

Date: 11/22/19

2019 Fall National Meeting
Austin, Texas

ACCOUNTING PRACTICES AND PROCEDURES (E) TASK FORCE

Sunday, December 8, 2019

10:00 – 11:00 a.m.

JW Marriott Austin—Lone Star Ballroom DE—Level 3

ROLL CALL

Kent Sullivan, Chair	Texas	Steve Kelley	Minnesota
Jeff Rude, Vice Chair	Wyoming	Mike Chaney	Mississippi
Jim L. Ridling	Alabama	Chlora Lindley-Myers	Missouri
Lori K. Wing-Heier	Alaska	Bruce R. Ramge	Nebraska
Elizabeth Perri	American Samoa	John Elias	New Hampshire
Allen W. Kerr	Arkansas	Marlene Caride	New Jersey
Ricardo Lara	California	John G. Franchini	New Mexico
Andrew N. Mais	Connecticut	Linda Lacewell	New York
Trinidad Navarro	Delaware	Mike Causey	North Carolina
Stephen C. Taylor	District of Columbia	Jon Godfread	North Dakota
David Altmaier	Florida	Jillian Froment	Ohio
Dafne M. Shimizu	Guam	Glen Mulready	Oklahoma
Colin M. Hayashida	Hawaii	Jessica Altman	Pennsylvania
Dean L. Cameron	Idaho	Elizabeth Kelleher Dwyer	Rhode Island
Stephen W. Robertson	Indiana	Larry Deiter	South Dakota
Doug Ommen	Iowa	Hodgen Mainda	Tennessee
Vicki Schmidt	Kansas	Todd E. Kiser	Utah
Nancy G. Atkins	Kentucky	Michael S. Pieciak	Vermont
James J. Donelon	Louisiana	Scott A. White	Virginia
Eric A. Cioppa	Maine	Mike Kreidler	Washington
Gary Anderson	Massachusetts	James A. Dodrill	West Virginia
Anita G. Fox	Michigan	Mark Afable	Wisconsin

NAIC Support Staff: Robin Marcotte

AGENDA

1. Consider Adoption of its Minutes—*Jamie Walker (TX)*
 - a. Aug. 22 Attachment One
 - b. Summer National Meeting Attachment Two

2. Consider Adoption of its Working Group Reports—*Jamie Walker (TX)*
 - a. Statutory Accounting Principles (E) Working Group—*Dale Bruggeman (OH)* Attachment Three*
 - b. Blanks (E) Working Group—*Jake Garn (UT)* Attachment Four

3. Discuss Any Other Matters Brought Before the Task Force—*Jamie Walker (TX)*

4. Adjournment

* Attachment Three will be posted during the National Meeting when available.

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Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
12/8/19

Draft: 9/5/19

Accounting Practices and Procedures (E) Task Force
Conference Call
August 22, 2019

The Accounting Practices and Procedures (E) Task Force met via conference call, Aug. 22, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Jamie Walker (TX); Jeff Rude, Vice Chair, represented by Linda Johnson (WY); Jim L. Ridling represented by Richard Ford and Sheila Travis (AL); Allen W. Kerr represented by Mel Anderson (AR); Ricardo Lara represented by Kim Hudson and Susan Bernard (CA); Andrew N. Mais represented by William Arfanis and Wanchin Chou (CT); Trinidad Navarro represented by Tom Hudson and Rylynn Brown (DE); David Altmaier represented by Robert Ridenour (FL); Dafne M. Shimizu represented by Alice Cruz (GU); Doug Ommen represented by Daniel Mathis and Jim Armstrong (IA); Stephen W. Robertson represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Nancy G. Atkins represented by Sandy Batts (KY); James J. Donelon represented by Rich Piazza and Stewart Guerin (LA); Gary Anderson represented by John Turchi (MA); Eric A. Cioppa represented by Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Steve Kelley represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Debbie Doggett (MO); Mike Chaney represented by David Browning (MS); Jon Godfread represented by Matt Fischer (ND); Bruce R. Ramage represented by Justin Schrader and Lindsay Crawford (NE); John Elias represented by Doug Bartlett and Patricia Gosselin (NH); Marlene Caride represented by Steve Kerner (NJ); John G. Franchini represented by Leatrice Geckler (NM); Linda A. Laceywell represented by Christine Gralton (NY); Jillian Froment represented by Dale Bruggeman (OH); Glen Mulready represented by Joel Sander (OK); Jessica Altman represented by Joe DiMemmo (PA); Larry Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Hui Wattanaskolpant (TN); Todd E. Kiser represented by Jake Garn (UT); Scott A. White represented by David Smith and Doug Stolte (VA); Mark Afable represented by Amy Malm (WI); and James A. Dodrill represented by Jamie Taylor (WV).

1. Adopted its 2020 Proposed Charges

Ms. Walker directed the Task Force to the 2020 proposed charges of the Task Force and its working groups which were exposed at the Summer National Meeting. Robin Marcotte (NAIC) stated that the charges of Blanks (E) Working Group and the Task Force are proposed to remain unchanged. She stated that three of the Statutory Accounting Principles (E) Working Group charges, which were recommended to the Financial Condition (E) Committee by the Variable Annuities Issues (E) Working Group, are proposed for deletion. She stated that one of the charges proposed for deletion was completed with the adoption of *Statement of Statutory Accounting Principle (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees* effective Jan. 1, 2020, with early adoption Jan. 1, 2019, permitted. She stated that a second charge to develop a change in valuation basis guidance for the implementation of the Variable Annuities (VA) Framework was completed with the change in valuation basis guidance, which was added to *SSAP No. 51R—Life Contracts*, which specifically notes *Actuarial Guideline XLIII—CARVM for Variable Annuities* (AG 43).

Ms. Marcotte stated that the Statutory Accounting Principles (E) Working Group has recommended to the Task Force that the charge to develop a model guideline to exceed state investment limitations for hedges be deleted. She stated that after a review of annual statement information on the extent of derivative investments, the Working Group does not believe such a model guideline is necessary. She stated that no comments were received by the Task Force on the exposed charges; therefore, the exposed charges are recommended for adoption.

Mr. Garn made a motion, seconded by Mr. Bruggeman, to adopt the Task Force's 2020 proposed charges (Attachment One-A). The motion passed unanimously.

2. Adopted the Report of the Blanks (E) Working Group Except for Agenda Item 2019-20BWG

Mr. Garn stated that the Blanks (E) Working Group met Aug. 20. He stated that the Working Group adopted its July 2 and June 24 minutes (Note that the actions from those meetings were adopted by the Task Force at the Summer National Meeting). He stated that the Working Group adopted the following two previously exposed proposals:

- a. 2019-18BWG – Add an NAIC Designation Modifier to the “NAIC Designation” column for Schedule D, Schedule DL and Schedule BA to accommodate the NAIC Designation Category granularity framework adopted by the

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
12/8/19

Valuation of Securities (E) Task Force with an annual 2020 effective date.

- b. 2019-20BWG – Add “Qualification Documentation” to the Property and Casualty Actuarial Opinion instructions, as requested by the Casualty Actuarial and Statistical (C) Task Force and the Executive (EX) Committee, requiring the Appointed Actuary to maintain workpapers explaining how the actuary meets the definition of “Qualified Actuary.” The proposal provides a new objective definition of “Qualified Actuary” and the results of an assessment of actuarial educational syllabi in an “Accepted Actuarial Designation” section. The changes of the Task Force were adopted on June 11, and the additional changes were adopted by the Executive (EX) Committee on June 25.

Mr. Garn stated that proposal 2019-19BWG on unaffiliated certificates of deposit was withdrawn to allow NAIC staff to work with industry on a new proposal in the future. He said the Working Group deferred revisions to its procedures to allow for future discussion.

Mr. Garn said the Working Group exposed three proposals for a public comment period ending Oct. 8, and it adopted the editorial listing.

Mr. Garn stated that agenda item 2019-20BWG on the actuarial qualifications was adopted, but it was adopted with four no votes and one abstention during the Working Group’s Aug. 20 conference call. Ms. Walker stated that given that proposal 2019-20BWG on the actuarial qualification documentation had a split vote and some discussion during the Working Group’s Aug. 20 call, the Task Force will take a separate vote on that item.

Mr. Garn made a motion, seconded by Mr. Hudson to adopt the report of the Blanks (E) Working Group except for agenda item 2019-20BWG which would have a separate vote (Attachment One-B).

