##### Statutory Accounting Principles (E) Working Group

##### Meeting Agenda

##### November 17, 2024

1. **Consideration of Maintenance Agenda – Pending List**
2. Ref #2024-20: Restricted Asset Clarification
3. Ref #2024-21: Investment Subsidiary Classification
4. Ref #2024-22: *ASU 2024-01, Scope Application of Profits Interest and Similar Awards*
5. Ref #2024-23: Derivative Premium Clarifications
6. Ref #2024-24: Medicare Part D – Prescription Payment Plan
7. Ref #2024-25: SSAP No. 16 ASU Clarification
8. Ref #2024-26EP: Fall 2024 Editorial Revisions

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| **Ref #** | **Title** | **Attachment #** |
| **2024-20**  **(Julie)** | Restricted Asset Clarifications | **A – Form A** |

*Summary:*

This agenda item has been prepared to clarify how assets held under modified coinsurance (Modco) or funds withheld (FWH) agreements shall be reflected within the restricted asset disclosure in paragraph 23 of *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* and in the corresponding disclosures in Note 5L of the statutory financial statements. It also proposes enhanced disclosures to fully identify the extent of restricted assets reported on balance sheet within a single disclosure as well as identify differences between the “restricted asset” annual statement disclosure and the amount reported in the general interrogatories, which is pulled directly into the RBC formulas. Lastly, this agenda item suggests a referral to propose revisions to the life RBC instructions to clarify that if the reporting entity uses any assets held under a modco or FWH agreement as collateral or as a pledged asset for a purpose unrelated to the reinsurance agreement (securing an exposure that has not been ceded to the reinsurer), then the reporting entity should not take any Modco/FWH reduction in RBC charges (credit) for those assets in the life RBC formula. This clarification is consistent with the existing life RBC instruction that does not permit RBC credit when the asset risk has not been transferred to the assuming entity for the entire duration of the reinsurance treaty. This referral to life RBC intends to make it clear that if the insurance entity has utilized Modco/FWH assets as collateral or as a pledged item for their own repurchase agreements, securities lending transactions, FHLB agreements/borrowings, or any other purpose specific to the ceding insurer’s use, then the asset risk/benefit has not been sufficiently transferred to the assuming entity warranting RBC credit for those assets.

As a key item to note, this agenda item does not propose to capture modco/FWH assets in the restricted asset reporting that flows through to the general interrogatories (GI) that results with an additional “noncontrolled” asset RBC charge. As the RBC formula allows credit for modco/FWH assets held, if these were included in the “noncontrolled asset” category, more complexity and adjustments to the RBC formula would be required to also provide credit against the additional noncontrolled asset charge. Instead, as detailed within, this agenda item proposes modifications to capture modco/FWH assets in the existing restricted asset disclosure (SSAP No. 1, paragraph 23c) that currently focuses on collateral received reported on balance sheet for when there is an corresponding liability reported. By including at this location and expanding disclosures to provide a complete view of restricted assets in comparison to total assets and total admitted assets, there is no additional RBC impact and regulators have a better picture of the assets that are restricted as pledged, not under the exclusive control of the reporting entity or that are earmarked (such as modco/FWH) for a specific purpose.

NAIC staff is aware that some companies report modco/FWH assets held in the existing restricted asset disclosure as “pledged collateral not captured in other categories” or as “other restricted assets,” but not all companies report these assets as restricted. (In the RBC formulas, there are adjustments for these assets that are reported that incur additional “noncontrolled” asset RBC.) This agenda item specifies the disclosure location and category to promote consistency and comparability across insurers in the reporting of these assets. NAIC staff supports the inclusion of these assets in the restricted asset disclosure (even when an offsetting liability is reported), as it allows for a full comparison of such assets to total assets. NAIC staff believes the total restricted assets may be considered by financial statement users when assessing available assets, and this disclosure could impact the extent to which borrowing is permitted. If Modco/FWH assets are not captured, it may present a picture of available assets that is not accurate.

