



**NATIONAL MEETING
SUMMER 2022**

Date: 7/25/22

*2022 Summer National Meeting
Portland, Oregon*

ACCOUNTING PRACTICES AND PROCEDURES (S) TASK FORCE

Thursday, August 11, 2022

11:00 a.m. – 12:00 p.m.

Oregon Convention Center—Portland Ballroom 252–253—Level 2

ROLL CALL

Cassie Brown, Chair	Texas	Edward M. Deleon Guerrero	N. Mariana Islands
Mike Causey, Vice Chair	North Carolina	Eric Dunning	Nebraska
Mark Fowler	Alabama	Chris Nicolopoulos	New Hampshire
Lori K. Wing-Heier	Alaska	Marlene Caride	New Jersey
Alan McClain	Arkansas	Russell Toal	New Mexico
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	Michael Humphreys	Pennsylvania
David Altmaier	Florida	Elizabeth Kelleher Dwyer	Rhode Island
Dean L. Cameron	Idaho	Michael Wise	South Carolina
Doug Ommen	Iowa	Larry D. Deiter	South Dakota
Vicki Schmidt	Kansas	Carter Lawrence	Tennessee
Sharon P. Clark	Kentucky	Jon Pike	Utah
James J. Donelon	Louisiana	Kevin Gaffney	Vermont
Timothy N. Schott	Maine	Scott A. White	Virginia
Gary D. Anderson	Massachusetts	Mike Kreidler	Washington
Anita G. Fox	Michigan	Allan L. McVey	West Virginia
Grace Arnold	Minnesota	Nathan Houdek	Wisconsin
Chlora Lindley-Myers	Missouri	Jeff Rude	Wyoming
Troy Downing	Montana		

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its Spring National Meeting Minutes Attachment One
—*Jamie Walker (TX)*
2. Consider Adoption of its 2023 Proposed Charges—*Jamie Walker (TX)* Attachment Two
3. Consider Adoption of its Working Group Reports—*Jamie Walker (TX)*
 - A. Statutory Accounting Principles (E) Working Group Attachment Three
—*Dale Bruggeman (OH)*

- B. Blanks (E) Working Group—*Kim Hudson (CA)* Attachment Four
- C. Consider the Related Party Changes Separately for Adoption
—*Dale Bruggeman (OH)* Attachment Five
- 4. Discuss Any Other Matters Brought Before the Task Force—*Jamie Walker (TX)*
- 5. Adjournment

Draft Pending Adoption

Draft: 4/12/22

Accounting Practices and Procedures (E) Task Force
Kansas City, Missouri
April 5, 2022

The Accounting Practices and Procedures (E) Task Force met in Kansas City, MO, April 5, 2022. The following Task Force members participated: Cassie Brown, Chair, represented by Jamie Walker (TX); Mike Causey, Vice Chair, represented by Jackie Obusek (NC); Lori K. Wing-Heier represented by David Phifer (AK); Jim L. Ridling represented by Sheila Travis and Blasé Abreo (AL); Alan McClain represented by Leo Liu (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 Carolyn Morgan (FL); Doug Ommen represented by Carrie Mears and Daniel Mathis (IA); Dean L. Cameron represented by Amber Re (ID); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Bill Clark (KY); James J. Donelon represented by Melissa Gibson (LA); Gary D. Anderson represented by John Turchi (MA); Pending represented by Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Grace Arnold represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by John Rehagen (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Lindsay Crawford (NE); Chris Nicolopoulos represented by Pat Gosselin (NH); Marlene Caride represented by David Wolf (NJ); Russell Toal represented by Leatrice Geckler (NM); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Michael Humphreys represented by Melissa Greiner and Matt Milford (PA); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Carter Lawrence represented by Trey Hancock (TN); Jon Pike represented by Jake Garn (UT); Scott A. White represented by David Smith, Doug Stolte and Greg Chew (VA); Michael S. Pieciak represented by Dan Petterson and Karen Ducharme (VT); Mike Kreidler represented by Steve Drutz (WA); Nathan Houdek represented by Amy Malm (WI); Allan L. McVey represented by Jamie Taylor (WV); and Jeff Rude represented by Linda Johnson (WY).

1. Adopted its 2021 Fall National Meeting Minutes

Ms. Walker directed the members to the Task Force's 2021 Fall National Meeting minutes. Ms. Obusek made a motion, seconded by Ms. Malm, to adopt the Task Force's Dec. 11, 2021, minutes (*see NAIC Proceedings – Fall 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 met April 4 to adopt its March 2, 2022; Jan. 27, 2022; and 2021 Fall National Meeting minutes. During its March 2, 2022, meeting, the Working Group exposed agenda item 2019-21: Proposed Bond Definition, a revised principle-based bond definition, and a draft issue paper for a public comment period ending May 6. In addition, the motion directed NAIC staff to continue discussions with industry on the bond definition and develop proposed reporting changes and potential statutory accounting revisions for subsequent exposure. Mr. Bruggeman stated that during its Jan. 27, 2022, meeting, the Working Group adopted two clarifications to statutory accounting principles (SAP), which were effective for year-end 2021 reporting. Agenda item 2021-31 reflects clarifications to life and health reinsurance disclosures and placement in the auditor report. Agenda item 2021-18 revisions remove reference to the "standard scenario" in *Statement of Statutory Accounting Principles (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees* to ensure consistency with VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

Draft Pending Adoption

Mr. Bruggeman stated that the Working Group adopted the following clarifications to statutory accounting guidance:

