

Date: February 6, 2023

To: D. Keith Bell (The Travelers Companies, Inc.), Rose Albrizio (Equitable), and interested parties of the Statutory Accounting Principles (E) Working Group

From: Michael Consedine, NAIC Chief Executive Officer
Andy Beal, NAIC Chief Operating Officer and Chief Legal Officer

Re: Accounting Practices and Procedures Manual PDF

On Jan. 9, the NAIC received a comment letter from D. Keith Bell and Rose Albrizio, representing interested parties of the Statutory Accounting Principles (E) Working Group (SAPWG), requesting a product enhancement, specifically a PDF, to the *NAIC Accounting Practices and Procedures Manual* (AP&P Manual). As further detailed herein, due to system limitations of our third-party distributor, many purchasers are not able to effectively research or quickly reference certain key aspects of the manual – specifically users could not efficiently search for references or key phrases. This difficulty, along with the inability to quickly reference differing sections of the manual, sections in which reference complementary statutory guidance, made use of the manual overly burdensome. This memorandum summarizes the NAIC's action plan to promptly resolve the issue presented.

Brief Background

Organized under the Financial Condition (E) Committee, SAPWG is responsible for developing and adopting revisions and interpretations to the AP&P Manual, the manual which details and provides the accounting basis for insurers to prepare financial statements for financial regulation purposes. Updates to the manual take place quite often, generally occurring several times a year and are made to address new statutory issues or generally accepted accounting principles (GAAP) pronouncements. Accordingly, the SAPWG and its support staff take pride in the manual being complete and relevant to today's overall accounting issues and to address specific, unique circumstances that are of concern to regulators.

In addition to completeness, transparency and usability are essential characteristics supported by the Financial Condition (E) Committee and SAPWG. Every proposed accounting revision undergoes a rigorous and methodical exposure process, providing an opportunity for regulators and interested parties to comment on any proposed revision. In many cases, regulators and interested parties (along with NAIC support staff) work in conjunction to ensure drafted language is understandable and operationally functional all while addressing the needs of regulators. In the same vein, transparency must go beyond the amendment process and must remain in place so that users have an efficient and effective method in which to access the manual. Compliance with the guidance is not only mandatory, but vitally important to ensure regulators have access to accurate, representative financial information so ease of use is critical.

Access to the AP&P Manual

Subscribers to the AP&P Manual have two avenues to access the publication. (One brief note, the printing and distribution of a hardcopy manual ended in 2021 as demand for such a product greatly declined.)

1. **Avenue 1:** The first is to download a desktop application. When this avenue is utilized, the manual is nearly as searchable and usable as an unrestricted PDF. However, we have found that many organizations, through their information technology security controls, do not allow for the installation of this type of software, so this preferred avenue is likely not often utilized.
2. **Avenue 2:** The second option is to access the manual through our vendor's web portal. While the initial impression is that the desktop versus the web portal should act in identical manners, unfortunately the two methods operate differently. As a simple example, a search of a particular phrase will produce different results between the two methods. The NAIC has reached out to the vendor on numerous occasions to correct this issue, but it is unlikely this issue will be addressed quickly due to system limitations.

The NAIC understands that as most industry users are likely utilizing the second avenue to access the manual, that the ability to search for specific phraseology, quickly reference or cross reference various guidance is less than optimal. The AP&P Manual, by its very design, is a highly technical document and the ability to search for guidance quickly and efficiently – guidance that is sometimes reflected in multiple locations, is recognized by the NAIC as an important use characteristic.

Recent Steps Taken and Action Plan

Recognizing the need for users to have ready and immediate access to newly adopted accounting guidance, starting in 2022, the NAIC began posting adoptions on the SAPWG website as a free PDF publication. These documents will be available for one year and include a summary of the revisions as well as the maintenance agenda submission form (Form A), which includes a description of the accounting issue, interim exposure drafts as well as the final adopted guidance. Posting of these documents was a welcome change as it provided further transparency for interested parties as well as quick and easy access to recent accounting developments. The comment letter also noted that this process change did address several of industry's prior concerns.

However, moving beyond recent adoptions, the AP&P Manual is a complex and frequently referenced publication thus the ability to efficiently search and reference its contents is critical. Accordingly for the 2023 manual, the NAIC is proud to announce that a copyrighted PDF will be made available, at no additional charge, to those who purchase a subscription to the manual. Similar to the current subscription process, access will be restricted to the individual level, however the PDF will be as searchable and printable as any other PDF document. We trust that this offering will be well received.

Moving forward to the 2024 manual, the NAIC is dedicated to finding an amicable, long-term solution that will result in ease of access for industry users.

If you have any questions in the interim, please feel free to reach out to Jim Pinegar, Assistant Director of Strategic Business Initiatives at jpinegar@naic.org.

cc: Superintendent Dwyer, Chair of the Financial Condition (E) Committee
 Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
 Jeff Johnston, Managing Director, Financial Regulatory Affairs
 Jim Woody, Chief Financial Officer