ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE
Sunday, March 29, 2015
12:00 – 1:00 p.m.
Phoenix Convention Center North—Room 132—Street Level

ROLL CALL

Dave Jones, Chair California Mike Rothman Minnesota
David Mattax, Vice Chair Texas John M. Huff Missouri
Jim L. Ridling Alabama Bruce R. Ramge Nebraska
Lori K. Wing-Heier Alaska Roger A. Sevigny New Hampshire
Allen W. Kerr Arkansas Kenneth E. Kobylowski New Jersey
Anne Melissa Dowling Connecticut Benjamin M. Lawsky New York
Karen Weldin Stewart Delaware Wayne Goodwin North Carolina
Chester A. McPherson District of Columbia Mary Taylor Ohio
Kevin M. McCarty Florida John D. Doak Oklahoma
Artemio B. Ilagan Guam Laura N. Cali Oregon
James Stephens Illinois Teresa D. Miller Pennsylvania
Stephen W. Robertson Indiana Joseph Torti III Rhode Island
Nick Gerhart Iowa Todd E. Kiser Utah
Ken Selzer Kansas Susan L. Donegan Vermont
Sharon P. Clark Kentucky Jacqueline K. Cunningham Virginia
James J. Donelon Louisiana Mike Kreidler Washington
Eric A. Cioppa Maine Michael D. Riley West Virginia
Al Redmer Jr. Maryland Ted Nickel Wisconsin
Gary Anderson Massachusetts Tom Glause Wyoming
Ann Flood Michigan

AGENDA

1. Consider Adoption of its Minutes—Kim Hudson (CA)
   - Feb. 10, 2015: E-vote to Reappoint Working Groups and Subgroup
   - Dec. 12, 2014: Year-end Adoption of SSAP No. 107 (ACA Risk-Sharing)
   - Nov. 17, 2014: Fall 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)
   - Emerging Accounting Issues (E) Working Group—Jim Armstrong (IA)

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

4. Adjournment

NOTE: Attachment Four and Attachment Five will be posted during the Spring National Meeting.
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The Accounting Practices and Procedures (E) Task Force conducted an e-vote that concluded Feb. 10, 2015. The following Task Force members participated: Allen W. Kerr represented by Mel Anderson (AR); Anne Melissa Dowling represented by Kathy Belfi (CT); Karen Weldin Stewart (DE); Artemio B. Ilagan represented by John Carlos (GU); Cindy Andersen (IL); Ken Selzer (KS); Sharon P. Clark represented by David Hurt (KY); James J. Donelon represented by Stewart Guerin (LA); Gary Anderson (MA); Al Redmer Jr. represented by Christopher Buchanan (MD); Annette E. Flood represented by Judy Weaver (MI); Mike Rothman (MN); John M. Huff represented by Leslie Nehring (MO); Bruce R. Ramge represented by Justin Schrader (NE); Roger A. Sevigny represented by Patricia Gosselin (NH); Kenneth E. Kobylowski (NJ); Benjamin M. Lawsky represented by Stephen Wiest (NY); Mary Taylor (OH); Laura N. Cali represented by Russell Latham (OR); Joseph Torti III represented by Jack Broccoli (RI); David Mattax represented by Jamie Walker (TX); Todd E. Kiser represented by Jacob Garn (UT); Jacqueline K. Cunningham represented by Doug Stolte (VA); Susan L. Donegan represented by Kaj Samsom (VT); Ted Nickel represented by Rebecca Eastland (WI); and Tom Glause represented by Linda Johnson (WY).

The Task Force held an e-vote to reinstate the following working groups and subgroups for 2015: Blanks (E) Working Group, Investment Reporting (E) Subgroup, Emerging Accounting Issues (E) Working Group, Statutory Accounting Principles (E) Working Group and Restricted Asset (E) Subgroup.

