

**Statutory Accounting Principles (E) Working Group  
Hearing Agenda  
May 18, 2026**

**ROLL CALL**

Kevin Clark, Chair	Ohio	Steve Mayhew/Kristin Hynes	Michigan
Dale Bruggeman, Vice Chair	Iowa	Ned Cataldo	New Hampshire
Sheila Travis/Richard (Hamp) 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/Jennifer Blizzard	Virginia
Cindy Andersen	Illinois	Amy Malm/Levi Olson	Wisconsin
Shantell Taylor/Tom Travis	Louisiana		

NAIC Support Staff: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

Note: This meeting will be recorded for minutes purposes.

**REVIEW of NON-CONTESTED ITEMS**

The following items are planned for limited discussion, as no comments opposing adoption were received. These items may be adopted in a single motion.

1. Ref #2025-13: Residential Mortgage Loans Held in Statutory Trusts
2. Ref #2026-03EP: Various Editorial Revisions

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-13 (Wil)	Residential Mortgage Loans Held in Statutory Trusts	1 – Agenda Item 2 – Issue Paper	No Comments	2

**Summary:**

On March 23, 2026, the Statutory Accounting Principles (E) Working Group exposed an issue paper which details for historical purposes the discussions and conclusions that occurred when developing the guidance for residential mortgage loans held in qualifying statutory trusts. The guidance for residential mortgage loans held in qualifying statutory trusts was adopted during the 2025 Fall National Meeting, and permits qualifying structures to be captured in *SSAP No. 37—Mortgage Loans*, with individual mortgage loan reporting on Schedule B. The guidance was adopted with a January 1, 2027, effective date, with early application permitted.

**Interested Parties’ Comments:**

Interested parties have no comment on this item.

**Recommendation:**

**NAIC staff recommend that the Working Group adopt, as final, the exposed Issue Paper No. 172 *Qualifying Statutory Trusts*.**

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2026-03EP (Julie)	2026 Spring Editorial and Maintenance Update	3 – Agenda Item 4 – IDAWG Referral	No Comments	6

Summary:

This agenda item details the following editorial revisions:

- 1) Revisions to *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 52—Deposit-Type Contracts* to remove the word “funding” from the beginning of the paragraph that describes FHLB agreements. Only FHLB agreements that are deposit-type contracts shall be captured as “funding agreements.”
- 2) Revisions to various SSAPs to replace the term “CUSIP” with “Security Identifier.” In limited instances, the sentence structure has been slightly revised to indicate “investment (by Security Identifier)” for clarity.
- 3) Revisions to add “U.S.” before generally accepted accounting principles or GAAP as appropriate.

Interested Parties’ Comments:

Interested parties have no comment on this item.

Recommendation:

**NAIC staff recommend that the Working Group receive the Investment Designation Analysis (E) Working Group referral and adopt the exposed editorial revisions.**

**The Investment Designation Analysis (E) Working Group referral addresses revising references from CUSIP to security identifier. This was addressed within this editorial change.**

**REVIEW of COMMENTS on EXPOSED ITEMS**

The following items are open for discussion and will be considered separately.

1. Ref #2026-01: Disclosure of FABNs and Similar Structures
2. Ref #2026-02: Valuation of Funds Withheld
3. Ref #2025-27: SSAP No. 1 Modco/FWH Code
4. Ref # 2024-15: Asset Liability Management Derivatives

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2026-01 (Julie)	Disclosure of FABNs and Similar Structures	5 – Agenda Item	Comments Received	3

Summary:

On March 23, 2026, the Working Group exposed an agenda item which was prepared in response to a February 17, 2026, referral received from the Macroprudential (E) Working Group to incorporate proposed disclosures for funding agreement backed notes (FABNs) and other funding agreement backed structures.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) generally formed by life insurance companies. A life insurance company issues a funding agreement to the SPV, which is accounted for in accordance with SSAP No. 52—*Deposit-Type Contracts*, and the SPV then issues debt instruments (FABNs) that are backed by the principal and interest of the issued funding agreement. Although all funding agreements issued by the insurer are required to be captured in current reserves and detailed in Exhibit 7 – Deposit-Type Contracts, there is no current reporting of whether the issued funding agreements back FABNs or other similar structures. The Macroprudential (E) Working Group requests disclosures of this activity to allow for monitoring under their financial stability monitoring objectives. The referral identifies that the proposed disclosure will provide the Financial Stability (E) Task Force with the ability to identify transmission channels of potential risk to and from the insurance industry and the interconnectedness to the capital markets.

The disclosures recommended in the referral capture the total of all funding agreements that back SPV issuances, with reporting that divides based on the type of agreement, whether the SPV-issued debt instruments are puttable, and if the terms of the debt agreement differ from the backing funding agreement. The disclosure recommendation also captures information on the maturity distribution of the funding agreements that back SPV issuances, including whether the funding agreement has a fixed or floating rate. Lastly, as the SPV could issue debt instruments backed by a non-U.S. currency, the recommendation proposes to capture info on currency denominations and whether the foreign currency exposure is hedged.

The proposed disclosures detailed in the agenda item are consistent with the referral received from the Macroprudential (E) Working Group with the following two additions:

- The disclosure is proposed to be expanded to capture the amount of BACV collateral pledged by the reporting entity to the SPV under the funding agreement backed structures. From preliminary information received, this collateral pledged is common in funding agreement backed repurchase agreements and funding agreement backed loans.
- The SSAP No. 52 revisions are proposed to be expanded to include a “glossary” for the different funding agreement backed structures. (These descriptions are captured in the agenda item.)

- Funding Agreement Backed Notes
- Funding Agreement Backed Commercial Paper
- Funding Agreement Backed Repurchase Agreements
- Funding Agreement Backed Loans
- Funding Agreements Issued into Muni Prepay Structures
- Other Funding Agreements Backing SPV Issuances

Interested Parties Comments:

ACLI suggests that the 'Issue' at the beginning of the exposure be changed to "Disclosure of Funding Agreement-Backed SPV Issuances" to better reflect the changes being made.

ACLI recommends the following revisions to paragraph 23a in SSAP No. 52 to enhance clarity as to what is being reported. This will be consistent with our comments on the corresponding Blanks (E) Working Group exposure:

~~Balance of funding agreements per type of issuance, per type of issuance where the transaction contains a put feature or embedded option, and per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement, and the BACV amount of collateral pledged by the reporting entity by type of transaction:~~

For each type of issuance, report the total balance of funding agreements, the balance where the transaction contains a put feature or embedded option<sup>1</sup>, the balance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement<sup>2</sup>, and the book adjusted carrying value (BACV) amount of invested assets collateral (i.e., not including the funding agreements) pledged by the reporting entity by type of transaction:

ACLI recommends the following edits to certain items under the proposed Glossary in SSAP No. 52 for clarification:

~~*Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The FABCP master funding agreement contains a deposit schedule that is updated to reflect the terms of each new deposit under an FABCP program (each, a "Deposit"). The terms of a Deposit mirror the terms of a corresponding FABCP Issuance. The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors' cash proceeds. The principal and interest payments on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short-term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.~~

~~*Funding Agreement-Backed Repurchase Agreements:* In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. This FABR structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty's regulatory capital charge.~~

~~Funding Agreement-Backed Loans: Funding agreement-backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly. Funding agreement-backed loans (FABL) are loans issued to bankruptcy-remote SPVs that are secured by funding agreements (FA) issued by the sponsoring insurance company to the SPV. Additionally, with FABLs, the insurer may pledges securities to a collateral into an account, for which the bank counterparty has a security interest pursuant to an account control agreement.~~

~~Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds-Funding Agreements Issued into Muni Prepay Structures: Funding agreement-backed municipal gas and electric prepayment bonds (FABMBs) These are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. As part of this transaction an insurer issues a funding agreement to an SPV. The municipality issues a tax exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The insurer's funding agreement provides known scheduled principal payments to the SPV that supports the purchase of energy. provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills. The SPV's is a single purpose entity whose sole purpose is to execute the prepayment with the commodity supplier, which is typically the commodity trading entity of an investment bank.~~

We welcome the opportunity to discuss our comments further and to support SAPWG's continued work on this issue.

