



Date: 3/1/2024

*2024 Spring National Meeting
Phoenix, Arizona*

Statutory Accounting Principles (E) Working Group
Saturday, March 16, 2024
9:00 - 11:00 AM ET

OVERVIEW AGENDA

HEARING AGENDA

	<u>Hearing Page Number</u>	<u>Attachment</u>	
1. SAPWG Hearing – Adoption of Minutes— <i>Dale Bruggeman (OH)</i>	1	1-4	
2. SAPWG Hearing – Review of Comments on Exposed Items— <i>Dale Bruggeman (OH)</i>			
Ref #2022-14: New Market Tax Credits	2	5-8	
Ref #2023-25: ASU 2023-03– SEC Updates	4	9	2
		2	5-8



OVERVIEW AGENDA

MEETING AGENDA

	<u>Meeting Page</u>	<u>Attachment</u>
	<u>Number</u>	
4. SAPWG Meeting – Maintenance Agenda – Pending List—<i>Dale Bruggeman (OH)</i>		
Ref #2024-02: ASU 2023-01, Leases (Topic 842), Common Control Arrangements	1	A
Ref #2024-03: ASU 2023-08, Accounting for and Disclosure of Crypto Assets	2	B
Ref #2024-04: Conforming Repurchase Agreements	3	C
Ref #2024-05: A-791 Paragraph 2c	4	D
Ref #2024-07: Reporting of Funds Withheld and Modco Assets	5	E
Ref #2024-08: Consistency Revisions for Residuals	6	F
Ref #2024-09: SSAP No. 2R – Clarification	6	G
Ref #2024-10: SSAP No. 56R – Book Value Separate Accounts	7	H
Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures	7	I
Ref #2024-12: Updates to SSAP No. 27	8	J
Ref #2024-13: Update SSAP No. 107 Disclosures	9	K
Ref #2024-14EP: Accounting Practices and Procedures Manual Editorial	9	L
5. SAPWG Meeting – Maintenance Agenda – Active List—<i>Dale Bruggeman (OH)</i>		
Ref #2023-26: ASU 2023-06 – Disclosure Improvements	10	M
6. SAPWG Meeting – Any Other Matters Brought Before the Working Group—<i>Dale Bruggeman (OH)</i>		
Review of U.S. GAAP Exposures	11	N
Update on the IMR Ad Hoc Subgroup	11	O
IAIS Audit and Accounting Working Group (AAWG Update)	11	None

$\frac{3}{4}$ Comment Deadline for Ref #2022-14 and #2024-13 – Friday, April 19, 2024

$\frac{3}{4}$ Comment Deadline for all other items – Friday, May 31, 2024



Hearing Agenda

Statutory Accounting Principles (E) Working Group
 Hearing Agenda
 March 16, 2024

ROLL CALL

Dale Bruggeman, Chair	Ohio	Judy Weaver/Steve Mayhew	Michigan
Kevin Clark, Vice Chair	Iowa	Doug Bartlett	New Hampshire
Sheila Travis/Richard Russell	Alabama	Bob Kasinow	New York
Kim Hudson	California	Diana Sherman	Pennsylvania
William Arfanis/Michael Estabrook	Connecticut	Jamie Walker	Texas
Rylynn Brown	Delaware	Doug Stolte/David Smith	Virginia
Cindy Anderson	Illinois	Amy Malm/Elena Vetrina	Wisconsin
Melissa Gibson/Stewart Guerin	Louisiana		

NAIC Support Staff: Julie Gann, Robin Marcotte, Jake Stutzon FarWil Oden

Note: This meeting will be recorded for subsequent use.

The Statutory Accounting Principles (E) Working Group met in regulator session on March 7. This regulator session was pursuant to the NAIC Open Meetings Policy paragraph 3 (discussion of specific corporations or individuals) and paragraph 6 (consultations with NAIC staff related to NAIC technical guidance Accounting Practices and Procedures Manual). No actions were taken during these meetings as the discussion previewed the Fall National Meeting agendas and discussed items with NAIC staff pursuant to the NAIC open meeting policy.

