

2024 Summer National Meeting  
Chicago, Illinois

## STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

Tuesday, August 13, 2024

9:00 – 11:00 a.m.

### Meeting Summary Report

The Statutory Accounting Principles (E) Working Group met Aug. 13, 2024. During this meeting, the Working Group:

1. Adopted its Spring National Meeting minutes.
2. Adopted its May 15, 2024, minutes. During this meeting, the Working Group took the following action:
  - A. Adopted support and sponsorship for the Schedule BA modified blanks proposal 2023-12BWG, which incorporates revisions for non-bond debt securities pursuant to the principles-based bond project effective Jan. 1, 2025. (Ref #2023-16)
  - B. Adopted revisions to *Statement of Statutory Accounting Principles (SSAP) No. 107—Risk-Sharing Provisions of the Affordable Care Act*, which removed the transitional reinsurance program and risk corridor disclosures as both programs have expired. In addition, the roll-forward illustration in Exhibit B was revised to remove the portion for the transitional reinsurance program and the risk corridors program. (Ref #2014-13)
  - C. Exposed revisions to the *Issue Paper No. 169: Principles-Based Bond Project*, detailing the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)
3. Adopted the following clarifications to statutory accounting guidance:
  - A. *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: Adopted revisions to eliminate lingering references that imply that asset-backed securities (ABS), mortgage loans, or other Schedule BA: Other Long-Term Invested Assets items are permitted to be reported as cash equivalents or short-term investments. (Ref #2024-09)
  - B. *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Adopted, with modification, disclosures from *Accounting Standards Update (ASU) 2023-06, Disclosure Improvements* for unused commitments and lines of credit, disaggregated by short-term and long-term, and disclosure of cash flows from derivatives. The remaining disclosures related to repurchase and reverse repurchase agreements were added to agenda item 2024-04 for further consideration as part of that project. (Ref #2023-26)
  - C. *SSAP No. 19—Furniture, Fixtures, Equipment, and Leasehold Improvements* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*: Adopted, with modification, the leasehold improvement guidance from *ASU 2023-01, Leases (Topic 842), Common Control Arrangements*, modified to align with existing guidance, and reject the practical expedient for private companies and not-for-profit entities. (Ref #2024-02)
  - D. *SSAP No. 20—Nonadmitted Assets*: Adopted revisions clarify that directly-held crypto assets are non-admitted assets and adopt the definition of crypto assets from *ASU 2023-08, Intangibles—*

- Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets.* (Ref #2024-03)
- E. *SSAP No. 25—Affiliates and Other Related Parties, SSAP No. 63—Underwriting Pools, and Interpretation (INT) 03-02: Modification to an Existing Intercompany Pooling Arrangement:* Adopted revisions address transfers of assets when modifying intercompany pooling agreements and nullify INT 03-02. (Ref #2022-12)
  - F. *SSAP No. 26R—Bonds, SSAP No. 21R—Other Admitted Assets, SSAP No. 30R—Unaffiliated Common Stock, SSAP No. 32R—Preferred Stock, SSAP No. 43R—Loan-Backed and Structured Securities, and SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies:* Adopted revisions refer to SSAP No. 21R for the residual definition and accounting and reporting guidance. (Ref #2024-08)
  - G. *Accounting Practices and Procedures Manual (AP&P Manual) Editorial Revisions:* Adopted revisions remove the “Revised” and “R,” previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the AP&P Manual. (Ref #2024-14EP)
  - H. *Principles-Based Bond Project Issue Paper:* Adopted issue paper No. 169, which details the discussions and decisions underlying the principles-based bond project. (Ref #2019-21)
4. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending Sept. 27, except for agenda items 2024-10 and 2024-15, which have a public comment period ending Nov. 8 and agenda item 2024-01, which has a public comment period ending Sept. 6.
- A. *SSAP No. 26R:* Exposures clarifies the guidance for debt securities issued by funds with language added to clarify U.S. Securities and Exchange Commission (SEC) registration is a practical safe harbor and should not be utilized as a proxy for other debt securities issued by funds. Debt securities issued by funds must be classified in accordance with the issuer’s primary purpose. (Ref #2024-01)
  - B. *SSAP No. 48, SSAP No. 93R—Investments in Tax Credit Structures, and SSAP No. 94R—State and Federal Tax Credits:* Exposure includes clarifications to the accounting guidance. (Ref #2024-18)
  - C. *SSAP No. 56—Separate Accounts:* Exposure expands the measurement method guidance and specifies the process to transfer assets for cash between the general account and book-value separate accounts. (Ref #2024-10)
  - D. *SSAP No. 61R—Life, Deposit-Type, and Accident and Health Reinsurance:* Re-exposed revisions to incorporate guidance consistent with *SSAP No. 62R—Property and Casualty Reinsurance, Exhibit A Implementation Questions and Answers, question 10.* This guidance requires risk transfer to be evaluated in aggregate for contracts with interrelated contract features, such as experience rating refunds. Also exposed reference to A-791, paragraph 6, guidance for yearly renewable term contracts regarding the entirety of the contract. (Ref #2024-06)
  - E. *SSAP No. 86—Derivatives:* Exposed concept agenda item to consider new guidance for interest-rate hedging derivatives that do not qualify as accounting effective hedges under SSAP No. 86 but are used for asset-liability management (ALM). (Ref #2024-15)
  - F. *SSAP No. 86:* Exposed revisions to address debt security investments with derivative components that do not qualify as structured notes. The proposed guidance would require separation of the derivatives from the debt security and be applicable to “credit repack” investments and any type of debt security with derivative wrappers or components. (Ref #2024-16)

