NAIC | NATIONAL MEETING
SPRING 2023

Draft date: 3/7/23

2023 Spring National Meeting
Louisville, Kentucky

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE
Thursday, March 23, 2023
11:00 a.m. – 12:00 p.m.
Kentucky Convention Center—Ballroom C—Main Concourse Level

ROLL CALL

Cassie Brown, Chair	Texas	Troy Downing	Montana
Mike Causey, Vice Chair	North Carolina	Joseph Rios Jr.	N. Mariana Islands
Mark Fowler	Alabama	Eric Dunning	Nebraska
Lori K. Wing-Heier	Alaska	Chris Nicolopoulos	New Hampshire
Alan McClain	Arkansas	Marlene Caride	New Jersey
Ricardo Lara	California	Adrienne A. Harris	New York
Andrew N. Mais	Connecticut	Jon Godfread	North Dakota
Trinidad Navarro	Delaware	Judith L. French	Ohio
Karima M. Woods	District of Columbia	Glen Mulready	Oklahoma
Michael Yaworsky	Florida	Andrew R. Stolfi	Oregon
Michelle B. Santos	Guam	Michael Humphreys	Pennsylvania
Dean L. Cameron	Idaho	Elizabeth Kelleher Dwyer	Rhode Island
Doug Ommen	Iowa	Michael Wise	South Carolina
Vicki Schmidt	Kansas	Larry D. Deiter	South Dakota
Sharon P. Clark	Kentucky	Carter Lawrence	Tennessee
James J. Donelon	Louisiana	Jon Pike	Utah
Timothy N. Schott	Maine	Kevin Gaffney	Vermont
Gary D. Anderson	Massachusetts	Scott A. White	Virginia
Anita G. Fox	Michigan	Mike Kreidler	Washington
Grace Arnold	Minnesota	Allan L. McVey	West Virginia
Chlora Lindley-Myers	Missouri	Nathan Houdek	Wisconsin

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its 2022 Fall National Meeting Minutes —*Jamie Walker (TX)* — Attachment One

2. Consider Adoption of its Working Group Reports
   A. Statutory Accounting Principles (E) Working Group —*Dale Bruggeman (OH)* — Attachment Two
   B. Blanks (E) Working Group—*Pat Gosselin (NH)* — Attachment Three

3. Discuss Any Other Matters Brought Before the Task Force
   —Jamie Walker (TX)

4. Adjournment

Draft: 1/3/23

Accounting Practices and Procedures (E) Task Force
Tampa, Florida
December 14, 2022

The Accounting Practices and Procedures (E) Task Force met in Tampa, FL, Dec. 14, 2022. The following Task Force members participated: Cassie Brown, Chair, represented by Jamie Walker (TX); Mike Causey, Vice Chair, represented by Jackie Obusek (NC); Mark Fowler represented by Sheila Travis (AL); Alan McClain represented by Chris Erwin (AR); Ricardo Lara represented by Kim Hudson and Susan Bernard (CA); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown (DE); David Altmaier represented by Virginia Christy (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Eric Fletcher (ID); Vicki Schmidt represented by Tish Becker (KS); James J. Donelon represented by Melissa Gibson (LA); Gary D. Anderson represented by John Turchi (MA); Timothy N. Schott represented by Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver and Steve Mayhew (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Debbie Doggett (MO); Troy Downing represented by Erin Snyder (MT); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Lindsay Crawford (NE); Marlene Caride represented by John Sirovetz (NJ); Chris Nicolopoulos represented by Pat Gosselin (NH); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Michael Humphreys represented by Melissa Greiner (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); Michael Wise represented by Thomas Baldwin (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Trey Hancock (TN); Jon Pike represented by Malis Rasmussen (UT); Scott A. White represented by Greg Chew and Doug Stolte (VA); Kevin Gaffney represented by Karen Ducharme (VT); Mike Kreidler represented by Steve Drutz (WA); and Jeff Rude represented by Doug Melvin (WY).