Recommendation:

NAIC staff recommend that the Working Group adopt revisions to *SSAP No. 52—Deposit-Type Contracts* with revisions to reflect interested parties' comments to incorporate disclosures for Funding Agreement Backed Notes and other similar structures as well as glossary to define the different structures.

Revisions are proposed from the exposure that predominantly reflect the interested parties' comments, revising paragraph 23a and modifying the proposed glossary definitions. The revisions streamline the guidance and definitions and do not appear to alter the original intent. In response to questions on the "book value" reference in brackets in the puttable definition, NAIC has incorporated revised language suggested by the ACLI. The original definition was provided by the ACLI to the Macroprudential (E) Working Group.)

**Proposed Revisions to *SSAP No. 52—Deposit-Type Contracts*: Shading reflects changes from the exposure.**

Disclosures are captured in paragraphs 18-23. The new disclosures are proposed to be included after the FHLB agreement disclosure (after paragraph 21) and before the retained asset disclosure. The remaining SSAP paragraphs will be renumbered according.

22. For FHLB agreements accounted for under this statement, include information for the FHLB funding agreements with other reporting and disclosure requirements for deposit-type contracts under this statement and complete additional disclosure requirements in *SSAP No. 30—Unaffiliated Common Stock*, paragraph 20.

23. Each reporting entity shall disclose information on funding agreements issued by such reporting entity that support funding agreement backed SPV Issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored or formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.

- a. For each type of funding agreement backed transaction issuances, report the total balance (outstanding issued amount) of funding agreements, the balance where the transaction contains a put feature or embedded option<sup>1</sup>, the balance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement<sup>2</sup>, and the book adjusted carrying value (BACV) amount of invested assets (i.e., not including the funding agreements) pledged by the reporting entity by type of transaction:

Balance of funding agreements per type of issuance, per type of issuance where the transaction contains a put feature or embedded option<sup>1</sup>, and per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement<sup>2</sup>, and the BACV amount of collateral pledged by the reporting entity by type of transaction:

(Staff Note: Paragraph 23a has been revised to reflect the interested parties' comments with the addition of "funding agreement backed transaction" to clarify the scope and "outstanding issued amount" to clarify the term "balance.")

- i. Funding Agreement Backed Notes (FABN)
  - ii. Funding Agreement Backed Commercial Paper (FABCP)
  - iii. Funding Agreement Backed Repurchase Agreements (FABR)
  - iv. Funding Agreement Backed Loans (FABL)
  - v. Funding Agreements Issued into Muni Prepay Structures
  - vi. Other Funding Agreements Backing SPV Issuances (Other)
- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc. For FABCP, reporting entities shall identify instances in which the terms of the SPV issuance do not match the terms of the deposit made under an FABCP master funding agreement. This disclosure is not required for funding agreements backed by muni prepay structures as the terms of the funding agreement are designed to be different from the SPV issuances.
- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps.
- d. For SPV issuances backed by funding agreements issued in a non-US currency, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.

<sup>1</sup> As used herein, a funding agreement is "Puttable" or contains a "put feature or embedded option" if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at the amount specified in the issuance [book value] at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at the amount specified in the issuance [book value].

<sup>2</sup> Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

## Proposed Glossary to SSAP No. 52:

- Funding Agreement Backed Note: Funding agreement backed notes (FABNs) are notes or bonds issued by bankruptcy-remote special-purpose vehicles (SPVs) that are secured by funding agreements (FAs) issued by the sponsoring insurance company to the SPV. The insurance company pays principal and interest under the terms of the FA to the SPV, which the SPV uses to pay principal and interest on the FABN.
- Funding Agreement-Backed Commercial Paper: Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The FABCP master funding agreement contains a deposit schedule that is updated to reflect the terms of each new deposit under an FABCP program (each, a “Deposit”). The terms of a Deposit mirror the terms of a corresponding FABCP Issuance. The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors’ cash proceeds. The principal and interest payments on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short-term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.
- Funding Agreement-Backed Repurchase Agreements: In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. This FABN structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty’s regulatory capital charge.
- Funding Agreement-Backed Loans: Funding agreement-backed loans (FABL) are loans issued to bankruptcy-remote SPVs that are secured by funding agreements (FA) issued by the sponsoring insurance company to the SPV. Funding agreement backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- Funding Agreements Issued Into Muni Prepay Structures: Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds: Funding agreement backed municipal gas and electric prepayment bonds (FABMBs) These are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. As part of this transaction an insurer issues a funding agreement to an SPV. The municipality issues a tax-exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The insurer’s funding agreement provides known scheduled principal payments to the SPV that supports the purchase of energy. The SPV is a single purpose entity whose sole purpose is to execute the prepayment with the commodity supplier, which is typically the commodity trading entity of an investment bank. The insurer’s funding agreement provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills.

**Glossary terms shown clean:**

- *Funding Agreement Backed Note:* Funding agreement backed notes (FABNs) are notes or bonds issued by bankruptcy-remote special-purpose vehicles (SPVs) that are secured by funding agreements (FAs) issued by the sponsoring insurance company to the SPV. The insurance company pays principal and interest under the terms of the FA to the SPV, which the SPV uses to pay principal and interest on the FABN.
- *Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The FABCP master funding agreement contains a deposit schedule that is updated to reflect the terms of each new deposit under an FABCP program (each, a “Deposit”). The terms of a Deposit mirror the terms of a corresponding FABCP Issuance.
- *Funding Agreement-Backed Repurchase Agreements:* In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool.
- *Funding Agreement-Backed Loans:* Funding agreement-backed loans (FABL) are loans issued to bankruptcy-remote SPVs that are secured by funding agreements (FA) issued by the sponsoring insurance company to the SPV. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- *Funding Agreements Issued Into Muni Prepay Structures:* These are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. As part of this transaction an insurer issues a funding agreement to an SPV. The insurer’s funding agreement provides known scheduled principal payments to the SPV that supports the purchase of energy. The SPV whose sole purpose is to execute the prepayment with the commodity supplier.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2026-02 (Robin)	Valuation of Funds Withheld	6 – Agenda Item	Comments Received	IP – 5 ACLI – 8

**Summary:**

On March 23, 2026, the Working Group exposed an agenda item to address inconsistent guidance regarding the valuation of the liability for funds withheld in a life or health reinsurance agreement. The Reinsurance (E) Task Force was also notified of the exposure. Funds withheld assets are often held by the ceding entity as reinsurance collateral to mitigate credit exposure (with all types of reinsurers) and/or to secure credit for reinsurance on amounts ceded to unauthorized or certified reinsurers. Pursuant to the *Credit for Reinsurance Model Law* (#785), funds withheld can be used as acceptable collateral to secure reinsurance credit with a variety of reinsurance contract types.