On a motion from Ms. Weaver, seconded by Mr. Guerin, the Task Force unanimously voted to reinstate the working groups and subgroups for 2015.
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Accounting Practices and Procedures (E) Task Force
Conference Call
December 12, 2014

The Accounting Practices and Procedures (E) Task Force met after the Statutory Accounting Principles (E) Working Group via conference call Dec. 12, 2014. The following Task Force members participated: Dave Jones, Chair, represented by Kim Hudson (CA); Susan L. Donegan, Vice Chair, represented by Karen Murphy (VT); Lori K. Wing-Heier represented by Maxine Froemling (AK); Jim L. Ridling represented by Richard Ford (AL); Jay Bradford represented by Mel Anderson (AR); Thomas B. Leonard represented by Bill Arfanis (CT); Karen Weldin Stewart represented by Linda Sizemore (DE); Kevin M. McCarty represented by David Altmaier (FL); Artemio B. Ilagan represented by John Carlos (GU); Nick Gerhart represented by Jim Armstrong (IA); Andrew Boron represented by Eric Moser (IL); Stephen W. Robertson represented by Cindy Donovan (IN); Sandy Praeger represented by Ken Abitz (KS); Sharon P. Clark represented by David Hurt (KY); Joseph G. Murphy represented by John Turchi and Robert Macullar (MA); Eric A. Cioppa and Kendra Coates (ME); Annette E. Flood represented by Judy Weaver (MI); Bruce R. Ramge represented by David Clayton (NE); Roger A. Sevigny represented by Deborah Stone (NH); Kenneth E. Kobylowski represented by Peter L. Hartt and Steve Kerner (NJ); Benjamin M. Lawsny represented by Stephen Wiest (NY); Mary Taylor represented by Dale Bruggeman (OH); John D. Doak represented by Joel Sander (OK); Laura N. Cali represented by Russell Latham (OR); Michael F. Consedine represented by Steve Johnson (PA); Joseph Torti III (RI); Julie Mix McPeak represented by Mark Jaquish (TN); Julia Rathgeber represented by Doug Slape (TX); Todd E. Kiser represented by Jake Garn (UT); Mike Kreidler represented by Steven Drutz (WA); Ted Nickel represented by Tom Houston (WI); and Tom C. Hirsig represented by Linda Johnson (WY).

1. Adopted Items Previously Adopted by the Statutory Accounting Principles (E) Working Group

   a. Agenda Item 2014-12

      Mr. Hudson noted that the Task Force would separately discuss agenda item 2014-12 regarding Statement of Statutory Accounting Principles (SSAP) No. 107—Accounting for the Risk-Sharing Provisions of the Affordable Care Act. This statement provides accounting guidance and disclosure requirements for the three federal Affordable Care Act (ACA) risk-sharing provisions known as risk adjustment program, transitional reinsurance program and temporary risk corridors program, which took effect in 2014. SSAP No. 107 was adopted by the Statutory Accounting Principles (E) Working Group immediately preceding the beginning of the Task Force portion of the call and is effective for years ending on or after Dec. 15, 2014.

      Mr. Bruggeman made a motion, seconded by Mr. Altmaier, to adopt SSAP No. 107. The motion passed unanimously. Mr. Hudson noted that because this item is related to the ACA, it would be reviewed by Executive and Plenary on their call the following week.

   b. Agenda Item 2013-17 and Editorial Change

      Mr. Hudson noted that agenda item 2013-17: Single Member and Single Asset LLCs, Underlying Asset is Real Estate includes Issue Paper No. 149—Wholly-Owned Single Real Estate Property Held in an LLC (Issue Paper No. 149) and SSAP No. 40R—Real Estate Investments – Revised (SSAP No. 40R). Mr. Hudson noted that the guidance was adopted by the Statutory Accounting Principles (E) Working Group immediately preceding the beginning of the Task Force portion of the call and would classify wholly-owned real estate owned through an LLC, which meets certain criteria, as assets within the scope of real estate guidance, with an effective date of Jan. 1, 2015.

      Mr. Hudson noted that the Statutory Accounting Principles (E) Working Group has also directed NAIC staff to update the Accounting Practices and Procedures Manual in accordance with an editorial change that reflects the renaming of the publication formerly known as the Purposes and Procedures Manual of the NAIC Securities Valuation Office to the Purposes and Procedures Manual of the NAIC Investment Analysis Office.

