

2024 Spring National Meeting
Phoenix, Arizona

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Sunday, March 17, 2024
11:30 a.m. – 12:00 p.m.

Meeting Summary Report

The Accounting Practices and Procedures (E) Task Force met March 17, 2024. During this meeting, the Task Force:

1. Adopted its 2023 Fall National Meeting minutes.
2. Adopted the report of the Statutory Accounting Principles (E) Working Group, which met March 16. During this meeting, the Working Group took the following action:
 - A. Adopted its Feb. 20, 2024; Jan. 29, 2024; Jan. 10, 2024; and 2023 Fall National Meeting minutes.
 - B. Adopted new concepts as part of the new market tax credits project, effective Jan. 1, 2025. The revisions provide new concept revisions for *Statement of Statutory Accounting Principles (SSAP) No. 93—Low-Income Housing Tax Credit Property Investments* and *SSAP No. 94R—Transferable and Non-Transferable State Tax Credits*. The revisions expand the scope of both SSAPs. The Working Group also adopted consistency revisions to *SSAP No. 34—Investment Income Due and Accrued* and *SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies*. 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)
 - C. Adopted the following clarifications to statutory accounting guidance:
 - i. Adopted revisions to *SSAP No. 21R—Other Admitted Assets* to incorporate a new measurement method for residual interests, which incorporate the 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)
 - ii. Adopted revisions that update the language in *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities*, paragraph 24, on audits and admissibility to better align with guidance in paragraphs 26 and 27 on the look-through methodology. (Ref #2023-30)
 - iii. 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)
 - iv. Appendix D—*Nonapplicable GAAP Pronouncements*: The following U.S. generally accepted accounting principles (GAAP) standards were rejected as they are not applicable:
 - a. *Accounting Standards Update (ASU) 2023-03, Amendments to U.S. Securities and Exchange Commission (SEC) Paragraphs* (Ref #2023-25)

- b. *ASU 2023-04, Amendments to SEC Paragraphs—Cryptocurrency* (Ref #2023-27)
- D. Exposed the following statutory accounting principle (SAP) concepts and clarifications to statutory accounting guidance for a 76-day public comment period ending May 31, except for agenda item 2024-13, which has a 34-day public comment period ending April 19:
- i. 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—Cash, Cash Equivalents, Drafts, and Short-Term Investments*. (Ref #2024-09)
 - ii. 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)
 - iii. 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)
 - iv. Exposed revisions that clarify that directly-held crypto assets are non-admitted 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)
 - v. The Working Group exposed revisions to *SSAP No. 63—Underwriting Pools* and *SSAP No. 25—Affiliates and Other Related Parties* to address transfers of assets when modifying intercompany pooling agreements. In addition, the Working Group exposed the intent to nullify *INT 03-02: Modification to an Existing Intercompany Pooling Arrangement*. (Ref #2022-12)
 - vi. 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 the 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)
 - vii. Exposed revisions to incorporate consistency revisions for residuals so that all SSAPs refer to *SSAP No. 21R* for the accounting and reporting guidance. (Ref #2024-08)
 - viii. Exposed revisions to incorporate FAS 105 guidance directly into *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures* and update the related annual statement instructions to more accurately reflect the existing required disclosures. (Ref #2024-12)
 - ix. The Working Group exposed the agenda item and directed NAIC staff to work with the industry in determining separate accounts guidance for the reporting of book value assets and to propose revisions to incorporate a consistent statutory accounting approach. (Ref #2024-10)
 - x. Exposed revisions to incorporate guidance to *SSAP No. 61R—Life, Deposit-Type, and Accident and Health Reinsurance* 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)
- xi. 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)
 - xii. Exposed the agenda item and directed NAIC staff to work with the industry on the reporting of securities lending collateral and repurchase agreement collateral for possible consistency revisions. (Ref #2024-04)
 - xiii. Exposed revisions to remove health disclosures and the related illustration for the expired transitional reinsurance and risk corridors programs. (Ref #2024-13)
 - xiv. Exposed editorial revisions that remove the “Revised” and “R,” which were previously intended to identify a substantively revised SSAP, from SSAP titles and SSAP references within the *Accounting Practices and Procedures Manual (AP&P Manual)*. (Ref #2024-14EP)
 - xv. Exposed revisions to remove the first sentence of *Appendix A-791 Life and Health Reinsurance Agreements (A-791)*, paragraph 2c 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)
 - xvi. 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)
- E. 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)
- F. Received updates on the following:
- i. U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.
 - ii. IMR Ad Hoc group activities.
 - iii. International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities.
- G. During its Feb. 20 meeting, the Working Group took the following action:
- i. Exposed revisions to SSAP No. 21R to incorporate a new measurement method for residual interests. The revisions incorporate the 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)
 - ii. 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)
 - iii. Adopted revisions to SSAP No. 21R to incorporate a collateral loan disclosure for year-end 2024 to detail admitted and non-admitted 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 requested comments on whether certain collateral loans backed by certain types of collateral should flow through AVR for RBC impact. (Ref #2023-28)

- iv. 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).
- H. During its Jan. 29 e-vote, the Working Group took the following action:
 - i. 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 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)
 - I. During its Jan. 10 meeting, the Working Group took the following action:
 - i. 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)
 - ii. 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.
 - iii. 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 the admittance of collateral loans. (Ref #2024-01)
- 3. Adopted the report of the Blanks (E) Working Group, which met Feb. 21, 2024. During the meeting, the Working Group took the following action:
 - A. Adopted its Nov. 7, 2023, minutes.
 - B. Re-exposed the following proposal for a 60-day public comment period ending April 23:
 - i. 2023-12BWG Modified—Categorize debt securities on Schedule BA that do not qualify as bonds under *SSAP No. 26—Bonds* or *SSAP No. 43R—Asset-Backed Securities* and are captured in the scope of SSAP No. 21R.
 - C. Adopted its editorial listing and the following proposals:
 - 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 Part 2 and Part 3. Remove claims-made and occurrence breakdown from data collection and remove the question in the interrogatories regarding tail policies.
 - ii. 2023-13BWG Modified—Add new instruction and illustration under Note 5—Investments for Net Negative (Disallowed) IMR and a new general interrogatory for a company attestation.
 - iii. 2023-14BWG Modified—Revise the health test language and general interrogatories.
 - iv. 2023-15BWG Modified—Add a new general interrogatory to the Life General Interrogatories Part 2 to provide needed information for completing the C-2 mortality risk in the life RBC.
 - v. 2023-16BWG Modified—Change Schedule P in the property/casualty blank to show 10 years of data and a “prior” row for all lines of business beginning in 2024. This modifies requirements for seven lines of business that currently only show two years of data and a “prior” row.
 - D. Exposed six new items for a 60-day public comment period ending April 23.