

Draft date: 10/31/24

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

Gaylord Rockies Hotel—Colorado Ballroom A—Level 3

ROLL CALL

Cassie Brown, Chair	Texas	Mike Chaney	Mississippi
Mike Causey, Vice Chair	North Carolina	Chlora Lindley-Myers	Missouri
Mark Fowler	Alabama	Eric Dunning	Nebraska
Lori K. Wing-Heier	Alaska	D.J. Bettencourt	New Hampshire
Alan McClain	Arkansas	Justin Zimmerman	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	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
Timothy J. Temple	Louisiana	Kevin Gaffney	Vermont
Robert L. Carey	Maine	Scott A. White	Virginia
Michael T. Caljouw	Massachusetts	Mike Kreidler	Washington
Anita G. Fox	Michigan	Nathan Houdek	Wisconsin
Grace Arnold	Minnesota		

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its Summer 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—*Debbie Doggett (MO)* Attachment Three



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

Draft: 8/22/24

Accounting Practices and Procedures (E) Task Force
Chicago, Illinois
August 14, 2024

The Accounting Practices and Procedures (E) Task Force met in Chicago, IL, Aug. 14, 2024. 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); Mark Fowler represented by Sheila Travis (AL); Ricardo Lara represented by Laura Clements and Kim Hudson (CA); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown and Tom Hudson (DE); Michael Yaworsky represented by Jason Reynolds and Bradley Trim (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Amber Re and Eric Fletcher (ID); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Mark Griggs (KY); Timothy J. Temple represented by Melissa Gibson (LA); Kevin P. Beagan represented by James McCarthy and John Turchi (MA); Robert L. Carey 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 and Debbie Doggett (MO); Mike Chaney represented by Josh Ammerman (MS); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson (NE); D.J. Bettencourt represented by Emily Doherty (NH); Justin Zimmerman represented by David Wolf (NJ); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Diane Carter and Eli Snowbarger (OK); Michael Humphreys represented by Diana Sherman (PA); Michael Wise represented by Hinal Patel (SC); Larry D. Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Trey Hancock (TN); Scott A. White represented by Doug Stolte and Jennifer Blizzard (VA); Kevin Gaffney represented by Karen Ducharme (VT); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its Spring National Meeting Minutes

Walker directed the Task Force to its 2024 Spring National Meeting minutes.

Obusek made a motion, seconded by Malm, to adopt the Task Force's March 17 minutes (*see NAIC Proceedings Spring 2024, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted its 2025 Proposed Charges

Walker stated that the Task Force's proposed charges were unchanged from the current year except for the edits to insert "U.S." before "generally accepted accounting principles" (GAAP) in two places.

Drutz made a motion, seconded by Orth, to adopt the Task Force's 2025 proposed charges (Attachment Three). The motion passed unanimously.

3. 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 Aug. 13. During this meeting, the Working Group adopted its May 15 and Spring National Meeting minutes.

During its May 15 meeting, the Working Group took the following action:

- A. 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)
- B. 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)
- C. 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)

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

- A. *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: 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)
- B. *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: 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)
- C. *SSAP No. 19—Furniture, Fixtures, Equipment, and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*: 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)
- D. *SSAP No. 20—Nonadmitted Assets*: Adopted revisions clarify that directly-held crypto assets are non-admitted assets and adopted 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)
- E. *SSAP No. 25—Affiliates and Other Related Parties*, *SSAP No. 63—Underwriting Pools*, and *Interpretation (INT) 03-02: Modification to an Existing Intercompany Pooling Arrangement*: Adopted revisions address transfers of assets when modifying intercompany pooling agreements and nullify INT 03-02. (Ref #2022-12)
- F. *SSAP No. 26R—Bonds*, *SSAP No. 21R—Other Admitted Assets*, *SSAP No. 30R—Unaffiliated Common Stock*, *SSAP No. 32R—Preferred Stock*, *SSAP No. 43R—Loan-Backed and Structured Securities*, and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*: Adopted revisions refer to SSAP No. 21R for the residual definition and accounting and reporting guidance. (Ref #2024-08)

- G. *Accounting Practices and Procedures Manual (AP&P Manual)* Editorial Revisions: Adopted revisions remove the “Revised” and “R,” previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the AP&P Manual. (Ref #2024-14EP)
- H. *Principles-Based Bond Project Issue Paper*: Adopted Issue Paper No. 169, which details the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)

Bruggeman stated that the Working Group 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.