      Mr. Bruggeman made a motion, seconded by Mr. Altmaier, to adopt: 1) Issue Paper No. 149; 2) SSAP No. 40R; and 3) the editorial change to update the name of the Purposes and Procedures Manual of the NAIC Investment Analysis Office. The motion passed unanimously.
Having no further business, the Accounting Practices and Procedures (E) Task Force adjourned, and the Financial Condition (E) Committee call began.
Draft Pending Adoption

Draft: 12/1/14

Accounting Practices and Procedures (E) Task Force
Washington, District of Columbia
November 17, 2014

The Accounting Practices and Procedures (E) Task Force met in Washington, DC, Nov. 17, 2014. The following Task Force members participated: Dave Jones, Chair, represented by Kim Hudson (CA); Susan L. Donegan, Vice Chair, represented by Kaj Samsom (VT); Lori K. Wing-Heier represented by Maxine Froemling (AK); Jim L. Ridling represented by Richard Ford (AL); Jay Bradford represented by Mel Anderson (AR); Thomas B. Leonardi represented by Kathy Belfi (CT); Chester A. McPherson represented by N. Kevin Brown (DC); Karen Weldin Stewart represented by Linda Sizemore (DE); Kevin M. McCarty represented by Joel Meyer (FL); Artemio B. Ilagan represented by John Carlos (GU); Nick Gerhart represented by Jim Armstrong (IA); Andrew Boron represented by Eric Moser (IL); Stephen W. Robertson represented by Cindy Donovan (IN); Sandy Praeger represented by Ken Abitiz (KS); Sharon P. Clark represented by David Hurt (KY); Joseph G. Murphy represented by John Turchi (MA); Eric A. Cioppa represented by Kendra Coates (ME); Annette E. Flood represented by Judy Weaver (MI); Mike Rothman represented by Kathleen Orth (MN); Wayne Goodwin represented by Tony Riddick (NC); Bruce R. Ramge represented by Justin Schrader (NE); Roger A. Sevigny represented by Patricia Gosselin (NH); Kenneth E. Kobylowski represented by Steve Kerner (NJ); Mary Taylor represented by Dale Bruggeman (OH); John D. Doak represented by Joel Sander and Eli Snowbarger (OK); Laura N. Cali represented by Russell Latham (OR); Michael F. Consedine represented by Kim Rankin (PA); Joseph Torti III represented by Jack Broccoli (RI); Julie Mix McPeak represented by Mark Jaquish (TN); Julia Rathgeber represented by Jamie Walker (TX); Todd E. Kiser represented by Jacob Garn (UT); Jacqueline K. Cunningham represented by Doug Stolte and Dave Smith (VA); Mike Kreidler represented by Patrick McNaughton (WA); Ted Nickel represented by Tom Houston (WI); Michael D. Riley represented by Jamie Taylor (WV); and Tom C. Hirsig represented by Linda Johnson (WY).

1. Adopted its Sept. 19 and Aug. 17 Minutes

Mr. Hudson directed the Task Force to the Sept. 19 minutes to approve a blanks proposal related to a Principle-Based Reserving (EX) Implementation Task Force disclosure and the Aug. 17 Summer National Meeting minutes, noting that the minutes were previously distributed. On a motion from Steve Kerner seconded by Mr. Ford, the Task Force unanimously adopted its minutes of Sept. 19 (Attachment Three) and Aug. 17 (see NAIC Proceedings – Summer 2014, Accounting Practices and Procedures (E) Task Force).


Mr. Bruggeman provided the Nov. 16 report of the Statutory Accounting Principles (E) Working Group. The Working Group adopted its Oct. 24, Sept. 2 and Aug. 16 minutes. The Working Group also met jointly with the Emerging Accounting Issues (E) Working Group in regulator-to-regulator session Nov. 5 and Nov. 15 pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance, including, but not limited to, annual and quarterly statement blanks and instructions, the Accounting Practices and Procedures Manual, and similar materials) of the NAIC Policy Statement on Open Meetings.


