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Statutory Accounting Principles (E) Working Group

Virtual Meeting

May 15, 2024

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met May 15, 2024. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis and Richard Russell (AL); Kim Hudson (CA); Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Melissa Gibson and Stewart Guerin (LA); Judy Weaver and Steve Mayhew (MI); Doug Bartlett (NH); Bob Kasinow (NY); Jamie Walker (TX); Jennifer Blizzard and Doug Stolte (VA); and Amy Malm (WI).

1. Discussed Comments on Exposed Items

The Working Group met to review comments received (Attachment 1) on items exposed during its Feb. 20 meeting and the Spring National Meeting.

1. Agenda Item 2023-16

Bruggeman directed the Working Group to agenda item 2023-16: Schedule BA Reporting Categories. Julie Gann (NAIC) stated that after considering comments on the exposed blanks proposal 2023-12BWG, the Working Group exposed this agenda item at its Feb. 20 meeting and directed a modified Working Group sponsored blanks proposal to be shared with the Blanks (E) Working Group for consideration. The modified proposal was exposed for a public comment period that ended April 23, with a follow-up meeting scheduled for May 23 to consider adoption. She stated that this agenda item does not result in statutory accounting revisions.

Gann stated that interested parties have submitted comments to the Blanks (E) Working Group on the exposure, including proposing to remove the maturity date column from Schedule BA. She stated that NAIC staff oppose this change and instead propose to clarify what should be captured in that column. Gann stated that NAIC staff recommend the Working Group adopt this agenda item and sponsor modifications to the Blanks (E) Working Group to be considered part of the package for adoption on May 23. She reiterated that these revisions related to Schedule BA would be effective Jan. 1, 2025, to incorporate the non-bond risk security reporting lines related to the previously adopted bond project.

Tip Tipton (Thrivent), representing interested parties, stated that interested parties have no concerns over the additional wording or date.

Hudson made a motion, seconded by Walker, to adopt the agenda item and support the adoption of the modified blanks proposal 2023-12BWG with the additional modifications discussed (Attachment 2). The motion passed unanimously.

1. Agenda Item 2023-28

Bruggeman directed the Working Group to agenda item 2023-28: Collateral Loan Reporting. Gann stated that on Feb. 20, the Working Group adopted a new collateral loan disclosure for year-end 2024 and exposed proposed reporting lines to Schedule BA for collateral loans. She stated that the Working Group also exposed proposed reporting lines to collect more granular data on Schedule BA. Gann stated that the Working Group also requested feedback from industry regarding how the collateral loans lines should map through for risk-based capital (RBC) purposes.

Gann stated that several interested parties’ comments were received with regard to those reporting lines, with the most relevant comment having to do with the collateral loan lines with underlying characteristics of mortgage loans. Gann stated that some collateral loans with underlying characteristics of mortgage loans or backed by mortgage loans were not being captured in the collateral loan line but instead in the non-registered private fund line, which is being eliminated. She stated that interested parties provided comments suggesting a temporary change to the life RBC calculation that would allow collateral loans, with mortgage loans as collateral, to still be reported on the collateral loan line and allow them to map through with this RBC treatment for year-end until the more granular reporting lines of collateral loans are added.

Gann stated that a proposal was sent to the Life Risk-Based Capital (E) Working Group, incorporating this change for RBC purposes. She stated that NAIC staff are recommending two actions: 1) for the Working Group to direct NAIC staff to prepare a memorandum to the Blanks (E) Working Group to incorporate a change to the instructions and allow the collateral loans backed by mortgage loans to flow through as other invested assets with underlying characteristics; and 2) to direct NAIC staff to move forward with sponsoring a blanks proposal for the reporting of collateral loans, using the collateral loan lines that were shown in the agenda item and to work with state insurance regulators and interested parties in the interim regarding how these would flow through to RBC.

Donna Kiernan (MetLife) asked about the time allowance for the Life Risk-Based Capital (E) Working Group to make a decision on this. She also asked whether the existing Schedule BA would be available until the new format is adopted for 2026. Gann stated that the Life Risk-Based Capital (E) Working Group does not currently have a meeting scheduled before the Summer National Meeting. She also stated that the current Schedule BA will be available until the new format is adopted.

Tipton stated that interested parties are supportive of the first item. He stated that interested parties are waiting for the Blanks (E) Working Group discussion of the second item and will respond to that exposure.

Bruggeman directed NAIC staff to prepare a memorandum to the Blanks (E) Working Group. He also directed NAIC staff to proceed with sponsoring a blanks proposal for the reporting of collateral loans, using the reporting lines shown in the agenda item, modified to reflect interested parties’ comments.

1. Agenda Item 2024-13

Bruggeman directed the Working Group to agenda item 2024-13: Update SSAP No. 107 Disclosures. Robin Marcotte (NAIC) stated that at the Spring National Meeting, the Working Group exposed revisions to *Statement of Statutory Accounting Principle (SSAP) No. 107—Risk-Sharing Provisions of the Affordable Care Act*. She stated that the transitional reinsurance program and the risk corridors program have both expired, and the related disclosures are proposed for deletion. Marcotte stated that the roll forward illustration in Exhibit B was also proposed to be revised to delete the sections related to the transitional reinsurance program and the risk corridors program. She stated that blanks proposal 2024-10BWG was concurrently exposed to allow for the disclosures to be considered for removal beginning with the year-end 2024 financial statements.

Marcotte stated that the comments from interested parties support the exposed revisions and recommend additional deletion of SSAP No. 107, paragraph 62, which would also impact two related items in blanks proposal 2024-10BWG. She stated support for these revisions because SSAP No. 107, paragraph 62 was originally related to the risk corridors program. She stated that NAIC staff recommend that the Working Group adopt the exposed revisions with modifications to incorporate interested parties’ comments effective for year-end 2024. Marcotte stated that the Blanks (E) Working Group received the same comments and received comments regarding additional edits to the Supplemental Health Care Exhibit. She stated that when NAIC staff analyzed the data, there was still information being reported on those lines, possibly erroneously, and that NAIC staff recommend that those edits be addressed by a separate blanks proposal to allow for additional investigation prior to being deleted. This would still delete the disclosures for SSAP No. 107 for year-end 2024.

Tipton stated that interested parties are supportive of moving forward with this agenda item and the changes.

Hudson made a motion, seconded by Malm, to expose revisions with modifications that incorporate interested parties’ comments effective year-end 2024. The motion passed unanimously.

1. Exposed the Issue Paper Related to the Principle-Based Bond Project

Gann stated that agenda item 2019-21 is the issue paper related to the principle-based bond project. She stated that the issue paper documents the historical discussions and conclusions and has been previously exposed. She stated that issue papers are historical documents that detail background and discussions when a new statutory accounting principle (SAP) concept is adopted. She stated that issue papers are not authoritative and are strictly for historical reference. Gann stated that NAIC staff recommend exposure of the issue paper with a public comment period ending June 21.

Clark made a motion, seconded by Weaver, to expose the*Statutory Issue Paper No. 1XX—Principles-Based Bond Definition*for a public comment period ending June 21. The motion passed unanimously.

Having no further business, the Statutory Accounting Principles (E) Working Group adjourned.

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