Conference Call

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE
Tuesday, November 14, 2017
12:00 p.m. ET / 11:00 a.m. CT

ROLL CALL

Dave Jones, Chair
Kent Sullivan, Vice Chair
Jim L. Ridling
Lori K. Wing-Heier
Allen W. Kerr
Katharine L. Wade
Trinidad Navarro
Stephen C. Taylor
David Altmaier
Artemio B. Ilagan
Gordon I. Ito
Jennifer Hammer
Stephen W. Robertson
Doug Ommen
Ken Selzer
Nancy G. Atkins
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Eric A. Cioppa
Gary Anderson
Patrick M. McPharlin
Mike Rothman
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Bruce R. Ramge
Barbara D. Richardson
Roger A. Sevigny
Richard J. Badolato
Maria T. Vullo
Mike Causey
Jon Godfread
Mark O. Rabauliman
Jillian Froment
John D. Doak
Jessica Altman
Elizabeth Kelleher Dwyer
Larry Deiter
Julie Mix McPeak
Todd E. Kiser
Michael S. Pieciak
Jacqueline K. Cunningham
Mike Kreidler
Allan L. McVey
Ted Nickel
Tom Glauser
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New Hampshire
New Jersey
New York
North Carolina
North Dakota
Northern Mariana Islands
Ohio
Oklahoma
Pennsylvania
Rhode Island
South Dakota
Tennessee
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its Minutes—Kim Hudson (CA)
   - Summer National Meeting

2. Consider Adoption of its Working Group Reports—Kim Hudson (CA)
   - Statutory Accounting Principles (E) Working Group—Dale Bruggeman (OH)
   - Blanks (E) Working Group—Jacob Garn (UT)

3. Discuss Any Other Matters Brought Before the Task Force—Kim Hudson (CA)

4. Adjournment

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The Accounting Practices and Procedures (E) Task Force met in Philadelphia, PA, Aug. 7, 2017. The following Task Force members participated: Dave Jones, Chair, represented by Kim Hudson (CA); TBD, Vice Chair, represented by Jamie Walker (TX); Allen W. Kerr and Mel Anderson (AR); Katharine L. Wade represented by William Arfanis and Kathy Belfi (CT); Stephen C. Taylor represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown (DE); David Altmaier represented by Virginia Christy (FL); Doug Ommen represented by Dan Mathis (IA); Jennifer Hammer represented by Matt Ryan (IL); Stephen W. Robertson represented by Roy Eft (IN); Ken Selzer represented by Richard Ramos (KS); Nancy G. Atkins represented by Sandy Batts (KY); James J. Donelon represented by Stewart Guerin (LA); Gary Anderson represented by John Turchi (MA); Eric A. Cioppa represented by Vanessa Leon (ME); Patrick M. McPharlin represented by Judy Weaver (MI); Mike Rothman represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Leslie Nehring (MO); Mark O. Rabauliman (MP); Mike Chaney represented by Stephen Wiest and Marshal Bozzo (NY); Jillian Froment represented by Dale Bruggeman (OH); John D. Doak represented by Diane Carter and Joel Sander (OK); Teresa D. Miller represented by Melissa Greiner and Kim Rankin (PA); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Julie Mix McPeak represented by Mark Jaquish (TN); Todd E. Kiser represented by Jake Garn (UT); Jacqueline K. Cunningham represented by Doug Stolte (VA); Michael Pieciak represented by Karen Murphy (VT); Mike Kriedler represented by Patrick McNaughton (WA); Ted Nickell represented by Rebecca Easland (WI); Allan L. McVey represented by Andrew Pauley (WV); and Tom Glause represented by Linda Johnson (WY).

1. **Adopted its May 2 and Spring National Meeting Minutes**

Mr. Hudson directed the Task Force to its May 2 and Spring National Meeting minutes, which were previously distributed. The Task Force met via conference call on May 2 to discuss comments on the mid-year data reporting referral from the Statutory Accounting Principles (E) Working Group.