As noted in the introduction, this agenda item also proposes additional disclosures to identify differences between what is captured as restricted in SSAP No. 1, paragraph 23b, in Note 5L(1), and what is captured in the general interrogatories. Although the categories are identical, NAIC staff is aware that amounts are reported differently between the two locations. NAIC staff believes this is due to the amounts that are reported in the GI are pulled for the additional noncontrolled asset RBC charge. Over time NAIC staff has received information that these discrepancies may be directed by the domiciliary state regulator for situations that have been identified not to warrant the additional “restricted asset” / “noncontrolled asset” RBC charge. Since the amount is pulled directly from the GI to the RBC formula it is not considered a permitted practice in RBC, however, it results in a mismatch between the note disclosure and the GI although the categories are identical. (NAIC staff has not identified any permitted practices for the differences between the Note and GI reporting. Regulator comments are requested on whether the two reporting locations are interpreted to have different parameters as the language appears identical in both locations.) At this time, this proposal is strictly a disclosure element to make it easy to identify variations and the explanation between the Note and GI reporting so that future assessments can occur. If certain restricted assets are supported for general exclusion from the GI reporting (and the RBC factor), then those situations should be considered by the Working Group so that all insurers are following the same provisions.

The following paragraphs detail how the existing disclosure in SSAP No. 1, paragraph 23b (reported in Note 5L(1)) compares to the information reported in the GI:

* As detailed in SSAP No. 1, paragraph 23b and in Note 5L(1), admitted and nonadmitted assets that are pledged or otherwise restricted in the general account and separate account are to be disclosed along with a comparison of the total restricted assets to total assets and total admitted assets. With specific categories for certain uses, the note also includes broad categories for “pledged as collateral not captured in other categories” and “other restricted assets” to capture items not covered within the specific lines. Note 5L(2) and 5L(3) captures information on these generic categories, and includes examples of reinsurance and derivatives contracts on what should be captured. This disclosure instruction indicates that contracts that share similar characteristics (such as reinsurance and derivatives) are to be reported in the aggregate.
* The restricted asset categories in Note 5L(1) are duplicated in the annual statement general interrogatories (GI), and the amounts reported in the GI are pulled directly into the RBC formula and incur an additional “noncontrolled asset” RBC charge. NAIC staff is aware that there are discrepancies between the amounts of restricted assets reported in Note 5L(1) and what is captured in the same categories within the GI. (These are lines 25.04, 25.05 and 26.21-26.32 in the GI.)

The following details how these items are pulled into RBC from the general interrogatories:

* In the life formula, the restricted assets captured in the GI are pulled directly from the GI to LR017. The standard “noncontrolled asset” charge on that page is 0.0126, except for conforming security lending programs which receive a charge of 0.0020. (Assets pledged as collateral to the FHLB are adjusted in the formula based on various factors.)
* In the P/C and health RBC formula, the restricted assets captured in the GI are pulled directly to PR014 and XR005 respectively, with a 0.010 charge except for conforming security lending programs which receive a 0.002 charge.

The specific excerpts from SSAP No. 1, Note 5L, the applicable GIs and RBC formulas have been captured in the authoritative language section. The categories are also listed in the table below. The terminology at each location is also included below to show the intended consistency in classifications.