The Working Group adopted the following nonsubstantive revisions to statutory accounting: 1) revisions to clarify the difference between restricted assets and admitted assets, as well as the disclosure requirements for restricted assets; 2) revisions to delete the disclosure for title insurance premium revenue reported on the gross all-inclusive and gross risk rate premium basis, with corresponding revisions to the related title insurance risk rate terminology guidance; 3) technical revisions to incorporate information from prior interpretations that claims related losses for extra-contractual obligations and bad faith lawsuits are included in losses; and technical clarifications related to the prepaid adjustment expenses guidance; 4) revisions to detail the separate accounts disclosure categories currently captured in Note 34; 5) revisions clarifying that the RBC authorized control level used in the annual realization threshold table for deferred tax asset (DTA) calculation is from the RBC ratio in process of being filed and that the interim calculation should use prior year end information; 6) revisions to adopt ASU 2014-12: Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period with an effective date of Jan. 1, 2016, and early adoption
Draft Pending Adoption

The Working Group adopted nonsubstantive revisions to Appendix A, to incorporate changes to Appendix A-010 adopted by the Health Actuarial (B) Task Force in the Health Insurance Reserves Model Regulation (#10) requiring the 2012 Group Long-Term Disability (2012 GLTD) table as of Jan. 1, 2017, with early adoption permitted.

The Working Group adopted nonsubstantive revisions to Appendix C: Actuarial Guideline XLVII to add Actuarial Guideline XLVII, providing guidance on blending company experience with the 2012 GLTD table, and update the introduction to Appendix C.

The Working Group exposed three substantive items with a shortened comment deadline. Issue; Paper No. 149—Single-Member and Single-Asset LLCs, Underlying Asset is Real Estate and the related changes related to Issue Paper No. 149 in substantively revised Statement of Statutory Accounting Principles (SSAP) No. 40—Real Estate Investments (Revised) to move single-member and single-asset LLCs, where the underlying asset is real estate into SSAP No. 40R as of Jan. 1, 2015, were exposed. In addition, NAIC staff were directed to prepare an annual financial statement blanks proposal. The Working Group also exposed new SSAP No. 107—Accounting for the Risk-Sharing Provisions of the Affordable Care Act. Revisions provide guidance on the three risk-sharing provisions known as risk adjustment program, transitional reinsurance program and temporary risk corridors program.

The Working Group exposed the following nonsubstantive items that include revisions to statutory accounting: 1) proposed revisions to delete disclosures that pertain to defined benefit and defined contribution plans, with a reference to complete the disclosures in SSAP No. 92 if the entity is providing special or contractual termination benefits; 2) proposed revisions to reject ASU 2013-06, Not-for-Profit Entities; Services Received from Personnel of an Affiliate and incorporate disclosures regarding services for not-for profit entities; 3) proposed revisions to adopt with modification ASU 2014-04, Receivables – Troubled Debt Restructuring by Creditors – Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure and proposed revisions to adopt ASU 2014-14, Receivables – Troubled Debt Restructuring by Creditors – Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure with an effective date of 2015; 4) proposed revisions to change the reporting in reinsurance Schedule F related to an asbestos and environmental reinsurance reporting exception for retroactive counterparties (using the reporting option one), along with updates for the proposed reporting; 5) proposed technical revisions to update the references from aggregate write-in lines to specific preprinted lines for protected cells; 6) proposed revisions to reject ASU 2014-16; Derivatives and Hedging, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity as not applicable to statutory accounting; 7) proposed placement revisions to consolidate the guidance from INT 13-03—Clarification of Surplus Deferral in SSAP No. 92 and SSAP No. 102 into the applicable SSAPs; 8) proposed revisions to adopt with modification ASU 2014-01: Accounting for Investments in Qualified Affordable Housing Projects to prohibit the elective proportional amortization method, reject net reporting and update terminology; 9) proposed revisions to reject ASU 2014-13: Measuring the Financial Assets and Financial Liabilities of a Consolidated Collateralized Financing Entity; and 10) proposed revisions to adopt ASU 2014-15: Presentation of Financial Statements — Going Concern and incorporate audited disclosure requirements for a reporting entity to evaluate and disclose whether there is substantial doubt on the entity’s ability to continue as a going concern. In addition, changes to SSAPs No. 48, 68, and 97 were exposed that would nonadmit investments in related affiliate holdings whose audited financial statements include going concern notes from management.

