



Draft date: 12/4/25

*2025 Fall National Meeting
Hollywood, Florida*

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Wednesday, December 10, 2025

11:00 – 11:30 a.m. ET

Diplomat Convention Center—Atlantic Ballroom—Level 2

ROLL CALL

NAIC Member

Cassie Brown, Chair
Angela L. Nelson, Vice Chair
Mark Fowler
Heather Carpenter
Ricardo Lara
Jared Kosky
Trinidad Navarro
Karima M. Woods
Michael Yaworsky
Dean L. Cameron
Holly W. Lambert
Doug Ommen
Vicki Schmidt
Sharon P. Clark
Robert L. Carey
Michael T. Caljouw
Anita G. Fox
Grace Arnold
Mike Chaney
Remedio C. Mafnas
Eric Dunning
Ned Gaines
Justin Zimmerman
Kaitlin Asrow
Mike Causey
Jon Godfread
Judith L. French
Glen Mulready
TK Keen
Michael Humphreys
Elizabeth Kelleher Dwyer

Representative

Jamie Walker, Chair
Shannon Schmoeger, Vice Chair
Richard Russell/Sheila Travis
David Phifer
Kim Hudson
William Arfanis
Nicole Brittingham
N. Kevin Brown
Carolyn Morgan
Eric Fletcher
Roy Eft
Kim Cross
Tish Becker
Mark Griggs
Vanessa Sullivan
Jim McCarthy
Kristin Hynes
Kathleen Orth
Chad Bridges
Remedio C. Mafnas
Tadd Wegner
Hermoliva Abejar
Justin Zimmerman
Bob Kasinow
Jacqueline Obusek
Matt Fischer
Dale Bruggeman
Ryan Rowe
Paul Throckmorton
Diana Sherman
John Tudino

State/Territory

Texas
Missouri
Alabama
Alaska
California
Connecticut
Delaware
District of Columbia
Florida
Idaho
Indiana
Iowa
Kansas
Kentucky
Maine
Massachusetts
Michigan
Minnesota
Mississippi
N. Mariana Islands
Nebraska
Nevada
New Jersey
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island

2025 NAIC FALL NATIONAL MEETING

NAIC Member

Michael Wise
Larry D. Deiter
Carter Lawrence
Jon Pike
Kaj Samsom
Scott A. White
Patty Kuderer
Nathan Houdek

Representative

Ryan Basnett
Johanna Nickelson
Trey Hancock
Jake Garn
Dan Petterson
Doug Stolte
Steve Drutz
Amy Malm

State/Territory

South Carolina
South Dakota
Tennessee
Utah
Vermont
Virginia
Washington
Wisconsin

NAIC Committee Support: Robin Marcotte

AGENDA

1. Consider Adoption of its Summer National Meeting Minutes
—*Jamie Walker (TX)* Attachment One
2. Consider Adoption of the Reports of its Working Groups
—*Jamie Walker (TX)*
 - A. Statutory Accounting Principles (E) Working Group
—*Dale Bruggeman (OH)* Attachment Two
 - B. Blanks (E) Working Group—*Roy Eft (IN)* Attachment Three
3. Discuss Any Other Matters Brought Before the Task Force
—*Jamie Walker (TX)*
4. Adjournment

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Draft: 8/25/25

Accounting Practices and Procedures (E) Task Force
Minneapolis, Minnesota
August 12, 2025

The Accounting Practices and Procedures (E) Task Force met in Minneapolis, MN, Aug. 12, 2025. The following Task Force members participated: Cassie Brown, Chair, represented by Jamie Walker (TX); Angela L. Nelson, Vice Chair, represented by Shannon Schmoeger (MO); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Sheila Travis (AL); Ricardo Lara represented by Kim Hudson (CA); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by Yohaness Negash (DC); Trinidad Navarro represented by Rylynn Brown (DE); Michael Yaworsky represented by Jane Nelson (FL); Doug Ommen represented by Kevin Clark (IA); Dean L. Cameron represented by Amber Re (ID); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Chut Tee (KS); Sharon P. Clark represented by Mark Griggs (KY); Michael T. Caljouw represented by Jim McCarthy (MA); Robert L. Carey represented by Vanessa Sullivan (ME); Anita G. Fox represented by Kristin Hynes (MI); Grace Arnold represented by Kathleen Orth (MN); Mike Chaney represented by Mark Cooley (MS); Mike Causey represented by Jacqueline Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Tadd Wegner (NE); Justin Zimmerman represented by David Wolf (NJ); Ned Gaines represented by Hermoliva Abejar (NV); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Elizabeth Kelleher Dwyer represented by John Tudino (RI); 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); Kaj Samsom represented by Karen Ducharme (VT); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its 2025 Spring National Meeting Minutes

Obusek made a motion, seconded by Malm, to adopt the Task Force's March 25 minutes (*see NAIC Proceedings – Spring 2025, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Adopted its 2026 Proposed Charges

Walker stated that the Task Force's 2026 proposed charges are unchanged from the current year.

