

*2024 Spring National Meeting
Phoenix, Arizona*

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP

Saturday, March 16, 2024

9:00 – 11:00 a.m.

Meeting Summary Report

The Statutory Accounting Principles (E) Working Group met March 16, 2024. During this meeting, the Working Group:

1. Adopted its Feb. 20, 2024; Jan. 29, 2024; Jan. 10, 2024; and 2023 Fall National Meeting minutes.
2. Adopted revisions to *Statement of Statutory Accounting Principles (SSAP) No. 34—Investment Income Due and Accrued*; *SSAP No. 48—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*: Adopted new concepts as part of the new market tax credits project, effective Jan. 1, 2025. The revisions provide new concept revisions for SSAP No. 93 and SSAP No. 94R, which expands the scope of both SSAPs, and consistency revisions to SSAP No. 34 and SSAP No. 48. The Working Group directed NAIC staff to sponsor a blanks proposal on the annual statement reporting categories for tax credit investment risk-based capital (RBC), issue a referral to the Life Risk-Based Capital (E) Working Group to inform it of the planned reporting line changes, and draft an issue paper to document the discussions and revisions for the new market tax credit project. (Ref #2022-14)
3. Adopted the following clarifications to statutory accounting guidance:
 - A. *SSAP No. 21R—Other Admitted Assets*: Adopted revisions to incorporate a new measurement method for residual interests, which 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. 97—Investments in Subsidiary, Controlled, and Affiliated Entities*: Adopted revisions that update the language in SSAP No. 97, paragraph 24, on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. (Ref #2023-30)
 - C. *Annual Statement Instructions*: Adopted revisions that will be forwarded as a proposal to the Blanks (E) Working Group to clarify that realized gains and losses on perpetual preferred stock and mandatory convertible preferred stock shall not be added to the interest maintenance reserve (IMR), regardless of NAIC designation, and shall follow the same concepts that exist for common stock in reporting through the asset valuation reserve (AVR). (Ref #2023-29)

- D. *Appendix D—Nonapplicable GAAP Pronouncements*: The following U.S. generally accepted accounting principles (U.S. GAAP) standards were rejected as they are not applicable to statutory accounting:
- i. *Accounting Standards Update (ASU) 2023-03, Amendments to U.S. Securities and Exchange Commission (SEC) Paragraphs* (Ref #2023-25)
 - ii. *ASU 2023-04, Amendments to SEC Paragraphs—Cryptocurrency* (Ref #2023-27)
4. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a public comment period ending May 31, except for agenda item 2024-13, which have a public comment period April 19:
- A. *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments*: Exposed 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 in the scope of SSAP No. 2R. (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*: Exposed revisions to adopt, with modification, disclosures from ASU 2023-06, *Disclosure Improvements*. The additional disclosures are for unused commitments and lines of credit, disaggregated by short-term and long-term, and disclosures of accrued interest from repos and securities borrowing, separate disclosure of significant (10% of admitted assets) reverse repos, and counterparty disclosures for repos and reverse repos that are significant (10% of adjusted capital and surplus). (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*: Exposed revisions to adopt, 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*: Exposed revisions to SSAP No. 20 that clarifies that directly-held crypto assets are nonadmitted assets for statutory accounting and to 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*: The Working Group exposed revisions to SSAP No. 63 and SSAP No. 25 to address transfers of assets when modifying intercompany pooling agreements. In addition, the Working Group exposed the intent to nullify INT 03-02. (Ref #2022-12)
 - F. *SSAP No. 26R—Bonds*: Re-exposed revisions to expand the transparency of reporting for collateral loans on Schedule BA to allow for quick identification of the type of collateral that supports

admittance of collateral loans and define debt issued by funds operations. It was noted during discussion that no collateral loans should be included in the private equity line because there is already a separate collateral loan reporting line. (Ref #2024-01)