Ms. Walker made a motion, seconded by Mr. Schrader, to adopt the Task Force’s May 2 minutes which forwarded the mid-year data collection issue to the Financial Condition (E) Committee (Attachment Three) and April 9 minutes (see NAIC Proceedings – Spring 2017, Accounting Practices and Procedures (E) Task Force). The motion passed unanimously.

2. **Adopted its 2018 Proposed Charges**

Mr. Hudson directed the Task Force to the 2018 proposed charges of the Task Force and its Working Groups, which were previously distributed. He noted that the proposed charges are generally consistent with those of the prior year. The proposed updates are reflected as tracked changes. The Blanks (E) Working Group requests deletion of a charge related to principle-based reserving reporting and another charge related to variable annuities disclosure, as both charges have been completed. Mr. Hudson noted that the Statutory Accounting Principles (E) Working Group agreed to dissolve the Restricted Asset (E) Subgroup at its meeting yesterday and the Subgroup’s charges are proposed to be deleted. He stated that the remaining projects of the Restricted Asset (E) Subgroup were moved directly under the Working Group. He noted that no additional charges need to be separately added to the Working Group’s charges, as they are sufficiently broad.

Ms. Orth made a motion, seconded by Mr. Garn to adopt the Task Force’s 2018 proposed charges (Attachment Four). The motion passed.


Mr. Bruggeman provided the Aug. 6 report of the Statutory Accounting Principles (E) Working Group. The Working Group took the following action: 1) adopted its June 8 minutes, which included adoption of six nonsubstantive agenda items, exposure of two agenda items and adoption of its Spring National Meeting minutes. On the June 8 call, the following nonsubstantive revisions to statutory accounting guidance were adopted: 1) incorporate enhanced disclosures for high-deductible policies to facilitate data-capture for year-end 2017 and add a materiality threshold to an existing disclosure on professional employer organizations; 2) revise the definition of “mortgage loan”; 3) reject Accounting Standards Update.
The Working Group adopted the following nonsubstantive revisions to statutory accounting guidance: 1) clarify that recognized losses from other-than-temporary impairments of bonds shall be recorded entirely to either the asset valuation reserve (AVR) or the interest maintenance reserve (IMR) in accordance with the annual financial statement instructions; 2) revisions to reject ASU 2017-08: Premium Amortization on Purchased Callable Debt Securities and retain the current “yield-to-worst” amortization methodology; 3) adopt ASU 2016-18: Statement of Cash Flows – Restricted Cash and related updates to the restricted asset disclosure.

The Working Group adopted technical edits to the Investments of Insurers Model Act (Defined Limits Version) (#280) to remove reference to “class one money market mutual funds,” as that concept has been eliminated, and to correct the definitions for repurchase and reverse-repurchase transactions. Mr. Bruggeman noted that this item would receive a separate vote of the Task Force.

Mr. Bruggeman noted that the Working Group exposed the following substantive revisions to statutory accounting guidance: 1) incorporate revised generally accepted accounting principles (GAAP) guidance from ASU 2016-02: Leases, modified to retain the operating lease concept for statutory accounting; 2) reflect the principle that the net balance of a surplus note issued at a discount or zero coupon should never be greater than the amount of cash and liquid admitted assets received; 3) allow net asset value (NAV) per share as a practical expedient to fair value either when specifically named in a Statement of Statutory Accounting Principles (SSAP) and allowing the use of NAV or fair value to be consistent with GAAP; 4) document for the historical record previous substantive changes adopted to SSAP No. 35R—Guaranty Fund and Other Assessments related to assessments for insolvencies of entities that wrote long-term care insurance in Issue Paper No. 143R—Guaranty Fund Assessment; and 5) re-exposed revisions that propose a new policy statement on coordination with the Purposes and Procedures Manual of the NAIC Investment Analysis Office, the Securities Valuation Office (SVO) and the Valuation of Securities (E) Task Force pending a response from the Task Force.