Eft made a motion, seconded by Sherman, to adopt the Task Force's 2026 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. 11. During this meeting, the Working Group took the following action:

- A. Adopted its Spring National Meeting minutes.
- B. Adopted its April 10 minutes. During this meeting, the Working Group held discussions on agenda items 2024-05 and 2024-06, which included a presentation from the American Council of Life Insurers (ACLI) on statutory risk transfer considerations and a presentation by a regulator representing the Life Actuarial (A) Task Force on combined coinsurance funds withheld yearly renewable term (YRT) agreements.

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C. Adopted its May 22 minutes. During this meeting, the Working Group took the following action:

i. Adopted the following clarifications to statutory accounting guidance:

- a. Revisions to *Statement of Statutory Accounting Principles (SSAP) No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* to require the restricted asset note in all quarterly and annual financial statements and to incorporate a disclosure to identify funds withheld assets that are related to/affiliated with the reinsurer. (Ref #2025-05)
- b. Revisions to *SSAP No. 84—Health Care and Government Insured Plan Receivables* to add disclosures regarding Medicare Part D Prescription Payment Plan receivables. (Ref #2025-08)
- c. Revisions to the annual statement blanks:
 - 1) Delete the capital structure code-specific columns from Schedule D-1-1 (Long-Term Bonds – Issuer Credit Obligations) and Schedule D-1-2 (Asset-Backed Securities). (Ref #2025-04)
 - 2) Delete line 8 from the asset valuation reserve (AVR) schedule, formerly identified as “Unrated Multi-Class Securities Acquired by Conversion” and categorized under bonds in the AVR. (Ref #2025-06)
 - 3) Delete the general interrogatory No. 14 for dividends in Part Two of the general interrogatories in the life, accident and health, and fraternal (life/fraternal) annual statement blank. (Ref #2025-07)
 - 4) Create a new reporting schedule (included in Exhibit 1 of the Form A), which adds a new part to the reinsurance Schedule S in the life/fraternal annual statement blanks and instructions, and recommend that the Blanks (E) Working Group move forward with the adoption of its corresponding agenda item 2025-05BWG. (Ref #2024-07)
- d. Adopted *Issue Paper No. 171—Current Expected Credit Losses (CECL)* to preserve the pre-CECL U.S. generally accepted accounting principles (GAAP) impairment and other-than-temporary impairment guidance for historical reference. (Ref #2023-24)

ii. Exposed the following clarifications to statutory accounting guidance:

- a. Revisions to add new guidance that would allow certain qualifying investment trusts holding residential mortgage loans to fall within the scope of *SSAP No. 37—Mortgage Loans* and allow for reporting of residential mortgage loans held in qualifying trusts on Schedule B – Mortgage Loans. (Ref #2025-13)
- b. Revisions to the status section on the cover page of the SSAPs. The two primary revisions are to: 1) change “substantively” revised to “conceptually” revised; and 2) remove the issue paper references. (Ref #2025-16)
- c. Various editorial revisions to three SSAPs and one interpretation, which include updates to disclosures, removing a remaining credit rating provider (CRP) designation, and removing superseded terminology. (Ref #2025-17EP)

