

2023 Summer National Meeting
Seattle, Washington

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

Sunday, August 13, 2023
9:30 – 11:30 a.m.

Meeting Summary Report

The Statutory Accounting Principles (E) Working Group met Aug. 13, 2023. During this meeting, the Working Group:

1. Adopted its July 5, June 28, May 16, April 12, April 10, and Spring National Meeting minutes.
2. Adopted the following clarifications to statutory accounting guidance:
 - A. *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*: Adopted revisions to the definition of a liability under statutory accounting. (Ref #2022-01)
 - B. *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*: Adopted revisions to SSAP No. 24 to reject *ASU 2021-10, Government Assistance*, and the incorporation of disclosures regarding government assistance. (Ref #2023-06)
 - C. *SSAP No. 26R—Bonds, SSAP No. 21R—Other Admitted Assets, 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)
 - D. *SSAP No. 34—Investment Income Due and Accrued*: Adopted revisions to clarify and incorporate a practical expedient, to the paid-in-kind (PIK) interest aggregate disclosure for SSAP No. 34 and annual statement instruction purposes. (Ref #2023-13)
 - E. SSAP No. 43R: 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)
 - F. *SSAP No. 95—Nonmonetary Transactions and SSAP No. 104R—Share-Based Payments*: Adopted, with modification, *Accounting Standards Update (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 add guidance to include share-based consideration payable to customers. (Ref #2023-07)

- G. *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)
 - H. *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 memo for posting on their 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)
 - I. 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:
 - i. *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)
 - ii. *ASU 2020-09, Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762—Debt (Topic 470)*. (Ref #2023-09)
 - iii. *ASU 2022-05, Transition for Sold Contracts*. (Ref #2023-10)
3. 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:
- A. *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term investments*: 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)
 - B. *SSAP No. 5R, SSAP No. 92—Postretirement Benefits Other Than Pensions, SSAP No. 102—Pensions, and SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*: Exposed revisions to adopt with modification certain aspects of *ASU 2016-19—Technical Corrections and Improvements*. Revisions also propose amending SSAP No. 92 guidance on insurance contracts to use the same terminology used in SSAP No. 102. (Ref #2023-18)

- C. *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*: Expose the overall concept for a long-term project to capture accounting guidance for asset valuation reserve (AVR) and IMR in SSAP No. 7. (Ref #2023-14)
- D. *SSAP No. 20—Nonadmitted Assets* and *SSAP No. 21R*: Re-exposed the revisions 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)
- E. *SSAP No. 21R* and *Bond Issue Paper*: Exposed a revised *SSAP No. 21R* 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)
- F. *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)
- G. *SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies*: Exposure requests industry and regulator comment on a proposal 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)
- H. *SSAP No. 54R—Individual and Group Accident and Health Contracts*: Exposed clarifying revisions and an illustration to *SSAP No. 54R* 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)
- I. *SSAP No. 92* and *SSAP No. 102*: 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)
- J. *SSAP No. 93—Low-Income Housing Tax Credit Property Investments* and *SSAP No. 94R—Transferable and Non-Transferable State Tax Credits*: Exposed interested party comments on revisions to *SSAP No. 93* and *SSAP No. 94R* and updates made in response to the comments received. (Ref #2022-14)
- K. *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*: Exposed the intent to nullify *INT 03-02*, as it is inconsistent with *SSAP No. 25—Affiliates and Other Related Parties*. (Ref #2022-12)
- L. *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)

- M. *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)
- N. *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)
- O. *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:
 - i. *ASU 2018-09—Codification Improvements* (Ref #2023-19)
 - ii. *ASU 2020-10—Codification Improvements* (Ref #2023-20)

4. Directed NAIC staff on the following items:

- A. *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)
- B. *Schedule BA Reporting*: Directed NAIC staff to sponsored 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)

5. Received an update on U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.