Assets identified as “Not Controlled” or “Restricted Assets”:

* SSAP No. 1: Restricted Assets / Not Under Exclusive Control: Defined in paragraph 23b as “not under the exclusive control, subject to a put option contract, etc.” Footnote 3 of SSAP No. 1 includes the following: The aggregate information captured within this disclosure is intended to reflect the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments **that are not under the exclusive control of the reporting entity, including assets loaned to others and the information reported in the General Interrogatories, as well as information on restricted cash, cash equivalents and short-term investments**.
* Note 5L: Matches terminology and language as SSAP No. 1.
* General Interrogatories: Exclusive Control: GI 25 asks if the company has “exclusive control” over all securities, other than securities lending detailed in 25.03. The instructions define this guidance as “exclusive control means that the company has the exclusive right to dispose of the investment at will, without the necessity of making a substitution therefore.” GI 26 that captures the statement value of investments that are not under the exclusive control of the reporting entity. **These categories mirror what is captured in SSAP No. 1 and Note 5L.**
* RBC: Noncontrolled Assets: The RBC instructions have separate lines to capture collateral from conforming and non-conforming securities lending programs and “noncontrolled assets.” **The instructions indicate “noncontrolled assets are any assets reported on the balance sheet that are not under the exclusively under the control of the company, or assets that have been sold or transferred subject to put option contract currently in force.”** *(Although not detailed in this agenda item, the RBC instructions include specific guidance on what to include (or exclude). Examples include assets related to the Federal Reserve’s Asset Loan Facility (TALF) and for restricted assets in excess of FHLB borrowing.)*

*Recommendation:*

**NAIC staff recommends that the Working Group move this item to the active listing and expose SAP clarification revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* as well as corresponding proposed revisions to the Annual Statement (A/S) instructions/template for the restricted asset disclosure in Note 5L to more clearly identify how Modco and FWH assets reported within a ceding company’s financial statements shall be captured.**

**In addition to the revisions that explicitly address Modco/FWH, the A/S revisions propose a new component to the existing disclosure to identify and explain differences between the note and what is captured in the general interrogatories. Although it was originally anticipated that the note and the GI would agree, NAIC staff is aware that there are often differences and that in some instances domiciliary states have directed specific items to be removed from the GI reporting because of the resulting RBC pull / factor impact. This disclosure will highlight those differences to ensure ease of regulator comparisons as well as allow NAIC staff to assess consistency across companies and enable future discussions. NAIC staff recommends that the SAPWG sponsor a blanks proposal to incorporate Annual Statement instruction revisions.**

**Although there is a separate agenda item to identify Modco and FWH assets with more granularity, and to assist with RBC impact, this clarification of the aggregate restricted asset disclosure has been recommended to move forward to ensure the restricted asset disclosure is consistently reported.**

**Upon adoption of revisions, this agenda item recommends a referral to the Life RBC (E) Working Group to clarify that Modco assets held by a ceding entity that at any time during the year are pledged or used by the ceding entity for their own purpose, such as being used in assets reported to or as collateral to the FHLB or in a repurchase or securities lending agreement, are not permitted to be reported as an RBC charge reduction from the RBC formula for invested assets. Such uses would reflect circumstances in which the “entire asset credit or variability in statement value risk associated with the assets supporting the business reinsurance was not transferred to the assuming company for the entire duration of the reinsurance treaty.” This referral will also identify the direction to capture modco/FWH assets in SSAP No. 1, paragraph 23c, therefore these assets should not be captured in the RBC reporting of “noncontrolled assets,” therefore the existing elements in the RBC formula to adjust modco/FWH from the “noncontrolled” reporting lines may no longer be necessary.**

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| **Ref #** | **Title** | **Attachment #** |
| **2024-21**  **(Julie)** | Investment Subsidiary Classification | **B – Form A** |

*Summary:*

This agenda item has been prepared as questions have been received on the classification of investments as “investment subsidiaries” in schedule D-6-1: Valuation of Shares of Subsidiary, Controlled or Affiliated Companies and in the Life RBC formula on pages LR042, LR043 and LR044.