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- d. The following U.S. GAAP standards were exposed for rejection in Appendix D—Nonapplicable GAAP Pronouncements:
- 1) *Accounting Standards Update (ASU) 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* (Ref #2025-14)
 - 2) *ASU 2025-02, Liabilities (Topic 405), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*. (Ref #2025-15)
- D. Adopted its June 2 minutes. During this meeting, the Working Group exposed agenda items 2024-05 and 2024-06 for a 43-day public comment period ending July 14.
- E. Adopted its June 5 minutes. During this meeting, the Working Group exposed edits to *Interpretation (INT) 23-01: Net Negative (Disallowed) Interest Maintenance Reserve* to extend the effective date until Dec. 31, 2026, and incorporate clarifications to the INT.
- F. Adopted the following clarifications to statutory accounting guidance:
- i. Adopted various editorial revisions, including updates to disclosures, removing a remaining CRP designation, and removing superseded terminology. (Ref #2025-17EP)
 - ii. Adopted *ASU 2024-04, Debt—Debt with Conversion and Other Options*, with modification to provide clarifications on induced conversions, including when the inducement shall be recognized as an expense by the issuer and the fair value measurement of that expense. (Ref #2025-02)
 - iii. Adopted revisions in *SSAP No. 51—Life Contracts* to reflect different reserving methodologies in *Valuation Manual (VM)-22, Statutory Maximum Valuation Interest Rates for Income Annuities*, principle-based reserve (PBR) requirements. (Ref #2025-09)
 - iv. Adopted revisions in *SSAP No. 61—Life, Deposit-Type, and Accident and Health Reinsurance* and *Appendix A-791, Life and Health Reinsurance Agreements* to clarify risk transfer on combination reinsurance contracts with interdependent contract features. The adopted clarifications are immediately effective for new/newly amended contracts, with provisions to allow a Dec. 31, 2026, effective date for existing contracts to allow time for industry and state insurance regulator assessment. This item received a separate vote. (Ref #2024-06)
 - v. Adopted revisions to extend the effective date of *INT 23-01: Net Negative (Disallowed) IMR* to Dec. 31, 2026, and add additional requirements and clarifications to the guidance in the INT. (Ref #2022-19)
 - vi. Adopted revisions to delete a sentence in A-791, paragraph 2.c., question and answer. (Ref #2024-05)
 - vii. Adopted revisions to the *2026 Accounting Practices and Procedures Manual (AP&P Manual)* to streamline the status section of each SSAP. The status section will no longer reference issue papers, and references to “substantively revised” will be changed to “conceptually revised” to be consistent with previously adopted policy statement language. (Ref #2025-16)
 - viii. The following U.S. GAAP standards were adopted for rejection in *Appendix D—Nonapplicable GAAP Pronouncements*:

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- a. *ASU 2023-07, Improvements to Reportable Segment Disclosures*. (Ref #2025-10)
 - b. *ASU 2024-03, Disaggregation of Income Statement Expenses* and *ASU 2025-01, Clarifying the Effective Date of ASU 2024-03*. (Ref #2025-11)
 - c. *ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. (Ref #2025-14)
 - d. *ASU 2025-02, Liabilities (Topic 405), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*. (Ref #2025-15)
- G. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending Oct. 17, except for agenda item 2025-19, which is exposed for a public comment period ending Sept. 19:
- i. Exposed revisions in *SSAP No. 22—Leases* to clarify that sale-leasebacks with restrictions on access to the cash received from the sale do not qualify for sale-leaseback accounting, and the seller must account for these using the financing method. (Ref #2025-01)
 - ii. Exposed revisions to *SSAP No. 26—Bonds*, *SSAP No. 21—Other Admitted Assets*, *SSAP No. 43—Asset-Backed Securities*, and annual statement blanks to improve utilization of existing disclosures, clarify guidance, and incorporate consistent locations and frequency for specific debt security disclosures. The edits also propose disclosures for residuals that identify the company's measurement method, whether the company is transitioning from the practical expedient to the allowable earned yield (AEY) method, and for those following the AEY method, information comparable to *SSAP No. 43—Asset-Backed Securities* for impaired securities. The proposed revisions also converge and clarify language across SSAPs. (Ref #2025-20)
 - iii. Exposed revisions to *SSAP No. 37*, allowing residential mortgage loans in trust to reflect several recommended changes per discussions with the industry. (Ref #2025-13)
 - iv. Exposed revisions to clarify that retirement plan assets can be held at net asset value (NAV) and shall be included in the required fair value disclosure. (Ref #2025-21)
 - v. Exposed revisions in *SSAP No. 101—Income Taxes* to adopt, with modification, certain revisions from *ASU 2019-12 Simplifying the Accounting for Income Taxes*. Exposure incorporates U.S. GAAP guidance previously incorporated by reference. (Ref #2025-18)
 - vi. Annual statement blanks:
 - a. Exposed new disclosures to identify private placement securities in the investment schedules and incorporate an aggregate disclosure that details key investment information by type of security (public and private placement types). (Ref #2025-19)
 - b. Exposed revisions to eliminate the investment subsidiary concept from the instructions. (Ref #2024-21)
- H. Directed NAIC staff to proceed with using the exposed interest maintenance reserve (IMR) definition, with the minor modifications noted during the meeting, and the intent to eliminate hypothetical IMR in the forthcoming issue paper, and subsequent revisions to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*, as part of the long-term project to establish concepts for IMR and to capture the

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accounting guidance in SSAP No. 7. With this direction, subsequent exposures of the issuer paper and proposed SSAP revisions may result with future revisions to the directed definition and how IMR is allocated in reinsurance transactions. (Refs #2023-14 and #2025-03)