- A. *SSAP No. 22R—Leases: Revisions reject Accounting Standards Update (ASU) 2021-05, Leases (Topic 842), Lessors—Certain Leases with Variable Lease Payments* for statutory accounting. (Ref #2021-29)
- B. *SSAP No. 43R—Loan-Backed and Structured Securities: Revisions reflect updated NAIC designation and designation category guidance adopted by the Valuation of Securities (E) Task Force to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) for residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).* (Ref #2021-23)
- C. *SSAP No. 68—Business Combinations and Goodwill: Revisions reject ASU 2021-03, Intangibles – Goodwill and Other (Topic 350) – Accounting Alternative for Evaluating Triggering Events* for statutory accounting. (Ref #2021-28)
- D. *SSAP No. 72—Surplus and Quasi-Reorganizations: Revisions reject ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* for statutory accounting while incorporating guidance on how to account for changes in fair values for written call options. (Ref #2021-27)
- E. Adopted editorial revisions to update various terminology references of “substantive” and “nonsubstantive” to reflect “new SAP concept” and “SAP clarification.” Mr. Bruggeman noted that this completes the referral from the Financial Condition (E) Committee. (Ref #2021-26EP)
- F. Appendix D—Nonapplicable GAAP Pronouncements: Revisions reject *ASU 2021-06, Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants* as not applicable for statutory accounting. (Ref #2021-30)
- G. Agenda items resulting in blanks proposals without statutory revisions:
 - i. Adopted an agenda item supporting supplemental reporting of subsidiary, controlled, and affiliated (SCA) entities investments reported in Schedule D, Part 6, Section 1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies. The supplemental data is consistent with *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* disclosure requirements and did not result in statutory revisions. The adoption reflects support for blanks proposal 2022-02 BWG sponsored by the Working Group. (Ref #2021-22)
 - ii. Adopted an agenda item proposing to add a new general interrogatory to require disclosure pertaining to cryptocurrencies directly held or permitted for the remittance of premiums. This agenda item did not result in statutory revisions. However, adoption reflects support for the blanks proposal 2022-01BWG sponsored by the Working Group. (Ref #2021-24)

Mr. Bruggeman stated that the Working Group exposed the following SAP clarifications to statutory accounting guidance:

Draft Pending Adoption

- A. *SSAP No. 4—Assets and Nonadmitted Assets, SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, and the Preamble: Revisions incorporate: 1) updates from Financial Accounting Standards Board (FASB) Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 7, Presentation*, which identifies factors to consider when deciding how items should be displayed on the financial statements; and 2) Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements*, which updates the definitions of an asset and a liability. The Working Group exposed two issue papers for historical documentation of these SAP clarifications. (Ref #2022-01)
- B. *SSAP No. 22R: Revisions reject ASU 2021-09, Leases (Topic 842), Discount Rate for Lessees That Are Not Public Business Entities* for statutory accounting. (Ref #2022-05)
- C. *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*: Revisions incorporate certain disclosures from *ASU 2021-10, Government Assistance, Disclosures by Business Entities about Government Assistance* of terms and provisions of assistance received. (Ref #2022-04)
- D. *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 43R*: Revisions clarify the identification and reporting requirements for affiliated transactions and incorporate new reporting codes in the investment schedules to identify investments held that involve related parties. The new reporting requirements will identify investments acquired through, or in, related parties, regardless of if they meet the definition of an affiliate. (Ref #2021-21)
- E. *SSAP No. 47—Uninsured Plans* and *SSAP No. 68*: Revisions reject *ASU 2021-08, Business Combinations, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* for statutory accounting. Revisions in *SSAP No. 68* also note that the intent is not to modify any U.S. generally accepted accounting principles (GAAP) requirement for the determination of U.S. GAAP book value. (Ref #2022-07)
- F. *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*: Revisions propose to either eliminate the audited U.S. tax basis equity valuation exception or clarify that the U.S. tax basis equity audit shall occur at the investee level. (Ref #2022-02)
- G. *SSAP No. 86—Derivatives*: Revisions propose: 1) a new Exhibit A, which will replace both Exhibit A and Exhibit B of *SSAP No. 86* that adopts with modification U.S. GAAP guidance in determining hedge effectiveness; and 2) revised measurement methods for excluded components in hedging instruments. The Working Group directed NAIC staff to continue to work with industry representatives on other elements within *ASU 2017-12: Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. (Ref #2021-20)
- H. *SSAP No. 104R—Share-Based Payments*: Revisions incorporate the practical expedient from *ASU 2021-07, Compensation – Stock Compensation (Topic 718), Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards* for the current price input, a required component for option-pricing models used in determining fair value for share-based payments. (Ref #2022-06)
- I. *Interpretation (INT) 22-01: Freddie Mac When-Issued K-Deal (WI Trust) Certificates*: A tentative interpretation to clarify that investments in the Freddie Mac “When Issued K-Deal” (WI) Program are in scope of *SSAP No. 43R*. (Ref #2022-08)

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- J. Blanks Proposal: Exposed an agenda item that expressed support for a blanks proposal with instructional changes to Schedule T, the State Page, and Accident and Health Policy Experience Exhibit (AHPEE) to clarify guidance for premium adjustments. The instructions clarify that all premium adjustments, including but not limited to federal Affordable Care Act (ACA) premium adjustments related to the risk adjustment program, shall be allocated as premium in the respective jurisdiction. This agenda item does not result in statutory revisions. (Ref #2022-03)

Mr. Bruggeman said the comment period for items exposed during the April 4 meeting—agenda items 2021-21, 2022-03, and 2022-08—is May 6 to allow for consideration of adoption during a meeting anticipated for May. He stated that the comment deadline for all other exposure items is June 3.