In a funds withheld reinsurance contract, the ceding entity withholds assets for collateral that would otherwise be paid to the reinsurer, in addition, the reinsurer may also provide additional collateral if needed. If the reinsurer provides additional collateral, it is typically referred to as funds deposited by the reinsurer. Because the funds withheld or deposited by the reinsurer are payable under the reinsurance contract to the assuming reinsurer, the ceding entity reports a liability for the funds withheld. The guidance related to the liability for the funds withheld reported by the ceding entity is inconsistent.

**Reporting - Assets** - The assets withheld from the reinsurer are reported in the investment schedules of the ceding entity at their statutory book adjusted carrying value in accordance with the applicable statements of statutory accounting principles (SSAPs).

**Reporting - Liabilities** - The ceding entity records a liability for funds withheld on the following liabilities lines:

- **line 24.03 – Funds Held Under Reinsurance Treaties with Unauthorized and Certified Reinsurers.**  
The line 24.03 instructions reference Schedule S reinsurance columns which are unclear in the accounting basis as described in the agenda item.
- **line 24.07 – Funds Held Under Coinsurance**  
The instructions for line 24.07 do not reference a valuation, but reference that line is for other than amounts held on line 24.03.

*SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance* and Model #785 both discuss funds withheld from reinsurers and funds deposited by reinsurers.

The Schedule S Parts 4 and 5 collateral columns for funds withheld, letters of credit and funds in trust play an important role in determining if total collateral for unauthorized and certified reinsurers is adequate under Model #785 to allow credit for reinsurance. If the collateral is insufficient, a liability is reported on line 24.02 – Reinsurance in Unauthorized and Certified Reinsurers. To the extent the annual statement instructions are clarified for the valuation of funds withheld it affects amounts used in the calculation of this liability.

*Interested Parties and ACLI Comments:*

The ACLI appreciates the opportunity to comment on the Statutory Accounting Principles (E) Working Group (SAPWG) Ref #2026-02, Valuation of Funds Withheld. While the ACLI agrees with the spirit of the exposed changes, we believe the proposed edits to SSAP No. 61 and the annual statement instructions require some modifications. The suggestions offered below are designed to provide for the diversity in funds withheld reinsurance transactions and ensure consistent accounting guidance for all funds withheld transactions regardless of the details of their structure.

Our suggestions, which are provided in Attachment A, would revise the description of the funds withheld liability in paragraphs 41.a and 53 of SSAP No. 61. While we appreciate the simplicity of the language proposed in the exposure, we found that interpretations vary with the terms of companies' reinsurance agreements. Although the funds withheld liability will often equal the carrying value of the invested assets held on the ceding entity's balance sheet, there are instances where that is not the case.

The funds withheld liability is a contractual liability, and it is determined based on the terms of the underlying reinsurance agreement. Some agreements do not associate the funds withheld liability with a specific quota share of invested assets, do not segregate invested assets, or have timing considerations that would make a literal interpretation of the proposed language more difficult. For example, some agreements that are not required to transfer investment risk, such as those covering term life insurance, may not specify which assets are associated with the funds withheld liability.

We believe these suggestions represent a conceptual change to the proposed language in SSAP No. 61, and we would appreciate the opportunity to discuss the appropriate implementation of these concepts in the annual statement instructions. ACLI members stand ready to discuss these details with NAIC staff and regulators.

In closing, we would like to thank SAPWG members and NAIC staff for the time they have already taken to discuss these issues with us, and for proactively working to improve statutory accounting guidance. We would welcome further discussion on the best way to ensure clear and consistent reporting for funds withheld liabilities.

ACLI suggests updating the proposal as follows. Please note that the section below reflects NAIC staff additions in italics and the ACLI additions in bold:

1. SSAP No. 61

Accounting for Coinsurance With Funds Withheld Arrangements

40. The following accounting applies to coinsurance arrangements with funds withheld:

- a. Ceding Entity - Premiums paid or payable to the reinsurer net of any experience refunds shall reduce premium income. Policy benefit payments paid by the reinsurer shall reduce the ceding entity's reported policy benefits. Expense allowances paid by the reinsurer shall be reported separately in the summary of operations as they are earned. A net reduction to policy reserves shall be taken for the portion of the obligation assumed by the reinsurer. ~~Any amounts withheld by the ceding entity shall be recorded as a separate liability. The liability is based on the book adjusted carrying value of the assets held by the ceding entity to the extent that such funds were included as a part of the total assets and were not offset by a directly related credit on the asset page.~~ **A funds withheld liability is established, which is determined based on the terms of the reinsurance agreement. The assets held on the ceding entity's balance sheet to support the funds withheld liability are accounted under the appropriate statutory accounting principles for the specific asset(s).** Reporting entities filing the annual statement for life and accident and health insurers shall record any interest due or payable on the amounts withheld as a component of aggregate write-ins for miscellaneous deductions. Reporting entities filing the health annual statement shall record any interest due or payable on the amounts withheld as a component of aggregate write-ins for other income or expense.
- b. Assuming Entity (Reinsurer) - Premiums received or receivable by the reinsurer net of any experience refunds shall increase premium income and policy benefit payments paid by the reinsurer shall increase the reported policy benefits. Expense allowances paid by the reinsurer shall be reported separately in the summary of operations when payable. The reinsurer shall record its share of the statutory policy reserves attributable to the business identified in the contract. Any funds withheld by the ceding entity shall be recorded as an accounts receivable. For reporting entities filing the annual statement for life and accident and health insurers shall record any interest earned or receivable on the funds withheld as a component of aggregate write-ins for miscellaneous income. Reporting entities filing the health annual statement shall record any interest earned or receivable on the funds withheld as a component of aggregate write-ins for other income or expense.

Funds Held Under Reinsurance Treaties with Unauthorized Reinsurers or Certified Reinsurers

53. This liability is established for funds deposited by or contractually withheld from unauthorized reinsurers or certified reinsurers. ~~The liability is based on the book adjusted carrying value of the assets held by the ceding entity to the extent that such funds were included as a part of the total assets and were not offset by a directly related credit on the asset page.~~ The funds withheld liability is determined based on the terms of the reinsurance agreement.