- I. Received updates on the following:
 - i. IMR Ad Hoc Group activities, noting that its discussions have focused on IMR from reinsurance transactions and proof of reinvestment.
 - ii. Asset liability matching (ALM) derivatives, noting that the Working Group will hold an open meeting Sept. 10. During this meeting, industry representatives will walk through key concepts and options (e.g., amortized cost versus a fair value measurement model) of a proposed ALM derivative standard. (Ref #2024-15)
 - iii. Received a referral from the Life Risk-Based Capital (E) Working Group regarding comments received from the ACLI on AVR equity reporting lines for common stock in subsidiary, controlled, and affiliated (SCAs) and other affiliates, and requested clarifications to the AVR instructions.
 - iv. Received the Life Actuarial (A) Task Force coordination memorandum, noting that two agenda items were identified as requiring coordination with the Working Group.
 - v. U.S. GAAP exposures, noting that no items are currently exposed by the Financial Accounting Standards Board (FASB).
 - vi. International Association of Insurance Supervisors (IAIS) Accounting and Auditing Working Group activities. One item of interest is the project for insurance capital standard (ICS) implementation and potential revisions to Insurance Core Principle (ICP) 9 (Supervisory Review and Reporting) and ICP 20 (Public Disclosure). Currently, the proposed revisions are not viewed as compatible with the U.S. aggregation method (AM).

Bruggeman made a motion, seconded by Schmoeger, to adopt the report of the Statutory Accounting Principles (E) Working Group except for agenda item 2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts, which would receive a separate vote (Attachment One). The motion passed unanimously.

Bruggeman provided an overview of agenda item 2024-06: Risk Transfer Analysis on Combination Reinsurance Contracts. Bruggeman stated he would start by providing a little background. Bruggeman stated this agenda item came to the Statutory Accounting Principles (E) Working Group as a response to a December 2023 referral from the Valuation Analysis (E) Working Group, which identified concerns regarding risk transfer analysis of reinsurance contracts with interdependent features that had been analyzed for risk transfer separately instead of in the aggregate. The Valuation Analysis (E) Working Group also raised questions about the classification of reinsurance contracts and the possible overstatement of reinsurance credit.

Bruggeman stated that the example noted in the Valuation Analysis (E) Working Group referral involved reinsurance transactions that combined both coinsurance and YRT, with interdependent features, including an aggregate experience refund and recapture provisions that only permitted recapture by the cedant if both components are recaptured simultaneously. The Valuation Analysis (E) Working Group observed that certain insurers have evaluated these components under *Appendix A-791, Life and Health Reinsurance Agreements* as if they were separate agreements, concluding that the requirements for risk transfer are met for each type of reinsurance. The Valuation Analysis (E) Working Group referral noted that regulators observed that some companies seemed to be reporting an overstated reserve credit due to a bifurcated risk transfer analysis.

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Bruggeman stated that since the March 2024 exposure, the Statutory Accounting Principles (E) Working Group has been consistent in its guidance that interdependent contract features must be analyzed in aggregate, as the existing guidance does not allow part of a contract to be excluded when determining risk transfer analysis. This is why the Working Group views the item as a clarification of existing guidance. In other words, the view was that things were being bifurcated when performing risk transfer analysis, and that should not have happened. That is why this is viewed as a clarification.

Bruggeman stated that on April 10, the Statutory Accounting Principles (E) Working Group and the Life Actuarial (A) Task Force met in joint session, where they heard presentations from the ACLI on statutory risk transfer considerations and from the Life Actuarial (A) Task Force chair on combined coinsurance funds withheld YRT agreements. He stated that the June 2025 exposed revisions reflect industry discussions. He also stated that throughout this process, updates have been shared with the Valuation Analysis (E) Working Group, Life Actuarial (A) Task Force, and Reinsurance (E) Task Force as relevant.

Bruggeman stated that at this Summer National Meeting, the Statutory Accounting Principles (E) Working Group unanimously adopted revisions to SSAP No. 61 and *Appendix A-791, Life and Health Reinsurance Agreements question and answer (QA)* to address risk transfer on combination reinsurance contracts with interdependent contract features. The adopted clarifications are immediately effective for new/newly amended contracts with provisions to allow a Dec. 31, 2026, effective date for existing contracts to allow time for industry and state insurance regulator assessment.

Bruggeman stated that the adopted revisions to SSAP No. 61 were supported by the ACLI with an editorial suggestion of a paragraph break, which was incorporated.

Bruggeman stated that the adopted revisions to *Appendix A-791, Life and Health Reinsurance Agreements question and answer (QA)* clarify risk transfer on combination reinsurance contracts with interdependent contract features. The proposed ACLI revisions, which appeared to narrow the scope of the proposed guidance to focus more on YRT or YRT premiums, were not adopted. He noted that the ACLI's comments were provided in the meeting materials.

Bruggeman stated that the Working Group chose a year-end 2026 effective date to allow companies that may have existing contracts adequate time to allow for industry and state insurance regulator assessment. Bruggeman stated that the Working Group did not choose to allow grandfathering of existing contracts but did take the need to review existing contracts into account, in choosing a year-end 2026 effective date.