The Working Group exposed the following nonsubstantive revisions to statutory accounting guidance: 1) clarify that acquisitions and disposals of shares in money market mutual funds are not subject to the wash sale disclosure; 2) adopt, with modification, ASU 2016-09: Improvements to Share-Based Payment Accounting; 3) adopt with modification ASU 2017-10: Determining the Customer of the Operation Services to clarify the customer of service concession arrangements; 4) expand the definition of a “bank loan” to include bank loans directly issued by a reporting entity pending a referral response from the Valuation of Securities (E) Task Force; 5) a sponsor-submitted agenda item, which recommends that certain limited liability company (LLC) structures be eligible for inclusion in scope of SSAP No. 26R—Bonds with a request for comments on the three alternative concept options proposed by NAIC staff; 6) require reporting entities to eliminate parent-issued surplus notes held by a subsidiary, controlled and affiliated (SCA) entity similar to other equity investments; 7) remove outdated transition guidance pertaining from SSAP No. 43R—Loan-Backed and Structured Securities and update the Question and Answer Implementation Guide; 8) clarify reinsurance contracts’ risk transfer requirements, provide clarifications that reinsurance accounting credit for contracts that pass risk transfer is only for the amount of risk ceded, update terminology and incorporates new disclosures in SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance to assist in reviewing contracts, similar to existing disclosures in SSAP No. 62R—Property and Casualty Reinsurance; 9) provide actual examples on the amount of goodwill recognized in comparison to the SCA equity value and request comments on various options on whether to further limit the amount of admitted goodwill and/or improve the identification of goodwill in comparison to the SCA equity value; 10) reject five ASUs related to intangibles and incorporate guidance pertaining to triggering events for impairment assessment into SSAP No. 68—Business Combinations and Goodwill; 11) capture information on financing premiums in derivative contracts (in aggregate and in individual contracts), proposed to be required in a narrative format for year-end 2017 and captured electronically (either in Schedule DB or in a data-captured note) for year-end 2018; 12) clarify that variation margin changes shall be recognized as unrealized gains or unrealized losses until the derivative contract has matured, been terminated and/or expired; 13) reject ASU 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost with notation that existing statutory disclosures on the components of pension cost shall continue; 14) incorporate a 90-day time period to file a Sub 1 after an initial acquisition or formation of an SCA entity, and an Aug. 31 deadline for Sub 2 filings, with provisions to allow a company a one-month deadline after the audit date for an SCA entity that regularly receives its audit report after Aug. 31; 15) provide a consistency edit that limited statutory adjustments are required for all foreign insurance SCA entities (8.b.iv. entities) regardless of whether they have audited U.S. GAAP or audited U.S. foreign GAAP financial statements; 16) adopt ASU 2017-09: Stock Compensation – Scope of Modification Accounting; 17) provide guidance to report high-cost risk pools, which were added to...
the federal Affordable Care Act (ACA) risk adjustment program, similar to an involuntary pool, incorporate new disclosures, recommends deletion of disclosures pertaining to the transitional ACA reinsurance program, and request comments on both of the alternative accounting approach noted in the agenda item; 18) reject ASU 2013-08: Financial Services – Investment Companies – Amendments to the Scope, Measurement, and Disclosure Requirements; and 19) editorial process revisions which delete transition footnotes for the 2016 year-end and interim 2017 reporting of money market mutual funds and remove Actuarial Guideline XXXIV—Variable Annuity Minimum Guaranteed Death Benefit Reserves (AG 34) and Actuarial Guideline XXXIX—Reserves for Variable Annuities with Guaranteed Living Benefits (AG 39) from Appendix C. Both AG 34 and AG 39 have not been in effect since 2009.

The Working Group disposed agenda item 2016-40: Definition of Loan-Backed and Structured Securities without statutory accounting revisions.

The Working Group adopted a response to the Valuation of Securities (E) Task Force recommending revisions to the SVO procedures to clarify that an NAIC designation (or credit rating provider (CRP) rating) only reflects a credit assessment and does not consider related party elements.