3. Adopted Agenda Item 2019-20BWG

Ms. Walker called on Mr. Piazza, Chief Actuary in Louisiana, to introduce the proposal. Mr. Piazza noted that he previously chaired the Casualty Actuarial and Statistical (C) Task Force for seven years and vice-chaired it for three years. He noted that the proposed change to the Property/Casualty (P/C) Instructions sets forth a workable, objective and principle-based definition of a P/C qualified actuary, and it recognizes the Society of Actuaries’ (SOA) general insurance track, along with the Casualty Actuarial Society (CAS), as meeting the minimum basic education requirement for a qualified actuary.

Mr. Piazza said key elements of the proposal include that it provides guidance developed with a consultant to objectively define the qualified actuary and be transparent about what state insurance regulators want from an appointed actuary. He stated that the role of the appointed actuary is probably the most important role actuaries serve in the state insurance regulator’s eyes. He said state insurance regulators that review reserve adequacy for company solvency in order to protect the interests of their state’s consumers rely heavily upon the accuracy of the appointed actuary’s reserve assessment and information contained in the appointed actuary’s Statement of Actuarial Opinion (SAO). Mr. Piazza said the proposal adds the definition of qualified actuary which retains the CAS designations and adds the SOA general insurance track.

Mr. Piazza said the proposal also adds that the qualification documentation is the primary addition to the instructions. He said the documentation under existing qualification requirements should already exist, and it should not be a burden to any actuary. He stated that the proposal includes what is called qualification documentation, which effectively pulls together an actuary’s resumé and already required continuing education documentation as a workpaper so state insurance regulators can view that information if they wish and companies can use it in their governance review of the appointed actuary.

Mr. Piazza said the proposal has an effective date of year-end 2019, and the effective date was agreed to by all three actuarial organizations. He noted that the proposal has little impact on any actuary currently appointed, and all former Appointed Actuaries remain “qualified” under the new definition, with the only impact being that they have to document their qualifications.

Mr. Piazza then noted that he would be providing background on the project that led to the proposal. He said the project began almost seven years ago with the Casualty Actuarial and Statistical (C) Task Force, and it has been proceeding almost non-stop since then. He said the Task Force was asked to evaluate the SOA’s general insurance track and determine if it should be accepted by state insurance regulators, just as the CAS’s membership is accepted. He stated that both of these organizations

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
12/8/19

have been educating, testing and credentialing actuaries for decades, if not the past century, and both are really good at what they do for the actuarial profession.

Mr. Piazza noted that when the Casualty Actuarial and Statistical (C) Task Force was first asked to determine if the SOA's general insurance track met minimum basic education expectations, there was no established standard to compare an education track against. He said there was some reluctance among the three actuarial organizations to take a direct role in creating an education standard suitable for a minimum basic education evaluation. He said the American Academy of Actuaries (Academy) was asked and declined to undertake the project, though it did say it would change its qualification requirements in accordance with revised instructions from the state insurance regulators. He said that this is why the Task Force took on this task itself.

Mr. Piazza noted that the Casualty Actuarial and Statistical (C) Task Force was a divided group, discussing at least four ways to tackle this task on how to address the SOA's general insurance track with respect to the qualified actuary, but it could not reach an agreement on a path forward. He said after many open discussions, the Task Force requested outside help. He said the request went up to the Property and Casualty Insurance (C) Committee and then up to the Executive (EX) Committee. He said the Executive (EX) Committee first hired a consultant with the goal of evaluating whether any actuarial educational track meets industry standards to produce qualified actuaries.

Mr. Piazza noted that the consultant was asked to guide subject matter experts to define what an appointed actuary should know and do to be an appointed actuary. He said this set the basis for the educational standards developed by expert actuaries and began the work requested by the Executive (EX) Committee to develop an objective qualified actuary definition. He noted that over 30 subject matter experts nominated by the three actuarial organizations to inform the consultant and the entire process. He said this project resulted in the proposal which defines a qualified actuary and recognizes the SOA's track as meeting the minimum basic education requirement.

Mr. Piazza stated that the work starting seven years ago through today has not been performed in a vacuum, and the proposed instruction changes were vetted many times since the beginning of this project. He said in the past year-and-a-half, there were four exposures and one hearing. He noted that input was considered from interested parties, the Casualty Actuarial and Statistical (C) Task Force, and commissioners themselves. He noted that similar to other large, multi-faceted NAIC projects, there was a bit of compromise in the development of the proposal before you, and not all participants in the development process are 100% satisfied with the result. He said there was consensus by the respective groups.

Mr. Piazza stated that the commissioners at different levels discussed this proposal, and policy decisions were made culminating in a request from the Executive (EX) Committee for the Blanks (E) Working Group to implement the proposal before you. The proposal passed from the Blanks (E) Working Group on Aug. 20. He said the proposal clearly meets the Executive (EX) Committee's objective at the start of the project by setting forth a workable, objective and principle-based "qualified actuary" definition that includes both the SOA and CAS basic education tracks found to meet the minimum basic education standard for an appointed actuary.

Mr. Chou noted appreciation for the hard work and time spent on the proposal. He indicated that his remarks were to better serve the actuarial professional for higher professional standards, and to help the insurance industry effectively, the qualified actuary proposal needs to be reviewed more and refined properly. He said it is better to be late than incomplete. He stated that the Academy worked well with volunteers from both the CAS and the SOA to provide professional standards and services for several decades. He noted that while they were not opposed to most of the good work in the proposal, there were concerns that the proposal does not mention that the Academy membership will cause some confusion in three areas.

Mr. Chou noted that excluding the requirement for Academy membership would continue inconsistency for the different annual statement blanks requirements between life, P/C and health. He noted that the P/C annual statement blank mentioned CAS membership only due to aggressive SOA merger talk. He noted that there are unresolved disagreements between the two societies on educational requirements.

Mr. Chou noted that adding a requirement to have Academy membership would not cause an issue with fees in Connecticut as all appointed actuaries are currently Academy members. He said there was not a good justification for the costs and benefits when the Executive (EX) Committee's ad hoc group decided to delete the requirement for Academy membership.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
12/8/19

Mr. Chou said his last point was being provided on behalf of Ralph Blanchard (Travelers) who could not be present during this conference call. He said Mr. Blanchard had concerns that omitting the requirement for Academy membership for actuaries seeking review under the exception process would add liability exposure to the Casualty Practice Council if it is the group to review non-Academy members.

Mr. Chou said the regulation responsibilities of the NAIC and the states are to regulate the insurance companies, not the professional members like actuary, account, etc. He stated that this proposal has set an unnecessary exception and practice. Mr. Bruggeman asked if the proposal includes the recommendations from the Casualty Actuarial and Statistical (C) Task Force and the Executive (EX) Committee's ad hoc group. Mr. Piazza agreed that the proposal was a result of work from both groups. Mr. Bruggeman asked for confirmation that the Blanks (E) Working Group's role is not policy making, but it is a group that determines the implementation of instructions for policies developed by other groups. He asked for confirmation that the Working Group's role is the implementation of policies determined by other NAIC groups. Mr. Hudson, vice chair of the Working Group, and Mr. Garn, chair of the Working Group, both indicated that Mr. Bruggeman was correct regarding the role of the Working Group.

Ms. Walker said the term "NAIC Accepted Actuarial Designation" causes Texas some concerns because of legislative concerns about the incorporation by reference of NAIC requirements. She asked if the proposal provided the flexibility for the commissioner to approve actuaries with different requirements. Kay Noonan (NAIC) noted that her understanding of the proposal sets out a definition of a qualified actuary, but it also includes the ability for the insurance commissioner to approve other actuarial qualifications or requirements. She noted that originally, there was one educational track, but once there were two tracks, it was necessary to evaluate to ensure that both met minimum qualifications. Ms. Noonan stated that while this proposal was being developed, having NAIC in the title of the term did not receive much discussion that she was aware of. She noted that the NAIC was not necessary to the term name. She noted that the state insurance regulators would apply the standard and have the ability to accept a different actuarial educational track. Ms. Walker asked if modifying the term name would cause any concerns. Ms. Noonan stated the instructions include the requirements, and the terminology name would not change the requirements.