Mr. Bruggeman stated that the Working Group reviewed comments and directed NAIC staff on the Bond Proposal Project regarding potential reporting options to revise Schedule D, Part 1: Long-Term Bonds. The update included preliminary responses to certain aspects of those comments. He noted that the Working Group directed NAIC staff to proceed with developing a more robust illustration of proposed reporting revisions for subsequent exposure. (Ref #2019-21)

Mr. Bruggeman stated that the Working Group reviewed comments and directed NAIC staff on SSAP No. 22R on prior exposed revisions intending to clarify that in any scenario in which a lease terminates early, all remaining leasehold improvements shall be immediately expensed. He stated the Working Group directed NAIC staff to continue to work with interested parties to refine the guidance for subsequent consideration. (Ref #2021-25)

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

- A. Heard 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 Working Group referral of agenda item 2019-49: Retroactive Reinsurance Exception regarding diversity in companies applying the retroactive reinsurance exception, which allows certain contracts to be reported prospectively. The Casualty Actuarial and Statistical (C) Task Force discussed this item on March 8. The Task Force directed and formed a small group to further work on this, including drafting instructional revisions to Schedule P – Analysis of Losses and Loss Expenses.
- C. Received an update that the Working Group and the Valuation of Securities (E) Task Force both received a comment letter from the American Council of Life Insurers (ACLI) regarding a proposed amendment to the P&P Manual to permit unguaranteed and unrated subsidiary obligors in working capital finance investment (WCFI) transactions. As the Working Group does not have an exposure on this topic, the Working Group noted receipt but does not plan to address comments at this time; the comment letter will be included in the Valuation of Securities (E) Task Force minutes.

Mr. Bruggeman made a motion, seconded by Ms. Weaver 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

Ms. Gosselin provided the report of the Blanks (E) Working Group, which met March 29, 2022, and took the following action:

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Ms. Gosselin stated that the Working Group adopted its Nov. 16, 2021, minutes, (*see NAIC Proceedings – Fall 2021, Accounting Practices and Procedures (E) Task Force, Attachment Two*) which included the following action:

- A. Adopted proposal 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.
- B. Adopted its editorial listing.
- C. Approved the State Filing Checklists content.
- D. 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.
- E. Deferred proposal 2021-13BWG which 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 for a public comment period ending March 4.
- F. Exposed seven new proposals for a public comment period ending March 4.

Ms. Gosselin stated that the Working Group adopted its editorial listing and the following proposals:

- A. 2021-15BWG – Add a footnote to Exhibit 7 in the Life/Fraternal statement and the Health statement (Life Supplement) to capture the amount of Federal Home Loan Bank (FHLB) funding agreements reported in Columns 1 through 6 of the exhibit (2021-16 SAPWG).
- B. 2021-16BWG Modified – For Note 9 – Income Taxes, remove the 9C illustration instructions for the deferred tax asset (DTA) and deferred tax liability (DTL) components, which state, “reporting entities should disclose those items included as ‘Other’ (Lines 2a13, 2e4, 3a5, and 3b3) as additional lines for those items greater than 5% in the printed/PDF filing document,” as the illustration is not set up to accommodate variable lines. Add formulas for calculation of total and subtotal on the illustration for 9C. For Note 15 – Leases, modify the illustrations to add a “Thereafter” line and add a formula for the “Total” line.
- C. 2021-17BWG Modified – Modify the Analysis of Operations by Lines of Business in the Health Blank to include all of health lines of business included in the Life/Fraternal Analysis of Operations by Lines of Business – Accident and Health. Add instructions for the new columns and adjust the column references. Add the Health Blank Analysis of Operations by Lines of Business as a supplement to the Life/Fraternal blank with the appropriate instructions and crosschecks. Add crosscheck to the Health Blank Analysis of Operations by Lines of Business to the Life/Fraternal Analysis of Operations by Lines of Business – Accident and Health instructions.
- D. 2021-19BWG Modified – Add columns and lines to U&I (Parts 1, 2, 2A, 2B, and 2D) and the Exhibit of Premiums, Enrollment and Utilization in the annual statement to bring the lines of business reporting in line with Life/Fraternal and Property. Add columns and lines to the Exhibit of Premiums, Enrollment and Utilization and U&I Analysis of Claims Unpaid quarterly pages. The appropriate adjustments to the instructions are also being made.
- E. 2021-20BWG Modified – Starting at Line 72 of the Life/Fraternal Five-Year Historical, add or delete lines that do not capture the specific lines of business reported on the Life/Fraternal Analysis of Operations by

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Lines of Business detail pages for life (individual and group), annuities (individual and group), and accident and health (A&H) for Line 33 of those pages.

- F. 2021-21BWG Modified – Add instruction to the Investment Schedules General Instructions to exclude non-rated residual tranches or interests from being reported as bonds on Schedule D, Part 1, and add lines to Schedule BA for the reporting of those investments (2021-15 SAPWG).
- G. 2021-23BWG Modified – Add a line category for Residual Tranches or Interests in the Asset Valuation Reserve Equity and Other Invested Asset Component blank, and renumber lines below the addition. Modify instructions as appropriate for the added lines.

Ms. Gosselin stated that the Working Group re-exposed proposal 2021-22BWG Modified – Add a new reporting requirement in the investment schedules for investment transactions with related parties. In addition to capturing direct loans in related parties, it will also capture information involving securitizations (or other similar investments) where the related party is a sponsor/originator along with whether the underlying investment is in a related party.