REVIEW AND ADOPTION OF MINUTES

1. Fall

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2022-14 (Wil)	New Market Tax Credits (NMTC)	5 – Agenda Item 6 – SSAP No93R 7 – SSAP No. 94R 8 – Other SSAPs	Comments Received	IP – 2

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2023-25 (Wil)	ASU 202303– SEC Updates	9 – Agenda item	No Comments	IP – 4

Summary:

On Dec. 1, 2023, the Working Group exposed revisions to Appendix D—Nonapplicable GAAP pronouncements which reject ASU 202303, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022, EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 General Revision of Regulation S Income or Loss Applicable to Common Stock which amends SEC paragraphs to update various aspects of SEC guidance on stock compensation and equity-based payments.

Interested Parties' Comments:

Interested parties have no comments on this item.

Recommendation:

NAIC staff recommends that the Working Group adopt revisions to Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 202303 as not applicable to statutory accounting. This item is proposed to be rejected as not applicable as the ASU is specific amendment of SEC paragraphs, which are not applicable for statutory accounting purposes.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2023-27 (Jake)	ASU 202304 – SEC Updates- Crypto	10 – Agenda item	No Comments	IP – 4

Summary

On Dec. 1, 2023, the Working Group exposed revisions to Appendix D—Nonapplicable GAAP pronouncements which reject ASU 2023

Ref #	Title	Attachment #	Agreement with Exposed Document?	
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Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
202330 (Jason/ Robin)	Admissibility Requirements of Investments in Downstream Holding Companies	12 – Agenda item	Comments Received	IP – 5

fund operations or produce levered returns to equity holders. However, this is in service to meeting the fund's primary equity investor objective. For 1940-registered closed-end funds (CEFs) and

subordination. Typically, rating agencies would rate no more than three classes of debt issued by a fund. This framework aligns well with how rating agencies analyze cat bonds overall.

In summary, we support private funds with prudent leverage to be designated as ICO, consistent with the SSAP No. 26R classification for BDCs and CEFs.

Recommendation:

NAIC staff recommend that the Working Group re-expose this item with a distinct request for regulators and industry to provide comments that address the following:

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Meeting Agenda

Statutory Accounting Principles (E) Working Group
Meeting Agenda
March 16, 2024

- A. Consideration of Maintenance Agenda- Pending List
1. Ref #2024-02: ASU 2023-01, Leases (Topic 842), Common Control Arrangements
 2. Ref #2024-03: ASU 2023-08, Accounting for and Disclosure of Crypto Assets
 3. Ref #2024-04: Conforming Repurchase Agreements
 4. Ref #2024-05: A791 Paragraph 2c
 5. Ref #2024-07: Reporting of Funds Withheld and Modco Assets
 6. Ref #2024-08: Consistency Revisions for Residuals
 7. Ref #2024-09: SSAP No. 2R – Clarification
 8. Ref #2024-10SSAP No. 56R – Book Value Separate Accounts
 9. Ref #2024-11: ASU 2023-09, Improvements to Income Tax Disclosures
 10. Ref #2024-12Updates to SSAP No. 27
 11. Ref #2024-13: Update SSAP No. 107 DiLo. 107 DiiA:

came from comments from private company stakeholders, the guidance for this issue is applicable for all lessees that are a party to a lease between entities under common control in which there are leasehold improvements, so this issue could potentially be relevant to insurers.

Recommendation:

NAIC staff recommends the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions to adopt, with modification, ASU 2023-08 in SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements and SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities, as illustrated in the Form T. The proposed revisions reject the practical expedient for private companies and not-for-profit entities but recommend adoption of the leasehold improvement guidance from the ASU, with modification to the language to align with existing guidance in SSAP No. 19 and SSAP No. 73.

Ref #	Title	Attachment #
2024-03 (Jake)	ASU 2023-08, Accounting for and Disclosure of Crypto Assets	B – Form A

Summary:

In December 2023, the FASB issued ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets. This ASU establishes the accounting and reporting for crypto assets, which are defined in U.S. GAAP as assets that:

1. Meet the definition of intangible assets as defined in the Codification
2. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
3. Are created or reside on a distributed ledger based on blockchain or similar technology
4. Are secured through cryptography
5. Are fungible
6. Are not created or issued by the reporting entity or its related parties.