The Working Group received a response from the Principle-Based Reserving Implementation (EX) Task Force confirming that the reference to Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation (AG 48) within the Notes disclosure, as well as the reference to the XXX/AXXX Reinsurance Model Regulation or any state variation from those standards, is consistent with the intent of the Task Force. The proposed revisions require disclosure for the annual audited financial statements indicating compliance with AG 48 or the XXX/AXXX Reinsurance Model Regulation.
Draft Pending Adoption

The Working Group reviewed comments and directed NAIC staff to proceed with the first two issues of the Investment Classification Project in the prioritization list of developing a security definition and working on a fund SSAP/schedule.

The Working Group directed NAIC staff to draft revisions to clarify existing guidance around non-rated surplus notes and surplus notes with a designation below an NAIC 1. In addition the Working Group affirmed that surplus notes with an NAIC 1 designation should continue to be carried at amortized cost.

The Working Group directed NAIC staff to work with Working Group members and the industry to develop a recommendation on the reporting for contracts subject to redetermination amounts resulting from Medicare Part D and Medicare Advantage, and risk adjustment receivables under the federal Affordable Care Act (ACA). In addition, related reporting guidance is also to be developed for the Blanks (E) Working Group. The Working Group also approved a joint referral to the Health Actuarial (B) Task Force and the Life Actuarial (A) Task Force to clarify the Statement of Actuarial Opinion regarding the receivables and payables from these amounts.

The Working Group directed NAIC staff to draft revisions to clarify that items included in the cash flow statement should be limited to those that involve cash as defined as cash, cash equivalents and short-term investments, and expand the disclosure to include non-cash operating items.

The Working Group received an update from the Restricted Asset (E) Subgroup, which reported the results of the repurchase agreements survey to date. Data from the Federal Home Loan Bank (FHLB) disclosures for first and second quarter filings have been distributed to the Subgroup. For a significant portion of companies, FHLB activity is minimal in relation to their assets or capital and surplus. However, a small minority of companies appear to have excessive borrowing amounts compared to assets and/or capital and surplus. It was noted that Federal Housing Finance Agency (FHFA) is proposing to revise its regulations governing FHLB membership, which will have an impact on reporting entities.

The Working Group reviewed GAAP exposures, noting that it would not submit comments on current exposures.

The Working Group announced that the deadline for comments on exposed items is Jan. 16, 2015, except for agenda items 2013-17 and 2014-12, which have a comment deadline of Dec. 8, 2014. The deadline to submit new items is Feb. 12, 2015.

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


The Working Group adopted enhancements to the charges for the Investment Reporting (E) Subgroup to include a review of the changes associated with the investment classification project of the Statutory Accounting Principles (E) Working Group and the impact and clarifications within investment reporting schedules and instructions.

The Working Group adopted guidance for reporting Medicare Advantage, Medicare Part C and Medicare Part D business in the “Government Business (Excluded by Statute)” column of the Supplemental Health Care Exhibit notwithstanding that, effective in 2014, these coverages are no longer “excluded by statute” pursuant to the May 23, 2013, ACA final rule, but will be excluded from this column in future filings.

The Working Group voted to expose the Corporate Governance (E) Working Group memorandum dated Aug. 17 requesting a review of possible reporting redundancies between the corporate governance annual filing and the general interrogatories of the annual financial statement filing.

The Working Group voted to expose two new proposals. The comment deadline for the exposed items is Feb. 27, 2015.

Upon a motion by Mr. Garn, seconded by Mr. Houston, the Task Force unanimously adopted the report of the Blanks (E) Working Group (Attachment Two).
Draft Pending Adoption

4. Discussed Other Matters

Mr. Samsom noted that the PBR Review (EX) Working Group would be forwarding a referral to the Task Force to request input on what determines a change in valuation basis under life principle-based reserving. The Task Force discussed that the referral will be addressed by the Statutory Accounting Principles (E) Working Group in coordination with the Life Actuarial (A) Task Force.

Having no further business, the Accounting Practices and Procedures (E) Task Force adjourned.
Attachment Four
(pending)

Statutory Accounting Principles
(E) Working Group Report
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Attachment Five
(pending)

Blanks (E) Working Group Report
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