1. Adopted its Summer National Meeting Minutes

Walker directed the members to the Task Force's Summer National Meeting minutes. Hancock made a motion, seconded by Orth, to adopt the Task Force's Aug. 11 minutes (*see NAIC Proceedings – Summer 2022, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

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

Bruggeman provided the report of the Statutory Accounting Principles (E) Working Group, which met Dec. 13. During this meeting, the Working Group adopted its Nov. 16, Oct. 24, Oct. 6, and Summer National Meeting minutes. Bruggeman stated that during its Nov. 16 meeting, the Working Group took the following action:

A. Exposed, until Feb. 23, 2023, as new statutory accounting principle (SAP) concepts, a revised *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds, SSAP No. 43R—Loan-Backed and Structured Securities*, and a document that details revisions to other SSAPs to reflect updated proposed guidance under the principles-based bond project.

B. Exposed, until Dec. 1, 2022, revisions to *Interpretation (INT) 22-02: Third Quarter 2022 Reporting of the Inflation Reduction Act – Corporate Alternative Minimum Tax* to extend the effective date to include year-end 2022 and first-quarter 2023 with an additional disclosure regarding applicable entities. This INT provides an exception related to accounting impacts of the federal Inflation Reduction Act. This action was taken in lieu of proceeding with *INT 22-03: Inflation Reduction Act – Corporate Alternative Minimum Tax*.

C. Received comments on negative interest maintenance reserve (IMR) in regard to bonds sales in the current rising interest rate environment.

Bruggeman stated that during its Oct. 24 meeting, the Working Group took the following action:

A. Adopted INT 22-02, which includes proposed changes for new required disclosures and allows a subsequent event exception but does not require reporting changes for the third quarter of 2022 as reasonable estimates cannot be made

B. Discussed INT 22-03 and planned further discussion during its Nov. 16 meeting.

Bruggeman stated that during its Oct. 6 meeting, the Working Group took the following action:

A. Exposed INT 22-02 to include accounting exceptions to the federal Inflation Reduction Act for the third quarter of 2022, with required disclosures.

B. Exposed INT 22-03 to address the fourth-quarter 2022 and interim 2023 accounting of the Inflation Reduction Act.

Bruggeman stated that during its Dec. 13 meeting, the Working Group adopted the following clarifications to statutory accounting guidance:

A. *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*: Revisions clarify that leasehold improvements shall be immediately expensed upon lease termination, unless limited exceptions are met. (Ref #2021-25)

B. *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Revisions identify foreign open-end investment funds as a fund in which ownership percentage is not deemed to reflect control unless the entity actually controls with the power to direct the underlying company. (Ref #2022-13)

C. *SSAP No. 36—Troubled Debt Restructuring*: Revisions reject *Accounting Standards Update* (*ASU) 2022-02, Troubled Debt Restructurings and Vintage Disclosures* and identify that retained guidance reflects superseded U.S. generally accepted accounted principles (GAAP). (Ref #2022-10)

D. *SSAP No. 86—Derivatives*: Revisions adopt with modification derivative guidance from *ASU 2017-12, Derivatives and Hedging* and *ASU 2022-01, Fair Value Hedging – Portfolio Layer* to include guidance for the portfolio layer method and partial-term hedges. These revisions are effective Jan. 1, 2023, with early adoption permitted. (Ref #2022-09)

E. INT 22-02: *Third Quarter 2022 through First Quarter 2023 Reporting of the Inflation Reduction Act – Corporate Alternative Minimum Tax*: Revisions extend INT 22-02 for Dec. 31, 2022, and first-quarter 2023 statutory financial statements. This INT provides an exception that does not require entities to assess valuation allowance and deferred tax asset impacts from the federal Inflation Reduction Act for the third quarter of 2022 through the first quarter of 2023. It also provides subsequent event exceptions.