For background, the concept of an investment subsidiary was reflected in *SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities* as “investments in noninsurance subsidiary, controlled or affiliated (SCA) entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates.” For these SCAs, the guidance in SSAP No. 46 required an equity measurement method adjusted to the statutory basis of accounting. With this adjustment to the statutory basis of accounting, the measurement of the SCA under SSAP No. 46 was intended to be consistent to the accumulated measurement of the underlying assets if they had been held directly. SSAP No. 46 was superseded by SSAP No. 88 as of Jan. 1, 2005, and the concept of an “investment subsidiary” (or a subsidiary designed to hold assets for the entity) was eliminated from statutory accounting guidance. SSAP No. 88 was then superseded by *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* as of Dec. 31, 2007, and is the current authoritative guidance for SCAs. Similar to SSAP No. 88, the concept of an “investment subsidiary” (or an SCA designed just to hold assets for the benefit of the reporting entity and its affiliates) is not in SSAP No. 97.

Under current guidance in SSAP No. 97, the concept of an SCA that simply holds assets is not reflected. Unless the SCA is an insurance subsidiary or engages in specific transactions on behalf of the entity, the SCA will be captured under paragraph 8.b.iii in SSAP No. 97 and reported based on the audited US GAAP equity value. Admittance is permitted if the parameters of the SSAP are met, which includes an audited financial statement supporting the US GAAP equity value. It is noted that the concept of an investment sub is still reflected in *SSAP No. 25—Affiliates and Other Related Parties*. The example of an entity only holding assets for the benefit of the insurer is an example of a non-economic transaction, where the assets are transferred/recognized at fair value, but any gain from the transfer is deferred until permanence can be verified.

From questions received and a review of financial statement reporting, the following list identifies issues:

* Situations have been identified in which companies have reported Schedule BA items (in scope of SSAP No. 48) as “investment subs” for RBC look through although those investments should not be captured within the classification. The concept for an “investment subsidiary” is for items reported as SCAs in scope of SSAP No. 97 with common and/or preferred stock ownership.
* Questions have been raised on whether companies can utilize the concept of an “investment sub” to avoid statutory accounting provisions for underlying assets but receive favorable RBC impact as if the SSAP criteria had been met. (For example, whether a company utilize the bond RBC factors for a debt security held within an investment subsidiary without verifying that the debt security would qualify as a bond under *SSAP No. 26—Bonds* or use CRP ratings to determine RBC when the asset may have required an SVO-assigned designation if held directly.)
* Questions have been received on how companies comply with Life RBC LR044 instruction for Affiliate Type 4 “*The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.”* Specifically, the measurement method for the SCA pursuant to *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* (audited U.S. GAAP equity) would not be consistent with the measurement of the assets if the assets were held directly (statutory basis). Questions arise whether the underlying assets within the investment subsidiary are converted to statutory basis of accounting prior to computation of RBC charge. In addition, there were questions as to how the RBC after covariance is calculated for investment subsidiaries.
* According to Annual Statement instructions, investment subsidiaries also need to apply a “look-through” approach in Asset Valuation Reserve (AVR) calculation. However, diversity in practice has been observed and for companies that utilize Lines 5 – 14 of the AVR Equity and Other Invested Asset Component table to calculate AVR, the computation is not transparent.
* Questions have been raised on the current annual statement instructions for D-6-1 regarding the “imputed value on a statutory basis” and the direction for nonadmittance of the excess or reclassification in the “all other affiliates” category. Schedule D-6-1 does not determine the amount reported on balance sheet, as that amount is pulled from *Schedule D-2-2, Common Stocks*. Further, the A/S instructions for D-6-1 would not override the SSAP guidance that prescribes the measurement and admittance requirement as that is governed by SSAP No. 97, which is higher in the statutory hierarchy. These A/S instructions regarding the “imputed statutory value” appear to come from historical RBC guidance, and it is assumed that the calculation of the “imputed statutory value” was intended to be a pre-requisite for classifying as an investment sub. However, as the A/S guidance does not override SSAP, and what is captured would seemingly create a disconnect from what is reported on balance sheet, it seems to be causing confusion on application, as companies are not consistently reporting “investment subsidiaries” throughout the schedule, AVR and the RBC formula.
* From a review of the financial statements, the amounts reported for “investment subsidiaries” vary between D-6-1, AVR and RBC. From the 2023 filing, the amount reported in the RBC formula (which allows company RBC calculation based on the underlying assets) is significantly greater than the amount reported on D-6-1 and what is reported through the equity component of AVR.