Bruggeman stated that the ACLI's written comments requested grandfathering existing contracts. He stated that the ACLI's verbal comments requested grandfathering all contracts in effect prior to Jan. 1, 2024. Bruggeman stated that the Working Group did not support grandfathering of existing contracts due to concerns of market inconsistency and creating conflicts with current guidance or conflicting with recent or ongoing state actions. He stated that the original Valuation Analysis (E) Working Group referral raised concerns about the misapplication of current guidance to existing contracts. The Working Group and Life Actuarial (A) Task Force representatives noted that some states have already provided direction on the existing guidance. He stated that one state insurance regulator noted financial impacts range from immaterial to material. Bruggeman stated that with a year-end 2026 effective date, companies would have time to approach states on different methods of handling problematic contracts, such as amending, recapturing, establishing liabilities, or seeking a permitted accounting practice.

Bruggeman stated that in order for the Accounting Practices and Procedures (E) Task Force to make any overrides of the Working Group action, per the Policy Statement on Maintenance of Statutory Accounting Principles in Appendix F of the AP&P Manual, it requires a majority vote of the Task Force. This has historically not occurred

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except in rare circumstances when the Financial Condition (E) Committee sent an item back to the Working Group with a direction to review one aspect.

Marc Altschull (ACLI) noted the ACLI's appreciation for the thoughtful discussions and consideration of its feedback that have occurred on this topic. He said the ACLI believes that substantive conversations have been had, and the understanding of state insurance regulators' concerns has evolved such that the proposed revisions to agenda item 2024-06 are more than a clarification.

Altschull stated that historically, combination coinsurance and YRT treaties have been executed with the industry's understanding that YRT premiums less than the valuation mortality (among other requirements) was a reasonable interpretation of existing guidance; the language in agenda item 2024-05 could be interpreted to support this view. While 2024-06 may clarify the interpretation, the effect is that there is now proposed guidance for the evaluation of combination coinsurance-YRT treaties that cedants are not deprived of surplus (specifically, each component and in aggregate), which goes beyond the consideration of the YRT premium level relative to the valuation mortality.

Altschull stated that through the ACLI's discussions with the Statutory Accounting Principles (E) Working Group, we have reached agreement that combination reinsurance agreements should not be automatically considered non-proportional and that the risk transfer evaluation for such agreements should be determined based on careful evaluation of the treaty terms and conditions. He stated that such evaluation should be performed for each reinsurance component individually against its respective requirements under SSAP No. 61 and collectively (for both the YRT and coinsurance components) to ensure no deprivation of ceding insurer surplus could occur (rather than applying a likelihood of loss standard). He stated that both parties have arrived at a better understanding of how combination agreements should be evaluated for risk transfer purposes.

Altschull stated that while the ACLI understands that there are regulatory concerns with some existing agreements, it does not believe it would be appropriate to apply this new understanding to in-force agreements that were entered into with a good faith effort to comply with the risk transfer requirements as they were written and understood at that time. He stated that to be sure, the ACLI would like to distinguish between agreements that were executed in good faith and those with abusive provisions, such as forced recapture and negative experience refunds. Therefore, the ACLI supports state insurance regulators in addressing any agreements, coinsurance-YRT or otherwise, with such abusive provisions regardless of the treaty execution date.

Altschull stated that, given the feedback from NAIC staff and state insurance regulators on prospective applications, the ACLI recommends that any final guidance be made to apply only to agreements executed on or after Jan. 1, 2024, as a compromise. This date aligns with the 2023 Valuation Analysis (E) Working Group referral and 2024 Statutory Accounting Principles (E) Working Group exposure of revisions to SSAP No. 61 to address the risk transfer aspect from the Valuation Analysis (E) Working Group referral and when the industry was made aware that state insurance regulators had concerns with combination coinsurance-YRT agreements and revisions to SSAP No. 61 were being considered. As such, coinsurance-YRT agreements knowingly executed after Jan. 1, 2024, and before adoption of final guidance would be considered in scope.

Altschull stated that the ACLI would support an immediate effective date of Dec. 31, 2025, for any new combination coinsurance-YRT agreements, and an effective reporting date of Dec. 31, 2026, adopted by the Statutory Accounting Principles (E) Working Group, which would allow sufficient time for ceding companies to complete evaluation of any in scope coinsurance-YRT agreements and negotiate alternative structures as necessary.

Altschull stated that the ACLI comment letter includes a redline version of the exposure with suggested revisions to add a paragraph break to SSAP No. 61 and additional language to the exposed Appendix A-791 question and

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answer revisions. In addition, the ACLI recommends two footnotes be added to the nonauthoritative agenda item to update the historical record and reflect the discussions that have led to the contemplated changes reflected in the exposure. The ACLI thinks that the documented historical record will help state insurance regulators, companies, and auditors better understand the intent behind the proposed changes to SSAP No. 61 and Appendix A-791, should any ambiguity in the interpretation of the new language persist.