Ms. Gosselin stated that the Working Group deferred proposal 2021-18BWG – Modify the Life Insurance (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages. Two new Schedule T style pages (Exhibit of Claims Settled During the Current Year and Policy Exhibit) are created to include detail captured by state on the existing Life Insurance (State Page) that could not be included due to limited space. Add definitions for life and annuity products to the lines of business definitions in the health appendix.

Ms. Gosselin stated that the Working Group exposed 11 new proposals for a public comment period ending April 25.

Ms. Gosselin stated that the Working Group received the year-end disclosure memorandum from the Statutory Accounting Principles (E) Working Group.

Ms. Gosselin made a motion, seconded by Ms. Orth, 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/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION \(E\) COMMITTEE/Accounting Practices and Procedures \(E\) TF/minutes/APPTF 4-5-22 minutes.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/2022 NAIC Meetings/Spring National Meeting/Committee Meetings/FINANCIAL CONDITION (E) COMMITTEE/Accounting Practices and Procedures (E) TF/minutes/APPTF 4-5-22 minutes.docx)

**PROPOSED 2023 CHARGES OF THE
ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE
(Unchanged from the 2022 Charges)**

The mission of the Accounting Practices and Procedures (E) Task Force is to identify, investigate and develop solutions to accounting problems with the ultimate goal of guiding insurers in properly accounting for various aspects of their operations; modify the *Accounting Practices and Procedures Manual* (AP&P Manual) to reflect changes necessitated by Task Force action; and study innovative insurer accounting practices that affect the ability of state insurance regulators to determine the true financial condition of insurers.

Ongoing Support of NAIC Programs, Products or Services

1. The **Accounting Practices and Procedures (E) Task Force** will:
 - A. Oversee the activities of the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group.
2. The **Blanks (E) Working Group** will:
 - A. Consider improvements and revisions to the various annual/quarterly statement blanks to:
 1. Conform these blanks to changes made in other areas of the NAIC to promote uniformity in reporting of financial information by insurers.
 2. Develop reporting formats for other entities subject to the jurisdiction of state insurance departments.
 3. Conform the various NAIC blanks and instructions to adopted NAIC policy.
 4. Oversee the development of additional reporting formats within the existing annual financial statements as needs are identified.
 - B. Continue to monitor state filing checklists to maintain current filing requirements.
 - C. Continue to monitor and improve the quality of financial data filed by insurance companies by recommending improved or additional language for the *Annual Statement Instructions*.
 - D. Continue to monitor and review all proposals necessary for the implementation of statutory accounting guidance to ensure proper implementation of any action taken by the Accounting Practices and Procedures (E) Task Force affecting annual financial statements and/or instructions.
 - E. Continue to coordinate with other task forces of the NAIC to ensure proper implementation of reporting and instructions changes as proposed by these taskforces.
 - F. Coordinate with the Life Actuarial (A) Task Force to use any special reports developed and avoid duplication of reporting.
 - G. Review requests for investment schedule blanks and instructions changes in connection with the work being performed by the Capital Adequacy (E) Task Force and its working groups.
 - H. Review changes requested by the Valuation of Securities (E) Task Force relating to its work on other invested assets reporting for technical consistency within the investment reporting schedules and instructions.
3. The **Statutory Accounting Principles (E) Working Group** will:
 - A. Maintain codified statutory accounting principles by providing periodic updates to the guidance that address new statutory issues and new generally accepted accounting principles (GAAP) pronouncements. Provide authoritative responses to questions of application and clarifications for existing statutory accounting principles. Report all actions and provide updates to the Accounting Practices and Procedures (E) Task Force.
 - B. At the discretion of the Working Group chair, develop comments on exposed GAAP and International Financial Reporting Standards (IFRS) pronouncements affecting financial accounting and reporting. Any comments are subject to review and approval by the chairs of the Accounting Practices and Procedures (E) Task Force and the Financial Condition (E) Committee.
 - C. Coordinate with the Life Actuarial (A) Task Force on changes to the AP&P Manual related to the *Valuation Manual* VM-A, Requirements, and VM-C, Actuarial Guidelines, as well as other *Valuation Manual* requirements. This process will include the receipt of periodic reports on changes to the *Valuation Manual* on items that require coordination.
 - D. Obtain, analyze and review information on permitted practices, prescribed practices or other accounting treatments suggesting that issues or trends occurring within the industry may compromise the consistency and uniformity of statutory accounting, including, but not limited to, activities conducted by insurers for which there is currently no statutory accounting guidance or where the states have prescribed statutory accounting that differs from the guidance issued by the NAIC. Use this information to consider possible changes to statutory accounting.

Date: 8/10/22

2022 Summer National Meeting
Portland, Oregon

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

Wednesday, August 10, 2022

10:00 a.m. – 12:00 p.m.

Meeting Summary Report

The Statutory Accounting Principles (E) Working Group met Aug. 10, 2022. During this meeting, the Working Group:

1. Adopted its July 18, May 24, and Spring National Meeting minutes.
2. Adopted the following new statutory accounting principle (SAP) concepts for statutory accounting guidance:
 - A. *Statement of Statutory Accounting Principles (SSAP) No. 86—Derivatives*: Revisions adopt elements from Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2017-12: *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities* for determining hedge effectiveness. The revisions also incorporate statutory-specific measurement methods for excluded components in hedging instruments. The revisions were adopted with a Jan. 1, 2023, effective date, with early adoption permitted. A subsequent blanks proposal will incorporate new electronic only reporting fields for Schedule DB and note disclosures. (Ref #2021-20)
3. Adopted the following clarifications to statutory accounting guidance:
 - A. *SSAP No. 4—Assets and Nonadmitted Assets and the Preamble to the Accounting Practices and Procedures Manual (AP&P Manual)*: Revisions incorporate chapter reference updates from FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 7, Presentation* and Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements*. These updates revise the definition of an asset. The Working Group adopted *Issue Paper 166 – Definition of Assets* to document the SAP clarifications to SSAP No 4. (Ref #2022-01)
 - B. *SSAP No. 22R—Leases*: Revisions reject ASU 2021-09, *Leases (Topic 842), Discount Rate for Lessees That Are Not Public Business Entities* for statutory accounting. (Ref #2022-05)
 - C. *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*: Revisions incorporate disclosures from ASU 2021-10, *Government Assistance, Disclosures by Business Entities about Government Assistance*. (Ref #2022-04)

- D. *SSAP No. 47—Uninsured Plans and SSAP No. 68—Business Combinations and Goodwill*: Revisions reject ASU 2021-08, *Business Combinations, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* for statutory accounting. (Ref #2022-07)
 - E. *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*: Revisions clarify that the U.S. tax basis equity audit shall occur at the investee level. (Ref #2022-02)
 - F. *SSAP No. 104R—Share-Based Payments*: Revisions incorporate the practical expedient for the current price from ASU 2021-07, *Compensation – Stock Compensation (Topic 718), Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards*. (Ref #2022-06)
4. Exposed the following new SAP concepts to statutory accounting guidance:
- A. *SSAP No. 26R—Bonds and SSAP No. 43R—Loan-Backed and Structured Securities*: Revisions incorporate concepts to principally define what is eligible for reporting as bond on Schedule D-1. The exposure included proposed revisions to SSAP No. 26R and 43R, as well as an updated bond definition and issue paper. (Ref #2019-21)
5. Exposed the following SAP clarifications to statutory accounting guidance until Oct. 7:
- A. *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*: Revisions incorporate *Concepts Statement No. 8, Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements*, to revise the definition of a liability. The Working Group exposed a related draft issue paper to detail these SAP clarifications. (Ref #2022-01)
 - B. *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 exclusions are met. (Ref #2021-25)
 - C. *SSAP No. 21R—Other Admitted Assets*: Revisions clarify that an asset pledged as collateral must qualify as an admitted invested asset in order for a collateral loan to be admitted. (Ref #2022-11)
 - D. *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)
 - E. *SSAP No. 36—Troubled Debt Restructurings*: Revisions propose to reject ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures* for statutory accounting. (Ref #2022-10)
 - F. *SSAP No. 86*: Revisions incorporate derivative guidance from ASU 2017-12 and ASU 2022-01, *Fair Value Hedging – Portfolio Layer* to include guidance for the portfolio layer method and partial-term hedges. (Ref #2022-09)
 - G. *Interpretation (INT) 03-02: Modification to an Existing Intercompany Pooling Arrangement*: Exposure proposes to nullify INT 03-02, as it inconsistent with SSAP No. 25. (Ref #2022-12)

6. Received an update on the following items:
 - A. Received an update on U.S. generally accepted accounting principles (GAAP) exposures, noting that pending items will be addressed during the normal maintenance process. In addition, NAIC staff are monitoring developments regarding the *Inflation Reduction Act of 2022* for any items that may impact insurers.
 - B. Received an update regarding amendments made to the *Valuation Manual* by the Life Actuarial (A) Task Force since the 2021 NAIC Summer Meeting.
 - C. Received a referral from the Macprudential (E) Working Group.
7. During its July 18 meeting, the Working Group:
 - A. Exposed agenda item 2019-21: Bond Proposal Reporting Revisions. The exposure included proposed reporting changes to Schedule D-1: Long-Term Bonds, including a proposal for a new schedule to separate issuer obligations and asset-backed securities and revised reporting lines and instructions for investment classification for a comment period ending Oct 7.
8. During its May 24 meeting, the Working Group:
 - A. Adopted the following SAP clarifications to statutory accounting guidance:
 - i. *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 43R*: Revisions clarify application guidance for the existing affiliate definition and incorporate reporting codes within the investment schedules to identify investments that involve related parties. (Ref #2021-21)
 - ii. Blanks Proposal: Adoption expressed support for a blanks proposal (2022-10BWG) that included instructional changes to Schedule T, the State Page, and Accident and Health Policy Experience Exhibit (AHPEE) to clarify guidance for premium adjustments. The instructions clarify that all premium adjustments shall be allocated as premium in the respective jurisdiction. This agenda item did not result in statutory revisions. (Ref #2022-03)
 - iii. *INT 22-01: Freddie Mac When-Issued K-Deal (WI Trust) Certificates*: The interpretation clarified that an investment in a Freddie Mac “When Issued K-Deal” (WI) Program is in scope of *SSAP No. 43R* from acquisition. (Ref #2022-08)

Virtual Meetings

BLANKS (E) WORKING GROUP

June 8, 2022 / May 25, 2022

Summary Report

The Blanks (E) Working Group conducted an e-vote that concluded on June 8, 2022, to adopt:

1. 2022-13BWG – Modifies life blank Five-Year Historical Data questions 68 and 69 to reference group comprehensive and questions 70 and 71 to reflect the inclusion of all health lines of business other than group comprehensive. The crosschecks for these questions are being modified accordingly. Interested parties requested an annual 2022 effective date.