*Recommendation:*

**NAIC staff recommend that the Working Group move this item to the active listing and expose this agenda item with a request for comments on the options offered to clarify statutory accounting guidelines (and resulting reporting impacts) for investment subsidiaries. As noted, with the exception of possible revisions to SSAP No. 97, the other possible actions are to sponsor blanks proposals or send referrals to the Capital Adequacy (E) Task Force and related RBC groups with a request for revisions. (Determination on whether this is a SAP classification or a new SAP concept will be based on the action directed.)**

**Potential Actions:**

1. **Revisions to SSAP No. 97 to incorporate statutory accounting guidance for SCAs that hold assets on behalf of the reporting entity and affiliate (investment subsidiaries).** By incorporating in SSAP, consideration can be given as to prescribing the measurement method and potential nonadmittance thresholds if the assets within the investment subsidiary would be nonadmitted if held directly. (As detailed within, the existing reference to measurement and nonadmittance in the instructions for D-6-1 would not overrule the guidance in SSAP No. 97. If the revisions to SSAP No. 97 are not supported, then the Working Group could consider sponsoring a blanks proposal to clarify the instructions in D-6-1 to prescribe allocation of the underlying investments in a manner that coincides with the SCA measurement and admittance under SSAP No. 97.)
2. **Sponsor blanks proposals to capture new investment schedules, or perhaps expansions to existing investment schedules, to detail the underlying assets held within an investment subsidiary.** As the RBC and AVR calculations require reporting entities to calculate RBC and AVR based on the underlying assets, this information should be readily available. If revisions are not incorporated into SSAP No. 97, these proposals can also clarify requirements for reporting as an investment subsidiary.
3. **Referrals to the Capital Adequacy (E) Task Force and related RBC Working Groups to incorporate details that allow regulators to verify the RBC calculation for the underlying assets in investment subsidiaries.** If blanks reporting revisions are incorporated that provide this detail, then the RBC formula can likely pull from those sources. If reporting revisions are not incorporated, then additional schedules or reporting lines would be necessary within the RBC formula.

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| **Ref #** | **Title** | **Attachment #** |
| **2024-22**  **(Wil)** | ASU 2024-01, Scope Application of Profits Interest and Similar Awards | **C – Form A** |

*Summary:*

In March 2024, FASB issued *ASU 2024-01 Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards,* which includes amendments to Topics 718 to provide clarifications on the application of guidance on stock compensation in the form of profits interest. The primary changes made were the creation of application examples and amendments to certain language in the Scope and Scope Exceptions Section of Topic 718 to improve clarity and operability without changing the guidance.

Because profits interest holders only participate in future profits and/or equity appreciation and have no rights to the existing net assets of the partnership, it can be complex to determine whether a profits interest award should be accounted for as a share-based payment arrangement (Topic 718) or similar to a cash bonus or profit-sharing arrangement (Topic 710, Compensation—General, or other Topics).

For statutory accounting assessments, prior U.S. GAAP guidance related to share-based payments has been predominantly adopted with modification in *SSAP No. 104—Share-Based Payments*. Statutory accounting modifications to the U.S. GAAP guidance have mostly pertained to statutory terms and concepts. (For example, statutory reporting lines, nonadmittance of prepaid assets, etc.)

*Recommendation:*

**NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda, categorized as a SAP clarification, and expose revisions to adopt with modification *ASU 2024-01, Compensation—Stock Compensation (Topic 718), Scope Application of Profits Interest and Similar Awards* within *SSAP No. 104—Share-Based Payments*.** The proposed revisions to SSAP No. 104 are illustratedwithin the Form A.