- G. SSAP No. 26R, SSAP No. 21R, SSAP No. 30R—*Unaffiliated Common Stock*, SSAP No. 32R—*Preferred Stock*, SSAP No. 43R—*Loan-Backed and Structured Securities*, and SSAP No. 48: Exposed revisions to incorporate consistency revisions for residuals so that all SSAPs refer to SSAP No. 21R for the formal definition and accounting and reporting guidance. (Ref #2024-08)
- H. SSAP No. 27—*Off-Balance-Sheet and Credit Risk Disclosures*: Exposed revisions to incorporate FAS 105 guidance directly into SSAP No. 27 and update the related annual statement instructions to more accurately reflect the existing required disclosures. (Ref #2024-12)
- I. SSAP No. 56—*Separate Accounts*: The Working Group exposed the agenda item and directed NAIC staff to work with industry in determining current applications/differences in interpretations for the reporting of book value assets and to propose revisions to incorporate a consistent statutory accounting approach. (Ref #2024-10)
- J. SSAP No. 61R—*Life, Deposit-Type, and Accident and Health Reinsurance*: Exposed revisions to incorporate guidance to SSAP No. 61R that is consistent with the guidance currently in 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. The Working Group also added reference to A-791, paragraph 6 guidance in the yearly renewable term guidance paragraph regarding the entirety of the contract. (Ref #2024-06)
- K. SSAP No. 101—*Income Taxes*: Exposed revisions to adopt, with modification, ASU 2023-09, *Improvements to Income Tax Disclosures* that would add certain disclosures from ASU 2023-09 and remove one existing disclosure to conform with the ASU. (Ref #2024-11)
- L. SSAP No. 103R: The Working Group exposed the agenda item and directed NAIC staff to work with industry in determining current application/interpretation differences on the reporting of securities lending collateral and repurchase agreement collateral for possible consistency revisions. (Ref #2024-04)
- M. SSAP No. 107—*Risk-Sharing Provisions of the Affordable Care Act*: Exposed revisions to remove disclosures for the expired transitional reinsurance and risk corridors programs. (Ref #2024-13)
- N. *Accounting Practices and Procedures Manual (AP&P Manual) Editorial Revisions*: Exposed editorial revisions remove the “Revised” and “R,” which were previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the AP&P Manual. (Ref #2024-14EP)
- O. *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*: Exposed revisions to remove the first sentence of the A-791, paragraph 2c’s Question and Answer. In addition, the Working

Group directed notification of the exposure to the Valuation Analysis (E) Working Group, the Life Actuarial (A) Task Force, and the Reinsurance (E) Task Force. (Ref #2024-05)

- P. *Annual Statement Blanks*: Exposed a project that proposed to add 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, which is similar in structure to Schedule DL and would include all assets held under a funds withheld arrangement and would include a separate signifier for modified coinsurance assets. (Ref #2024-07)

5. Directed NAIC staff on the following items:

- A. *SSAP No. 58—Mortgage Guaranty Insurance*: The Working Group directed NAIC staff to develop updates to SSAP No. 58 and *Appendix A-630 Mortgage Guaranty Insurance* to incorporate the 2023 revisions to the Mortgage Guaranty Insurance Model Act (#630). (Ref #2023-31)

6. Received updates on the following:

- A. U.S. generally accepted accounting principles (GAAP) exposures, noting that pending items will be addressed during the normal maintenance process.
- B. IMR Ad Hoc group activities.
- C. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities.

7. During its Feb. 20, 2024, meeting, the Working Group:

- A. 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. Exposed revisions to provide detailed definitions for the annual statement reporting categories of SSAP No. 48 and residual interests on Schedule BA. (Ref #2023-16)
- C. Adopted revisions to SSAP No. 21R to incorporate a collateral loan disclosure for year-end 2024 to detail admitted and nonadmitted collateral loans in accordance with the underlying collateral supporting the loan. The Working Group also exposed additional changes that propose collateral loan reporting lines for Schedule BA and requests comments on whether certain collateral loans backed by certain types of collateral should flow through AVR for RBC impact. (Ref #2023-28)
- D. The Working Group directed NAIC staff to draft an agenda item in response to a referral from the Life Risk-Based Capital (E) Working Group regarding proposed RBC changes for repurchase agreements originating from the American Council of Life Insurers (ACLI).

8. During its Jan. 29 e-vote, the Working Group voted to expose the new market tax credit project for additional revisions made to the drafts of SSAP No. 93 and SSAP No. 94R. These revisions recommend minor consistency and clarifying changes to SSAP No. 93 and SSAP No. 94R, as well as more detailed revisions to the prospective utilization assessment detailed in SSAP No. 93. (Ref #2022-14)

9. During its Jan. 10, 2024 meeting, the Working Group:
 - A. Adopted revisions to reject *ASU 2016-13, Measurement of Credit Losses on Financial Instruments (CECL)* and related subsequent ASUs in various SSAPs and *INT 06-07: Definition of Phrase "Other Than Temporary."* (Ref #2023-24)

 - B. Adopted *INT 23-04: Scottish Re Life Reinsurance Liquidation Questions*, which provides accounting and reporting guidance for ceding entities with reinsurance balances to or from Scottish Re, a U.S.-based life reinsurer in liquidation.

 - C. Exposed revisions to expand the transparency of reporting for collateral loans on Schedule BA to allow the quick identification of the type of collateral that supports admittance of collateral loans. (Ref #2024-01)