The Working Group disbanded the Restricted Asset (E) Subgroup, and the Working Group will address the remaining projects directly.

The Working Group received an industry update on the Transition Resource Group formed to advise the Financial Accounting Standards Board (FASB) on implementation issues involving ASU 2006-13: Credit Losses, noted that discussions would resume and directed NAIC staff to post the agenda item to allow for continued review.

The Working Group received information on the American Institute of Certified Public Accountants (AICPA) audit guide changes. These changes note that GAAP disclosures shall be considered for inclusion in audited statutory financial statements prior to the review of the disclosure/related ASU under the Working Group’s statutory accounting maintenance process. After the NAIC’s review is complete, whether disclosures are included in the audited financial statements is determined based on if the disclosure has been adopted, rejected or modified for statutory accounting.

The Working Group received information on the updates to the Valuation Manual, noting that separate discussion was not necessary.

The Working Group received an industry update on the International Accounting Standards Board and the FASB, as well as information on current U.S. GAAP exposures, noting that no comments by the Working Group are planned.

The Working Group received industry comments and NAIC staff recommendations from the exposure of an issue paper proposing special accounting treatment for limited derivatives. The Working Group noted that detailed discussion of the comments and recommendations would occur in a subsequent conference call.

The Working Group announced that the comment deadline for new and exposed items is Sept. 22.

Mr. Bruggeman made a motion, seconded by Ms. Belfi, to adopt the report of the Statutory Accounting Principles (E) Working Group (Attachment One). The motion passed unanimously.


Mr. Garn provided the Aug. 6 report of the Blanks (E) Working Group, which adopted its June 14 minutes, during which it took the following action: 1) adopted the report of the Investment Reporting (E) Subgroup; 2) deferred proposal 2017-07BWG at the request of the Valuation of Securities (E) Task Force sponsor; 3) exposed three blanks proposals; 4) adopted the editorial listing; and 5) adopted 15 previously exposed blanks proposals as follows:

- 2017-01BWG – Delete the Health Property Supplement instructions and related updates.
- 2017-03BWG – Modify the Committee on Uniform Security Identification Procedures (CUSIP) column for Schedule BA and Schedule DL and add an International Securities Identification Number (ISIN) column to Schedule DL. Add an additional header for Schedule DL to identify securities included in other investment schedule or one-line reporting items.

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2017-05BWG – Add clarification to the line of business definitions for property and health for determining which line of business to report riders, endorsements and floaters. Add clarification to the Analysis of Operation by Lines of Business instructions for life, health and fraternal.

2017-06BWG – Add additional definitions to the property line of business definitions in the appendix.

2017-08BWG – Modify the Statement of Actuarial Opinion instructions for Valuation Manual requirements.

2017-09BWG – Modify the instructions for the Supplemental XXX/AXXX Reinsurance Exhibit to reflect changes to the Valuation of Life Insurance Policies Model Regulation (#830) and other column modifications.

2017-10BWG – Update the definition of “notional amount” and modify the instructions.

2017-11BWG – Modify the instructions and illustrations for additional mortgage loans disclosures.

2017-12BWG – Add a code to the Code column to allow designation of SVO-Identified Funds for valuation using systematic value and make the appropriate modifications to the instructions for Schedule D.

2017-13BWG – Modify the repurchase agreement and reverse-repurchase agreement disclosures

2017-15BWG – Add additional disclosure item to Note 25, Change in Incurred Losses and Loss Adjustment Expenses and Note 32, Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses.

2017-16BWG – Add a new disclosure to Note 14, Liabilities, Contingencies and Assessments for Long-Term Care insolvencies related guaranty funds liabilities and assets.

The Working Group received a report from the Investment Reporting (E) Subgroup.

The Working Group deferred proposal 2017-07BWG, which was previously deferred on its June 14 conference call. Consideration of the proposal is pending adoption of the additional designations by the Valuation of Securities (E) Task Force. The comment deadline is Oct. 2.