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| **Ref #** | **Title** | **Attachment #** |
| **2024-23**  **(Wil)** | Derivative Premium Clarifications | **D – Form A** |

*Summary:*

This agenda item was developed in response to two issues. First, NAIC staff noted during internal reviews of *SSAP No. 86—Derivatives* and the Annual Statement Instructions that the terminology used for derivative financing premium was inconsistent and that the guidance for derivative financing premiums could be clarified. Second, as part of the ongoing Interest Maintenance Reserve (IMR) Ad Hoc Group meetings NAIC staff learned that there is some confusion within industry regarding whether statutory accounting guidance allows derivative premium costs to be captured in the calculation of realized losses for the derivative transaction. NAIC staff noted that within SSAP No. 86 there are several sections which provide derivative specific accounting guidance, and within these sections the guidance is clear that companies are to amortize derivative premiums over the life of the derivative contract. With amortization of the derivative premium, the derivative premium costs would not be a component in determining realized losses at expiration. As noted within the Definitions section of SSAP No. 86, derivative premiums represent the cost to acquire or write a derivative contract and is not an “underlying” in a derivative contract. As SSAP No. 86 only allows for the change in value attributable to the derivative underlying to be capitalized to IMR as a realized loss and as derivative premium costs are NOT a component of the derivative underlying, the guidance is clear that derivative premium costs should not be included in losses capitalized into IMR. To ensure this is abundantly clear, revisions have been recommended to both the “Definitions” and “Derivative Premium” sections to add language which specifically states that derivative premium costs cannot be capitalized into IMR.

*Recommendation:*

**NAIC staff recommend that the Working Group move this item to the active listing of the maintenance agenda, categorized as a SAP clarification, and expose revisions to SSAP *No. 86—Derivatives* and the annual statement instructions to ensure consistent terminology for derivative financing premium and to further clarify that derivative premium costs are not to be capitalized to IMR.** The proposed revisions to SSAP No. 86 and the annual statement instructions are illustrated within the Form A.

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| **Ref #** | **Title** | **Attachment #** |
| **2024-24**  **(Robin)** | Medicare Part D – Prescription Payment Plan | **E – Form A**  **F – INT** |

*Summary:*

This agenda item is drafted to develop statutory accounting guidance in response to changes to the Medicare Part D (Part D) prescription drug program which goes into effect in 2025. At a high level, the Medicare Prescription Payment Program (MP3) requires insurers to pay pharmacies at the point of sale the out-of-pocket costs of enrollees who have opted into MP3. The enrollees then have the remaining policy term to make installment payments to the insurer. (The policy term typically goes from January through December, so a cost incurred in March, would be repaid through installments ending in December.)

*Interpretation (INT) 05-05: Accounting for Revenues Under Medicare Part D Coverage* provides high-level accounting guidance on the current Part D program. INT 05-05 includes some basic guidance, but primarily provides guidance by referring to existing statements for specific aspects of the program.

A unique aspect of the updated program is having the insurer pay the pharmacy at the point of sale and seek reimbursement from enrollees. Most of the existing statutory accounting guidance on amounts recoverable from enrollees contemplates premium receivables or amounts due from a governmental payor.

Statutory accounting questions include 1) where to report the initial point of sale payment to the pharmacy and the related installment receivables, 2) how to account for the prescription drug point of sale payments, and 3) when to write-off and or nonadmit overdue amounts.

The program does not change the Part D enrollee’s total out of pocket costs. If a participant fails to pay the amount, they are billed by the Part D sponsor, their participation in the program may be terminated following a required two-month grace period. The Part D plan sponsor is not permitted to terminate the individual’s enrollment in the Part D plan due to failure to pay MP3 bills. Part D plan sponsors must also have a reinstatement process in place to allow individuals to resume participation in the MP3 in the same plan year.

