

2023 Fall National Meeting

Orlando, Florida

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE


Saturday, December 2, 2023


11:30 AM - 12:00 PM ET


Meeting Summary Report


The Accounting Practices and Procedures (E) Task Force met Dec. 2, 2023. During this meeting, the Task Force:

1. Adopted its Summer National Meeting minutes.
2. Adopted the Report of the Statutory Accounting Principles (E) Working Group, which met Dec. 1. During this meeting, the Working Group:
 - A. Adopted its Oct. 31 (e-vote), Oct. 24 (e-vote), Oct. 23, Sept. 21, and Summer National Meeting minutes.
 - B. Adopted the following clarifications and new concepts to statutory accounting guidance:
 - i. Adopted new statutory accounting principle (SAP) concept revisions to further restrict the investments 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)
 - ii. Adopted revisions clarifying that investments in substance residual interests shall be reported on Schedule BA on the dedicated reporting line for residuals, effective year-end 2023. (Ref #2023-23)
 - iii. 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 [AG 51]*) are both required if indicated. (Ref #2023-22)
 - iv. Adopted *Annual Statement Instructions* 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)
 - C. Exposed the following 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 public comment deadline of Jan. 22, 2024, and Interpretation (INT) 23-04, which has a public comment deadline of Dec. 29, 2023:

- 
- i. Exposed revisions to *Statement of Statutory Accounting Principles (SSAP) No. 21R—Other Admitted Assets* 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)
 - ii. Exposed revisions to expand the transparency of reporting for collateral loans on Schedule BA to enable state insurance regulators to quickly identify the type of collateral that supports admittance of collateral loans. (Ref #2023-28)
 - iii. Exposed revisions update the proposed guidance for investments in tax credits, as well as acquired tax credits in response to the comments received. The exposure also requests comments on updated annual statement reporting categories for tax credit investment risk-based capital (RBC). (Ref #2022-14)
 - iv. Exposed revisions to *SSAP No. 48—Joint Ventures, Partnerships, and Limited Liability Companies* to further define for consistency purposes that the investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies (LLCs), or residual interests be reported based on the underlying characteristics of assets. (Ref #2023-16)
 - v. Exposed intent to review the revisions to the *Mortgage Guaranty Insurance Model Act (#630)* for incorporation as applicable. The exposure requests input on an effective date. (Ref #2023-31)
 - vi. Exposed consistency revisions to *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* 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)
 - vii. Exposed revisions to reject current expected credit loss *Accounting Standards Update (ASU) 2016-13 Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments and Other Related ASUs (CECL)* within *INT 06-07: Definition of Phrase “Other Than Temporary”* and 15 applicable SSAPs. (Ref #2023-24)
 - viii. Exposed *Annual Statement Instructions* 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)
 - ix. *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 secured by an A-785-compliant trust.
- x. The following U.S. generally accepted accounting (GAAP) standards were exposed with revisions to reject, as they are not applicable to statutory accounting:
 - a. *ASU 2023-03, Amendments to SEC Paragraphs* (Ref #2023-25)
 - b. *ASU 2023-04, Amendments to SEC Paragraphs—Cryptocurrency* (Ref #2023-27)
- D. Moved the following items to the disposed listing without statutory revisions:
- i. Agenda item 2023-03: *C-2 Mortality Risk Note*, was moved to disposed, noting a replacement general interrogatory blanks proposal was exposed.
 - ii. 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.
- E. Directed NAIC staff on the following items:
- i. The Working Group established a long-term project to incorporate accounting guidance for AVR and IMR. (Ref #2023-14)
 - ii. *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)
 - iii. *ASU 2023-06, Codification Amendments in Response to the SEC’s Disclosure Update*: The Working Group deferred action on pending agenda Item 2023-26.
- F. Received updates on the following:
- i. U.S. GAAP exposures, noting that pending items will be addressed during the normal maintenance process.
 - ii. Life Actuarial (A) Task Force coordination memorandum noting that no Working Group action is required.
 - iii. NAIC staff monitoring of International Association of Insurance Supervisors (IAIS) Audit and Accounting Working Group activities.
- G. During its Oct. 31 e-vote, the Working Group exposed revisions to *SSAP No. 30R—Unaffiliated Common Stock* and *SSAP No. 32R—Preferred Stock* to clarify that investments that are in substance residual interests are to be reported on Schedule BA on the dedicated reporting line for residuals for a public comment period that ended Nov. 15. (Ref #2023-23)

- 
- H. During its Oct. 24 e-vote, the Working Group exposed *INT 23-04T: Life Reinsurance Liquidation Questions*, which provides accounting and reporting guidance for ceding entities with a life reinsurance counterparty in liquidation, for a public comment period ending Nov. 15.
 - I. During its Oct. 23 meeting, the Working Group:
 - i. 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)
 - ii. Adopted revisions to *SSAP No. 20—Nonadmitted Assets* and *SSAP No. 21R* 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, LLCs, or joint ventures. (Ref #2022-11)
 - iii. 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)
 - iv. 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.
 - J. During its Sept. 21 meeting, the Working Group:
 - i. 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)
 - ii. 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.
 - iii. 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)
3. Adopted the Report of the Blanks (E) Working Group, which met Nov. 7 and took the following action:
- A. Adopted its July 27 minutes, which included the following action:
 - i. Adopted its May 31 minutes.

- 
- ii. Re-exposed proposal 2023-06BWG for a 75-day public comment period ending Oct. 12.
 - iii. Deferred proposals 2023-05BWG, 2023-07BWG, and 2023-09BWG.
 - iv. Adopted its editorial listing.
- B. Re-exposed the following proposal for an additional public comment period:
- 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. 2023-12BWG Modified – Categorize debt securities on Schedule BA that do not qualify as bonds under *Statement of Statutory Accounting Principles (SSAP) No. 26R—Bonds* or SSAP No. 43R and are captured in the scope of *SSAP No. 21R—Other Admitted Assets*.
- C. Adopted the following proposals:
- i. 2023-06BWG – Split the Schedule D, Part 1, into two sections: one for issuer credit obligations and the other for asset-backed securities (ABS). Update the other parts of the annual statement that reference the bond lines of business.
 - ii. 2023-07BWG – Update the code column and delete the legal entity identifier (LEI) column for the following investment schedules: Schedules A, B, BA, D Part 2, D Part 6, and E Part 1.
- D. Exposed three new items for a 75-day public comment period ending Jan. 22, 2024.
- E. Received memorandums from the Statutory Accounting Principles (E) Working Group.
- i. SAPWG INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve (IMR)
 - ii. Statutory Accounting Principles (E) Working Group Year-end updates:
 - a. Ref #2023-13: (Payment in Kind) PIK Interest Disclosure Clarification
 - b. INT 23-02: Third Quarter 2023 Inflation Reduction Act – Corporate Alternative Minimum Tax (effective the third quarter of 2023 only)
 - c. Ref #2023-04; INT 23-03: Inflation Reduction Act – Corporate Alternative Minimum Tax (effective for year-end 2023 reporting and thereafter)
 - d. Ref # 2023-12: Residuals in SSAP No. 48
 - e. Ref #2023-2: Removal of transition guidance from SSAP No. 92 and SSAP No. 102
- F. Adopted its editorial listing.
- G. Approved the state filing checklist templates.