Recommendation:

**NAIC staff recommend that the Working Group expose modified guidance illustrated below. Note that there is a corresponding blanks proposal concurrently exposed with a December 31, 2026 effective date, this proposal would require modification, depending on the Working Group direction. No specific comments were received by the Blanks (E) Working Group on proposal 2026-10BWG as the comments referred to the comments made to the SAPWG. If this item is modified and exposed then it would require a deferral or re-exposure during the Blanks May 28 call, which would defer the proposed effective date from the year-end 2026 until 2027. The following modifications to the previously exposed guidance are recommended:**

1. SSAP No. 61, paragraph 40a, recommends adding the following IP/ ACLI recommendation to SSAP No. 61, paragraph 40a and to paragraph 53. "The assets held on the ceding entity's balance sheet to support the funds withheld liability are accounted under the appropriate statutory accounting principles for the specific asset(s)."
2. NAIC staff recommends keeping the existing language in paragraph 40a "Any amounts withheld by the ceding entity shall be recorded as a separate liability."
3. NAIC staff recommend keeping the exposed language regarding the liability with the addition of a reference to using the appropriate statutory accounting principles in SSAP No. paragraph 40 and SSAP No. 53.
4. NAIC staff does not recommend incorporating the following comment to SSAP No. 61, paragraph 40a or paragraph 53. "A funds withheld liability is established, which is determined based on the terms of the reinsurance agreement."

The agenda item is to clarify that the amount reported for the funds withheld liability should match the assets held by the ceding entity on its balance sheet. If a ceding entity does not have adequate funds withheld from the assuming entity and the assuming entity has not provided such additional assets to the ceding entity for reinsurance collateral purposes, the amount reported as a funds withheld liability should match the actual funds withheld by the ceding entity, not the amount that the reinsurer is required to provide that has not yet been received.

For example, if an unauthorized assuming entity is contractually required to provide collateral of \$100 million, and the ceding entity as of the reporting date, has withheld \$80 million and requested the additional amount of \$20 million from the assuming entity, if it has not been provided, the ceding entity would only report a funds withheld liability of \$80 million on line 24.03 Funds withheld under reinsurance treaties with unauthorized and certified reinsures. Because the reinsurer is unauthorized, the ceding entity would record a \$20 million liability on Line 24.02 Reinsurance in Unauthorized and Certified Companies for the collateral shortfall (\$100-\$80 collateral held =20) in accordance Appendix A-785 Credit for Reinsurance.

**Working Group Discussion point - Interim discussion with interested parties indicated that when they**

have a collateral shortfall, they record a receivable from the reinsurer, which they are including as FWH asset, and grossed up the funds withheld liability for the receivable. With this treatment, if the receivable is included as a funds withheld asset, there would not be a collateral shortfall noted. NAIC staff do not believe this was the intent as it does not allow for verification under the credit for reinsurance calculation. NAIC staff recommends that the funds withheld liability should reflect actual assets held as of the reporting date.

Proposed language for exposure consideration, new revisions shown as shaded text.

SSAP No. 61:

40. The following accounting applies to coinsurance arrangements with funds withheld:
- a. Ceding Entity—Premiums paid or payable to the reinsurer net of any experience refunds shall reduce premium income. Policy benefit payments paid by the reinsurer shall reduce the ceding entity's reported policy benefits. Expense allowances paid by the reinsurer shall be reported separately in the summary of operations as they are earned. A net reduction to policy reserves shall be taken for the portion of the obligation assumed by the reinsurer. Any amounts withheld by the ceding entity shall be recorded as a separate liability. The liability is based on the book adjusted carrying value (using applicable statutory accounting principles) of the assets held by the ceding entity to the extent that such funds were included as a part of the total assets and were not offset by a directly related credit on the asset page. The assets held on the ceding entity's balance sheet to support the funds withheld liability are accounted under the appropriate statutory accounting principles for the specific asset(s). Reporting entities filing the annual statement for life and accident and health insurers shall record any interest due or payable on the amounts withheld as a component of aggregate write-ins for miscellaneous deductions. Reporting entities filing the health annual statement shall record any interest due or payable on the amounts withheld as a component of aggregate write-ins for other income or expense.
  - b. Assuming Entity (Reinsurer)—Premiums received or receivable by the reinsurer net of any experience refunds shall increase premium income and policy benefit payments paid by the reinsurer shall increase the reported policy benefits. Expense allowances paid by the reinsurer shall be reported separately in the summary of operations when payable. The reinsurer shall record its share of the statutory policy reserves attributable to the business identified in the contract. Any funds withheld by the ceding entity shall be recorded as an accounts receivable. For reporting entities filing the annual statement for life and accident and health insurers shall record any interest earned or receivable on the funds withheld as a component of aggregate write-ins for miscellaneous income. Reporting entities filing the health annual statement shall record any interest earned or receivable on the funds withheld as a component of aggregate write-ins for other income or expense.

Funds Held Under Reinsurance Treaties with Unauthorized Reinsurers or Certified Reinsurers

53. This liability is established for funds deposited by or contractually withheld from unauthorized reinsurers or certified reinsurers. The liability is based on the book adjusted carrying value (using applicable statutory accounting principles) of the assets held by the ceding entity to the extent that such

funds were included as a part of the total assets and were not offset by a directly related credit on the asset page.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-27 (Jake)	SSAP No. 1 Modco/FWH Code	7 – Agenda Item	Agreement	IP – 2 MIA - 13

Summary:

On March 23, 2026, the Statutory Accounting Principles (E) Working Group re-exposed this agenda item which is a proposal to delete the “capital structure code” reporting column in Schedule D-1-1: Long-Term Bonds – Issuer Credit Obligations (D-1-1) and Schedule D-1-2: Asset-Backed Securities (D-1-2) for year-end 2025. The March 2026 re-exposure includes a specific request for regulator comments on the use of the restricted asset code in the investment schedules. The discussion identified that the restricted asset code is attributed to the entire reported investment, whereas only a portion of the investment may be restricted, and with substitutability requirements, the asset noted as restricted in the year-end investment schedules may not be the asset restricted subsequently. With the financial statement note disclosures, that identifies the amount of restricted assets by broad category, consideration will occur to delete the restricted asset codes from the investment schedules. However, before proceeding with that potential deletion, confirmation is first requested on any regulatory use and benefits of the codes. This agenda item will not result in changes to the *Accounting Practices and Procedures Manual*.

Interested Parties’ Comments:

Interested parties agree with the removal of the codes consistent with our prior comments on this proposal.

Comments from Maryland Insurance Administration:

We're in favor of keeping restricted asset codes in the investment schedules. We've found them to be very useful as part of my annual review of investment company investments, and also in support of the exam teams.

For example, part of our regular review and exams include ensuring that securities held for statutory deposits consist of eligible securities, e.g. cash, Treasuries, etc. By keeping the restricted asset code, it allows us to quickly match the deposits listed in Schedule E3 with securities listed in Schedule D. It also allows us to do a similar exercise when it comes to reconciling other collateral, e.g. sec lending, etc.