Part D sponsors are required to treat any unsettled balances owed by enrollees under the MP3 as plan losses; Centers for Medicare & Medicaid Services (CMS) considers these unsettled balances as part of the plan’s administrative costs. The other costs of Costs of implementing the MP3 program and program collections are included in the administrative expenses of the Part D plan and are not included in the claim expenses or claim adjustment expenses. CMS requires several reporting requirements and ongoing monitoring.

CMS has specific guidance on the treatment of unsettled balances in the medical loss ratio (MLR). MLR is the share of revenue used for incurred claims and quality improvement activities, rather than the share of revenue used for administrative costs and profit. Therefore, excluding unsettled balances from the numerator of the MLR calculation is consistent with the statutory direction to treat unsettled balances as plan losses and CMS’ approach to other administrative expenses incurred by Part D sponsors.

The CMS guidance notes that unsettled balances are included in the denominator of the MLR calculation. The Act requires Part D sponsors to treat any unsettled balances owed by participants under the MP3 as plan losses and allows Part D sponsors to include unsettled balances assumed as losses in their premium bids. Consequently, Part D sponsors will receive revenue covering these assumed losses through their direct subsidy and premium payments, which should be included in the denominator of the MLR.

Health insurance industry trades, America’s Health Insurance Plans (AHIP) and Blue Cross Blue Shield Association (BCBSA) have also coordinated with NAIC staff and submitted information on the programs and recommendations which are included in the Hearing comments.

***Recommendation:***

**NAIC staff recommends that the Working Group move this item to the active listing, categorized as** **a SAP clarification, and take the actions listed below:**

1. Expose the draft interpretation *INT 24-02: Medicare Part D Prescription Payment Program* and expose minor edits to *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* as illustrated in the agenda item. The edits to INT 05-05 adds reference the new INT 24-02 regarding Medicare Part D prescription payment plans.
2. Send notice of the exposure to the Health Insurance (B) Committee and Health Risk Based Capital (E) Working Group
3. Direct NAIC staff to coordinate with Blanks (E) Working Group to develop a annual statement blanks proposal in the interim and to develop disclosures for future inclusion in relevant SSAPs. Preliminary recommendations would include the list below, but more research on CMS reporting may also identify other relevant items:
4. Amounts recoverable on Medicare Part D installments due from enrollees.
5. Aging of Medicare Part D installments due from enrollees more than 90 days overdue in categories similar to what is used for premium receivables.
6. Information nonadmitted Medicare Part D installments due from enrollees.
7. Information on write-offs of Medicare Part D installments due from enrollees.

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| **Ref #** | **Title** | **Attachment #** |
| **2024-25**  **(Jake)** | SSAP No. 16 ASU Clarification | **G – Form A** |

*Summary:*

This agenda item was developed when staff noted instances in SSAP No. 16 where the FASB ASC Topic has been referenced directly instead of the ASU. When guidance is adopted by FASB, it is issued through an accounting standards update which formally adopts the guidance into the FASB Accounting Codification. The Working Group will then address the guidance in the ASU, which is the guidance at a moment in time instead of the actual ASC, which represents guidance that will change over time as other ASUs are adopted. As the guidance stands now, a new ASU could be issued that impacts the ASC sections that are referenced in the SSAP, thereby changing statutory accounting guidance without the Working Group addressing and considering the issue. This agenda item proposes to add the effective ASUs to each of these references where it is missing in SSAP No. 16.

*Recommendation:*

**NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda, categorized as a SAP clarification, and expose revisions to *SSAP No. 16—Electronic Data Processing Equipment and Software* to clarify the references to ASC sections in the SSAP.** The proposed revisions to SSAP No. 16 are illustrated within the Form A.