The Working Group adopted the following three previously exposed blanks proposals and the editorial listing:

- 2017-17BWG – Add a line B10 to the bond section of the Cash from Investments Worksheet in the instructions.
- 2017-18BWG – Move the total count of “L” (and “D” for property) status codes for Schedule T to footnotes.
- 2017-19BWG – Add general interrogatory to identify entities that assume reinsurance risks in two or more states.

The Working Group exposed one new blanks proposal, which helps identify publicly traded insurers, and a guidance document, which provides that only members of the life, health and annuity guaranty associations should complete the Life, Health and Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit. The comment deadline is Sept. 6.

Mr. Garn made a motion, seconded by Mr. Eft, to adopt the report of the Blanks (E) Working Group (Attachment Two). The motion passed unanimously.

5. Adopted Technical Amendments to Model #280

Mr. Hudson noted that the Task Force will vote separately on the technical amendments to Model #280, which were exposed at the Spring National Meeting, by the Statutory Accounting Principles (E) Working Group. The technical revisions remove reference to the “class one money market mutual fund list” (which has been eliminated) and corrects the repurchase and reverse-repurchase terms (which appear to have been initially written from the counterparty perspective and were “flipped”). No comments were received from the Working Group exposure, and Working Group adopted these revisions Aug. 6. These editorial revisions are outside the normal model law process but still subject to review by all relevant groups in the committee process. Upon adoption by the Task Force and Financial Condition (E) Committee, these will be submitted to the Executive (EX) and Plenary for consideration.

Mr. Bruggeman made a motion, seconded by Ms. Brown, to adopt the technical amendments to the Investments of Insurers Model Act (Defined Limits Version) (#280) (see NAIC Proceedings – Summer 2017, Executive (EX) Committee and Plenary, Attachment Eleven). The motion passed unanimously.
6. **Discussed Other Matters**

Mr. Hudson noted that the Task Force and its working groups do not plan to meet at the Fall National Meeting. There will be scheduled calls of the Statutory Accounting Principles (E) Working Group, followed by the Blanks (E) Working Group and then the Task Force during the weeks of Nov. 6 and Nov. 13.

Having no further business, the Accounting Practices and Procedures (E) Task Force adjourned.
Conference Call

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP
Monday, November 6, 2017

Summary Report

The Statutory Accounting Principles (E) Working Group met via conference call Nov. 6, 2017. During this meeting, the Working Group:

1. Adopted its Oct. 12 minutes, which included the following actions:
   a. Adopted one substantive and 12 nonsubstantive agenda items. (Details of agenda items adopted Oct. 12 begins on Page 3.)
   b. Exposed five agenda items.
   c. Adopted its Sept. 13 and Sept. 7 minutes.

2. Adopted its Summer National Meeting minutes.

3. Adopted the following substantive revisions to statutory accounting guidance:
   a. Statement of Statutory Accounting Principles (SSAP) No. 100R—Fair Value and Issue Paper No. 157—Use of Net Asset Value: Revisions allow the use of net asset value per share as a practical expedient to fair value when specifically named in a SSAP or when specific conditions exist. These revisions adopt Accounting Standards Update (ASU) 2009-12: Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent) and ASU 2015-07: Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent). (Ref #2017-24)

