

2024 Fall National Meeting
Denver, Colorado

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Monday, November 18, 2024
11:30 a.m. – 12:00 p.m. MT

Meeting Summary Report

The Accounting Practices and Procedures (E) Task Force met on Nov. 18, 2024. During this meeting, the Task Force:

1. Adopted its Spring National Meeting minutes.
2. Adopted the report of the Statutory Accounting Principles (E) Working Group, which met Nov. 17, 2024. During this meeting, the Working Group took the following action:
 - A. Adopted its Summer National Meeting minutes.
 - B. Adopted its Sept. 12 minutes. During this meeting, the Working Group adopted, via e-vote, revisions to *Statement of Statutory Accounting Principles (SSAP) No. 26—Bonds* and Issue Paper No. 169 to incorporate guidance for debt securities issued by funds that represent operating entities with a Jan. 1, 2025, effective date. (Ref #2024-01)
 - C. Adopted its Oct. 4 minutes. During this meeting, the Working Group exposed, via e-vote, the updated *Principles-Based Bond Definition Implementation Questions & Answers (Q&A)* for a public comment period ending Oct. 28. (Ref #2019-21)
 - D. Adopted the following clarifications to statutory accounting guidance:
 - i. Adopted clarifications expand and update guidance on tax credit investments effective Jan. 1, 2025. (Ref #2024-18)
 - ii. Adopted revisions reject, with modification, *Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures*. The adoption also removes an existing *SSAP No. 101—Income Taxes* disclosure. (Ref #2024-11)
 - iii. Adopted revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to Valuation Manual (VM)-01, Definitions for Terms in Requirements. (Ref #2024-17)
 - iv. Adopted the exposed Q&A, updated with interested parties' comments, in a new *Interpretation (INT) 24-01: Principles-Based Bond Definition Implementation Questions & Answers (Q&A)*. (Ref #2019-21)
 - v. Rejected *ASU 2024-02, Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)
 - E. Exposed the following statutory accounting principle (SAP) concepts and clarifications for a public comment period ending Jan. 31, 2025, except for agenda item 2024-26EP, which is exposed for a public comment period ending Dec. 9, 2024.
 - i. Exposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* and the existing *Annual Statement Instructions/Illustrations* for the restricted asset disclosure in Note 5L specify how modified coinsurance and funds withheld assets reported within a ceding company's financial statements shall be captured. This exposure also

- includes a reconciliation of items reported as restricted between Note 5L and the general interrogatories. (Ref #2024-20)
- ii. Exposed revisions clarify *SSAP No. 16—Electronic Data Processing Equipment and Software* references to accounting standards codification (ASC) by including the relevant ASUs. (Ref #2024-25)
 - iii. Exposed editorial revisions clarify the scope of the annual audited disclosure for investments receiving bond treatment by reporting categories. (Ref #2024-26EP)
 - iv. Exposed revisions for consistent terminology for financing derivatives and clarify that derivative premium shall not be captured as a realized gain or loss and shall not be included in the interest maintenance reserve (IMR). (Ref #2024-23)
 - v. Exposed concept agenda item with requests for comments on the options offered to include: 1) clarifying statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries; 2) sponsoring a blanks proposal to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held by an investment subsidiary; or 3) referrals to the Capital Adequacy (E) Task Force and related risk-based capital (RBC) working groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets within an investment subsidiary. (Ref #2024-21)
 - vi. Exposed revisions to adopt with modification *ASU 2024-01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards*, which provides clarifications on the application of the guidance to profit interests and similar awards. (Ref #2024-22)
 - vii. Exposed *INT 24-02: Medicare Part D Prescription Payment Plans* and *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* to provide accounting and reporting for the Medicare Part D prescription payment plans. Directed notice of the exposure to the Health Insurance and Managed Care (B) Committee and the Health Risk-Based Capital (E) Working Group, and directed an annual statement blanks proposal and disclosures to be developed for future discussion. (Ref #2024-24)
 - viii. Re-exposed annual statement revisions to provide more granular reporting lines on Schedule BA Other Invested Assets for Collateral Loans to allow for concurrent exposure with the corresponding blanks proposal. (Ref #2023-28)
- F. Directed NAIC staff on the following items:
- i. Directed NAIC staff to prepare an agenda item to classify issue papers in level 5 of the statutory hierarchy.
 - ii. Directed NAIC staff to modify the agenda item to remove a proposal to bifurcate embedded derivatives and instead capture limited revisions to clarify reporting when a bond is sold and reacquired from a special purpose vehicle (SPV) with derivative wrappers (or other components). (Ref #2024-16)
- G. Received updates on the following:
- i. U.S. generally accepted accounting principles (GAAP) exposures, noting that items will be addressed during the normal maintenance process.
 - ii. IMR Ad Hoc Group activities, noting that its discussions have focused on IMR from reinsurance transactions and has directed a reassessment of existing guidance.
 - iii. The Bond Project Implementation Small Group, which concluded its regular meetings as it addressed the items presented and referred the Q&A guide to the Working Group. The Small Group may resume future discussions if necessary.

- iv. Use of third-party vendors and checklists to determine bond definition compliance and classification.
 - v. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the application paper on climate risk.
 - vi. The comment deadline for three reinsurance-related agenda items (2024-05, 2024-06, and 2024-07) exposed at the Summer National Meeting was delayed to Dec. 9 and Dec. 16 at the request of the American Council of Life Insurers (ACLI). The ACLI provided short verbal comments on these items.
 - vii. Lloyd's has submitted requests that resulted in the removal of several inactive syndicates from the NAIC *Listing of Companies*. NAIC staff is coordinating with Lloyd's to determine if a guidance memorandum needs to be sent to the Blanks (E) Working Group regarding year-end reporting instructions.
3. Adopted the report of the Blanks (E) Working Group, which met Nov. 6, 2024. During this meeting, the Working Group took the following action:
- A. Adopted its Aug. 7 minutes, which included the following action:
 - i. Adopted its May 23 minutes.
 - ii. Adopted the following proposals:
 - a. 2024-11BWG—Update the annual and quarterly statement 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; Asset Valuation Reserve (AVR); Schedule BA, Parts 1 and 3; and Verification Between Years. Quarterly changes include Assets; Schedule BA, Part 3; and Verification Between Years.
 - b. 2024-12BWG—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.)
 - iii. 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.”
 - iv. Adopted its editorial listing.
 - B. Exposed eight new proposals for a 90-day public comment period ending Feb. 6, 2025.
 - C. Adopted its editorial listing.
 - D. Received a Statutory Accounting Principles (E) Working Group memorandum regarding the reporting of debt securities issued by funds representing operating entities.