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Statutory Accounting Principles (E) Working Group

Virtual Meeting

October 6, 2025

The Statutory Accounting Principles (E) Working Group of the Accounting Practices and Procedures (E) Task Force met Oct. 6, 2025. The following Working Group members participated: Dale Bruggeman, Chair (OH); Kevin Clark, Vice Chair (IA); Sheila Travis and Richard Russell (AL); Kim Hudson (CA); William Arfanis and Michael Estabrook (CT); Rylynn Brown (DE); Cindy Andersen (IL); Melissa Gibson and Shantell Taylor (LA); Steve Mayhew and Kristin Hynes (MI); Ned Cataldo (NH); Bob Kasinow (NY); Diana Sherman (PA); Jamie Walker (TX); Doug Stolte and Jennifer Blizzard (VA); and Amy Malm and Levi Olson (WI). Also participating was: Gilbert Mendoza (MD).

1. Reviewed Comments Received on Agenda Item 2025-19 (Private Securities)

The Working Group held a public hearing to review comments (Attachments One-XX through One-XX).

Bruggeman stated that the Working Group exposed agenda item 2025-19 at the Summer National Meeting for a shortened public comment period ending Sept. 19. He stated that the purpose of the shortened exposure was to consider comments and revisions before sponsoring the blanks proposal.

Julie Gann (NAIC) stated that this item was drafted to improve the identification of private placement securities with new investment schedule reporting and an aggregated disclosure. She stated that for impacted investment schedules, the initial exposure proposed a new electronic column that would identify investments as either Rule 144A, Regulation D (Reg D), or a general exemption pursuant to Section 4(a)2 (General Exemption) of the Securities Act of 1933 (1933 Act). She stated the aggregated disclosure would include key information on the different types of securities, including book/adjustment carrying value (BACV), fair value, fair value by level 2 and level 3 categories, aggregate deferred interest, paid-in-kind interest, and the amount of BACV supported by private letter ratings. She stated that interested parties’ comments have predominantly been reflected within proposed edits, but NAIC staff wanted to verify that the Working Group supports the suggested changes. After the Working Group directs the edits, NAIC staff recommend two options for a second exposure. The first option would have a shortened public comment period ending Oct. 31, which would allow for adoption consideration at the Fall National Meeting with subsequent sponsorship of a blanks proposal. The second option would provide a longer exposure period with the concurrent sponsorship of a blanks proposal.

Gann provided a summary of the comments received, highlighting the aspects for regulator discussion. She noted that comments proposed to combine the Reg D and General Exemption private placement categories into one reporting category, with edits to change the “not applicable” (NA) category to “other” for items not subject to the 1933 Act. She stated that NAIC staff propose retaining NA as the term “other” implies that other private placements are not captured in other categories. She stated that the intent of the NA category was for investments that are not in scope of the 1933 Act, such as long-term certificates of deposits and bank loans.

Gann stated that the original proposal would have encompassed all investments reported on Schedule BA, Other Long-Term Investments. However, comments suggested limiting the reporting to investments classified as non-bond debt securities and residuals. Gann stated that the majority of items reported on other Schedule BA lines would not be in scope of the 1933 Act, but it could be possible that an investment captured on another reporting line could be subject to the 1933 Act and not captured in this disclosure. She stated that the cost of investment assessment and reporting may not support the benefit if all Schedule BA reporting lines were included.

Gann stated that the interested parties’ edits proposed removing references to acquisition and disposal schedules, which would limit the electronic column to year-end reporting only. With this change, if regulators seek information on whether items acquired or disposed of reflected private placement securities, that data would not be captured.

Gann stated that Schedule D, Part 1A: Quality and Maturity Distribution of All Bonds Owned Dec. 31, currently includes totals for publicly traded and privately placed securities by NAIC designation. She stated that the schedule does not distinguish between different types of private placements, but a footnote provides the total of privately placed securities that reflect Rule 144A securities. She stated that interested parties have proposed eliminating this information, noting that the investment schedule reporting and aggregate disclosure will offer more granular detail. Gann stated that NAIC staff do not oppose this request but want to flag it for regulators to ensure that no one is relying on the existing Schedule D, Part 1A data before it is removed.

Gann stated that revised wording from the interested parties’ proposal has been suggested to clarify that if the private placement categories are combined, the resulting private category would include items captured under Reg D, items not registered under the General Exemption, and other items not U.S. Securities and Exchange Commission (SEC)-registered for investments captured under the 1933 Act, excluding Rule 144A. She stated that the only items not captured in this category would be registered public investments, private placements considered Rule 144A, and investments not subject to the 1933 Act, which would fall under the NA category.

Mike Reis (Northwestern Mutual), representing interested parties, stated that the parties’ entities often do not know whether a private placement falls under Reg D or a General Exemption. He stated that even when they do, that information is typically buried deep in deal documentation, if documented at all, and that identifying the specific exemption would require significant effort. Reis said the parties he represents do not see much regulatory benefit in segregating the two.

Bruggeman stated that the interested parties’ suggestion to collapse private categories, excluding Rule 144A, and following the NAIC staff recommendation to keep the NA category instead of changing it to “other” seems reasonable.

