition. (Ref #2019-21)
- E. Directed NAIC staff to defer action on Ref #2024-12: *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures* to allow NAIC staff additional time to confer with interested parties.
- F. Received updates on the following:
- i. U.S. GAAP exposures, noting that items will be addressed during the normal maintenance process.
 - ii. *Valuation Manual* adoptions and updates were received, noting that no items were identified that require coordination under the NAIC Policy Statement on Coordination with the *Valuation Manual*.
 - iii. Interest Maintenance Reserve (IMR) Ad Hoc group activities, as well as an update on the group’s discussions. This update identified that companies are not consistently reflecting negative IMR in cash flow testing (CFT). Information was also shared with the Life Actuarial (A) Task Force and chief financial regulators on examples of the correct, incorrect, and potential misreporting that have been noted to assist with the review of domiciliary companies.
 - iv. Bond Project Implementation. This update informed that an NAIC self-study educational program is available to all participants without a course fee for 2024.
 - v. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the exposed application paper on climate risk.
4. Adopted the report of the Blanks (E) Working Group, which met Aug. 7, 2024. During this meeting, the Working Group took the following action:

- A. Adopted its May 23 minutes. During this meeting, the Working Group took the following action:
- i. Adopted its Feb. 21 minutes.
 - ii. Adopted its editorial listing and the following proposals:
 - a. 2023-12BWG Modified – Categorize debt securities on Schedule BA that do not qualify as bonds under *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds* or *SSAP No. 43R—Loan-Backed and Structured Securities* and are captured in the scope of *SSAP No. 21R—Other Admitted Assets*.
 - b. 2024-01BWG – Update the Investment Schedules General Instructions to identify that common and preferred stock residual interests should be reported on Schedule BA. (Statutory Accounting Principles [E] Working Group agenda item #2023-23).
 - c. 2024-02BWG Modified – Remove categories from Schedule DA, Part 1, and Schedule E, Part 2, that should be reported on Schedule BA. Add clarifying instructions on what should be included in other short-term and other cash equivalent categories.
 - d. 2024-03BWG Modified – Update General Interrogatory 35 for private letter rating security reporting to clarify what should be included.
 - e. 2024-04BWG – Add clarifying language to the *Valuation Manual (VM)-20*, Requirements for Principle-Based Reserves for Life Products, supplement in the life blank to include separate accounts where applicable.
 - f. 2024-05BWG – Add language to Annual General Interrogatory 29.05 (Quarterly General Interrogatory 17.5) to clarify that all investment advisors that have the discretion to make investment decisions, including sub-advisors, should be disclosed through the interrogatory.
 - g. 2024-06BWG – Property/casualty (P/C) changes: Limit the requirement to send qualification documentation to the board of directors only at the initial appointment and not annually thereafter. Title changes: Update the title instructions so they are more similar to the P/C instructions.
 - h. 2024-07BWG – Update the illustration under Note 5S(A)—Investments for net negative (disallowed) interest maintenance reserve (IMR) to add a separate account breakout. Add a new general interrogatory for a company attestation for separate accounts.
 - i. 2024-08BWG – Update the IMR and asset valuation reserve (AVR) instructions for specific allocation guidance for NAIC designation changes for debt securities (excluding loan-backed and structured securities [LBSS]), mortgage loans, and perpetual preferred stocks. (Statutory Accounting Principles [E] Working Group agenda items #2023-15 and #2023-29)
 - j. 2024-09BWG Modified – Add a note (5T) to the Notes to Financials to be data captured to report the aggregate collateral loans by qualifying investment collateral.
 - k. 2024-10BWG Modified – Remove the *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* disclosure on the transitional reinsurance program and the risk corridors program from Note 24E in the Notes to Financials (Note 24F for P/C) in the *Annual Statement Instructions*.
 - iii. Deferred proposal 2024-11BWG – Update the Annual and Quarterly Instructions and Blanks for the New Market Tax Credit changes. Changes that will be made to the Annual include Assets; Notes to Financial Statements 5K, 14A, and 21E; AVR; Schedule BA, Parts 1 and 3; and Verification Between Years. Quarterly changes include Assets; Schedule BA, Part 3; and Verification Between Years. The public comment period ends July 8.

- iv. Exposed one proposal with a public comment period ending July 8.
- B. Adopted its editorial listing and the following proposals:
- i. 2024-11BWG Modified – Update the Annual and Quarterly Instructions and Blanks for the New Market Tax Credit changes. Changes that will be made to the Annual include Assets; Notes to Financial Statements 5K, 14A, and 21E; AVR; Schedule BA, Parts 1 and 3; and Verification Between Years. Quarterly changes include Assets; Schedule BA, Part 3; and Verification Between Years.
 - ii. 2024-12BWG Modified – Update the quarterly investment schedules for editorial items to the bond project. (Schedule D Verification; Schedule D, Part 1B; Schedule D, Parts 3 and 4; Schedule DL, Parts 1 and 2; and Schedule E, Parts 1 and 2) Update the Quarterly Investment Schedule General Instructions for the changes that were adopted in the Annual Investment Schedule General Instructions. (Reference: adopted proposal 2023-06BWG).
- C. Received a Statutory Accounting Principles (E) Working Group memorandum regarding instructional changes to the AVR to allow collateral loans backed by mortgage loans to flow through AVR as an “Other Invested Asset with Underlying Characteristics of Mortgage Loans.”