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| **Ref #** | **Title** | **Attachment #** |
| **2024-26EP**  **(Julie)** | Fall 2024 Editorial Revisions | **H – Form A** |

*Summary:*

The disclosure in SSAP No. 26, paragraph 39e is an existing disclosure (pre-bond-definition revisions). However, the pre-bond-definition version of the disclosure included direction for disclosure by Schedule D broad reporting categories, with categories listed in the SSAP. These reporting categories were removed from the adopted revised SSAP No. 26 disclosure effective Jan. 1, 2025. Although this disclosure is satisfied by the completion of Schedule D-1-1 and D-1-2 for statutory accounting purposes, comments have been made that the adopted revised language could require a listing of all bonds in the audited financial statements. As such,editorial revisions have been proposed to reinstate the prior language for “receiving bond treatment” (as adopted, revised *SSAP No. 43—Asset-Back Securities*, paragraph 44m points to this SSAP No. 26 disclosure for ABS items), and to include reference to reporting categories. A listing of the reporting categories is not deemed necessary within the SSAP.

*Recommendation:*

**NAIC staff recommend that the Statutory Accounting Principles (E) Working Group move this agenda item to the active listing, categorize as a SAP Clarification, and expose editorial revisions as illustrated within for a shortened comment period ending December 9, 2024. It is anticipated that this item will be considered during the December 17 SAPWG virtual meeting.**

1. **Any Other Matters**
2. **Review of U.S. GAAP Exposures (Jason – Attachment I)**

The attachment details the items currently exposed by the FASB. Comments are not recommended at this time – NAIC staff recommend review of the final issued ASU under the SAP Maintenance Process as detailed in *Appendix F—Policy Statements.*

1. **Update on the IMR Ad Hoc Subgroup – (Julie)**

The IMR Ad Hoc group has met regularly since their first meeting in Oct. 2023. Since the Summer National Meeting, the discussions have focused on IMR from reinsurance transactions. The reinsurance discussion is complex, and after assessing application/interpretation of existing guidance, the group has directed a reassessment of guidance. With this approach, it is intended that principles for accounting/reporting of IMR in response to reinsurance transactions (including for the cedent, assuming entity and in the event of recapture) will be established for application.

1. **Update on the Bond Project Implementation / Bond Small Group – (Julie)**

The Bond Small Group has currently concluded their regular meetings. The group addressed the items presented and referred the question-and-answer guide to the Working Group. The group may resume future discussions as necessary based on issues or questions raised.

1. **Use of 3rd Party Vendors / Checklists to Determine Bond Definition Compliance / Classification**
2. **IAIS Audit and Accounting Working Group (AAWG Update) – (Julie)**

Julie Gann and Maggie Chang (NAIC) monitor IAIS discussions. There have been no significant discussions since the Summer National Meeting. Beginning in November 2024, it is anticipated that NAIC staff will be involved in reviewing comments received on the exposed IAIS climate risk materials and proposing revisions to the application paper.

*This update simply intends to inform the SAPWG regulators and interested parties of these ongoing NAIC staff actions to monitor and participate in the IAIS AAWG. Any questions on discussions or if additional information is requested, please contact NAIC staff.*

1. **Update on Reinsurance Exposures (Robin)**

Three reinsurance-related agenda items (2024-05, A-791, Paragraph 2.c., 2024-06, Risk Transfer Analysis on Combination Reinsurance Contracts, 2024-07, Reporting of Funds Withheld and Modco Assets) were exposed at the Summer National Meeting. Agenda items 2024-05 and 2024-06 are related to referrals from the Valuation Analysis (E) Working Group and 2024-07 is for the new modco disclosures. All three of these items have had delayed comment deadlines at the request of the ACLI, and they have been asked to provide a short update at this meeting.

1. **December 17 Meeting**

The Working Group has scheduled a meeting for December 17th for items with a November 8th and December 9th comment deadlines.

**Comment Deadlines:**

* **Comment Deadline for Ref #2024-26EP – Monday, December 9, 2024**
* **Comment Deadline for all other items – Friday, January 31, 2025**

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