4. Adopted the following nonsubstantive revisions to statutory accounting guidance:
   a. SSAP No. 86—Derivatives:
      1. Revisions require aggregate disclosures for derivatives with financing premiums for year-end 2017. The narrative disclosures will capture information on the use of financing premiums, premiums due, the reported derivative fair value and the derivative fair value excluding the impact of financing premiums. (Ref #2016-48)
      2. Revisions clarify that variation margin changes shall not be considered “settlements” until the derivative contract has matured, been terminated and/or expired. This revision is effective Jan. 1, 2018, for reporting entities that have previously considered variation margin changes to reflect settlement. (Ref #2017-04)
   b. SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities: Revisions adopt revised subsidiary, controlled, and affiliated (SCA) filing deadlines for 2018. Sub 1 filings will be due within 90 days of the initial acquisition or formation of an SCA entity. Sub 2 filings will be due Aug. 31 of each year, with a provision to allow a one-month filing deadline after the audit date for an SCA entity that regularly receives its audit report after Aug. 31. (Ref #2017-08)
   c. SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act: Revisions provide guidance on high-cost risk pools, which were added to the federal Affordable Care Act (ACA) risk adjustment program beginning in 2018. The revisions report the risk pool claim reimbursements as increases to premium with new disclosures. (Ref #2017-26)
   e. Memo on High-Deductible Disclosures: Adopted a memorandum to the Blanks (E) Working Group to provide additional instructions on the high-deductible disclosures.
Exposed the following substantive revisions to statutory accounting guidance:

a. SSAP No. 30—*Unaffiliated Common Stock*: Exposed the agenda item with a request for comments on suggested proposals to incorporate substantive updates under the Investment Classification Project. (Ref #2017-32)

5. Exposed the following nonsubstantive revisions to statutory accounting guidance:

a. **SSAP No. 41—Surplus Notes** and SSAP No. 97: Revisions clarify that an SCA’s direct or indirect acquisition of a surplus note issued by the parent shall always be eliminated in the SCA’s value reported by the parent insurance company. (Ref #2017-21)

b. **SSAP No. 47—Uninsured Plans**: Revisions reject the following: (Ref #2017-37 and Ref #2016-19)
   - ASU 2014-09, Revenue from Contracts with Customers
   - ASU 2015-14, Revenue from contracts with Customers: Deferral of the Effective Date
   - ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing
   - ASU 2016-08, Revenue From Contracts with Customers Principal versus Agent Considerations (Reporting Revenue Gross versus Net)
   - ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients

c. **SSAP No. 49—Policy Loans** and **SSAP No. 56—Separate Accounts**: Exposed the agenda item with a request for comments on key concepts identified pertaining to policy loans to help determine future revisions. (Ref #2017-35)

d. **SSAP No. 68—Business Combinations and Goodwill** and SSAP No. 97: Revisions collect additional disclosures related to goodwill. (Ref #2017-18)

e. SSAP No. 86: Revisions capture individual contract disclosures for derivatives with financing premiums. Comments were requested on proposed asset valuation reserve (AVR) concepts for a future referral to the Blanks (E) Working Group for these derivatives. NAIC staff was also directed to continue considering revisions to SSAP No. 86 to have better recognition of the financing premiums when the derivative contract is entered into. (Ref #2016-48)

f. **SSAP No. 92—Postretirement Benefits Other than Pensions** and SSAP No. 102—*Pensions*: Revisions remove the Level 3 reconciliation disclosure for plan assets. (Ref #2017-30)

g. **SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities**: Revisions exclude all cash equivalents, all derivative instruments and short-term investments with credit assessments equivalent to an NAIC 1 or NAIC 2 designation from the wash sale disclosure. The revisions also clarify that the wash sale disclosure shall be captured in the financial reporting statements for the period in which the investment was sold. Comments were requested on whether SSAP No. 30 investments reported should be excluded from the disclosure. (Ref #2017-31)

h. **Appendix B—Interpretations of Statutory Accounting Principles**: INT 02-22—*Accounting for the U.S. Terrorism Risk Insurance Program* and Appendix H—*Superseded SSAPs and Nullified Interpretations*: INT 09-08—*Accounting for Loans Received under the Federal TALF Program*: Revisions update INT 02-22 to remove the expiration date and note that the interpretation is in effect as long as the federal Terrorism Risk Insurance Act (TRIA) program is in effect, as well as update and nullify INT 09-08 as there are no longer any loans outstanding under the Federal Reserve’s Term Asset-Backed Securities Loan Facility (TALF) program. (Ref #2017-36)

i. **Appendix D—Nonapplicable GAAP Pronouncements**: Exposed the agenda item with a request for comments on a proposed project to review each SSAP that adopts U.S. generally accepted accounting principles (GAAP) guidance and identify the related Financial Accounting Standards Board (FASB) codification references. (Ref # 2017-34)