- G. *SSAP No. 101—Income Taxes*: Exposed revisions to reject, with modification, *ASU 2023-09, Improvements to Income Tax Disclosures*. The exposure also proposes to remove one of the existing disclosures detailed within the ASU. (Ref #2024-11)
  - H. *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*: Exposed revisions update the definition of a clearly defined hedging strategy (CDHS) to reflect the revised guidance pursuant to *Valuation Manual (VM)-01*. (Ref #2024-17)
  - I. *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*: Re-exposed revisions remove the first sentence of the A-791, paragraph 2c’s Question and Answer. (Ref #2024-05)
  - J. *Annual Statement Blanks*: Exposed a new part to the reinsurance Schedule S in the life/fraternal and health annual statement blanks and Schedule F in the property/casualty (P/C) and title annual statement blanks to capture information on modified coinsurance (modco) and funds withheld. (Ref #2024-07)
  - K. *Annual Statement Blanks*: Exposed revisions to provide more granular reporting lines for Collateral Loans. (Ref #2023-28)
  - L. *Conforming Repurchase Agreements*: Exposed memo which details an overview and discussion of securities lending and repurchase/reverse repurchase agreements. (Ref #2024-04)
  - M. *Current Expected Credit Losses (CECL) Issuer Paper*: Exposed the issue paper drafted to document pre-CECL generally accepted accounting principles (U.S. GAAP) impairment guidance for historical purposes. (Ref #2023-24)
  - N. *New Market Tax Credit Project Issue Paper*: Exposed the issue paper detailing the discussions and decisions underlying the new market tax credit project. (Ref #2022-14)
  - O. *Appendix D—Nonapplicable U.S. GAAP Pronouncements*: Exposed agenda item to reject *ASU 2024-02, Codification Improvements* as not applicable to statutory accounting. (Ref #2024-19)
  - P. *Bond Project Q&A*: Exposed the Question-and-Answer Implementation Guide (Q&A), which addresses topics in applying the principles-based bond definition. (Ref #2019-21)
5. Directed NAIC staff on the following items:
- A. *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*: Deferred action to allow NAIC staff additional time to confer with interested parties. (Ref #2024-12)
6. Received updates on the following:
- A. U.S. GAAP exposures, noting that items will be addressed during the normal maintenance process.
  - B. *Valuation Manual* adoptions and updates were received, noting that no items were identified which require coordination under the *NAIC Policy Statement on Coordination with the Valuation Manual*.
  - C. Interest Maintenance Reserve (IMR) Ad Hoc group activities. In addition to an update on the group’s discussions, this update identified that companies are not consistently reflecting negative IMR in cash flow testing (CFT). Information was also shared at the Life (A) Actuarial Task Force and Chief Financial Regulators on examples of the correct, incorrect and potential misreporting that has been noted to assist with review of domiciliary companies.
  - D. Bond Project Implementation. This update informed that an NAIC self-study educational program is available to all participants without a course fee for 2024.
  - E. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities, including notice of the exposed application paper on climate risk.