Mr. Chou asked if the Casualty Actuarial and Statistical (C) Task Force could consider a future discussion on the topic of the actuarial qualification instructions and the groups. Mr. Piazza noted that discussion on the requirements could occur with the Casualty Actuarial and Statistical (C) Task Force in the future if determined necessary. Mr. Piazza noted that he did not expect the Executive (EX) Committee's ad hoc group to necessarily be involved in the future as the primary project that involved the Executive (EX) Committee would be complete. Ms. Noonan agreed that the Executive (EX) Committee was involved because of the request for assistance and the request to hire a supervisor. She noted that if the Task Force believes there are issues that need to be addressed in the future, the discussion would start at the Task Force, and it would not typically involve the Executive (EX) Committee unless there was a request for assistance. Ms. Walker asked Mr. Piazza if a technical change to the name of the term from "NAIC Accepted Actuarial Designation" to "Accepted Actuarial Designation" would be of concern. Mr. Piazza and Mr. Wattanaskolpant agreed that the technical change to the terminology name would not be a concern as it would not change the content.

Ms. Walker said to Mr. Chou that she did not view the role of the Accounting Practices and Procedures (E) Task Force to override the policy decisions that had been discussed by the Casualty Actuarial and Statistical (C) Task Force and the Executive (EX) Committee to not include the Academy membership requirements. She said harking back to Mr. Bruggeman's comments, she did not believe that the role of the Task Force was to override policy decisions that had been thoroughly discussed by other groups. Mr. Chou thanked Ms. Walker and noted that he would report back regarding the discussion that the issues he raised were of a policy nature rather than a technical change.

Craig Hanna (Academy) stated that the Academy noted that it fully supported the comments from Connecticut. He noted agreement that this time was not the appropriate avenue, but at the appropriate time, the Academy would further pursue the inconsistencies in the different annual statement type requirements.

Mr. Piazza made a motion, seconded by Mr. Wattanaskolpant to adopt agenda item 2019-20BWG (Attachment One-C) with the minor revision suggested by Texas, to modify the proposal to change the name of the term in the proposal from "NAIC Accepted Actuarial Designation" to "Accepted Actuarial Designation." The motion passed with Connecticut and Missouri opposed.

Draft Pending Adoption

Attachment One
Accounting Practices and Procedures (E) Task Force
12/8/19

4. Discussed Other Matters

Ms. Walker announced that the Accounting Practices and Procedures (E) Task Force report will be discussed via conference call by the Financial Condition (E) Committee on Aug. 29.

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

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Draft: 8/13/19

Accounting Practices and Procedures (E) Task Force
New York, New York
August 4, 2019

The Accounting Practices and Procedures (E) Task Force met in New York, NY, Aug. 3, 2019. The following Task Force members participated: Kent Sullivan, Chair, represented by Jamie Walker (TX); Jeff Rude, Vice Chair, represented by Linda Johnson (WY); Lori K. Wing-Heier represented by David Phifer (AK); Jim L. Ridling represented by Richard Ford (AL); Allen W. Kerr represented by Mel Anderson (AR); Ricardo Lara represented by Kim Hudson and Susan Bernard (CA); Andrew N. Mais represented by William Arfanis (CT); Stephen C. Taylor represented by N. Kevin Brown (DC); Trinidad Navarro represented by Rylynn Brown (DE); David Altmaier represented by Carolyn Morgan (FL); Dafne M. Shimizu represented by Alice Cruz (GU); Colin M. Hayashida (HI); Doug Ommen represented by Carrie Mears (IA); Stephen W. Robertson represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); James J. Donelon represented by Caroline Fletcher and Stewart Guerin (LA); Gary Anderson represented by James A. McCarthy (MA); Eric A. Cioppa represented by Vanessa Sullivan (ME); Anita G. Fox represented by Judy Weaver (MI); Steve Kelley represented by Kathleen Orth (MN); Chlora Lindley-Myers represented by Debbie Doggett (MO); Mike Chaney represented David Browning (MS); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Colton Schulz (ND); Bruce R. Ramage represented by Justin Schrader (NE); John Elias represented by Doug Bartlett and Patricia Gosselin (NH); Marlene Caride represented by John Sirovetz (NJ); Linda A. Lacewell represented by Marshal Bozzo (NY); Jillian Froment represented by Dale Bruggeman (OH); Glen Mulready represented by Joel Sander (OK); Jessica Altman represented by Kimberly Rankin (PA); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Larry Deiter represented by Johanna Nickelson (SD); Carter Lawrence represented by Trey Hancock (TN); Todd E. Kiser represented by Jake Garn (UT); Scott A. White represented by Doug Stolte (VA); Michael S. Pieciak represented by Karen Ducharme (VT); Mike Kreidler represented by Patrick McNaughton (WA); Mark Afable represented by Amy Malm (WI); and James A. Dodrill represented by Greg Elam (WV).

1. Adopted its Spring National Meeting Minutes

Ms. Walker directed the Task Force to its 2019 Spring National Meeting minutes, which were previously distributed.

Mr. Hudson made a motion, seconded by Ms. Orth, to adopt the Task Force's April 7, 2019, minutes (*see NAIC Proceedings – Spring 2019, Accounting Practices and Procedures (E) Task Force*). The motion passed unanimously.

2. Exposed its 2020 Proposed Charges

Ms. Walker directed the Task Force to the 2020 proposed charges of the Task Force and its working groups. She stated that the Blanks (E) Working Group and the Task Force charges are proposed to remain unchanged. She stated that three of the Statutory Accounting Principles (E) Working Group charges, which were recommended to the Financial Condition (E) Committee by the Variable Annuities Issues (E) Working Group, are proposed for deletion. She stated that one of the charges proposed for deletion was completed with the adoption of *Statement of Statutory Accounting Principle (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees* effective Jan. 1, 2020 with early adoption Jan. 1, 2019 permitted. She stated that a second charge to develop change in valuation basis guidance for the implementation of the Variable Annuities Framework was completed with the change in valuation basis guidance, which was added to in *SSAP No. 51R—Life Contracts*, which specifically notes *Actuarial Guideline XLIII—CARVM for Variable Annuities* (AG 43).

Ms. Walker stated that the Statutory Accounting Principles (E) Working Group has recommended to the Task Force that the charge to develop a model guideline to exceed state investment limitations for hedges be deleted. She stated that after a review of annual statement information on the extent of derivative investments, the Working Group does not believe such a model guideline is necessary.

Robin Marcotte (NAIC) stated the Statutory Accounting Principles (E) Working Group had a short discussion about this charge on Aug. 3. She stated that this charge is presumably a request to draft a guideline for exceeding the *Investments of Insurers Model Act (Defined Limits Version)* (#280), which is only adopted by nine jurisdictions. She stated that Model #280 has a derivatives limit of 7.5% of assets. She stated that after reviewing 2018 data from general interrogatories 21–23, the reporting entities currently in excess of the 7.5% of assets are not in jurisdictions which have Model #280. Only five companies from three different groups are above the Model #280 limit. For these reasons, the Working Group recommends to the Task Force that developing a guideline is unnecessary.

Draft Pending Adoption

Attachment Two

Ms. Malm made a motion, seconded by Ms. Weaver, to expose the 2020 proposed charges of the Task Force for a 15-day public comment period ending Aug. 19 at noon CST. The motion passed unanimously.

3. Adopted the Report of the Statutory Accounting Principles (E) Working Group

Mr. Bruggeman provided the Aug. 3 report of the Statutory Accounting Principles (E) Working Group. Mr. Bruggeman stated that the Working Group adopted its May 29 minutes, which included adoption of three nonsubstantive agenda items and exposure of one nonsubstantive agenda item, as well as its Spring National Meeting minutes. Nonsubstantive items adopted on May 29 include:

- a. Revisions provide guidance for determining prepayment penalties when bonds are called for less than par.
- b. Revisions direct the initial reported value for a bond received as a property dividend or as a capital contribution.
- c. Revisions reduce the disclosure requirements for repurchase and reverse repurchase transactions.

Mr. Bruggeman stated that the Working Group adopted the following substantive revisions to statutory accounting guidance:

- a. *SSAP No. 22—Leases* and corresponding *Issue Paper No. 161—Leases* to incorporate guidance from *Accounting Standards Update (ASU) 2016-02, Leases*, but maintain the operating lease concept, effective Jan. 1, 2020, with early adoption permitted.
- b. *Issue Paper 162—Property and Casualty Reinsurance Credit* to document for historical purposes the revisions related to *SSAP No. 62R—Property and Casualty Reinsurance*.

