

2023 Fall National Meeting
Orlando, Florida

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

Friday, December 1, 2023
10:00 a.m. – 12:00 p.m.

Meeting Summary Report

The Statutory Accounting Principles (E) Working Group met Dec. 1, 2023. During this meeting, the Working Group:

1. Adopted its Oct. 31 (e-vote), Oct. 24 (e-vote), Oct. 23, Sept. 21, and Summer National Meeting minutes.
2. Adopted the following clarifications and new concepts to statutory accounting guidance:
 - A. *Statement of Statutory Accounting Principles (SSAP) No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: Adopted new statutory accounting principle (SAP) concept revisions to further restrict the investments that are permitted for cash equivalent and short-term reporting, with an effective date of Jan. 1, 2025. The revisions exclude all Schedule BA: Other Long-Term Investments and mortgage loans. (Ref #2023-17)
 - B. *SSAP No. 30R—Unaffiliated Common Stock and SSAP No. 32R—Preferred Stock*: Adopted revisions clarify that investments that are in substance residual interests shall be reported on Schedule BA on the dedicated reporting line for residuals, effective year-end 2023. (Ref #2023-23)
 - C. *SSAP No. 54R—Individual and Group Accident and Health Contracts*: Adopted revisions clarify that gross premium valuation (under A-010, *Minimum Reserve Standards for Individual and Group Health*) and cash-flow testing (under *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves*) are both required if indicated. (Ref #2023-22)
 - D. *Annual Statement Instructions*: Adopted revisions to update and remove guidance that has permitted allocation of non-interest-related losses to the interest maintenance reserve (IMR) with an effective date of Jan. 1, 2024. The revisions address mortgage loans with valuation allowances and debt securities with known credit events. (Ref #2023-15)
3. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance until Feb. 9, 2024, except for agenda items 2019-21, 2023-16, and 2023-28 which have a comment deadline of Jan. 22, 2024, and Interpretation (INT) 23-04 which has a comment deadline of Dec. 29, 2023:

- A. *SSAP No. 21R—Other Admitted Assets*: Exposed revisions to SSAP No. 21R to incorporate a new measurement method for residual interests. The revisions incorporate industry’s proposal of an “effective yield with a cap” method as well as a practical expedient to allow the “cost recovery” method. (Ref #2019-21)
- B. *SSAP No. 21R—Other Admitted Assets*: Exposed revisions to expand the transparency of reporting for collateral loans on Schedule BA to enable state insurance regulators with the ability to quickly identify the type of collateral that supports admittance of collateral loans. (Ref #2023-28)
- C. *SSAP No. 34—Investment Income Due and Accrued, SSAP No. 48R—Joint Ventures, Partnerships and Limited Liability Companies, SSAP No. 93—Low-Income Housing Tax Credit Property Investments, and SSAP No. 94R—Transferable and Non-Transferable State Tax Credits*: Exposed revisions update the proposed guidance for investments in tax credits as well as acquired tax credits in response to the comments received. Exposure also requests comments on updated annual statement reporting categories for tax credit investment risk-based capital (RBC). (Ref #2022-14)
- D. *SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies*: Exposed revisions to further define for consistency purposes the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests be reported based on the underlying characteristics of assets. (Ref #2023-16)
- E. *SSAP No. 58—Mortgage Guaranty Insurance*: Exposed intent to review the revisions to the *Mortgage Guaranty Insurance Model Act* (#630) for incorporation into SSAP No. 58 and Appendix A-630 as applicable. The exposure requests input on an effective date. (Ref #2023-31)
- F. *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*: Exposed revisions to update the language in paragraph 24 on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. (Ref #2023-30)
- G. *Various SSAPs, Accounting Standards Update (ASU) 2016-13 Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments and Other Related ASUs (CECL)*: Exposed revisions to reject current expected credit loss (CECL) within *Interpretation (INT) 06-07: Definition of Phrase “Other Than Temporary”* and fifteen applicable SSAPs. (Ref #2023-24)
- H. *Annual Statement Instructions*: Exposed revisions to clarify that realized gains and losses on perpetual preferred stock shall not be added to the IMR, regardless of NAIC designation, and shall follow the same concepts that exist for common stock in reporting realized gains/losses to the asset valuation reserve (AVR). (Ref #2023-29)
- I. *INT 23-04T: Life Reinsurance Liquidation Questions*: Exposed revisions to INT 23-04 provide accounting and reporting guidance for ceding entities with the life reinsurance counterparty, Scottish Re, in liquidation. This requires following existing life reinsurance guidance and requires nonadmission of unpaid claims and other amounts that are either in dispute or not collateralized

