

2023 Summer National Meeting  
Seattle, Washington


## ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Monday, August 14, 2023  
11:00 – 11:30 a.m.

### Meeting Summary Report

The Accounting Practices and Procedures (E) Task Force met Aug. 14, 2023. During this meeting, the Task Force:

1. Adopted its Spring National Meeting minutes.
2. Adopted its 2024 proposed charges without revisions from the prior year.
3. Adopted the report of the Statutory Accounting Principles (E) Working Group, which met Aug. 13 and took the following action:
  - A. Adopted its Spring National Meeting minutes.
  - B. Adopted its July 5, June 28, May 16, April 12, April 10, and Spring National Meeting minutes.
  - C. Adopted the following clarifications to statutory accounting guidance:
    - i. Adopted revisions to the definition of a liability in *Statement of Statutory Accounting Principles (SSAP) No. 5R—Liabilities, Contingencies, and Impairments of Assets* and *Issue Paper No. 168—Updates to the Definition of a Liability*. (Ref #2022-01)
    - ii. Adopted revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items* to reject *Accounting Standards Update (ASU) 2021-10, Government Assistance*, and the incorporation of disclosures regarding government assistance. (Ref #2023-06)
    - iii. *SSAP No. 26R—Bonds*, *SSAP No. 43R—Loan-Backed and Structured Securities*, and other impacted SSAPs to refine guidance for the principles-based bond project. (Note that *SSAP No. 26R* and *SSAP No. 43R* have updated titles, effective Jan. 1, 2025.) (Ref #2019-21)
    - iv. Adopted revisions to clarify and incorporate a practical expedient to the paid-in-kind (PIK) interest aggregate disclosure for *SSAP No. 34—Investment Income Due and Accrued* and annual statement instruction purposes. (Ref #2023-13)
    - v. Adopted revisions to incorporate changes to add collateralized loan obligations (CLOs) to the financial modeling guidance and to clarify that CLOs are not captured as legacy securities. (Ref #2023-02)


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- vi. Adopted, with modification, *ASU 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*. The revisions to *SSAP No. 95—Nonmonetary Transactions* and *SSAP No. 104R—Share-Based Payments* add guidance to include share-based consideration payable to customers. (Ref #2023-07)
  - vii. *Interpretation (INT) 20-01: ASU 2020-04 and 2021-01 – Reference Rate Reform*: Adopted proposal to revise the expiration date of INT 20-01 to Dec. 31, 2024. (Ref #2023-05)
  - viii. *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve* was adopted with three editorial revisions. This INT provides optional, limited-time guidance, which allows the admittance of net negative (disallowed) interest maintenance reserve (IMR) up to 10% of adjusted capital and surplus. As detailed within the INT, it will be effective until Dec. 31, 2025, and automatically nullified on Jan. 1, 2026, but the effective date can be adjusted (e.g., nullified earlier or extended). In addition, the Working Group directed the formation of an ad hoc subgroup to work on a long-term solution. Upon adoption of the INT, NAIC staff will provide the Blanks (E) Working Group with a disclosure memorandum for posting on its website for year-end 2023. Additionally, a blanks proposal will be sponsored to incorporate the disclosures and attestation requirements into the notes and general interrogatories for year-end 2024. (Ref #2022-19)
  - ix. *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. generally accepted accounting principles (GAAP) standards were rejected as they are not applicable to statutory accounting:
    - a. *ASU 2019-07—Codification Updates to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates*. (Ref #2023-08)
    - b. *ASU 2020-09, Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762—Debt (Topic 470)*. (Ref #2023-09)
    - c. *ASU 2022-05, Transition for Sold Contracts*. (Ref #2023-10)
  - D. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance until Sept. 29, except for INT 23-02T, INT 23-03T, Ref #2022-11, and Ref #2023-12, which have a comment deadline of Sept. 12:
    - i. Exposed revisions to further restrict the investments that are permitted for cash equivalent or short-term investment reporting. These revisions are proposed to ensure that certain investment types are captured on designated Schedule BA reporting lines and to eliminate the potential to design investments to specifically qualify for short-term reporting. (Ref #2023-17)