6. Directed NAIC staff on the following projects:

   - **SSAP No. 22—Leases**: Directed NAIC staff to review the proposed guidance for leases in accordance with the industry comments to determine further revisions. (Ref #2016-02)
- SSAP No. 26R—Bonds: Directed NAIC staff to prepare and send referrals to the Valuation of Securities (E) Task Force, the Capital Adequacy (E) Task Force and the Blanks (E) Working Group to inquire whether all entities should have the ability to report NAIC designations on Schedule BA – Other Long-Term Invested Assets, as permitted by life and fraternal insurance companies, to obtain improved risk-based capital (RBC) for certain investments. (Ref #2017-25)

- SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance, SSAP No. 62R—Property and Casualty Reinsurance, Appendix A-791—Life and Health Reinsurance Agreements: Directed NAIC staff to work with Working Group and industry representatives, with informal drafting calls, to refine the proposed guidance for future Working Group consideration. (Ref #2017-28)

- SSAP No. 86: Directed NAIC staff to review the derivative guidance in SSAP No. 86 in accordance with current U.S. GAAP requirements, including the guidance in ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. (Ref #2017-33)

- Various SSAPS: Credit Losses: Directed NAIC staff to draft substantive revisions to adopt, with modification, ASU 2016-13, Financial Instruments – Credit Losses and replace the “incurred loss model” with an “expected credit loss” concept in statutory accounting. It was identified that the guidance would likely incorporate U.S. GAAP concepts for recognizing expected credit losses, but that specific exclusions and modifications will need to be considered in developing an approach that is appropriate under statutory accounting. (Ref #2016-20)

7. Received an update on the following projects and referrals:
   
a. Special Accounting Treatment for Limited Derivatives: NAIC staff is working with representatives of the American Council of Life Insurers (ACLI) to get additional information on prior comments and suggested language. Once the additional information is received, NAIC staff will present an updated issue paper to the Working Group for exposure consideration. (Ref #2016-03)

b. Amortization and Accretion of Surplus Notes: Received an overview of industry comments and directed NAIC staff to work with Working Group members and industry to review industry comments when drafting proposed revisions and illustrations. (Ref #2017-12)

c. Intangibles ASUs: Staff noted that this agenda item was adopted during the Oct. 12 call, but it was identified that the agenda item had inadvertently included language from another SSAP. Although the prior decisions from the Working Group did not change, an updated agenda item properly presents the final SSAP guidance. (Ref #2017-19)

d. Reviewed U.S. GAAP exposures, noting that no comments by the Working Group are planned.

8. Oct. 12 Conference Call – Detail of Agenda Items Adopted:
   
a. SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers and Appendix B—Interpretations of Statutory Accounting Principles: Revisions allow an optional temporary 60-day extension of the existing 90-day rule for Hurricane Harvey, Hurricane Irma and Hurricane Maria. This interpretation will expire in February 2018. (Ref 2017-29)

b. SSAP No. 12—Employee Stock Ownership Plans and SSAP No. 104R—Share-Based Payments: Adopts, with modification, ASU 2016-09, Improvements to Share-Based Payment Accounting. (Ref #2017-05)

c. SSAP No. 22: Adopts, with modification, ASU 2017-10, Determining the Customer of the Operation Services to clarify the customer of service concession arrangements. (Ref #2017-17)

d. SSAP No. 26R: Revisions capture directly issued bank loans in the scope of SSAP No. 26R for 2017. A 2018 proposal will be presented to the Blanks (E) Working Group to include separate reporting lines to capture directly issued and acquired bank loans. (Ref #2017-10)