Bruggeman stated that the Working Group exposed an agenda item and discussion document that proposes a new or revised *SSAP No. 93—Low-Income Housing Tax Property Credit Property Investments* to expand current guidance to capture all tax equity investments that qualify under specified criteria and provide general federal business tax credit or state premium tax credits for a public comment period ending Feb. 10, 2023. (Ref #2022-14)

Bruggeman stated that the Working Group exposed the following SAP clarifications to statutory accounting guidance for a public comment period ending Feb. 10, 2023:

A. *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets:* Re-exposure revises the definition of a liability to be consistent with the Financial Accounting Standards Boards (FASB) Concepts Statement and directs NAIC staff to collaborate with interested parties on proposed clarifying language. The exposure also included a new *Issue Paper No. 16X—Updates to the Definition of a Liability*. (Ref #2022-01)

B. *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve:* Exposure of the agenda item on IMR guidance focuses on negative IMR. The exposure requested industry to provide potential guardrails and details on unique considerations. It also directed NAIC staff to coordinate a joint regulator discussion with the Life Actuarial (A) Task Force and to develop a memorandum regarding considerations for state insurance regulators. (Ref #2022-19)

C. *SSAP No. 21R—Other Admitted Assets:* Revisions clarify that an asset pledged as collateral must qualify as an admitted invested asset for a collateral loan to be admitted. (Ref #2022-11)

D. SSAP No. 25*:* Revisions clarify that any invested asset held by a reporting entity that is issued by an affiliated entity, or that includes the obligations of an affiliated entity, is an affiliated investment. (Ref #2022-15)

E. *SSAP No. 34—Investment Income Due and Accrued:* Exposure proposes additional disclosures for interest income due and paid-in-kind (PIK) interest included in current principal balances. It also supports a blanks proposal to data-capture the disclosure. (Ref #2022-17)

F. *SSAP No. 100R—Fair Value:* Exposure proposes to adopt with modification *ASU 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale*. (Ref #2022-16)

G. *SSAP No. 105R—Working Capital Finance Investments:* Exposure proposes to reject *ASU 2022-04, Disclosure of Supplier Finance Program Obligations* for statutory accounting. (Ref #2022-18)

H. New Issue Paper: Exposure proposes a new issue paper to detail revisions previously adopted with the review of *ASU 2017-12, Derivatives and Hedging* and *2022-01 Fair Value Hedging – Portfolio Layer Method*. (Ref #2017-33)

I. Schedule D Reporting*:* Exposure details proposed reporting changes for bonds in response to the principles-based bond project. In addition to a new schedule and granular reporting lines, the exposure includes proposed revisions to other schedules and instructions that reference bond reporting. A corresponding blanks proposal will be developed for exposure by the Blanks (E) Working Group. The exposure also included a revised issue paper to detail current discussions and decisions on the bond project. (Ref #2019-21)

J. *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement:* Re-exposure nullifies INT 03-02 as it is inconsistent with SSAP No. 25 with comments requested on specific items. (Ref #2022-12)

Bruggeman stated that the Working Group received updates on the following items:

A. Received an update on U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.

B. Received an update on the status of items in the referral from the Macroprudential (E) Working Group.

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

3. <u>Adopted the Report of the Blanks (E) Working Group</u>

Gosselin provided the report of the Blanks (E) Working Group, which met Nov. 17. During this meeting, the Working Group adopted its June 8 and May 25 minutes *(see NAIC Proceedings – Summer 2022, Accounting Practices and Procedures (E) Task Force, Attachment Two-A and Attachment Two-B)*.

Gosselin stated the Working Group adopted its editorial listing and the following two proposals:

A. 2022-12BWG – Combine the Health Analysis of Operations by Lines of Business Supplement page and the Health Care Receivable Supplement pages (Exhibit 3 and Exhibit 3A) into one supplement filing set for health blank pages filed as a supplement by life/fraternal companies.