The Blanks (E) Working Group met May 25, 2022. During this meeting, the Working Group:

1. Adopted its Spring National Meeting minutes.
2. Adopted the following proposals:
 - A. 2021-22BWG – Add a new reporting requirement in the investment schedules for investment transactions with related parties. In addition to capturing direct loans in related parties, it will also capture information involving securitizations (or other similar investments) where the related party is a sponsor/originator along with whether the underlying investment is in a related party.
 - B. 2022-01BWG – Add new questions to General Interrogatories Part 1 asking if the reporting entity accepts cryptocurrency for payment of premiums, which cryptocurrencies are accepted, and whether they are held for investment or immediately converted to U.S. dollars (2021-24 SAPWG).
 - C. 2022-02BWG – Add four new electronic-only columns to Schedule D, Part 6, Section 1, for Prior Year Book/Adjusted Carrying Value (BACV) (Column 16), Prior Year Nonadmitted Amount (Column 17), Prior Year Sub-2 Verified Value (Column 18), and Prior Year VISION Filing Number (Column 19) (2021-22 SAPWG).
 - D. 2022-03BWG – Split Line 5 of the Quarterly Part 1 – Loss Experience and Part 2 – Direct Premiums Written into Line 5.1 – Commercial multiple peril (non-liability portion) and Line 5.2 – Commercial multiple peril (liability portion).
 - E. 2022-04BWG – Add a new supplement to capture premium and loss data for Annual Statement Line 17.1, 17.2, and 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability by more granular lines of business.
 - F. 2022-05BWG – Add line numbers to the status data points in the Life/Fraternal, Health, and Property/Casualty (P/C) Schedule T footnote.
 - G. 2022-06BWG – Revise the Health Annual Statement Test language in the annual statement instructions.
 - H. 2022-07BWG – Modify the Health Actuarial Opinion Instructions. Add definitions of “actuarial asset” and “actuarial liability.” Modify Section 4 – Identification, Section 5 – Scope, and Section 7 – Opinion to clarify that the actuary’s opinion covers actuarial assets, as well as actuarial liabilities. Modify Section 9 to clarify that the guidance related to the type of opinion rendered by an appointed actuary covers both actuarial assets and actuarial liabilities.

- I. 2022-08BWG – Modify the instructions in Section 1, Section 3, and Section 8 of the Property/Casualty (P/C) Actuarial Opinion Instructions to reflect the changes adopted by the Actuarial Opinion (C) Working Group.
 - J. 2022-09BWG – Changes to the Life/Fraternal VM-20, Requirements for Principle-Based Reserves for Life Products, Reserves Supplement blank.
 - K. 2022-10BWG – Add instructions to Schedule T, State pages and the Accident and Health (A&H) Policy Experience Exhibit to clarify guidance for reporting premium adjustments by jurisdiction.
 - L. 2022-11BWG Modified – Update the life/fraternal blank asset valuation reserve (AVR) factors to correspond with the adopted risk-based capital (RBC) factors for the expanded bond designation categories.
3. Adopted its editorial listing.
 4. Deferred proposal:
 - A. 2021-18BWG – Modify the Life Insurance (State Page) to include the line of business detail reported on the Analysis of Operations by Lines of Business pages.
 5. Exposed two new proposals for a public comment period ending Oct. 25.
 6. Received a Property and Casualty Risk-Based Capital (E) Working Group memorandum.



MEMORANDUM

TO: Accounting Practices and Procedures (E) Task Force
Financial Condition (E) Committee

FROM Statutory Accounting Principles (E) Working Group

DATE August 2, 2022

RE: Related Party Reporting

This memorandum intends to provide information to the Financial Condition (E) Committee and the Accounting Practices and Procedures (E) Task Force on recent adoptions by the Statutory Accounting Principles (E) Working Group and the Blanks (E) Working Group regarding the identification of related party involvement with investments and request adoption consideration. This item has been separated for individual consideration as the revisions will impact all insurance reporting entities and the discussion included affiliate identification.

In conjunction with recent recommendations from the Macroprudential (E) Working Group regarding the risk of certain investments that involve related parties, in May 2022, the Statutory Accounting Principles (E) Working Group adopted its agenda item *2021-21: Related Party Reporting* (See details in the Appendix).

The primary goal of this agenda item was to incorporate new reporting requirements for investment transactions with related parties in order to provide more transparency into the nature of the involvement of related parties. For example, it allows regulators to understand whether the investment involves credit exposure to related parties or whether the investment involves a related party in the origination or servicing of the investment. This reporting applies to all investments involving related parties, regardless of whether they meet the definition of an affiliate per Insurance Holding Company System Regulatory Act (Model #440).

With an effective date of Dec. 31, 2022, Blanks (E) Working Group agenda item 2021-22BWG requires new reporting codes for the following investment schedules: B – Mortgage Loans, D – Long-Term Bonds, DB – Derivatives, BA – Other Long-Term Invested Assets, DA – Short-Term Investments, E2 – Cash Equivalents, and DL – Securities Lending Collateral Assets. The reporting changes will require the identification of related party involvement for every investment using codes (See code details in the Appendix). While feedback from interested parties indicated that most investments do not involve a related party, the Statutory Accounting Principles (E) Working Group communicated support to make the related party identification field mandatory, thus a “blank or null” field will not be permitted. This eliminates ambiguity on whether an investment does not have a related party involvement or whether the component of the investment schedule was inadvertently not completed.

In addition to the new reporting granularity, the statutory accounting revisions included adopted clarifications to *SSAP No. 25—Affiliates and Other Related Parties* and *SSAP No. 43R—Loan-Backed and Structured Securities* to make clear that the existing affiliate definition applies to all types of entities, including securitizations. Existing guidance already made clear that control may exist through arrangements other than voting interests, such as in the case of a limited partnership where the general partner typically holds control. The adopted revisions add specificity around the application of this existing guidance to other types of non-voting entities. For example, securitization entities are typically controlled through non-voting arrangements. To the extent that such control is held by the reporting entity or its affiliates, then the securitization entity and any investments in it would be

deemed affiliated.