Recommendation:

**NAIC staff recommend that the Working Group adopt the revisions to SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures to add 1) collateral assets received and on balance sheet, 2) assets under modco reinsurance agreements, and 3) assets held under funds withheld reinsurance agreements. This adoption action is recommended to occur regardless of the decision to retain the investment asset code category within the investment schedule so that the disclosure in SSAP No. 1 matches the already adopted reporting components detailed in Note 5.**

NAIC staff also recommend that the Working Group retain the restricted asset code column in the investment schedules and include three new code categories to identify 1) collateral assets received and on balance sheet, 2) assets under modco reinsurance agreements, and 3) assets held under funds withheld reinsurance agreements. Currently, the assets restricted in these three categories are identified within the “other” restricted asset category, when all other restricted asset categories have a designated code. By capturing individual codes for these specific purposes, then the reporting codes will be consistent with what exists for

**other restricted asset categories.**

**Previously Exposed Revisions to SSAP No. 1:**

23. Reporting entities shall disclose(FN) the following information in the financial statements:
- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
  - b. The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.)(FN) in the general and separate accounts(FN) by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:
    - i. Reported assets subject to contractual obligation for which liability is not shown;
    - ii. Collateral held under security lending agreements;
    - iii. Assets subject to repurchase agreements;
    - iv. Assets subject to reverse repurchase agreements;
    - v. Assets subject to dollar repurchase agreements;
    - vi. Assets subject to dollar reverse repurchase agreements;
    - vii. Assets placed under option contracts;
    - viii. Letter stock or securities restricted as to sale(FN) – excluding FHLB stock;
    - ix. FHLB capital stock;
    - x. Assets on deposit with states;
    - xi. Assets on deposit with other regulatory bodies;
    - ~~xii.~~ xii. Pledged as collateral to the FHLB (including assets backing funding agreements);
    - ~~xiii.~~ xiii. Collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet.
    - ~~xiv.~~ xiv. Assets held under modco reinsurance agreements.
    - ~~xv.~~ xv. Assets held under funds withheld reinsurance agreements.
    - ~~xvi.~~ xvi. Assets pledged as collateral not captured in other categories(FN); and

xvii. Other restricted assets.

**Previously Exposed Revisions to Investment Schedules Restricted Asset Codes: (Annual Statement Instructions)**

Restricted Asset Code: For the columns that disclose information regarding investments that are not under the exclusive control of the reporting entity, and also including assets loaned to others, the following codes should be used:

- LS – Loaned or leased to others
- RA – Subject to repurchase agreement
- RR – Subject to reverse repurchase agreement
- DR – Subject to dollar repurchase agreement
- DRR – Subject to dollar reverse repurchase agreement
- C – Pledged as collateral – excluding collateral pledged to FHLB
- CF – Pledged as collateral to FHLB (including assets backing funding agreements)
- DB – Pledged under an option agreement
- DBP – Pledged under an option agreement involving “asset transfers with put options”
- R – Letter stock or otherwise restricted as to sale – excluding FHLB capital stock  
(Note: Private placements are not to be included unless specific restrictions as to sale are included as part of the security agreement.)
- RF – FHLB capital stock
- SD – Pledged on deposit with state or other regulatory body
- M – Not under the exclusive control of the reporting entity for multiple reasons
- SS – Short sale of a security
- O – Other

CX - Collateral assets received and on the balance sheet, excluding collateral held under security lending and repurchase agreements reported on the balance sheet.

MR - Assets held under modco reinsurance agreements.

FWR - Assets held under funds withheld reinsurance agreements.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2024-15 (Julie)	Asset Liability Management Derivatives	8 – Agenda Item 9 – Issue Paper 10 – SSAP No. 109 (Clean) 11 – SSAP No. 109 (Tracked)	Comments Received	IP – 1 ACLI – 11

Summary:

During the Spring 2025 National Meeting, the Working Group exposed SSAP guidance and an issue paper for interest-rate hedging derivatives used for asset-liability management. The drafting of this guidance occurred pursuant to the Working Group’s direction from the 2025 Fall National Meeting, reflecting an amortized cost measurement method and the exclusion of asymmetrical derivatives.

The exposed documents included a clean version of the proposed SSAP, as well as a version that illustrates tracked changes from the ACLI draft previously exposed. In addition to modifications from the prior ACLI version, NAIC staff highlighted the guidance established for transition, reporting and admittance for regulator review. Those components are again highlighted below:

- **Transition:** Transition guidance was proposed for reporting entities with open derivatives in an existing approved program as of the effective date. This guidance would allow those reporting entities to make a one-time adjustment to reclassify recognized unrealized gains and losses from derivative fair value changes. Then, the fair value of the derivative at transition would represent the initial amortized cost basis and follow the provisions in the guidance for future measurement. This transition guidance was incorporated primarily to accommodate companies that have not historically taken derivative gains/losses to IMR (which would have been in-line with the intent of SSAP No. 86) and had followed the fair value measurement method pursuant to SSAP No. 86.
- **Reporting:** NAIC staff requested feedback on the reporting for these derivatives. The proposal would incorporate new reporting lines to Schedule DB to separately capture these derivative structures. This would be consistent with past approaches when derivative categories are added.
- **Admittance:** The proposed SSAP guidance permits admittance of all deferred losses recognized under the ALM derivative standard. This is proposed to not disincentivize prudent hedging activities. Comments were requested on this guidance and if further disclosure (e.g., accumulated IMR, deferred derivatives, other “soft” assets) should occur to provide regulators with the aggregated amounts.

*Staff Note: As noted in the interested parties/ACLI comment letters, revisions were only suggested to the proposed transition guidance to make it surplus neutral. No comments received on the reporting or admittance concepts.*

Interested Parties / ACLI Comments: (Note separate identical letters were received. Comments only included once.)

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the SAPWG exposure draft Ref #2024-15 Asset Liability Management (ALM) Derivatives. We strongly support this exposure draft of statutory accounting guidance for interest-rate hedging derivatives used for ALM, also referred to as “ALM Derivatives”.

ACLI is very appreciative of the on-going dialogue with SAPWG and offers the following additional comment on this topic:

- Regarding the transition guidance in paragraph 24, we recommend that transition be a surplus neutral event on the transition date. ALM Derivative hedges are designed to hedge surplus, i.e., keep surplus / liquidation value unchanged due to market interest rate changes. Accordingly, for transition, we suggest the following adjustment to paragraph 24 of the exposure draft:

24. On the effective date, reporting entities with open derivatives in an existing approved program that qualifies as a highly effective hedge in scope of this statement are permitted to make a one-time adjustment to reclassify recognized unrealized gains and losses from derivative fair value changes to ~~deferred assets and deferred liabilities~~ realized gains/losses in the statement of operations. This is permitted even though the derivative is still open. With the reclassification, the derivative's then current fair value shall represent the initial amortized cost basis. This cost basis should be amortized into the statement of operations over the remaining life of the derivative instrument not to exceed a 10-year period. The derivative ~~and~~ should and follow the provisions of this statement for future measurement. As such, future fair value fluctuations in the derivative shall not be recognized as unrealized gains or losses unless the derivative no longer qualifies in scope of this statement. At derivative maturity or qualifying de-designation (rebalancing), the change in fair value from initial application and the maturity/de-

designation date shall be recognized as a deferred asset or liability pursuant to paragraphs 15.a and 15.b.

Once again, the ACLI appreciates the opportunity to provide comments and looks forward to continued dialogue on new statutory guidance for ALM Hedges.

Recommendation:

NAIC staff supports the suggested concept edits to the ALM transition guidance in which the unrealized change (from prior fair value fluctuations) for existing, qualifying derivatives, is recognized as a realized impact and then the reported derivative asset/liability BACV (adjusted for the prior FV changes) is amortized over 10 years. This allows for surplus neutrality (taking the current unrealized impact to realized), with a specified treatment on how to eliminate the previously recognized fair value changes to the reported derivative.

NAIC staff noted that the proposed language from the IPs/ACLI did not reflect the full edits needed to paragraph 24 (deletions were not fully shown). NAIC staff have worked with the key industry representations to clarify the edits and the revisions shown below to paragraph 24 reflects the proposed change to the SAP guidance.