Bruggeman noted that Altschull made a comment about abusive existing contracts and stated that he wanted to understand that the ACLI's intent was that abusive contracts would include all existing contracts (even those prior to Jan. 1, 2024), and those would include existing contracts for which state insurance regulators have already talked to their companies. Bruggeman noted concerns about automatically grandfathering known existing contracts that have already been identified as problematic. He stated that he did not think that such contracts should automatically be given a free pass.

Altschull stated that through the ACLI's conversations, it has become aware of specific provisions, such as negative experience refunds and forced recapture provisions, which absolutely violate risk transfer requirements. The ACLI is not aware of specific contracts that are under state discussion. It also cannot provide an opinion on whether a contract is egregious. He stated that the ACLI would not suggest grandfathering such contracts. He stated that it does not suggest a blanket grandfathering provision. He stated that regardless of this clarification being adopted, if state insurance regulators have an issue with the treaty, they do not need to clarify this guidance in order to have a discussion about specific treaties.

Bruggeman stated that at the Statutory Accounting Principles (E) Working Group's Aug. 11 meeting, there was discussion of the contract effective date. He stated that the term "grandfathering" might not be the perfect word, but it works for this purpose. Bruggeman noted that Altschull had referenced Jan. 1, 2024, while he had referred to Jan. 1, 2023, or possibly an even earlier date for which companies would be required to go back to reassess contracts. He explained that Jan. 1, 2023, marked the point when the Valuation Analysis (E) Working Group began examining the issue, prompted by guidance from state insurance regulators. Bruggeman stated that it felt like a natural breakpoint, one that did not require going back and re-reviewing risk transfer for all existing contracts, because most risk transfer has already been evaluated at contract inception, especially during that first year when discussing risk transfer with the auditor. Even with this allowance, Bruggeman stated that he had concerns that even existing contracts with abusive terms might be grandfathered in, which would not be appropriate. He also expressed that at each reporting period, companies should ensure they are taking the appropriate reduction in reserves; that is, the correct level of capital relief. For example, if the coinsurance agreement states it transfers 80%, but in reality, the effect of all contract terms only a risk transfer of 70% is being achieved, then the company should only reflect 70% benefit in its reporting. He stated that this is just an example.

Bruggeman stated that the main question is whether the arrangement transfers risk. Current accounting guidance indicates that companies should take reserve credit only for the risks transferred. However, based on what he is hearing, that is not consistently occurring. This issue appears to go beyond what has been referred to as abusive contracts that force recapture and other scenarios involving negative experience refunds. These topics must be fully addressed, regardless of whether there is a potential grandfathering date in place. Bruggeman stated that at this point, he does not believe it is necessary to review all existing contracts, and he does not think that Jan. 1, 2024, as a look-back date, is sufficient, given that the Valuation Analysis (E) Working Group was discussing this issue in 2023. He stated that Jan. 1, 2023, or even Jan. 1, 2022, would be more appropriate rather than going back five to 10 years to examine all existing contracts that may not have raised concerns. He stated that he would not characterize those contracts as abusive, but at future reporting dates, all those contracts need to ensure they are taking the appropriate reduction in reserves. He stated that companies need to understand that they cannot continue to take an 80% reduction just because that was the assumption made 10 years ago. That is no longer appropriate. He stated that it is essential to ensure the correct reserve credit is being taken. Bruggeman stated that Ohio will likely vote no on the motion to adopt the current effective date revisions by the Statutory Accounting

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Principles (E) Working Group because Ohio does not believe it is necessary to go back and review all existing contracts, except for the abusive contracts, as those need to be addressed regardless. He stated that in his view, if any domestic regulator comes to a reporting entity with a concern, the contract issue should be addressed without pointing to a Statutory Accounting Principles (E) Working Group effective date.

Clark stated that the ACLI remarks indicate that discussions have come to a common understanding that these agreements are not non-proportional. Clark indicated he does not think that it is accurate and that state insurance regulators have differing views on this. He stated the current revisions have not addressed that interpretation in any way, so he wanted to make clear that he does not think state insurance regulators agree with that ACLI statement.

Regarding the effective date and application to existing contracts, Clark stated that his concern is that state insurance regulators know there are existing agreements, well before Jan. 1, 2024, or Jan. 1, 2023, that are resulting in materially excessive reserve credits, whether considered to be abuse or not. He stated that he was not making any judgment on what the intent was, but there are material reserve credits being taken that state insurance regulators do not believe are appropriate, and as a result, are materially misstating the solvency position of some companies. So, from Iowa's perspective, the appropriate way to address this, rather than having a cutoff date where it is not known if all of the contracts that may be of concern have been identified, it is better to address by having it apply to all existing contracts as of a future date. He stated support for time to allow companies to work things out with their domestic state insurance regulators so that they can have full insight into what is happening and make sure that any misstatement of the solvency position is not actually putting the company in a possibly insolvent position without getting that clarity and working through that with the domestic state insurance regulator. He stated that he would not be comfortable with just grandfathering in contracts.