Mr. Bruggeman stated that the Working Group adopted the following nonsubstantive revisions to statutory accounting guidance:

- a. Revisions to reject *ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts*.
- b. Revisions clarify that an investment captured in scope of another SSAP does not automatically become a collateral loan because it is also secured with collateral.
- c. Revisions clarify the application of an “affiliated” classification, when a transaction is in substance a related party transaction, even if the transaction is conducted through a non-related intermediary.
- d. Revisions clarify the scope of mortgage loans and clarify the requirements for participation agreements.
- e. Revisions require securities with differing NAIC designations by lot to be reported in aggregate at the worst NAIC designation or separately by lot.
- f. Revisions clarify that Nov. 2018 updates to SSAP No. 62R apply to contracts in effect as of Jan. 1, 2019.
- g. Revisions to the *SSAP No. 101—Income Taxes Implementation Q&A* provide updates in response to the federal Tax Cuts and Jobs Act of 2017 (TCJA).
- h. Revisions to the *SSAP No. 101 Implementation Q&A* clarify the application of the deferred tax admittance calculation regarding offsetting deferred tax liabilities.
- i. Revisions reject as not applicable *ASU 2015-08, Pushdown Accounting – Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115*.
- j. Revisions reject as not applicable *ASU 2019-02, Entertainment, Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Financial Accounting Standards Board (FASB) Emerging Issues Task Force)*.
- k. Adopted editorial revisions to:
 1. SSAP No. 62R: Updated Exhibit D – Illustration of Asbestos and Pollution Counterparty Reporting Exception to match the current format of Property and Casualty Annual Statement Schedule F.

2. Updated paragraph references to Schedule F, Part 8 to reference the current section of Property and Casualty Annual Statement Schedule F, Part 3.
3. Deleted the paragraph in *SSAP No. 84—Health Care and Government Insured Plan Receivables* duplicating *SSAP No. 4—Assets and Nonadmitted Assets*.
4. Updated language in the weather derivative exhibit to eliminate “proposed” wording.
5. Updated the footnote regarding investments that are excluded from the wash sale disclosure.

Mr. Bruggeman stated that the Working Group exposed a substantive Issue Paper to revise the definitions, measurement guidance and impairment guidance for preferred stock.

Mr. Bruggeman stated that the Working Group exposed the following nonsubstantive revisions to statutory accounting guidance:

- a. Revisions incorporate additional principle concepts in classifying investments as cash equivalents or short-term investments to prevent the “rolling” of certain investments.
- b. Revisions require a financial commitment or guarantee for a subsidiary, controlled or affiliated (SCA) entity to be recognized as a noncontingent guarantee liability.
- c. Revisions exclude collateralized fund obligations, and similar structures that reflect underlying equity interests, from the scope loan-backed and structured securities. The revisions also prevent existing equity assets from being repackaged as securitizations and reported as long-term bonds.
- d. Exposure requests additional comments, with referrals to the Financial Stability (EX) Task Force and the Life Actuarial (A) Task Force, on the reporting of insurance contracts that do not have mortality or morbidity risk.
- e. Revisions provide guidance clarifying reporting of prepayments to providers of claims and adjusting services, noting that the liabilities are not recognized as paid until the losses are paid to claimants or claims are adjusted.
- f. Revisions to *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance* disclosure and revisions that expand the *Appendix A-791, Life and Health Reinsurance* (Appendix A-791) question-and-answer section regarding the applicability of Appendix A-791, treatment of contracts subject to the medical loss ratio (MLR), and question-and-answer regarding the treatment of group term life yearly renewable term (YRT) agreement.
- g. Revisions assess *ASU 2014-17, Business Combinations – Pushdown Accounting* for statutory accounting with a request for comments on whether pushdown shall be rejected, permitted for noninsurance entities or permitted only for U.S. Securities and Exchange Commission (SEC) registrants. Revisions that goodwill from a reporting entity’s acquisition of an SCA when pushdown is applied is subject to the goodwill admittance limitation.
- h. Revisions reject *ASU 2019-06, Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*
- i. Revisions clarify levelized commissions guidance and provide clarifications on commissions that are based on policy persistency. The revisions note commission expense is accrued based on experience to date.
- j. Re-exposed revisions clarifying that “other” derivatives not used in hedging, income generation or replication shall be reported at fair value and do not qualify as admitted assets.
- k. Revisions require assignment of purchase price and goodwill to entities within downstream holding companies with disclosure of the allocation of goodwill.
- l. Revisions clarify that if an unalleviated going concern is noted in the audited financial statements or audit opinion, the SCA shall be nonadmitted.
- m. Revisions reject *ASU 2019-05, Targeted Transition Relief* for statutory accounting.
- n. Revisions clarify that only wash sales that cross reporting period-end dates are subject to the wash sale disclosure.

Draft Pending Adoption

Attachment Two

- o. Revisions clarify what should be captured in Supplemental Investment Risk Interrogatory *Line 13: 10 Largest Equity Interests*, noting that a look-through should only occur for non-diversified funds. The revisions also exclude Securities Valuation Office (SVO)-Identified Bond Exchange-Traded Funds (ETFs) and SVO-Identified investments with underlying characteristics of fixed-income investments from this equity listing.
- p. Revisions to *Appendix A-785, Credit for Reinsurance* adopted to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786) related to the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (Covered Agreement).
- q. Revisions reject *ASU 2019-03, Updating the Definition of Collections*.
- r. Revisions reject *ASU 2019-31, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.
- s. Exposed editorial revisions to statutory accounting.

Mr. Bruggeman stated that the Working Group disposed agenda item 2019-13, Clarification of a Look-Through Approach without revisions. He noted that the Working Group also directed an agenda item as a more-than-one downstream holding company look-through is permitted if all entities meet the criteria.

Mr. Bruggeman noted that the Working Group received an update on the following projects and referrals:

- a. Received a referral from the Valuation of Securities (E) Task Force on *SSAP No. 105—Working Capital Finance Investments* and directed NAIC staff to proceed with drafting revisions for subsequent exposure.
- b. Received an update on surplus note accounting, noting that the Working Group will sponsor a data call to receive additional information on the use of linked surplus notes. NAIC staff were directed to work to finalize the components for the data call and to prepare proposed disclosures for data-capture in 2020.
- c. Received an update that the FASB is considering an extension of the effective date of *ASU 2016-13: Credit Losses* and directed NAIC staff to continue monitoring the discussions.
- d. Received a comment letter from the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries (Academy) regarding potential ambiguity in SSAP No. 62R regarding transfers of portfolio retroactive reinsurance that is accounted for as affiliated prospective reinsurance and directed NAIC staff to work on developing examples.
- e. Received an update on the *Accounting Practices and Procedures Manual* (AP&P Manual) reserve process, noting that the deadline to reserve a printed version of the “As of 2020” AP&P Manual is Dec. 13, 2019.
- f. Received a request from the Life Actuarial (A) Task Force to coordinate the AP&P Manual and *Valuation Manual* guidance regarding modeling of YRT reinsurance cashflows and directed NAIC staff to assist in the coordination process in developing recommendations for Working Group review.
- g. Reviewed the Working Group’s charges, noting that the Working Group would recommend to the Accounting Practices and Procedures (E) Task Force to delete the charge for 2020 to develop a model guideline to exceed state investment limitations for hedges. Per a review of annual statement information on the extent of derivative investments, the Working Group does not believe this model guideline is necessary.
- h. No comments on current U.S. generally accepted accounting principles (GAAP) exposures are planned by the Working Group.

Mr. Bruggeman stated that the comment deadline for new and exposed items is Oct. 11.

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

4. Adopted the Report of the Blanks (E) Working Group

Mr. Garn provided the report of the Blanks (E) Working Group which met the via e-vote July 2 and conference call June 24. Mr. Garn stated that during its July 2 e-vote, the Working Group exposed proposal 2019-20BWG, which includes changes to the Property and Casualty Actuarial Opinion sponsored by the Casualty Actuarial (C) Task Force. He stated that the e-vote received a two-third majority as referenced in the Blanks (E) Working Group procedures.