NAIC staff identifies that the ALM derivative guidance is a new standard that has potential to alter the accounting for many derivatives. Further, the guidance corresponds with edits proposed to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* to eliminate a historical interpretation from some companies that allowed non-accounting effective hedges to be recognized and deferred through the IMR. With this, NAIC staff recommends that the Working Group expose the draft SSAP and Issue Paper with revisions to the transition guidance proposed by interested parties/ACLI with a comment deadline ending June 22, 2026. Discussion of the guidance can continue at the Summer National Meeting in conjunction with the discussion of the edits to SSAP No. 7 and the overall revisions to IMR. Exposure is recommended as it would allow for the revisions to coincide with the IMR project as well as give additional time for regulators to assess the proposed derivative concepts and provide confirmation or comments on the transition, reporting and admittance provisions.

**Proposed revisions to SSAP No. 109, Paragraph 24 – Transition Guidance: (NAIC staff proposal)**

24. On the effective date, reporting entities with open derivatives in an existing approved program that qualifies as a highly effective hedge in scope of this statement are permitted to make a one-time adjustment to reclassify recognized unrealized gains and losses from derivative fair value changes to realized gains and losses in the statement of operations ~~deferred assets and deferred liabilities and begin amortization over a 10-year period.~~ This is permitted even though the derivative is still open. The reported derivative asset/liability book/adjusted carrying value at the date of transition shall be amortized to income over the remaining life of the derivative instrument over a period not to exceed 10 years. Subsequent to transition, the derivative shall ~~With the reclassification, the derivative's then-current fair value shall represent the initial amortized cost basis and~~ follow the provisions of this statement ~~for future measurement.~~ As such, future fair value fluctuations in the derivative shall not be recognized as unrealized gains or losses unless the derivative no longer qualifies in scope of this statement. At derivative maturity or qualifying de-designation (rebalancing), the change in fair value from initial application and the maturity/de-designation date shall be recognized as a deferred asset or liability pursuant to paragraphs 15.a and 15.b.

**The comment letters (14 pages) are included in Attachment 12.**

**Statutory Accounting Principles (E) Working Group  
Meeting Agenda**

**A. Consideration of Maintenance Agenda – Pending List**

1. Ref #2026-04: ASU 2025-10, Accounting for Government Grants Received by Business Entities
2. Ref #2026-05: Securities Lending Restricted Asset Reporting
3. Ref #2026-06: Fair Value Disclosures
4. Ref #2026-07: Referral on AVR affiliated common stock

Ref #	Title	Attachment #
2026-04 (Wil)	ASU 2025-10, Accounting for Government Grants Received by Business Entities	A – Form A

Summary:

In December 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-10, Accounting for Government Grants Received by Business Entities which establishes a new topic to provide accounting for a government grant received by a business entity, including guidance for (1) a grant related to an asset and (2) a grant related to income. Under ASU 2025-10, a grant related to an asset is a government grant, or part of a government grant, which is conditioned on the purchase, construction, or acquisition of an asset (for example, a long-lived asset or inventory). A grant related to income is a government grant, or part of a government grant, other than a grant related to an asset (for example, a grant that reimburses a business entity for operating expenses).

ASU 2025-10 continues to utilize the existing U.S GAAP disclosures in Topic 832: Government Grants, which were initially established through ASU 2021-10, Government Assistance and applied to government grant/assistance transactions accounted for by analogy using either the grant accounting model (IAS 20) or the contribution accounting model (Topic 958). ASU 2025-10 revised the scope of these disclosures so that they apply to a government grant received by a business entity and adopt many of the same accounting principles used under the grant accounting model. The Statutory Accounting Principles (E) Working Group previously addressed and rejected ASU 2021-10 and determined that neither the grant nor contribution methods of accounting for government grant/assistance transactions were permitted under SAP. Rather, government grants/assistance are to be recorded in accordance with gain contingency guidance per *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets* (recognition allowed once realized), and are subject to the reporting disclosure requirements of both *SSAP No. 5* and *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*.

NAIC staff's recommendation is that adoption of ASU 2025-10 is not necessary, as the guidance would be rarely utilized by insurance entities and the Working Group has already rejected the grant or contribution accounting models. Outside of the COVID-19 era programs such as the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), and Employee Retention Credits (ERC), government grant/assistance revenues are unusual and infrequent occurrences for insurers and existing guidance in *SSAP No. 5* and *SSAP No. 24* is sufficient to address such transactions.

Recommendation:

**NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items* to reject *ASU 2025-10, Accounting for Government Grants Received by Business Entities*. NAIC staff also recommend updating *SSAP No. 24* to change the term “government assistance” to “government grants” as**

the term “government assistance” is no longer used within U.S. GAAP and add an additional sentence to clarify that government grants are to be recorded in accordance with gain contingency guidance.

**Recommended Revisions to SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items:**

Unusual/Infrequent Items

16. The nature, including a general description of the transactions, and financial effects of each unusual or infrequent event or transaction shall be disclosed in the notes to the financial statements. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. If the unusual or infrequent item is ~~as~~ the result of government ~~assistance grants~~, ~~the~~ disclosures shall ~~additionally~~ include the form in which the ~~assistance grant~~ has been received (for example, cash or other assets), and information regarding significant terms and conditions of the transaction, with items including, to the extent applicable, the duration or period of the agreement, and commitments made by the reporting entity, provisions for recapture, or other contingencies. Government grants are to be treated as gain contingencies and shall be recognized and disclosed in accordance with SSAP No. 5—Liabilities, Contingencies and Impairments of Assets.

Relevant Literature

24. This statement rejects *ASU 2021-10, Government Assistance: Disclosure by Business Entities about Government Assistance*. However, it does incorporate general disclosures about government assistance for all reporting entity types. This statement also rejects ASU 2025-10, Accounting for Government Grants Received by Business Entities.

Ref #	Title	Attachment #
2026-05 (Julie)	Securities Lending Restricted Asset Reporting	B – Form A

Summary:

This agenda item has been prepared to clarify restricted asset reporting for securities lending transactions, particularly to clarify what should be reported as a restricted asset, and to address questions for potential double-counting that could occur based on existing guidance.

- For securities lending, current SSAP and annual statement instruction language refers to “collateral held” as the restricted asset, but in other similar situations, it is the lent asset still on the books that is reported as the restricted asset. Further, the RBC reference in LR017 for securities lending transactions refers to the asset “loaned to others” for the corresponding RBC charge, but pulls from the GI lines for “collateral held” under securities lending agreements.
- For securities lending, in *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* and the corresponding financial statement restricted asset disclosure in Note 5L, there is a distinct restricted asset reporting line for “collateral held under security lending agreements” as well as a reporting category for assets received as collateral reported on the financial statements when there is a recognized liability to return. With the expansion of Note 5L, many questions have been received as companies seem to have interpreted the guidance to require the securities lending collateral in both locations, resulting with questions on double counting of collateral held under these agreements.

To provide an overview of a securities lending transaction:

A security lending transaction involves the temporary transfer of securities from one party (security lender) to another party (security borrower) and with the lender receiving collateral from the borrower to protect against the risk of loss. The lender receives a fee for the use of the security.