ASU 2023-08 also clarified the disclosure of crypto assets in the financial statements, which note that crypto assets are to be reported at fair value, are reported separately from the other intangible assets, describe how they are to be disclosed in the income statement and statement of cash flows and includes a roll forward of the beginning and ending balances.

As background, on May 20, 2021, the Working Group adopted IFRS 9 Accounting for Cryptocurrencies, which established statutory accounting for crypto assets. At that time, NAIC staff had received several q6 (e)-1. (e)3.9

statutory accounting. The agenda item proposes to adopt the definition of crypto assets from the ASU, but

Ref #	Title	
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mortgage loans, or other Schedule BA items are permitted to be reported as cash equivalents or short-term investments.

Ref #	Title	Attachment #
2024-10 (Julie)	SSAP No. 56 – Book Value Separate Accounts	H – Form A

understand the nature and magnitude of factors contributing to the difference between the effective tax rate and the statutory tax rate.” Public entities are required to provide detailed quantitative and qualitative disclosures, while private are only required to provide qualitative rate reconciliation disclosures on certain specified categories. Additionally, the ASU also requires all entities to provide additional disclosures on income tax expense and income taxes paid, and removes the disclosure requirement for positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date (ASC 740-10-50-5d), and the cumulative amount of each type of temporary difference related to unrecognized deferred tax liabilities (ASC 740-30-50-2b).

Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing of the maintenance agenda categorized as a SAP clarification and expose revisions, as detailed in the Form A, to adopt ASU 2023-09, Improvements to Income Tax Disclosures with modification in SSAP No. 101—Income Taxes. The disclosures revisions we have recommended are:

- x Removal of SSAP No. 101, paragraph 23b disclosure of the cumulative amount of each type of temporary tax difference when a deferred tax liability is not recognized for undistributed foreign earnings (ASC 740-30-50-2(b))
- x Disclosure of income/loss before income tax expense/benefit aggregated by domestic and foreign (ASC 740-10-50-10A)
- x Disclosures of income tax expense/benefit and income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign (ASC 740-10-50-10B & 740-10-50-22, respectively)
- x Disclosures of income taxes paid (net of refunds received) to each individual jurisdiction in which income taxes paid (net of refunds received) is equal to or greater than 5% of total income taxes paid (net of refunds received) (ASC 740-10-50-23)
- x Qualitative disclosures on tax rate reconciling items (ASC 740-10-50-1A, 740-10-50-11A, 740-10-50-12A(a), & 740-10-50-13)

Ref #	Title	Attachment #
2024-12 (Wil)	Updates to SSAP No. 27	J – Form A

Summary:

During February 2024, it came to NAIC staffs’ attention that SSAP No. 27, Balance Sheet and Credit Risk Disclosures Risk and Financial Instruments with Concentrations of Credit Risks, references FASB Statement No. 105, Disclosure of Information about Financial Instruments with Balance-Sheet (FAS 105) which was superseded by FASB Statement No. 133, Accounting for Derivative Instruments and Hedging (FAS 133). Additionally, NAIC staff noted that the annual statement instructions only provide disclosures for derivative Swaps, Futures, and Options, however the guidance in SSAP No. 27 is intended to be applicable to all derivative instruments and financial instruments, except those specifically carved out in FAS 105 paragraphs 14 and 15.

NAIC staff suggest amending SSAP No. 27 to specifically list the financial instruments excluded from the SSAP rather than referencing FAS 105, which is significantly out of date as it was superseded by FAS 133 prior to the creation of the Accounting Standards Codification which in turn superseded FAS 133. Staff also suggests updating the annual statement instructions to add an “Other” derivatives category and disclosure examples and instructions for non-derivative financial instruments with off-balance sheet credit risks.

Recommendation 2a (c)/MCID 591.7 ((c >>BDC /TT2 1 Tf -1.7 (1.6 i()Tj EMa)4.6 (f -1.7 (ha)9.3 (n r)-3.6 (ng S)15

Ref #	
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Recommendation:

- x Ref #202214: New Market Tax Credits
- x Ref #202413: Update SSAP No. 107 Disclosures

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2024/03SpringNationalMeeting/Meeting/03-2024SAPWGMeetingAgenda.docx>