Arfanis asked Bruggeman to clarify his position on the scope of the affected contracts to make sure the Accounting Practices and Procedures (E) Task Force understands it prior to voting. Bruggeman stated that other than for abusive contracts that are clear and not taking it out of a state insurance regulator's hands, his view was that re-reviewing the risk transfer on such coinsurance-YRT contracts that were signed or amended before either Jan. 1, 2023, or possibly Jan. 1, 2022, is not necessarily warranted. He noted that he suggested those dates as options because that is probably when some of the states started seeing these issues. Bruggeman stated that he is not sure how to include such a cut-off into statutory accounting guidance. He stated that this becomes more of a policy decision than a statutory accounting technical issue. He said that because this is an accounting guidance clarification, from a technical perspective, it would say that the reporting should be adjusted to reflect the risks that a contract does or does not transfer. He stated that from a policy perspective, he does not think it makes sense to go back more than five years to evaluate risk transfer. He stated that the identification of abusive contracts could change the scope of contracts that a state would choose to have reviewed. Bruggeman stated that unless a reinsurance contract is with an affiliate, the contract may not have previously had a domiciliary insurance regulatory review. He said that only a few states review all reinsurance contracts. Bruggeman stated that from a technical perspective, all existing contracts should be reviewed to verify if the agreement passes risk transfer. He said that to go back several years and identify that a contract no longer transfers risk outside the "abusive" ones, he would find it hard to go back more than one to four years and start looking at the risk transfer of contracts.

Arfanis asked, based on history, if the agenda item that is adopted by the Working Group would be returned to the Working Group if it is rejected by the Accounting Practices and Procedures (E) Task Force or the Financial Condition (E) Committee. Bruggeman agreed that if the motion is not approved, the Accounting Practices and Procedures (E) Task Force could provide direction to the Working Group or request direction from the Financial Condition (E) Committee. In addition, the Financial Condition (E) Committee could provide its own direction, even if the Task Force adopts the item. Walker stated that it is also her understanding.

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Marcotte stated that the meeting materials show the adopted language, which is focused on reinsurance contracts with interdependent contract features, must be analyzed in aggregate when evaluating the risk transfer of a reinsurance agreement. She stated that the guidance affirms that part of a contract cannot be ignored. She further noted that existing guidance does not allow ignoring any part of a contract. She stated that the effective date adopted by the Working Group for SSAP No. 61 is also illustrated in the materials (Attachment Four). The guidance notes that “Clarifications of existing guidance adopted in August 2025 regarding risk transfer on interdependent reinsurance agreements in paragraphs 17 and 19 are effective immediately for new/ newly amended contracts, with a December 31, 2026, effective date for other existing contracts.” This means that by year-end 2026, reported reinsurance credit on all existing contracts would have to comply with the guidance that risk transfer analysis must include all features of such contracts.

Hudson made a motion, seconded by Stolte, to adopt agenda item 2024-06 (*See NAIC Proceedings, Summer 2025, Accounting Practices and Procedures (E) Task Force, Attachment One-P*). The motion passed, with Ohio and Indiana opposed.

Note: On Aug. 13, 2025, the Financial Condition (E) Committee announced that it would hold a separate meeting to consider this agenda item.

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

Eft provided the report of the Blanks (E) Working Group, which met Aug. 6. During this meeting, the Working Group took the following action:

A. Adopted its May 29 minutes, which included the following action:

i. Adopted its March 6 minutes, which included the following action:

- a. Adopted its Dec. 2, 2024, and Nov. 6, 2024, minutes.
- b. Adopted nine proposals.
- c. Exposed six new proposals and re-exposed one proposal.
- d. Received two Statutory Accounting Principles (E) Working Group memorandums regarding inactive Lloyd’s syndicates and the year-end 2024 impacts to the annual statement notes to the financial statement.
- e. Adopted its editorial listing.

ii. Adopted the following 16 proposals:

- a. 2024-19BWG Modified – Update Schedule BA line categories and instructions for the expansion of collateral loans. Add two electronic-only columns to Schedule BA, Part 1, for reporting the fair value of collateral backing and the percentage of the collateral. Update the AVR instructions and blank for the added collateral loan lines.
- b. 2025-01BWG Modified – Update the Note to Financial Statements, Note 8—Derivatives, to include adopted revisions to SSAP No. 86—*Derivatives*. Also, update Note 11—Debt for the adopted revisions to SSAP No. 15—*Debt and Holding Company Obligations*.
- c. 2025-02BWG – Update the Note to Financial Statements, Note 9 on Income Taxes, to include adopted revisions to SSAP No. 101—*Income Taxes*.