Under statutory accounting, when a reporting entity has entered into a securities lending arrangement, the lent asset is retained on the insurance company's investment schedule and included within the financial statements and subject to the corresponding RBC factor for that asset. This lent asset is restricted and not under the control of the reporting entity. This classification should exist regardless of whether the reporting entity lender has received collateral in exchange for that asset that they can pledge or sell:

- If the reporting entity has received collateral that they can pledge or sell, the reporting entity is to recognize the collateral received on their financial statements with an obligation to return the collateral. As this collateral is recognized on the insurance entity's books, it would be captured on an investment schedule and be subject to the corresponding RBC factor for that asset.
- If the reporting entity has received collateral that they cannot pledge or sell, then the reporting entity does not recognize that collateral on their financial statements and they do not recognize a liability to return. As this collateral is not recognized as an investment, there is no RBC asset charge.

Fundamentally, the asset loaned to the counterparty still reported on the insurance company's investment schedule should be what is captured as the "restricted asset" under a securities lending agreement. This agenda item proposes to incorporate changes to SSAP No. 1, the annual statement instructions and blanks to remove reference to "collateral held" and instead refer to the loaned asset.

For RBC purposes, the factor applied to this restricted asset will be influenced by whether the program qualifies as a conforming or non-conforming program (which is impacted by the type of collateral received) under the RBC requirements. However, the restricted asset classification will be to the lent asset still on the reporting entity's books and not to the collateral received.

- With this terminology change, collateral held for which the reporting entity does not have the ability to sell or pledge will not be captured as a restricted asset and under existing provisions, and will not be subject to any RBC factors. (This is because this collateral is not recognized on the reporting entity's financial statements.)
- With the terminology change, collateral held for which the reporting entity has the ability to sell or pledge shall be captured as a restricted asset on the investment schedule it is reported, and captured in Note 5L, in the category for which the entity has recognized collateral with the obligation to return. With the reporting in this category, under existing provisions, the collateral asset will not be subject to any additional RBC factors outside of the asset charge.

The revisions proposed in this agenda item should address both noted issues for 1) clarity in what should be reported as a restricted asset from securities lending transactions and 2) eliminate double counting for "collateral held" under securities lending agreements within the restricted asset disclosure. The restricted asset disclosure will capture the lent asset, and then if the entity has the ability to pledge or sell collateral received, the collateral received which is offset by a liability to return.

Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to clarify that the restricted asset reporting for securities lending transactions shall reflect the asset lent by the reporting entity that is still reflected on the reporting entity’s financial statements and not the collateral held. If collateral has been received that can be sold or pledged, then that collateral shall be reported in the restricted asset disclosure as collateral recognized on the financial statements with an obligation recognized to return. This collateral reporting shall not impact the reporting of the asset lent under the securities lending agreement.

With this revision, it is recommended that the Working Group sponsor a blanks proposal to make corresponding revisions to Note 5L as well as the General Interrogatories. It is also recommended that the Working Group send a referral to the Capital Adequacy (E) Task Force to clarify references as appropriate within the RBC instructions. (NAIC staff has included the life RBC instructions to illustrate potential revisions. As shown, the existing reference on form LR017 for “Loaned to Others” is consistent with the proposed edits in this agenda item and does not need revision.)

Although it is too late to incorporate blanks template changes for YE 2026, NAIC staff recommend that this item proceed to provide guidance on the reporting of restricted assets and what should be captured in Note 5L, with revisions proposed to be reflected in the blanks for 1Q 2026 reporting. This item is proposed to be captured outside of the comprehensive securities lending / repurchase agreement project to provide needed immediate clarity on the disclosure reporting and address questions on the potential double-counting of securities lending collateral within the disclosure.

**Proposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures*: (Corresponding revisions to the Annual Statement Instructions and proposed revisions for an RBC referral are detailed in the agenda item.)**

23. Reporting entities shall disclose the following information in the financial statements:
- a. Amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets. One example of such an item is escrow accounts held by title insurance companies; and
  - b. The total combined (admitted and nonadmitted) book adjusted carrying value (BACV) of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category, and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) in the general and separate accounts by the reporting entity in comparison to total assets and total admitted assets. (Pursuant to SSAP No. 4, paragraph 6, all assets pledged as collateral or otherwise restricted shall be reported in this disclosure regardless if the asset is considered an admitted asset.) Reporting entities shall also disclose differences in the amounts reported in this note versus the amounts reported for the same categories in the general interrogatories. This disclosure shall include the following restricted asset categories:
    - i. Reported assets subject to contractual obligation for which liability is not shown;
    - ii. ~~Collateral held under~~ Assets lent under security lending agreements;

***(Other subparagraphs eliminated for brevity)***

Ref #	Title	Attachment #
2026-06 (Julie)	Fair Value Disclosures	C – Form A

Summary:

This agenda item has been prepared to eliminate the disclosure exclusion for “equity method investments” from the aggregate disclosure on financial instruments captured in SSAP No. 100—*Fair Value*. With this current scope exclusion, investments in scope of SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies*, and investments in scope of SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*, which are reported under an equity method, are not being captured.

As background, the disclosure requirements in SSAP No. 100 were predominantly adopted to match U.S. GAAP when *FAS 157, Fair Value Measurements* was first adopted in SSAP No. 100 for statutory accounting in 2009. Since the December 31, 2010, effective date of SSAP No. 100, there have not been significant revisions to the original fair value disclosure requirements.

The U.S. GAAP financial instrument fair value disclosure has an exclusion for “investments accounted for under the equity method.” This exclusion was initially adopted for statutory accounting to match the U.S. GAAP disclosure, but has recently been questioned, as these investments are required to be disclosed with a fair value on Schedule BA (for SSAP No. 48 investments) and on D-2-2 (for SSAP No. 97 investments). There was also a question received on whether equity investments should be required to complete the fair value components on the new public/private security disclosure since they are not required to be disclosed under the SSAP No. 100 aggregate financial instrument fair value disclosure. Regardless of the financial instrument exclusion, for these, and all reported investments, fair value is required to be disclosed in the investment schedules in accordance with the fair value definition in SSAP No. 100:

Fair Value Definition: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For investments reported under the equity method, the calculated equity method may not reflect an exit price fair value. If reporting entities are not using observable market inputs in the determination of fair value, which would include using the equity method as a proxy for fair value, then the reported fair value shall be identified as a level 3 fair value.

To eliminate questions, ensure consistency in reporting, and ensure that regulators have complete disclosures on financial instruments held as investments, including aggregate information on equity investments backed by level 3 fair values, this agenda item proposes to remove the “investments accounted for under the equity method” disclosure exclusion from the financial instrument fair value disclosure. This will create a U.S. GAAP to SAP disclosure mismatch in guidance requirements, but due to measurement method differences (e.g., investments held at fair value under U.S. GAAP may be held under a different standard under SAP), existing fair value disclosures already do not agree between U.S. GAAP and SAP.

This disclosure revision is proposed to be in effect for December 31, 2026. The existing disclosure illustration allows for variable lines; therefore, it is not required to revise the disclosure to implement this change. With adoption, a blanks proposal will be sponsored to capture the references to SSAP No. 48 and SSAP No. 97 investments within the disclosure illustration.