Mr. Garn stated that during its June 24 conference call, the Working Group adopted its Spring National Meeting minutes and adopted 16 proposals previously exposed:

- a. 2019-02BWG – For the VM-20 Reserves Supplement, Part 1, match the title under Part 1 to the title used in the blank. Add instructions to clarify the line reporting. Add clarifying column instructions to indicate that the due and deferred premium asset should be reported in accordance with VM-20, Requirements for Principle-Based Reserves for Life Products.
- b. 2019-03BWG – Add an NAIC Designation column for use with mutual funds to the annual Schedule D, Part 2, Section 2 and modify the instructions to reflect the addition. Modify the instructions for the NAIC Designation and Administrative Symbol column for the quarterly Schedule D, Part 3 and Part 4 to reflect capturing designations for mutual funds.
- c. 2019-04BWG – Remove the reference to “life and fraternal only” for Schedule BA General Instructions regarding investments that have the underlying characteristics of bonds or fixed instruments. Also remove the instructions reference for Schedule BA regarding the CUSIP Identification column and the NAIC Designation column. Add additional lines to the “Fixed or Variable Interest Rate Investments that Have the Underlying Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument” and “Joint Ventures or Partnership Interests for Which the Primary Underlying Investments are Considered to Be Fixed Income Instruments” categories to distinguish between those reviewed and approved by the SVO and those that have not.
- d. 2019-05BWG – Add new instructions and illustration (to be data-captured) to Note 21, Other Items for life policies where the reporting entity is owner and beneficiary or has otherwise obtained rights to control the policy. The new disclosure will be Note 21I for life/fraternal and health and Note 21H for property and title.
- e. 2019-06BWG – Add a reference for structured settlements acquired by a reporting entity as an investment (where the company has acquired the legal right to receive payments) to the Schedule BA General Instructions in the “any other class of assets” definition.
- f. 2019-07BWG – Modify the instructions for Note 20, Fair Value to reflect changes adopted for *SSAP No. 100R—Fair Value*. These changes reflect disclosure modifications adopted from U.S. GAAP (ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement). The revisions do not change any of the disclosure templates.
- g. 2019-08BWG – Modify the instructions for Note 12, Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans to reflect changes adopted for *SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions*.
- h. 2019-09BWG – Add a reference to include mortgage-referenced securities in the “U.S. Special Revenue and Special Assessment Obligations and All Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions” category in the Investment Schedules General Instructions. Also delete Note 5O, Structured Notes, and modify the bond characteristics definition for Schedule D, Part 1.
- i. 2019-10BWG – Add instructions for determining the gain (loss) reported in column 18 and the prepayment penalty and/or acceleration fee amount in column 20 on Schedule D, Parts 4 and 5 for called bonds where consideration received is less than par.
- j. 2019-11BWG – Modify the instructions and table illustrations for Note 5F, Note 5G, Note 5H and Note 5I to reflect changes to *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. In addition, the formatting of some tables in the illustrations were changed to fit on the page.
- k. 2019-12BWG – Add a code for foreign mutual funds to Schedule D, Part 2, Section 2, Column 3. Add instruction for foreign open-end investment funds to be included as mutual funds in the Investment Schedules General Instructions.

Draft Pending Adoption

Attachment Two

- l. 2019-13BWG – Modify the instructions for question 2 of the Supplemental Investment Risks Interrogatories to exclude diversified foreign mutual funds. Add disclosure of the top 10 fund managers.
- m. 2019-14BWG – Modify the instructions and illustration for Note 8, Derivatives for disclosures adopted by *SSAP No. 108—Derivatives Hedging Variable Annuity Guarantees*. Add categories for variable annuity guarantees to the instructions for Schedule DB, Part A and Part B. Add an instruction and blank page for Schedule DB, Part E. Modify the instructions for the details of write-in for Line 25 of the asset page, as well as Line 25 and Line 34 of the life/fraternal liability page.
- n. 2019-15BWG – Modify the instructions for the Actual Cost column for Schedule D (Part 1, Part 3, Part 4 and Part 5) and Schedule DA to provide guidance for bonds that are received as a property dividend or capital contribution.
- o. 2019-16BWG – Add new column “YRT Mortality Risk Only” to the Analysis of Operations by Lines of Business (Summary, Individual Life and Group Life) and Analysis of Increase in Reserves During Year (Individual Life and Group Life) blank pages and instructions for YRT reinsurance business where the only risk included is mortality.
- p. 2019-17BWG – Add two new lines for affiliated bank loans to the parent, subsidiaries and affiliates category, and modify the existing lines for bank loans to reference unaffiliated for Schedule D, Part 1; Schedule DA; Schedule DL, Parts 1 and 2; and Schedule E, Part 2. The subtotal line for bank loans under the total bond category will be the sum of the affiliated and unaffiliated lines.

Mr. Garn stated that proposal 2019-01BWG died for lack of motion. He noted that this proposal was to add interrogatory question (28.0599 – annual and 17.5099 – quarterly) to General Interrogatories, Part 1 regarding total percent of assets reported on Lines 1, 2 and 5 of the Asset page managed by unaffiliated individuals/firms. He also noted that the word “invested” is added to annual lines 28.0597 and 28.0598 and quarterly lines 17.5097 and 17.5098 description to clarify the intent was invested assets.

Mr. Garn stated that during its June 24 conference call, the Working Group also exposed two new proposals and the revised Working Group procedures for a public comment period ending July 24, and adopted the Working Group editorial listing. Mr. Garn noted that the Working Group plans to meet via conference call on Aug. 20.

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. Discussed Other Matters

Ms. Walker announced that the Task Force plans to meet via conference call on Aug. 22. The items planned for discussion are to review the charges for possible adoption and to receive the report of the Blanks (E) Working Group from its Aug. 20 conference call. She noted that the relatively short turnaround between the meetings is so that any blanks revisions that are adopted can be finalized for the software vendors in a timely manner.

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

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Attachment Three
(pending)

Report of the
Statutory Accounting Principles
(E) Working Group

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Draft: 10/30/19

Blanks (E) Working Group
Conference Call
October 22, 2019

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met via conference call Oct. 22, 2019. The following Working Group members participated: Jake Garn, Chair (UT); Kim Hudson, Vice Chair (CA); Michael Estabrook (CT); N. Kevin Brown (DC); Adrienne Lupo (DE); Carolyn Morgan, Jason Reynolds and Robert Ridenour (FL); Daniel Mathis (IA); Roy Eft (IN); Dan Schaefer (MI); Debbie Doggett (MO); Lindsay Crawford (NE); Patricia Gosselin (NH); Amal Mechaiel (NJ); Dale Bruggeman and Tracy Snow (OH); Joel Sander (OK); Greg Lathrop (OR); Joe DiMemmo (PA); Hui Wattanaskolpant (TN); Shawn Frederick (TX); Steve Drutz and Patrick McNaughton (WA); Randy Milquet (WI); and Justin Parr (WV).

1. Adopted its Sept. 5 and Aug. 20 Minutes

The Working Group conducted an e-vote that concluded Sept. 5 to expose proposal 2019-24BWG, which requests the addition of a life experience data conduct to the electronic Jurat page for life/fraternal company filers only with an effective date for first quarter 2020. During its Aug. 20 meeting, the Working Group took the following action: 1) adopted its July 2 and June 24 minutes; 2) adopted items previously exposed; 3) discussed its procedures; 4) exposed three new items for public comment; and 5) adopted the editorial listing.

Mr. Hudson made a motion, seconded by Mr. Drutz, to adopt the Working Group's Sept. 5 (Attachment Four-A) and Aug. 20 (Attachment Four-B) minutes. The motion passed unanimously.

2. Adopted Items Previously Exposed

- a. For Note 33, Modify the Illustrations to Disclosure Individually Separate Account with Guarantees Products and Separate Account Nonguaranteed Products (2019-21BWG) Effective 12/31/2020

Mr. Garn stated that this proposal breaks out the separate accounts disclosure and related illustration in Note 33 to show the Separate Account with Guarantees products and Separate Account Nonguaranteed products separately. He indicated that there were no interested party comments on this proposal.

Ms. Crawford made a motion, seconded by Mr. Drutz, to adopt the proposal (Attachment Four-C). The motion passed unanimously.

- b. Add a Question Regarding the Executive Summary of the PBR Actuarial Opinion to the Supplemental Exhibits and Schedules Interrogatories (2019-22BWG) Effective 12/31/2020

Jennifer Frasier (NAIC) stated that this proposal is sponsored by the Life Actuarial (A) Task Force, with an annual 2020 effective date. It adds a question to the Supplemental Exhibits and Schedules Interrogatories asking if the Executive Summary of the PBR Actuarial Report would be filed with the state of domicile by April 1.

Mr. Hudson made a motion, seconded by Ms. Gosselin, to adopt the proposal (Attachment Four-D). The motion passed unanimously.

- c. Modify the Instructions and Illustration for Note 8 – Derivatives for Disclosures Adopted by SSAP No. 108. Add Instructions and a Blanks Page for Schedule DB, Part E, to the Quarterly Statement (2019-23BWG) Effective 1/1/2020

Mr. Bruggeman stated that this proposal pertains to *Statement of Statutory Accounting Principles (SSAP) No. 108—Derivatives Hedging Variable Annuity Guarantees*. When the annual proposal was adopted in June with proposal 2019-14BWG, the quarterly disclosure was not included. At the Summer National Meeting, it was noted, and the interested parties agreed, that the intent of the Statutory Accounting Principles (E) Working Group change was to capture a quarterly disclosure as well. This agenda item, which was exposed in August, adds that quarterly 2020 disclosure. There was a minor column reference modification, which should be included as a friendly amendment.