by an A-785 compliant trust. It allows admission of undisputed claims incurred before contract cancellation, and paid before the reporting period, and undisputed amounts which are secured by an A-785 compliant trust.

- J. *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. generally accepted accounting (GAAP) standards were exposed with revisions to reject, as they are not applicable to statutory accounting:
 - i. *ASU 2023-03, Amendments to SEC Paragraphs* (Ref #2023-25)
 - ii. *ASU 2023-04, Amendments to SEC Paragraphs—Cryptocurrency* (Ref #2023-27)
- 4. Moved the following items to the disposed listing without statutory revisions:
 - A. Agenda item 2023-03: *C-2 Mortality Risk Note*, was moved to disposed, noting a replacement general interrogatory blanks proposal was exposed.
 - B. Agenda item 2016-20: *ASU 2026-20 – Credit Losses*, which originally started to address CECL, was moved to disposed, noting a replacement agenda item 2023-24 was exposed.
- 5. Directed NAIC staff on the following items:
 - A. *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*: The Working Group established a long-term project to incorporate accounting guidance for AVR and IMR. (Ref #2023-14)
 - B. *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*: The Working Group deferred action and directed NAIC staff to continue working with interested parties on the proposal. (Ref #2022-12)
 - C. *ASU 2023-06, Codification Amendments in Response to the SEC’s Disclosure Update*: The Working Group deferred action on pending agenda Item 2023-26.
- 6. Received updates on the following:
 - A. U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.
 - B. Life Actuarial (A) Task Force Coordination Memorandum noting that no Working Group action is required.
 - C. NAIC staff monitoring of International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities.

7. On its Oct. 31 e-vote, the Working Group exposed, until Nov. 15, revisions to SSAP No. 30R and SSAP No. 32R to clarify that investments that are in substance residual interests are to be reported on Schedule BA on the dedicated reporting line for residuals. (Ref #2023-23)
8. On its Oct. 24 e-vote, the Working Group exposed, until Nov. 15, *INT 23-04T: Life Reinsurance Liquidation Questions*, which provides accounting and reporting guidance for ceding entities with a life reinsurance counterparty in liquidation.
9. During its Oct. 23 meeting, the Working Group:
 - A. Adopted with modification in several SSAPs certain aspects of *ASU 2016-19—Technical Corrections and Improvements* and revisions to *SSAP No. 92—Postretirement Benefits Other Than Pensions* to change the term “insurance contracts” to “insurance annuities” consistent with *SSAP No. 102—Pensions*. (Ref #2023-18)
 - B. Adopted revisions to *SSAP No. 20—Nonadmitted Assets* and *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 fair value for valuation assessments when the pledged collateral is in the form of partnerships, limited liability companies, or joint ventures. (Ref #2022-11)
 - C. Adopted revisions to *SSAP No. 92* and *SSAP No. 102* to remove the transition guidance, as the 10-year applicable transition period has ended. (Ref #2023-21)
 - D. Rejected *ASU 2018-09—Codification Improvements* (Ref #2023-19) and *ASU 2020-10—Codification Improvements* (Ref #2023-20) through Appendix D as not applicable for statutory accounting.
10. During its Sept. 21 meeting, the Working Group:
 - A. Adopted revisions to *SSAP No. 43R—Loan-Backed and Structured Securities* to clarify the scope and reporting for investment structures that represent residual interests. (Ref #2023-12)
 - B. Adopted *INT 23-02: Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax*, which recommends for third-quarter 2023 that reporting entities should disclose whatever information is available regarding their applicable reporting entity status.
 - C. Adopted *INT 23-03: Corporate Alternative Minimum Tax Guidance*, 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. (Ref #2023-04)