B. 2022-19BWG Modified – Modify the Life Insurance (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages. The proposal adds definitions for life and annuity products to the lines of business definitions in the health appendix.

Gosselin stated the Working Group exposed six new proposals for a public comment period ending Feb. 1, 2023.

Gosselin stated the Working Group approved adding language to the blanks proposal form to address duplication of reporting and reviewed its 2023 proposed charges adopted by the Financial Condition (E) Committee.

Gosselin stated the Working Group received a Statutory Accounting Principles (E) Working Group memorandum referencing INT 22-02 and directed its public posting.

Gosselin stated the Working Group approved the state filing checklists.

Gosselin made a motion, seconded by Doggett, to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

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

https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2022FallNM/Minutes/APPTF12.14.2022 minutestpr.docx

Attachment Two
(Pending)

Report of the
Statutory Accounting Principles
(E) Working Group

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Virtual Meeting

BLANKS (E) WORKING GROUP
March 7, 2023

Summary Report

The Blanks (E) Working Group met March 7, 2023. During this meeting, the Working Group:

1. Adopted its Nov. 17, 2022, minutes, which included the following action:
   A. Adopted its June 8, 2022, and May 25, 2022, minutes.
   B. Adopted the following proposals:
      i. 2022-12BWG – Combine the Health Analysis of Operations by Lines of Business Supplement page and the Health Care Receivable Supplement pages (Exhibits 3 and 3A) into one supplement filing set for health blank pages filed as a supplement by life/fraternal companies.
      ii. 2022-19BWG Modified – Modify the Life Insurance (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages. Adds definitions for life and annuity products to the lines of business definitions in the health appendix.
   C. Adopted its editorial listing.
   D. Exposed six new proposals.
   E. Approved language added to the blanks proposal form to address the duplication of reporting.
   F. Reviewed its 2023 proposed charges.
   G. Received a memorandum from the Statutory Accounting Principles (E) Working Group regarding disclosures required as part of *Interpretation (INT) 22-02: Third Quarter 2022 Reporting of the Inflation Reduction Act – Corporate Alternative Minimum Tax.*
   H. Reviewed State Filing Checklists.

2. Adopted the following proposals:
   A. 2022-14BWG Modified – Modify Exhibit 1, Part 1 and 2, and Exhibit 8, Part 1 and 2, in the life and accident and health/fraternal blank, to include the line of business detail reported on the Analysis of Operations by Lines of Business pages.
   B. 2022-15BWG – In the life, accident and health/fraternal, and property/casualty (P/C) blanks, revise the language of the Schedule H, Part 5 to remove the 5% of premiums filing exemption.
   C. 2022-16BWG – Remove Supplemental Health Care Exhibit Part 3 and Supplemental Health Care Exhibit's Expense Allocation Report.
   D. 2022-18BWG – For the life and accident and health/fraternal blank, instructional corrections on the handling of Exchange Traded Funds (ETFs) and/or Securities Valuation Office (SVO) Identified Funds within the Interest Maintenance Reserve (IMR) and the Asset Valuation Reserve (AVR).
   E. 2022-20BWG – Modify the instructions and blanks for various health exhibits to change the order of the Vision and Dental lines of business to be consistent with all other statement types.

3. Adopted its editorial listing.

4. Re-exposed the following proposal:
   A. 2022-17BWG – Add new disclosure paragraph for Note 8 – Derivative Instruments and illustration to new disclosure to be data captured. Add electronic-only columns related to derivatives with excluded components to Schedule DB, Part A and Part B for both Section 1 and Section 2. Add new code column instructions for Schedule DB, Part A and B (SAPWG 2021-20). Re-exposed for a public comment period ending April 28.

5. Exposed nine new proposals for a public comment period ending April 28 for eight of the proposals and June 30 for proposal 2023-06BWG addressing Schedule D, Part 1, reporting.