Mendoza expressed concern about insurers potentially lumping items into the NA category and asked what assurance exists to prevent that. Reis said that is what NAIC staff are trying to prevent and that interested parties want to ensure that does not happen. Gann stated that an example of an item that would fall under the NA category in Schedule D, Part 1, Section 1: Issuer Credit Obligations is bank loans, as they are not typically considered securities in the scope of the 1933 Act. She stated that the intent would be for all items subject to the 1933 Act to be captured in the public, Rule 144A, or private placements category.

Bruggeman requested regulator input on whether this reporting should be required on a quarterly basis. Mendoza stated that he would like to see if an insurer is ramping up its exposure to private placement securities throughout the year, especially non-Rule 144A securities, instead of waiting until year-end.

Clark requested interested party feedback on the burden of requiring quarterly reporting in addition to the annual reporting. Reis stated that this is the least concerning of the current issues. He stated it would be an additional burden for seemingly little benefit, but understood the concern and would not be a deal breaker. Gann stated that there will be an electronic-only column on the quarterly acquisition and disposal schedules.

Tip Tipton (Thrivent), representing interested parties, questioned whether quarterly information would only be electronic reporting or if the full disclosure would be required. Mendoza stated he would be fine with the column to identify whether an insurer was ramping up the exposure. He stated that the aggregate disclosure would be great, but he is mindful of the burden on the insurers.

Bruggeman requested clarification on what is being proposed. He noted that there are a couple of considerations. If a data-only feature is added to identify which category an item falls into (public, Rule 144A, or private), then that detail could be captured in the acquisition and disposal schedules. However, he inquired whether regulators also want the aggregate disclosure required in the quarterly financial statements. Mendoza stated that including the disclosure would be consistent with annual reporting.

Tipton stated the concern that some data in the proposed aggregate disclosure can be easily pulled from the annual investment schedules, but may not always be readily available from the quarterly financials. He stated that interested parties would want to consider the request further before providing an official comment.

Bruggeman stated that the goal is to implement the new reporting and disclosure for year-end 2026. He emphasized that while quarterly data points may be available, he prefers not to require a formal quarterly disclosure. If needed, regulators could utilize the investment schedule reporting to address specific concerns rather than mandating quarterly summaries alongside annual reporting.

Gann stated that annual disclosures are generally not required on a quarterly basis. She stated that while some disclosures are required in the quarterly financials, most annual disclosures only need to be included quarterly if there has been a significant change from the prior annual disclosure. She noted that guidelines in the Statutory Accounting Principles Preamble (Preamble) determine whether a disclosure should be included in the quarterly filing, and that the Working Group could reference the Preamble’s language to clarify the reporting frequency of the aggregate disclosure. Mendoza and Bruggeman stated that this proposal would be acceptable.

Bruggeman requested clarification on the proposed changes to Schedule D, Part 1A, which is an annual schedule, and whether the changes would also impact Schedule D, Part 1B, which is provided quarterly. Gann clarified that totals for public and privately placed securities are not captured on Schedule D, Part 1B, and are only captured in the annual financial statement within Schedule D, Part 1A.

Walker stated she is comfortable removing the item from Schedule D, Part 1A, provided regulators will receive more granular data through the new proposal. Clark stated that he agreed with Walker. Mendoza stated that he agrees with Walker, provided regulators will be able to identify both Rule 144A and non-Rule 144A private securities in the financial statements.

Bruggeman stated that one option is to expose the revised proposal for a shortened public comment period ending Oct. 31, which would allow the Working Group to discuss comments and consider adoption at the Fall National Meeting. If adopted, a blanks proposal would be sponsored based on the adopted guidance. He stated that the second option is to extend the exposure period and sponsor a concurrent blanks exposure. Bruggeman noted that while a concurrent exposure can be effective, it sometimes leads to confusion. He emphasized that if this option is chosen, the primary responses should be directed to this Working Group for relevant items, such as naming and column conventions, rather than the Blanks (E) Working Group. He expressed flexibility on either approach but stressed the importance of having the disclosure in place for year-end 2026.

Gann stated that the Blanks (E) Working Group must adopt changes by the end of May, and the Statutory Accounting Principles (E) Working Group must adopt the agenda item prior to that. She stated that the Blanks (E) Working Group could consider a chair exposure shortly after the Fall National Meeting, allowing for review of the first exposure at an interim meeting before the 2026 Spring National Meeting. If needed, there would still be time to re-expose the proposal before final adoption in May.

Hudson stated that if feasible, a shortened exposure period would be cleaner. He stated that this approach would help streamline the process and avoid back-and-forth actions between the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group. Reis stated that interested parties have no concerns and prefer to avoid dual exposures.

Tipton requested clarification on whether the Statutory Accounting Principles (E) Working Group is leaning toward a public comment period ending Oct. 31 and considering an exposure at the Blanks (E) Working Group’s Nov. 5 meeting.

Bruggeman stated that a November blanks exposure would not occur. Instead, the Statutory Accounting Principles (E) Working Group discussion will take place at the Fall National Meeting in December. Following that, a blanks proposal will be sponsored, with a request for exposure to the Blanks (E) Working Group chair.

Hudson made a motion, seconded by Malm, to expose the revised agenda item 2025-19 (Private Securities), including the interested party and Working Group edits discussed during the meeting, for a shortened public comment period ending Oct. 31. The motion passed unanimously.

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

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