- ii. Exposed revisions to SSAP No. 5 and SSAP No. 103R—*Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* that adopt with modification certain aspects of ASU 2016-19—*Technical Corrections and Improvements*. Revisions also propose amending SSAP No. 92—*Postretirement Benefits Other Than Pensions* guidance on insurance contracts to use the same terminology used in SSAP No. 102—*Pensions* (Ref #2023-18)
- iii. Exposed the overall concept for a long-term project to capture accounting guidance for asset valuation reserve (AVR) and IMR in SSAP No. 7—*Asset Valuation Reserve and Interest Maintenance Reserve*. (Ref #2023-14)
- iv. Re-exposed the revisions to SSAP No. 21R—*Other Admitted Assets* that clarify that pledged collateral must qualify as an admitted invested asset for a collateral loan to be admitted. The revisions require audits and the use of net equity value for valuation assessments when the pledged collateral is in the form of partnerships, limited liability companies, or joint ventures. (Ref #2022-11)
- v. Exposed a revised SSAP No. 21R and Bond Issue Paper to provide guidance for the accounting for debt securities that do not qualify as bonds, as well as proposed measurement guidance for residuals. (Ref #2019-21)
- vi. SSAP No. 43R: Exposed updated proposal to reflect revisions from the interim discussions and coordination on revisions to clarify the scope and reporting for investment structures that represent residual interests within SAPs. (Ref #2023-12)
- vii. Exposure requests industry and regulator comment on a proposal for SSAP No. 48—*Joint Ventures, Partnerships, and Limited Liability Companies* to further define and provide examples for the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests and reported based on the underlying characteristics of assets. (Ref #2023-16)
- viii. Exposed clarifying revisions and an illustration to SSAP No. 54R—*Individual and Group Accident and Health Contracts* to clarify that gross premium valuation (under A-010) and cash-flow testing (under *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* [AG 51]) are both required if indicated. (Ref #2023-22)
- ix. Exposed revisions to SSAP No. 92 and SSAP No. 102 to remove the transition guidance that was included in the initial adoption of SSAP No. 92 and SSAP No. 102, as it is past the 10-year effective period for that transition. (Ref #2023-21)
- x. Exposed revisions to SSAP No. 93—*Low-Income Housing Tax Credit Property Investments* and SSAP No. 94R—*Transferable and Non-Transferable State Tax Credits*. (Ref #2022-14)
- xi. Exposed the intent to nullify INT 03-02: *Modification to an Existing Intercompany Pooling Arrangement*, as it is inconsistent with SSAP No. 25—*Affiliates and Other Related Parties*. (Ref #2022-12)



- xii. *INT 23-02: Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax*: Exposed proposed interpretation that recommends that for third-quarter 2023, reporting entities should disclose whatever information is available regarding their applicable reporting entity status. (INT 23-02)
  - xiii. *INT 23-03: Corporate Alternative Minimum Tax Guidance*: Exposed the INT, which provides guidance effective beginning year-end 2023 reporting of the corporate alternative minimum tax, which applies *SSAP No. 101—Income Taxes* with modification and provides disclosures. The exposed INT 23-03 includes that paragraph 11c of *SSAP No. 101* should be followed. (Ref #2023-04)
  - xiv. *IMR/AVR Specific Allocations*: Exposed revisions to the *Annual Statement Instructions* to remove the guidance that permits the specific allocation of non-interest-related losses to IMR. (Ref #2023-15)
  - xv. *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. GAAP standards were exposed with revisions to reject, as they are not applicable to statutory accounting:
    - a. *ASU 2018-09—Codification Improvements* (Ref #2023-19)
    - b. *ASU 2020-10—Codification Improvements* (Ref #2023-20)
- E. Directed NAIC staff on the following items:
- i. *Review Annual Statement Instructions for Accounting Guidance*: To proceed with a broad project to review the annual statement instructions and ensure accounting guidance is included within the SSAPs. (Ref #2023-01)
  - ii. *Schedule BA Reporting*: Directed NAIC staff to sponsor a blanks proposal to revise Schedule BA: Other Long-Term Assets in accordance with the bond project for debt securities that do not qualify as bonds, with formal notice to the Valuation of Securities (E) Task Force and the Capital Adequacy (E) Task Force on the proposal to allow life reporting entities the ability to use existing Schedule BA reporting provisions for Securities Valuation Office (SVO)-assigned designations in determining risk-based capital (RBC) for debt securities that do not qualify as bonds. (Ref #2019-21)
- F. Received an update on U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.
4. Adopted the report of the Blanks (E) Working Group, which met July 27 and took the following action:
- A. Adopted its May 31 minutes, which included the following action:
    - i. Adopted its March 7 minutes.
    - ii. Adopted the following proposals:

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- a. 2022-17BWG Modified – Add a new disclosure paragraph for Note 8 – Derivative Instruments and Illustration. The new disclosure is to be data captured. Add electronic-only columns related to derivatives with excluded components to Schedule DB, Part A and Part B for both Section 1 and Section 2. Add new code column instructions for Schedule DB, Part A and B (SAPWG 2021-20).
  - b. 2023-01BWG Modified– Remove pet insurance from the inland marine line of business and add a new line of business to the Appendix – property/casualty (P/C) lines of business. Add a pet insurance line within the existing P/C blank for the Underwriting and Investment Exhibits, Exhibit of Premiums and Losses (State Page), and Insurance Expense Exhibit. Add new Schedule P Parts 1 through 4, specific to pet insurance.
  - c. 2023-02BWG Modified – Add an exhibit to identify premiums that are reportable for Market Conduct Annual Statement (MCAS) purposes.
  - d. 2023-03BWG – Remove life crosschecks for columns 2, 6, and 10 on the Accident and Health Policy Experience Exhibit (AHPEE).
  - e. 2023-04BWG Modified – Add instructions for the appointed actuary and qualified actuary contacts to the Jurat electronic-only section.
  - f. 2023-08BWG – Add clarifying language for mutual insurance companies on Schedule Y, Part 3.
  - g. 2023-10BWG Modified – Update the three primary issue periods on Long-Term Care Experience Reporting Form 2.
  - h. 2023-11BWG Modified– Add additional instructions and illustration to be data captured for Note 7 – Investment Income in the Notes to the Financial Statement to disclose more information on interest.
    - i. Adopted its editorial listing.
  - i. Deferred three proposals: 2023-05BWG – Changes to the Cybersecurity supplement; 2023-07BWG – Delete the legal entity identifier (LEI) column for the select investment schedules; and 2023-09BWG – Add a new financial statement Note 37 – Life Insurance Net Amount at Risk by Product Characteristics.
    - ii. Adopted its editorial listing.
- B. Deferred the following proposals for an additional comment period:
- i. 2023-05BWG Modified – Changes to the cybersecurity supplement to remove the reference to identity theft insurance from the General Instructions; remove the interrogatory questions from Part 1 that pertain to identity theft insurance; and remove the column for identity theft insurance from Parts 2 and 3. Remove claims-made and occurrence breakdown, as well as first-party and third-party breakdowns from data collection, and remove the question in the interrogatories regarding tail policies.
  - ii. 2023-07BWG – Update the code column and delete the LEI column for the following investment schedules: Schedules A, B, BA, D Part 2, D Part 6, and E Part 1.
  - iii. 2023-09BWG – Add a new financial statement Note 37 – Life Insurance Net Amount at Risk by Product Characteristics to the life and accident and health/fraternal blank for the updates to the life C-2 mortality risk charges for life RBC.
- C. Re-exposed the following proposal:



- i. 2023-06BWG – Split the Schedule D, Part 1 into two sections: one for issuer credit obligations and the other for asset-backed securities (ABS). Update the other parts of the annual statement that reference the bond lines of business.
- D. Adopted its editorial listing.