e. SSAP No. 43R—Loan-Backed and Structured Securities: Revisions remove transition guidance related to the 2009 adoption of substantive revisions and to update the Question and Answer Implementation Guidance to remove outdated guidance. (Ref #2017-22)
f. SSAP No. 68 and SSAP No. 90—Impairment or Disposal of Real Estate Investments: Revisions reject five ASUs and include guidance for triggering events from SSAP No. 90 into SSAP No. 68 to discuss the impairment process in its entirety. (Ref #2017-19)

g. SSAP No. 92 and SSAP No. 102: Revisions reject ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, with a notation that the disclosures in the SSAPs shall be followed. (Ref #2017-14)

h. SSAP No. 97: Revisions clarify that limited statutory adjustments should apply to all foreign insurance SCA entities (8.b.iv. entities), regardless of whether they have audited U.S. GAAP or audited foreign GAAP financial statements. (Ref #2017-20)

i. SSAP No. 103R: Revisions exclude money market mutual funds from the wash sale disclosure. (Ref #2017-23)

j. SSAP No. 104R: Adopts ASU 2017-09, Stock Compensation – Scope of Modification Accounting to provide guidance regarding which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. (Ref #2017-16)

k. Editorial Revisions: Revisions delete transition footnotes detailing application for the 2016 year-end and interim 2017 financial statements for money market mutual funds in SSAP No. 26R and SSAP No. 30. In addition, Actuarial Guideline XXXIV—Variable Annuity Minimum Guaranteed Death Benefit Reserves (AG 34) and Actuarial Guideline—XXXIX Reserves for Variable Annuities with Guaranteed Living Benefits (AG 39) are being deleted from Appendix C—Actuarial Guidelines, as both guidelines are no longer in effect. (Ref #2017-01EP)

l. Appendix D: Revisions reject ASU 2013-08, Financial Services – Investment Companies – Amendments to the Scope, Measurement and Disclosure Requirements as not applicable to statutory accounting. (Ref #2017-15)

Conference Call

BLANKS (E) WORKING GROUP

Thursday, November 9, 2017

Meeting Summary Report

The Blanks (E) Working Group met Nov. 9 via conference call. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes.

2. Adopted its Sept. 14 minutes, during which it took the following action:
   a. Adopted proposal 2017-20BWG – Add a question to the General Interrogatories Part 1 to determine if the reporting entity is part of a publicly traded group. Add clarifying instructions to Schedule Y, Part 1A as to when a Central Index Key (CIK) is provided. Add a crosscheck between Column 6 and Column 7 of Schedule Y, Part 1A to ensure consistent reporting.

3. Adopted the report of the Investment Reporting (E) Subgroup, including its Sept. 12 minutes. During this meeting, the Subgroup took the following action:
   a. Exposed proposed updates to the Summary Investment Schedule.
   b. Exposed a proposal to add a definition of “supranational” to the annual financial statement instructions.
   c. Reviewed its issues list.

4. Agreed to withdraw proposal 2017-07BWG, which was previously deferred. The Valuation of Securities (E) Task Force is continuing its discussions on this issue and asked the Working Group to withdraw this proposal. A new proposal will be submitted at a later date.

5. Adopted the guidance document for health companies for annual 2017 filing, and approved posting of the document to the Working Group’s web page.


7. Received three memorandums from the Statutory Accounting Principles (E) Working Group on the following topics:
   a) high-deductible disclosures – instructional clarification; b) year-end 2017 disclosures – instructional revisions; and c) NAIC designation for Schedule BA investments.

8. Adopted the editorial listing, which included updating the designation matrices in the investment schedules instructions and correcting the filing due date of the confidential Regulatory Asset Adequacy Issues Summary (RAAIS), as required by the Valuation Manual, from March 15 to April 1.

9. Discussed the state filing checklists.

10. Heard an update on combining on the life and fraternal annual financial statement blanks. NAIC staff will begin to develop a comprehensive proposal for combining the two blanks and instructions. Once staff have developed the draft proposal, they will consult with interested parties and vendors for initial comments.

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