



NAIC May 2024 SAPWG Call

Issues & Trends

Latest SAPWG actions include adoption of revisions to remove disclosures of expired risk-sharing provisions of the Affordable Care Act and support for Annual Statement disclosure changes.

May 2024

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Meeting highlights

During its May 2024 call, the Statutory Accounting Principles Working Group (SAPWG) **adopted** the following guidance.

- Revisions to SSAP No. 107 to remove the transitional reinsurance program disclosures and the risk corridor disclosures because both programs have expired.
- Proposal to revise the Annual Statement Instructions for Schedule BA instructions to further define examples of investments that are reported by type of investment based on underlying characteristics of assets.

SAPWG **exposed** revisions to the following guidance.

- Principles-based bond project issue paper.

Meeting highlights

Accounting highlights >>

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| Affordable Care Act risk-sharing disclosures | SAPWG adopted revisions to SSAP No. 107 to remove the transitional reinsurance program disclosures and the risk corridor disclosures as both programs have expired. ¹ The change is effective December 31, 2024. |
| Collateral loan reporting – Schedule BA | SAPWG discussed revisions to Schedule BA to expand the reporting lines to report collateral loans by the type of collateral that secures the loan. |
| Schedule BA reporting categories | SAPWG adopted the decision to support the revision of the Annual Statement Instructions for Schedule BA to further define examples of investments that are reported by type of investment based on underlying characteristics of assets. |
| Principles-based bond definition | SAPWG exposed the issue paper about the principles-based bond project. Comments are due June 21, 2024. |

¹ SSAP No. 107, Risk-Sharing Provisions of the Affordable Care Act

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Accounting highlights

Affordable Care Act risk-sharing disclosures

Action. SAWPG adopted revisions to SSAP No. 107 to remove the transitional reinsurance program disclosures and the risk corridor disclosures because both programs have expired. The change is effective December 31, 2024.

SSAP No. 107 includes significant financial statement disclosure requirements for the three risk sharing programs of the Affordable Care Act – reinsurance, risk corridor and risk adjustment. The revisions remove the transitional reinsurance program and risk corridor disclosure requirements from SSAP No. 107 and the applicable portions from the roll forward illustration in Exhibit B. The adoption included interested parties' request to remove disclosures specific to the risk corridors program from the Annual Statement Instructions.

National Association of Insurance Commissioners (NAIC) staff also stated that the Blanks Working Group received comments about the reporting of risk corridors and the transitional reinsurance program on the Supplemental Health Care Exhibit. However, these edits require further investigation and will be addressed in a separate proposal by the Blanks Working Group.

Collateral loan reporting – Schedule BA

SAPWG discussed proposed revisions to the reporting lines on Schedule BA for collateral loans and directed its staff to prepare a memo to the Blanks Working Group to incorporate an instructional change to the asset valuation reserve (AVR) instructions. The change would allow collateral loans backed by mortgages to flow through AVR as an 'Other Invested Asset with Underlying Characteristics of Mortgage Loans'. This will be an interim step while SAPWG considers the reporting of collateral loans, including how collateral loans would flow through AVR.

The revision would:

- allow insurers that previously captured collateral loans in the 'non-registered private fund' category to continue to receive comparable risk-based capital (RBC) treatment as they had under their prior reporting;
- permit insurers that captured these collateral loans on the collateral loan reporting line to receive more-favorable RBC through the AVR look-through; and
- be contingent on the adoption by the Life RBC Working Group of a change to the formula that would adjust the amount reported as collateral loans to be 'in part'. This change would allow the reduction of BA Assets that are backed by mortgage loans to be removed from the

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collateral loan total, because they would be captured in a different RBC category.

- sponsor a blanks proposal for the reporting of collateral loans, using the reporting lines that reflect the following interested parties' comments:
 - removing the reference to SSAPs on the face of Schedule BA and, for the collateral loan sub-categories that have an SSAP reference, incorporate instructions similar to those in the residual tranche category;
 - renaming the sub-category 'Bonds and Asset-Backed Securities' to 'Bonds (Issuer Credit Obligations and Asset-Backed Securities)' to better reflect reporting terminology;
 - changing the reference of 'Fixed Income Investments' to 'Bonds', under the 'Joint Ventures, Partnerships or Limited Liability Companies' sub-category, to be consistent throughout Schedule BA;
 - adding a 'Preferred Stocks' category under the 'Joint Ventures, Partnerships or Limited Liability Companies' sub-category for consistency with the main 'Joint Ventures, Partnerships or Limited Liability Companies' category; and
 - adding language to specify that disclosure is for interests in joint ventures, partnerships or limited liability companies (including non-registered private funds) that have underlying assets with specific characteristics.

Interested parties also suggested a temporary change to the Life RBC risk factor for collateral loans with mortgage loans as collateral securing the loan.

Next step. The NAIC will work with regulators and RBC staff to develop a proposal for initial consideration. The agenda item was not re-exposed.

Schedule BA reporting categories

Action. SAPWG adopted a decision to support the revision of the Annual Statement Instructions for Schedule BA to better define and provide examples of investments reported, by type of investment, based on underlying characteristics of the assets. The changes are expected to be effective January 1, 2025.

The proposal:

- states that all investments are reported in the dedicated reporting lines with investments that do not fit within those lines reported as 'Any Other Class of Assets';
- clarifies that the joint ventures, partnerships and limited liability companies reporting category are in the scope of SSAP No. 48 with the

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exception to reference structured settlement payment rights in the scope of SSAP No. 21R that have an SVO-assigned designation; and

- modifies Schedule BA reporting category for residuals to refer to SSAP No. 21R for residual definition.²

The revisions to the original proposal included:

- changing the reference of the 'Fixed Income Instruments' sub-category to 'Bonds' within the residual tranche category;
 - clarifying that residual tranches of collateralized loan obligations are to be reported in the 'underlying characteristics of bonds' reporting line;
 - providing examples of items to be captured in the 'underlying characteristics of other' reporting line such as student loans, auto loans, aircraft or train car leases;
 - specifying that the maturity date column is reported for all investments on Schedule BA that have a stated maturity date; and
 - correcting an erroneous deletion in the name of 'Joint Ventures, Partnerships or Limited Liability Companies' investment reporting line.
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Principles-based bond definition

Action. SAPWG exposed the issue paper about the principles-based bond project. Comments are due June 21, 2024.

The issue paper documenting the discussions and decisions within the principles-based bond project has been updated to reflect final actions. The issue paper includes consistency edits and reorganization changes that were made to reflect the adopted authoritative statutory accounting principles revisions.

² SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Companies: SSAP No. 21R, Other Admitted Assets

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