- A. SSAP No. 26R: Exposure clarifies the guidance for debt securities issued by funds with language added 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)
- B. SSAP No. 48, SSAP No. 93—*Low-Income Housing Tax Credit Property Investments*, and SSAP No. 94R—*Transferable State Tax Credits*: Exposure includes clarifications to the accounting guidance. (Ref #2024-18)
- C. SSAP No. 56—*Separate Accounts*: Exposure expands the measurement method guidance and specifies the process to transfer assets for cash between the general account and book-value separate accounts. (Ref #2024-10)
- D. SSAP No. 61R—*Life, Deposit-Type, and Accident and Health Reinsurance*: Re-exposed revisions to incorporate guidance consistent with SSAP No. 62R—*Property and Casualty Reinsurance*, Exhibit A Implementation Questions and Answers (Q&A), 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 a reference to A-791, paragraph 6, guidance for yearly renewable term contracts regarding the entirety of the contract. (Ref #2024-06)
- E. SSAP No. 86—*Derivatives*: 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 but are used for asset-liability management (ALM). (Ref #2024-15)
- F. SSAP No. 86: 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)
- G. SSAP No. 101—*Income Taxes*: 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)
- H. SSAP No. 108—*Derivatives Hedging Variable Annuity Guarantees*: Exposed 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)

- I. *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*: Re-exposed revisions to remove the first sentence of the A-791, paragraph 2c's Q&A. (Ref #2024-05)
- J. *Annual Statement Blanks*: 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)
- K. *Annual Statement Blanks*: Exposed revisions to provide more granular reporting lines for collateral loans. (Ref #2023-28)
- L. *Conforming Repurchase Agreements*: Exposed a memorandum that details an overview and discussion of securities lending and repurchase/reverse repurchase agreements. (Ref #2024-04)
- M. *Current Expected Credit Losses (CECL) Issuer Paper*: Exposed the issue paper drafted to document pre-CECL generally accepted accounting principles (U.S. GAAP) impairment guidance for historical purposes. (Ref #2023-24)
- N. *New Market Tax Credit (NMTC) Project Issue Paper*: Exposed the issue paper detailing the discussions and decisions underlying the NMTC project. (Ref #2022-14)
- O. *Appendix D—Nonapplicable U.S. GAAP Pronouncements*: Exposed agenda item to reject ASU 2024-02, *Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)
- P. *Bond Project Q&A*: Exposed the Q&A Implementation Guide, which addresses topics in applying the principles-based bond definition. (Ref #2019-21)

Bruggeman stated that the Working Group deferred action on *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures* to allow NAIC staff additional time to confer with interested parties. (Ref #2024-12)

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

- A. U.S. GAAP exposures, noting that items will be addressed during the normal maintenance process.
- B. *Valuation Manual* adoptions and updates received, noting that no items identified require coordination under the *NAIC Policy Statement on Coordination with the Valuation Manual*.
- C. Interest Maintenance Reserve (IMR) Ad Hoc Group activities. In addition to an update on the Ad Hoc Group's discussions, this update identified that companies are not consistently reflecting negative IMR in cash flow testing (CFT). Examples were also shared with the Life Actuarial (A) Task Force and Chief Financial Regulators of the correct, incorrect, and potential misreporting that has been noted to assist with the review of domiciliary companies.
- D. Bond project implementation. This update informed that an NAIC self-study educational program is available to all participants without a course fee for 2024.
- E. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the exposed application paper on climate risk.

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

4. Adopted the Report of the Blanks (E) Working Group

Doggett provided the report of the Blanks (E) Working Group, which met Aug. 7. During this meeting, the Working Group: 1) adopted its May 23 minutes, which included adoption of its Feb. 21 minutes; and 2) 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 *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 the other short-term and other cash equivalent categories.
- D. 2024-03BWG Modified – Update General Interrogatory 35 for private letter (PL) rating security reporting to clarify what should be included.
- E. 2024-04BWG – Add clarifying language to 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) 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*.

Doggett stated that the May 23 meeting also included the following actions:

- A. 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.
- B. Exposed one proposal with a public comment period ending July 8.

Doggett stated that the Working Group adopted its editorial listing and the following proposals during its Aug. 7 meeting:

- A. 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.
- B. 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).

Doggett stated that during its Aug. 7 meeting, the Working Group 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.”

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

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

<https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/APPTF/2024 Summer/Summary and Minutes/Minutes APPTF 2024 Summer TPR.docx>

Attachment Two
(Pending)

Report of the
Statutory Accounting Principles
(E) Working Group

Attachment Three
(Pending)

Report of the
Blanks (E) Working Group