Mr. Bruggeman made a motion, seconded by Ms. Gosselin, to adopt the proposal, including the column reference modification as a friendly amendment (Attachment Four-E). The motion passed unanimously.

- d. Add a Life Experience Data Contact to the Electronic Jurat Page for Life/Fraternal Companies Only. Health, Property and Title are Included in the Proposal Due to the Jurat Instructions Being Uniform for all Statement Types (2019-24BWG) Effective 1/1/2020

Ms. Frasier stated that the purpose of this proposal is that under the *Standard Valuation Law* (#820) and supporting *Valuation Manual* included in each state's laws, the NAIC serves as the data collection agent for various studies of data (e.g., mortality experience data). NAIC staff need a contact person from each legal entity life insurance company to facilitate communication regarding these data studies and submission of the data to the NAIC. This company contact should be filed in the electronic-only Jurat and will not be included on the hard copy/portable document format (PDF) Jurat. Interested parties had no comments other than the timing of the request.

Mr. Hudson made a motion, seconded by Mr. Milquet, to adopt the proposal (Attachment Four-F). The motion passed unanimously.

3. Exposed its Procedures

Mr. Garn stated there are several pending issues with regards to the Blanks (E) Working Group procedures. He stated that there has been discussion with the software vendors regarding the changes within the Blanks (E) Working Group procedures document. He stated that during the discussions, for the most part, the vendor software representatives were in favor of the changes. John Bauer (Prudential Financial) stated that while interested parties are in favor of the need for the procedure changes, they would like additional time to review the time frames. He indicated that interested parties would prefer to hold one in-person meeting at one of the NAIC national meetings and to incorporate that language within the procedures document. Connie Woodroof (Sapiens) indicated that while she agrees with the proposed time frames, she wants to encourage state insurance regulators and interested parties to have proposals and comments in early. This way, the proposals should be able to be processed within the given time frames and not have so many last-minute issues. She encouraged everyone to follow related working group and task force projects to be informed of possible impacts to the blanks and instructions. These issues could then be discussed during a Blanks (E) Working Group meeting to get a head start on the issues where possible.

Ms. Caswell confirmed that approval had been obtained to allow the Blanks (E) Working Group time on the 2020 NAIC Spring National Meeting agenda. She also suggested a minor revision to the current edited version of the procedures. The "parent groups" should be defined to include groups above the Blanks (E) Working Group in the statutory hierarchy. This would include the Statutory Accounting Principles (E) Working Group. With the significant amount of changes from the previous exposure, Mr. Garn indicated that there should be another 30-day exposure period to receive comments.

Mr. Drutz made a motion, seconded by Mr. Lathrop, to expose the procedures for a public comment period ending Nov. 22. The motion passed unanimously.

4. Exposed New Items

- a. Modify the Instructions for Column 10, Schedule F, Part 3 – Property and Schedule F, Part 2 – Life/Fraternal Workers' Compensation Carve-Out Supplement, Removing Instructions to Exclude Adjusting Other Reserves from the Column. Add Instructions to Include Those with the Defense and Cost Containment Reserves. Add a New Instruction for Column 12 for the Same Schedules. Add Crosschecks to Schedule P, Part 1 (2019-25BWG)

Mr. Snow stated that this proposal modifies the instructions for column 10 in the Property Schedule F, Part 3, Ceded Reinsurance, and Schedule F Part 2 for the Workers' Compensation Carve-out Supplement, Schedule F, Part 2 in the Life/Fraternal statement removing the "exclude" instructions for adjusting other reserves from that column. The proposal adds instructions to include the defense and cost containment reserves in column 10. It adds a new instruction for column 12 for each of those schedules for the "IBNR LAE Reserves" column to include defense and cost containment and adjusting and other expenses consistent with that reported in Schedule P, Part 1.

Mr. Hudson made a motion, seconded by Ms. Crawford, to expose the proposal for a public comment period ending Nov. 22. The motion passed unanimously.

- b. Add Instructions and Crosschecks for Line 34 on the Analysis of Operations by Lines of Business – Summary. Add Instructions for Column 5 – Indexed Life on the Analysis of Operations by Lines of Business – Individual Life. Add Clarifying Instructions to the Analysis of Operations by Lines of Business for Individual Life and Group Life Regarding Reporting Consistent with Policy Type Language in the Contract and Reporting of Policies Issued with Secondary Guarantees That Have Expired (2019-26BWG)

Mr. Garn stated that this proposal adds instructions and crosschecks for line 34 on the Analysis of Operations by Lines of Business – Summary. It adds instructions for column 5, Indexed Life on the Analysis of Operations by Lines of Business for individual life. It adds clarifying instructions to the Analysis of Operations by Lines of Business for individual life and group life indicating that the reporting should be consistent with policy-type language in the contract and reporting of policies issued with secondary guarantees that have expired. He stated that this proposal is to be effective with the annual 2020 filing. There is a guidance document with this language being presented at this meeting, for posting to the NAIC web page to assist companies in reporting the annual 2019 filing.

Ms. Crawford made a motion, seconded by Ms. Gosselin, to expose the proposal for a public comment period ending Nov. 22. The motion passed unanimously.

- c. Remove the Alphabetic Index from Inclusion at the Back of the Annual Statement Blank, Instructions and Blanks (E) Working Group Web page (2019-27BWG)

Mr. Hudson stated that this proposal requests the removal of the alphabetic index from inclusion at the back of the annual statement blank, instructions and the Blanks (E) Working Group web page. Most people now either use the bookmarks in the PDF, the search features in the PDFs, or the table of contents in the front of the blank. Therefore, the alphabetical index is no longer needed.

Mr. Hudson made a motion, seconded by Mr. Drutz, to expose the proposal for a public comment period ending Nov. 22. The motion passed unanimously.

5. Adopted the Editorial Listing

Mr. Hudson made a motion, seconded by Mr. Milquet, to adopt the editorial listing (Attachment Four-G). The motion passed unanimously.

6. Reviewed the State Filing Checklists

Mr. Garn asked the Working Group members and interested parties if there were any issues detected upon review of the State Filing Checklists. Receiving no comments, the members approved the checklists and directed NAIC staff to proceed with posting to the appropriate NAIC web page.

7. Approved Guidance

Mr. Garn asked the Working Group members and interested parties if there were any issues identified with the Analysis of Operations by Lines of Business 2019 instructional clarification guidance document. Receiving no comments, the members approved the guidance document for posting to the Blanks (E) Working Group web page (Attachment Four-H).

8. Discussed Life/Fraternal Blank Statement Cover

Bill Tank (Tank Consulting) asked for clarification as to whether the brown cover would still be used for the fraternal companies filing on the life blank or if they would instead use the blue cover. Ms. Caswell indicated that if both colors cannot appear on the cover, the blue cover should be used by the licensed life filers, and the brown cover should still be used by the licensed fraternal filers that are using the life blank. The reason for retaining the color system is for situations where a state law or regulation might refer to a particular blank color in place of the statement title. The NAIC uses both colors on its blanks and instructions publications.

9. Discussed Other Matters

Mr. Garn asked the Working Group members and industry to be mindful of other groups' work that might affect the annual or quarterly statement blank. As the members or interested parties become aware of potential impacts, those could be reviewed or discussed during future meetings. This could help members and industry prepare for expansive changes, participate in the process and allow more time for vetting of the issue.

Having no further business, the Blanks (E) Working Group adjourned.

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Draft: 9/5/19

Blanks (E) Working Group
E-Vote
September 5, 2019

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force concluded an e-vote on Sept. 5, 2019. The following Working Group members participated: Jake Garn, Chair (UT); Kim Hudson, Vice Chair (CA); Jeffery Bethel (AK); William Arfanis (CT); N. Kevin Brown (DC); Dave Lonchar (DE); Daniel Mathis (IA); Roy Eft (IN); Dan Schaefer (MI); Debbie Doggett (MO); Lindsay Crawford (NE); Steve Kerner (NJ); Tracy Snow (OH); Joel Sander (OK); Ryan Keeling, (OR); Joe DiMemmo (PA); Trey Hancock (TN); Shawn Frederick (TX); Steve Drutz (WA); Jamie Taylor (WV); and Randy Milquet (WI).