Excerpts from the Holding Company Act are provided in the **Appendix** to detail the existing guidance regarding determination of control.

Both the Statutory Accounting Principles (E) Working Group and the Blanks (E) Working Group unanimously adopted the revisions, with a Dec. 31, 2022, effective date. The Statutory Accounting Principles (E) Working Group reviewed industry comments and incorporated limited revisions to the initially exposed statutory accounting changes and stated support for the exposed blanks reporting revisions with their adoption. No industry comments were presented at the Blanks (E) Working Group. Therefore, the Working Group recommends adoption of these revisions by the Task Force and the Committee.

SAPWG Revisions (Agenda Item 2021-21)

Adopted revisions to SSAP No. 25: (New paragraph 9. Remaining paragraphs would be renumbered.)

This new paragraph 9 clarifies the application of the existing affiliate and control definitions to limited partnerships, trusts and other special purpose entities when control is held by an affiliated general partner, servicer or other arrangement. (The proposed deletion of FIN 35 is discussed earlier in the agenda item, but is noted as not necessary with the existing statutory accounting guidance.)

5. An affiliate is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the reporting entity. An affiliate includes a parent or subsidiary and may also include partnerships, joint ventures, and limited liability companies as defined in SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies. Those entities are accounted for under the guidance provided in SSAP No. 48, which requires an equity method for all such investments. An affiliate is any person that is directly or indirectly, owned or controlled by the same person or by the same group of persons, that, directly or indirectly, own or control the reporting entity.

6. Control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the investee, whether through the (a) ownership of voting securities, (b) by contract other than a commercial contract for goods or nonmanagement services, (c) by contract for goods or nonmanagement services where the volume of activity results in a reliance relationship (d) by common management, or (e) otherwise. Control shall be presumed to exist if a reporting entity and its affiliates directly or indirectly, own, control, hold with the power to vote, or hold proxies representing 10% or more of the voting interests of the entity.

7. Control as defined in paragraph 6 shall be measured at the holding company level. For example, if one member of an affiliated group has a 5% interest in an entity and a second member of the group has an 8% interest in the same entity, the total interest is 13%, and therefore, each member of the affiliated group shall be presumed to have control. This presumption will stand until rebutted by an evaluation of all the facts and circumstances relating to the investment. The insurer shall maintain documents substantiating its determination for review by the domiciliary commissioner. Examples of situations where the presumption of control may be in doubt include the following:

- a. Any limited partner investment in a limited partnership, unless the limited partner is affiliated with the general partner.
- b. An entity where the insurer owns less than 50% of an entity and there is an unaffiliated individual or group of investors who own a controlling interest.
- c. An entity where the insurer has given up participation rights¹ as a shareholder to the investee.

8. Any direct or indirect ownership interest of the reporting entity greater than 10% results in a related party classification regardless of any disclaimer of control or disclaimer of affiliation. The *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation* (#450) include a provision that allows for the disclaimer of affiliation and/or the disclaimer of control for

¹ The term "participating rights" refers to the type of rights that allows an investor to effectively participate in significant decisions related to an investee's ordinary course of business and is distinguished from the more limited type of rights referred to as "protective rights". Refer to the sections entitled: "Protective Rights" and "Substantive Participating Rights" in EITF 96-16, *Investor's Accounting for an Investee When the Investor Owns a Majority of the Voting Stock but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights*. The term "participating rights" shall be used consistent with the discussion of substantive participating rights in this EITF.

members of an insurance holding company system. The disclaimer must be filed with the state insurance commissioner. Entities whose relationship is subject to a disclaimer of affiliation or a disclaimer of control are related parties and are subject to the related party disclosures within this statement. Such a disclaimer does not eliminate a “related party” distinction or disclosure requirements for material transactions pursuant to SSAP No. 25.

9. For entities not controlled by voting interests, such as limited partnerships, trusts and other special purpose entities, control may be held by a general partner, servicer, or by other arrangements. The ability of the reporting entity or its affiliates to direct the management and policies of an entity through such arrangements shall constitute control as defined in paragraph 6. Additionally, a reporting entity or its affiliates may have indirect control of other entities through such arrangements. For example, if a limited partnership were to be controlled by an affiliated general partner, and that limited partnership held greater than 10% of the voting interests of another company², indirect control shall be presumed to exist unless the presumption of control can be overcome as detailed in paragraph 7. If direct or indirect control exists, whether through voting securities, contracts, common management or otherwise, the arrangement is considered affiliated under paragraph 5. Consistent with paragraph 8, a disclaimer of affiliation does not eliminate a “related party” distinction or disclosure requirements for material transactions pursuant to SSAP No. 25.

Adopted revisions SSAP No. 43R:

These revisions move the existing guidance in paragraph 4.a. to paragraph 6 and notes the requirement to identify related party investments in the investment schedules. (Note Footnote 5 is just moved to a new paragraph.)