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- d. 2025-03BWG Modified – Modify the life insurance (state page) to include accident and health data for direct premium earned and direct losses incurred.
 - e. 2025-04BWG Modified – Add a new part to the Note to Financial Statements, Note 28—Health Care Receivables, to include Medicare Part D prescription payment plans.
 - f. 2025-05BWG Modified – Add a new part to Schedule S to report reinsurance agreements with funds withholding and modified coinsurance (modco).
 - g. 2025-06BWG – Update Note 5L—Restricted Assets Instructions and Illustrations to make the changes for clarification on what should be reflected within the restricted asset note.
 - h. 2025-07BWG – Update Schedule P with editorial revisions exposed at the Casualty Actuarial and Statistical (C) Task Force.
 - i. 2025-08BWG – Remove Life/Fraternal General Interrogatory No. 14 that reports total dividends paid to stockholders and renumber the remaining general interrogatories.
 - j. 2025-09BWG – Update the Life/Fraternal Note to Financial No. 35 for separate account transfers. Also, add a general interrogatory to the separate account blank for transfers, repurchase agreements, and reverse repurchase transactions.
 - k. 2025-10BWG Modified – Update Note 5L to identify assets held under funds withholding agreements (including modco) that are affiliated with the reinsurer. Also, update the list of required quarterly disclosures to include Note 5L—Restricted Assets. With this change, this disclosure will be required in all interim and annual financial statements.
 - l. 2025-11BWG – Remove the capital structure code reporting column on Schedule D, Part 1, Sections 1 and 2.
 - m. 2025-12BWG – Remove Line 8 – Unrated Multi-Class Securities Acquired by Conversion from AVR: Default Component – Basic Contribution. Relabel the line with “intentionally left blank” to prevent renumbering all lines in the AVR schedule and to be used in the future if there are other AVR updates.
 - n. 2025-13BWG – Update Notes to Financial Statements, Note 13K, with disclosure updates to *SSAP No. 41—Surplus Notes*.
 - o. 2025-14BWG – Add instructions to include Medicare Part D Prescription Payment Plan information to the health care and other amounts receivable line on the asset page, Supplemental Health Care Exhibit, Exhibit 3 – Health Care Receivables, and Exhibit 3A – Analysis of Health Care Receivables.
 - p. 2025-15BWG Modified – Update Note 8 – Derivatives in the Notes to Financial Statements and Schedule DB to clarify the terminology used for derivative financing premium.
- iii. Re-exposed one modified proposal:
- a. 2024-19BWG Modified – Update Schedule BA line categories and instructions for the expansion of collateral loans. Add two electronic-only columns to Schedule BA, Part 1, for reporting the fair value of collateral backing and the percentage of the collateral. Update the AVR instructions and blank for the added collateral loan lines.

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- iv. Exposed one new proposal for a 45-day public comment period ending July 14.
 - v. Adopted its editorial listing.
- B. Adopted one proposal:
- i. 2025-16BWG – Update Health Annual Statement Instructions for the Prescribed Language for Statement of Actuarial Opinion, Section 4 (Identification Section) for consistency in reporting. Also, update the Statement of Actuarial Opinion, Section 7 (Opinion Section), Item C, to be consistent with the Life Annual Statement Instructions and VM-30.
- C. Adopted its editorial listing.

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

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

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/apptf/2025 summer/minutes and summary/apptf 8-12-25 tpr.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/apptf/2025%20summer/minutes%20and%20summary/apptf%208-12-25%20tpr.docx)

Attachment Two
(Pending)

Report of the
Statutory Accounting Principles
(E) Working Group

Virtual Meeting

BLANKS (E) WORKING GROUP

November 5, 2025

Summary Report

The Blanks (E) Working Group met Nov. 5, 2025. During this meeting, the Working Group:

1. Adopted its Aug. 6 minutes, which included the following action:
 - A. Adopted its May 29 minutes.
 - B. Adopted proposal 2025-16BWG to: 1) update Health Annual Statement Instructions for the prescribed language for Statement of Actuarial Opinion (SAO), Section 4 (Identification Section), for consistency in reporting; and 2) update SAO, Section 7 (Opinion Section), Item C, to be consistent with the Life Annual Statement Instructions and Valuation Manual (VM)-30, Actuarial Opinion and Memorandum Requirements.
 - C. Adopted its editorial listing.
2. Exposed four new items for a 90-day public comment period ending Feb. 6, 2026.
3. Adopted its editorial listing.
4. Approved the state filing checklists.