1. Considered Exposure of Proposal 2019-24BWG

The Working Group conducted an e-vote to consider exposure of proposal 2019-24BWG sponsored by Mike Boerner (TX) as Chair of the Life Actuarial (A) Task Force with an effective date of first quarter 2020. The proposal proposes the addition of a life experience data contact to the electronic Jurat page for life/fraternal company filers only. Health, Property and Title are included in the proposal due to the Jurat instructions being uniform for all statement types. Under the Standard Valuation Law (SVL) and supporting Valuation Manual (VM) included in each state's laws, NAIC serves as the data collection agent for various studies of data (e.g., mortality experience data). The purpose of this proposal is to allow NAIC staff and regulators to more easily locate a contact person from each legal entity life insurance company to facilitate communication regarding these data studies and submission of the data to the NAIC.

Mr. DiMemmo made a motion, seconded by Mr. Eft, to expose proposal 2019-24BWG for a public comment period ending Oct. 8. The motion passed unanimously by two-thirds of the members present in accordance with the Working Group procedures.

Having no further business, the Blanks (E) Working Group adjourned.

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Draft: 8/29/19

Blanks (E) Working Group
Conference Call
August 20, 2019

The Blanks (E) Working Group of the Accounting Practices and Procedures (E) Task Force met via conference call Aug. 20, 2019. The following Working Group members participated: Jake Garn, Chair (UT); Kim Hudson, Vice Chair, and Susan Bernard (CA); William Arfanis and Wanchin Chou (CT); N. Kevin Brown (DC); Rylynn Brown and Tom Hudson (DE); Virginia Christy and Carolyn Morgan (FL); Daniel Mathis (IA); Roy Eft (IN); Dan Schaefer (MI); Julie Lederer (MO); Lindsay Crawford and Justin Schrader (NE); Doug Bartlett and Patricia Gosselin (NH); John Sirovetz (NJ); Dale Bruggeman and Tracy Snow (OH); Joel Sander (OK); Greg Lathrop (OR); Joe DiMemmo (PA); Trey Hancock (TN); Mike Boerner and Shawn Frederick (TX); Steve Drutz (WA); Jerry DeArmond and Randy Milquet (WI); and Jamie Taylor (WV). Also participating were: Rich Piazza (LA); and Stacey Alden and Karen Ducharme (VT)

1. Adopted its July 2 and June 24 Minutes

The Working Group conducted an e-vote that concluded July 2 to expose proposal 2019-20BWG sponsored by the Executive (EX) Committee and Casualty Actuarial and Statistical (E) Task Force. The proposal requests changes to the Property and Casualty Actuarial Opinion that the Committee adopted on June 25. The Working Group also met June 24 to: 1) adopt 17 proposals exposed during the Spring National Meeting; expose two new proposals; and 3) adopt the editorial listing. The exposed proposals include requested disclosure changes or reporting clarifications sponsored by the Statutory Accounting Principles (E) Working Group; changes to the investment schedules reporting on behalf of the Valuation of Securities (E) Task Force; and reporting clarifications within the VM-20 Supplement and the life blank Analysis of Operations by Lines of Business.

Mr. Sirovetz made a motion, seconded by Ms. Gosselin, to adopt the Working Group's July 2 and June 24 minutes (*see NAIC Proceedings – Summer 2019, Accounting Practices and Procedures (E) Task Force, Attachment Two and Attachment Three*). The motion passed unanimously.

2. Adopted Items Previously Exposed

- a. Add an NAIC Designation Modifier to the NAIC Designation Column for Schedule D, DL and BA to Accommodate the NAIC Designation Category Granularity Framework Adopted by the Valuation of Securities (E) Task Force (2019-18BWG) Effective 12/31/2020

Mr. Garn stated that this proposal is sponsored by the Valuations of Securities (E) Task Force. It adds an NAIC designation modifier to the NAIC Designation Column for Schedule D, Schedule DL and Schedule BA to accommodate the NAIC designation category granularity framework. He stated that there have been several modifications to the proposal received during the comment period. One additional comment received was to change the effective date from first quarter 2020 to annual 2020. A contingency may be with regards to the elimination of the residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) price points to allow the Structured Securities Group (SSG) to produce the designation.

John Bauer (Prudential Financial) stated that interested parties agree with the change to the effective date to annual 2020. He stated that there is a lot of work for vendors in setting up their systems for these new designation modifiers. He stated that there is ongoing work for annual 2019 related to specific designations including the "YE" and "IF" and the removal of the preferred stock prefixes, as well as removal of the market indicators. He stated that interested parties will need to work with the Securities Valuation Office (SVO) staff to be sure that the specifications for the RMBS and CMBS price points are completed by mid-year 2020.

Mr. Hudson made a motion, seconded by Mr. Sirovetz, to adopt the modifications to the proposal, including the effective date of annual 2020. The motion passed unanimously. Mr. Hudson made a motion, seconded by Mr. Arfanis to adopt the modified proposal (Attachment Four-B1). The motion passed unanimously.

- b. Add a New Category Line for Unaffiliated Certificates of Deposit to Schedules D, DL and E. Add a Line to the Summary Investment Schedule for Unaffiliated Certificates of Deposit. Modify the List of Bonds for Lines 8 Through

11 of the Summary by Country to Include Unaffiliated Certificates of Deposit. Add Instruction to Zero Fill the CUSIP and ISIN Fields for Unaffiliated Certificates of Deposit (2019-19BWG)

Mary Caswell (NAIC) stated that this proposed change requested by NAIC staff was intended to eliminate validation failures as it relates to unaffiliated certificates of deposit. The proposal adds a new line category for the unaffiliated certificates of deposit to the investment schedules, as well as to the Summary Investment Schedule. The proposal modifies the list of bonds for the respective lines of the Summary by Country to include unaffiliated certificates of deposit. She stated that this additional breakout would help state insurance regulators better identify the unaffiliated certificates of deposit. She stated that instructions would also need to be added to zero fill the Committee on Uniform Security Identification Procedures (CUSIP) and Identification Securities Identification Numbers (ISIN) columns for unaffiliated certificates of deposit.

Mr. Garn stated that based on comments received from interested parties, the Working Group may want to consider the withdrawal of this proposal and a resubmission of a more expansive proposal to include the bigger issue of line number changes. Mr. Bauer stated that this change would require extensive revisions to create the separate recording for unaffiliated certificates of deposit. He stated that interested parties are not sure that there are a lot of these holdings to justify the breakout. He suggested adding a new code to the code column to identify these investments. Mr. Garn stated that the expansion of the line numbering will need to be addressed in the future, similar to the changes for the Schedule DBs, to accommodate the growing number of securities.

Mr. Hudson stated that he is supportive of the withdrawal to give interested parties and NAIC staff additional time to address this issue as, well as the line numbering issue, and resubmit as a new proposal.

Mr. Hudson made a motion, seconded by Mr. Milquet to withdraw the proposal. The motion passed unanimously.

- c. Add “Qualification Documentation” to Require the Appointed Actuary to Maintain Workpapers Explaining How the Actuary Meets the Definition of a “Qualified Actuary.” Add a New Objective Definition of “Qualified Actuary” and the Results of an Assessment of Actuarial Educational Syllabi in an “NAIC-Accepted Actuarial Designation” Section (2019-20BWG) Effective 12/31/2019

Mr. Piazza stated that he has served as chair of the Casualty Actuarial and Statistical (C) Task Force for the past seven years and as the vice chair for three years. The role of the appointed actuary is one of the most important roles actuaries serve, in the eyes of state insurance regulators. State insurance regulators review reserve accuracy and company solvency to protect the interest of their states’ consumers and rely heavily on the information contained in the Actuarial Opinion. He stated that this proposal is intended to change the Property and Casualty Actuarial Opinion instructions specifically in the qualification area to include the Society of Actuaries (SOA) general insurance track, as well as the Casualty Actuarial Society (CAS) designations as being qualified for the role of appointed actuary.

Mr. Piazza stated that this proposal has a long history, starting more than seven years ago with the Casualty Actuarial and Statistical (C) Task Force. The Task Force has worked non-stop on the underlying project to include the SOA designation, as well as CAS, since 2012/2013. In the last two years, the Executive (EX) Committee has taken a role in reviewing this proposal. The Task Force was asked to evaluate the SOA educational track to determine if it is acceptable by state insurance regulators for the appointed actuaries, just like the American Academy of Actuaries (Academy) membership is acceptable. Both organizations (SOA and CAS) have been educating, testing and credentialing actuaries for decades, if not a century each. Mr. Piazza stated that both are good at what they do for the education of the actuary profession. When the Task Force was asked if the SOA met the minimum requirements, there was some reluctance from the actuarial organizations to take a direct role in this project. The Academy was asked and refused to take on this project. It did say it would cooperate in changing its qualification requirements to comply with any revised instructions inserted into the NAIC Property and Casualty Actuarial Opinion instructions. The Executive (EX) Committee asked the Task Force to look at this issue and decide whether the SOA should be included in the acceptable designation.