4. Loan-backed securities are issued by special-purpose corporations or trusts (issuer) established by a sponsoring organization. The assets securing the loan-backed obligation are acquired by the issuer and pledged to an independent trustee until the issuer’s obligation has been fully satisfied. The investor only has direct recourse to the issuer’s assets, but may have secondary recourse to third parties through insurance or guarantee for repayment of the obligation. As a result, the sponsor and its other affiliates may have no financial obligation under the instrument, although one of those entities may retain the responsibility for servicing the underlying assets. Some sponsors do guarantee the performance of the underlying assets.
- 5. Mortgage-referenced securities do not meet the definition of a loan-backed or structured security but are explicitly captured in scope of this statement. In order to qualify as a mortgage-referenced security, the security must be issued by a government sponsored enterprise⁴ or by a special purpose trust in a transaction sponsored by a government sponsored enterprise in the form of a “credit risk transfer” in which the issued security is tied to a referenced pool of mortgages and the payments received are linked to the credit and principal payment risk of the underlying mortgage loan borrowers captured in the referenced pool of mortgages. For these instruments, reporting entity holders may not receive a return of their full principal as principal repayment is contingent on repayment by the mortgage loan borrowers in the referenced pool of mortgages. Unless specifically noted, the provisions for loan-backed securities within this standard apply to mortgage-referenced securities.
 - 6. Investments within the scope of this statement issued by a related party or acquired through a related party transaction or arrangement are also subject to the provisions, admittance assessments and

² Consistent with SSAP No. 97, footnote 1, investments in an exchange traded fund (ETF) or a mutual fund (as defined by the SEC) does not reflect ownership in an underlying entity, regardless of the ownership percentage the reporting entity (or the holding company group) has of the ETF or mutual fund unless ownership of the ETF actually results in “control” with the power to direct or cause the direction of management of an underlying company. ETFs and mutual funds are comprised of portfolios of securities subject to the regulatory requirements of the federal securities laws.

⁴ Currently, only Fannie Mae and Freddie Mac are the government sponsored entities that either directly issue qualifying mortgage-referenced securities or sponsor transactions in which a special purpose trust issues qualifying mortgage-reference securities. However, this guidance would apply to mortgage-referenced securities issued by any other government sponsored entity that subsequently engages in the transfer of mortgage credit risk.

disclosure requirements of SSAP No. 25. In determining whether a security is a related party investment, consideration should be given to the substance of the transaction, and the parties whose action or performance materially impacts the insurance reporting entity holding the security. Loan-backed and structured securities meet the definition of assets as defined in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement and SSAP No. 25.

- a. Although a loan-backed or structured security may be acquired from a non-related issuer, if the assets held in trust predominantly⁶ reflect assets issued by affiliates of the insurance reporting entity, and the insurance reporting entity only has direct recourse to the assets held in trust, the transaction shall be considered an affiliated investment. In such situations where the underlying collateral assets are issued by related parties that do not qualify as affiliates, these securities shall be identified as related party investments in the investment schedules.

- b. A loan-backed or structured security may involve a relationship with a related party but not be considered an affiliated investment. This may be because the relationship does not result in direct or indirect control of the issuer or because there is an approved disclaimer of control or affiliation. Regardless of whether investments involving a related party relationship are captured in the affiliated investment reporting lines, these securities shall be identified as related party investments in the investment schedules. Examples of related party relationships would include involvement of a related party in sponsoring or originating the loan-backed or structured security or any type of underlying servicing arrangement. For the avoidance of doubt, investments from any arrangement that results in direct or indirect control, which include but are not limited to control through a servicer or other controlling arrangement, shall be reported as affiliated in accordance with *SSAP No. 25—Affiliates and Other Related Parties*.

⁶ In applying this guidance, a reporting entity is not required to complete a detailed review of the assets held in trust to determine the extent, if any, the assets were issued by related parties. Rather, this guidance is a principle concept intended to prevent situations in which related party transactions (particularly those involving affiliates) is knowingly captured in a SSAP No. 43R structure and not identified as a related party transaction (or not reported as an affiliated investment on the investment schedule) because of the involvement of a non-related trustee or SSAP No. 43R security issuer. As identified in *SSAP No. 25—Affiliates and Other Related Parties*, it is erroneous to conclude that the inclusion of a non-related intermediary, or the presence of non-related assets in a structure predominantly comprised of related party investments, eliminates the requirement to identify and assess the investment transaction as a related party arrangement.

Blanks Reporting Changes Agenda Item 2021-22BWG

Investments Involving Related Parties:

Required for all investments involving related parties including, but not limited to, those captured as affiliate investments. This disclosure intends to capture information on investments held that reflect interactions involving related parties, regardless of whether the related party meets the affiliate definition, or the reporting entity has received domiciliary state approval to disclaim control / affiliation.

Enter one of the following codes to identify the role of the related party in the investment.

1. Direct loan or direct investment (excluding securitizations) in a related party, for which the related party represents a **direct credit exposure**.
2. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies **involving a relationship with a related party** as sponsor, originator, manager, servicer, or other similar influential role **and for which 50% or more of the underlying collateral represents investments in or direct credit exposure to related parties.**
3. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies **involving a relationship with a related party** as sponsor, originator, manager, servicer, or other similar influential role and **for which less than 50% (including 0%) of the underlying collateral represents investments in or direct credit exposure to related parties.**
4. Securitization or similar investment vehicles such as mutual funds, limited partnerships and limited liability companies in which the structure reflects an in-substance related party transaction but does not involve a relationship with a related party as sponsor, originator, manager, servicer, or other similar influential role.
5. The investment is identified as related party, but the role of the related party represents a different arrangement than the options provided in choices 1-4.
6. The investment does not involve a related party.

Excerpt from Holding Company Act (Bolding and underlining for emphasis):

A. "Affiliate." An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

C. "Control." The term "control" (including the terms "controlling," "controlled by" and "under common control with") **means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise,** unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by Section 4K that control does not exist in fact. The commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support the determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.