Mr. Piazza stated that the Casualty Actuarial and Statistical (C) Task Force was divided in how to approach this charge. There were at least three different options: 1) do nothing; 2) reevaluate the situation in five or more years; and 3) accept the SOA general insurance definition. He stated that the Task Force sought help to review this and approached the Property and Casualty Insurance (C) Committee, which agreed with getting an independent company to help pursue this review in an independent, unbiased manner. The Executive (EX) Committee funded a project to obtain an independent consultant to create an objective way to evaluate the new actuarial tract—the SOA education track. This was intended to be used by state insurance regulators

in the development of an objective and principle-based definition of a qualified actuary. He stated that the proposal is a result of that work.

Mr. Piazza stated that there were more than 30 subject matter experts (SMEs) involved in the project, nominated by the three major actuarial organizations, to provide information to the consultants and work with them throughout the entire process. The consultant group conducted a job analysis and performed analysis of the examination syllabi of the actual organization. It did a comparison of the knowledge and educational materials for the actuary to see if it was in the syllabi of the other actuarial organizations. This proposal defines the qualified actuary for both the SOA and the CAS and establishes basic educational requirements for the appointed actuary to be qualified per the instructions. The instructions have been vetted many times since the start of this project, and in the last 18 months, there were four separate exposures and one hearing on this issue. The proposal was discussed by the state insurance department commissioners at various levels in the last 18 months. Mr. Piazza stated that this was a large, multi-faceted and open effort to get to this proposal. This proposal follows the charge given to the Casualty Actuarial and Statistical (C) Task Force to define the qualified actuary objectively and to include the SOA if he or she met basic education expectations of the NAIC.

Mr. Garn stated that based on the passed precedents of the Blanks (E) Working Group, it does not appear as though this is the appropriate level to decide policy issues. When the Working Group has received proposals from the Statutory Accounting Principles (E) Working Group, the Valuation of Securities (E) Task Force, the Capital Adequacy (E) Task Force or similar groups, the Working Group will defer on the policy matter that has already been vetted to the groups presenting the proposal. He stated that he would be uncomfortable making any substantive changes to the language in the proposal. He recommended that for those who feel there is still some needed policy language change, that should be taken up with the policy-making group as a new requirement. He stated that any outstanding policy issue could also be taken up by the Accounting Practices and Procedures (E) Task Force or the Financial Condition (E) Committee as the proposal moves through the process.

Ralph Blanchard (Travelers) stated that the Casualty Actuarial and Statistical (C) Task Force was in agreement that the “exception” language within the instructions should revert back to the old language where the exception was available to a member of the Academy only, rather than to any person submitting a request to the Academy. Mr. Blanchard stated that he is a dues-paying member of the Academy and has seen court cases in the past where people sue the Academy. In these cases, frequently one of the actual protections for the professional organizations is whether the person suing is a member of the organization or not. By being a voluntary member of that organization, the member will have to agree to some of the criteria and rules of that organization. As it is currently stated, the actuary could apply through the Academy as a non-member, in which case, if the Academy refuses to hear or evaluate him or her, the Academy could be sued for anti-trust. If the actuary is a member, the Academy would have that protection. He stated that it does not make sense to remove the Academy membership in the wording.

Craig Hanna (Academy) stated that the Academy would not consider any application from a non-member. He stated that reverting the language back to what Mr. Blanchard suggested would be appropriate. Mr. Chou stated that since 2012, the Blanks (E) Working Group has been trying to merge the SOA and CAS, which has caused a lot of the dispute even up to 2019. One of the issues is the Academy membership and how that is treated in the life and health blanks.

Connie Woodroof (Sapiens) stated that there is an electronic data capture element to be added within this proposal that has an effective date of annual 2019, and vendor testing begins in September.

Mr. Garn stated that the Blanks (E) Working Group is not the appropriate entity to make policy decision changes. Mr. Chou stated that he would recommend the motion be withdrawn until there is further discussion. Mr. Frederick seconded the motion. Kay Noonan (NAIC) questioned whether a motion to withdraw would substitute for the original motion. The motion to adopt was considered first to account for any opposition to warrant consideration of a withdrawal motion. Ms. Noonan stated that the Academy membership issue does not affect the overall proposal. She suggested considering the proposal for adoption to include the SOA and taking the Academy membership issue back up with the Casualty Actuarial and Statistical (C) Task Force as a separate issue.

Mr. Piazza stated that the Casualty Actuarial and Statistical (C) Task Force reviews the instructions every year for any needed changes. He stated that the Task Force can review and amend Academy membership issues in the future if so desired. He stated that the framework being discussed with this proposal to add the SOA is recognized as being qualified, well done and objective principles-based and should be adopted as written. Mr. Garn stated that a “no” vote on the primary motion would effectively be a vote to withdraw. Therefore, he called for a vote on the primary motion.

Ann Weber (SOA) stated that there has been a lot of work performed by the 30 volunteers, the Casualty Actuarial and Statistical (C) Task Force, the state insurance department commissioner oversight group, the Executive (EX) Committee, and the Property and Casualty Insurance (C) Committee. She stated that this has been a long and arduous process. There is a subjective, analytical process to review the knowledge basis and educational programs of the CAS and SOA, which has been approved by the Executive (EX) Committee.

Mr. Hudson made a motion, seconded by Mr. Sander, to adopt the proposal (Attachment Four-B2). The motion passed by roll call vote, with Connecticut, Missouri, Nebraska and Texas opposed and Ohio abstaining.

3. Discussed the Blanks (E) Working Group Procedures

Mr. Garn stated there are several pending issues with regards to the Blanks (E) Working Group procedures. He suggested that this issue be deferred to create additional time to address those issues and then discuss the changes during the next Working Group conference call.

Mr. Hudson made a motion, seconded by Mr. Drutz, to defer discussion on the procedures. The motion passed unanimously.

4. Exposed New Items for Public Comment

- a. For Note 33, Modify the Illustration to Disclosure Individually Separate Account with Guarantees Products and Separate Account Nonguaranteed Products (2019-21BWG)

Mr. Schrader stated that this proposal is a data-capture item for Note 33 to modify the illustration to disclosure individually the Separate Account with Guarantees products and Separate Account Nonguaranteed products.

Mr. Hudson made a motion, seconded by Mr. Sirovetz, to expose the proposal for a 45-day public comment period ending Oct. 8. The motion passed unanimously.

- b. Add a Question Regarding the Executive Summary of the PBR Actuarial Opinion to the Supplemental Exhibits and Schedules Interrogatories (2019-22BWG)

Jennifer Frasier (NAIC) stated that this is a proposal sponsored by the Life Actuarial (A) Task Force to add a question regarding the Executive Summary of the PBR Actuarial Opinion to the Supplemental Exhibits and Schedules Interrogatories.

Mr. Arfanis made a motion, seconded by Mr. Eft, to expose the proposal for a 45-day public comment period ending Oct. 8. The motion passed unanimously.

- c. Modify the Instructions and Illustration for Note 8 – Derivatives for Disclosures Adopted by SSAP No. 108. Add Instruction and Blank Page for Schedule DB, Part E, to the Quarterly Statement (2019-23BWG).

Mr. Bruggeman stated that this proposal pertains to *Statement of Statutory Accounting Principles (SSAP) No. 108—Derivative Hedging Variable Annuity Guarantees*. He stated that when the annual proposal was adopted in June with proposal 2019-14BWG, the quarterly disclosure was not included. He stated that interested parties agreed that the intent of the Statutory Accounting Principles (E) Working Group change was to capture a quarterly disclosure as well. This agenda item adds that quarterly 2020 disclosure.

Mr. Bruggeman made a motion, seconded by Ms. Gosselin, to expose the proposal for a 45-day public comment period ending Oct. 8. The motion passed unanimously.

5. Adopted the Editorial Listing

Mr. Hudson made a motion, seconded by Mr. Sirovetz, to adopt the editorial listing (Attachment Four-B3). The motion passed unanimously.

Having no further business, the Blanks (E) Working Group adjourned.