Although the focus of this agenda item is the current “investments accounted for under the equity method” exclusion from the financial instrument disclosure, NAIC staff has included the SSAP No. 100, paragraph 50 disclosure for review. This disclosure, which was also adopted from U.S. GAAP in 2009, is limited to assets measured and reported at fair value. This disclosure has historically generated numerous questions, as there are few investments routinely measured and reported at fair value under statutory accounting (e.g., common stock and derivatives), therefore only limited information is captured in this disclosure. The fair value level 3 roll-forward is captured within this disclosure scope. As such, it’s not possible for regulators to quickly assess the aggregate change in level 3 fair values from this disclosure, and regulators that would like to have that detail would need to complete an aggregation of the per investment reporting that occurs on the investment schedules.

If desired by regulators, a subsequent agenda item could occur to reconsider the fair value disclosures captured for investments that are measured and reported at fair value. With the limited scope, NAIC staff is uncertain how regulators use these disclosures and requests comments on their use and if they are beneficial.

Recommendation:

**NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose revisions to SSAP No. 100—Fair Value Disclosures to eliminate the disclosure exclusion for “investments accounted for under the equity method” from the fair value financial instrument disclosure. This disclosure revision is proposed to be effective Dec. 31, 2026, as the disclosure illustration can accommodate this change without an annual statement instruction or template change. It is recommended that the Working Group sponsor a blanks proposal to include reference to SSAP No. 48 and SSAP No. 97 investments within the disclosure illustration to provide further clarity that those investments should be included. Additionally, it is recommended that this blanks proposal complete a review of the Annual Statement Instructions to ensure that all references to fair value refer to the determination under SSAP No. 100, and any remaining references to use of the “SVO or NAIC published market value when available” be removed. Values obtained from the SVO reflect a mix of Level 2 and Level 3 fair values and should not be used if Level 1 fair value information is available.**

**With the exposure of this agenda item, comments are requested on the other disclosures in SSAP No. 100, particularly the disclosures limited to items measured and reported at fair value, and how those disclosures are utilized by regulators, and if further revisions would provide enhanced benefits to regulators.**

**Note: It is anticipated that the Invested Assets (E) Working Group may propose further revisions to Note 20C to ensure consistent reporting across reporting entities. (Currently, with the variable reporting lines, companies are reporting their financial instruments with different reporting captions, making comparisons and assessments difficult to complete.)**

**Proposed Revisions to SSAP No. 100—Fair Value**

Disclosures about Fair Value of Financial Instruments

56. A reporting entity shall disclose in the notes to the financial statements, as of each date for which a statement of financial position is presented in the quarterly or annual financial statements, the aggregate fair value or NAV for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall. This disclosure shall be summarized by type of financial instrument, for which it is practicable to estimate fair value, except for certain financial instruments identified in paragraph 57. Fair value disclosed in the notes shall be presented together with the related admitted values in a form that makes it clear whether the fair values and admitted values represent assets or liabilities and to which line items in the Statement of Assets, Liabilities, Surplus and Other Funds they relate. Unless specified otherwise in another SSAP, the disclosures may

be made net of encumbrances, if the asset or liability is so reported. A reporting entity shall also disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments. If it is not practicable for an entity to estimate the fair value of the financial instrument or a class of financial instruments, and the investment does not qualify for the NAV practical expedient, the aggregate carrying amount for those items shall be reported as “not practicable” with additional disclosure as required in paragraph 50.

57. The disclosures about fair value prescribed in paragraph 56 are not required for the following:
- a. Employers' and plans' obligations for pension benefits, other postretirement benefits including health care and life insurance benefits, postemployment benefits, employee stock option and stock purchase plans, and other forms of deferred compensation arrangements, as defined in *SSAP No. 12—Employee Stock Ownership Plans*, *SSAP No. 92—Postretirement Benefits Other Than Pensions*, *SSAP No. 102—Pensions* and *SSAP No. 104—Share-Based Payments*.
  - b. Substantively extinguished debt subject to the disclosure requirements of *SSAP No. 103—Transfer and Servicing of Financial Assets and Extinguishments of Liabilities*.
  - c. Insurance contracts, other than financial guarantees and deposit-type contracts .
  - d. Lease contracts as defined in *SSAP No. 22—Leases*.
  - e. Warranty obligations and rights.
  - ~~f. Investments accounted for under the equity method.~~
  - ~~g.f.~~ Equity instruments issued by the entity.
  - ~~h.g.~~ Deposit liabilities with no defined or contractual maturities.

Ref #	Title	Attachment #
<b>2026-07 (Robin)</b>	<b>Referral on AVR affiliated common stock</b>	<b>D– Form A</b>

Summary:

This agenda item is to respond to a referral from the Life Risk-Based Capital (E) Working Group which was received at the 2025 Summer National Meeting. The referral forwarded comments received on life risk-based capital proposal 2025-04-L Other Long-Term Assets (LR008). Specifically, the American Council of Life Insurers (ACLI) raised questions on the asset valuation reserve (AVR) equity reporting lines for subsidiary, controlled or affiliated (SCA) common stock on the AVR reporting schedule in the Life, Accident & Health/ Fraternal Annual Statement and requested clarifications to the AVR blanks and instructions.

The following four AVR equity schedule lines were highlighted in the referral for clarification:

Maximum Reserve Factor	2025 AVR Schedule Line Number and Name
.1580	15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries (See SVO Purposes & Procedures Manual)

	68 - Investments with the Underlying Characteristics of Common Stock – Affiliated Certain Other (See SVO Purposes & Procedures Manual)
.1945	16 - Subsidiary, Controlled or Affiliated Common Stocks – Other
	69 - Investments with the Underlying Characteristics of Common Stock – Affiliated Other – All Other

AVR was first applicable in 1992, and the original instructions and line names included references to specific SCA valuation categories for the SCA common stock lines for “affiliated – certain other.” However over time specific references to SCA valuations associated with the “affiliated – certain other” were removed from the AVR schedule and instructions which caused the distinction between the line categories for “affiliated certain other” and “affiliated other” to become unclear.

This agenda item provides a recommendation to clarify the reporting for these categories based on an overview of key research points from using the NAIC library resources, to review historical AVR instructions and schedules and the references to the SCA valuation methods previously within in the *Securities Valuation Office (SVO) Purpose & Procedures Manual* (P&P Manual) and the guidance currently in the *Accounting Practices and Procedures Manual*.

As detailed below in the agenda item under “Key Points in Historical Research” NAIC staff has identified that the historical intent of what is “line 15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries” is most similar to the current methods of SCA valuation in *SSAP No. 97—Investments in Subsidiary Controlled and Affiliated Entities* described below. Note that because of existing “Line 4 - Subsidiary, Controlled or Affiliated Common Stocks – Life Insurers with an AVR” are excluded from line 15:

1. U.S. insurance companies using the methodology detailed in SSAP No. 97, paragraph 8.b.i. This is an equity method using audited statutory accounting principles valuation. The historical wording referenced in the in the SVO P&P Manual for this line was book equity of common stock issued by a U.S. insurer.
2. Non-insurance companies (foreign and domestic) using the methodology detailed in SSAP No. 97, paragraph 8.bii. This is an equity method using audited generally accepted accounting principles (GAAP) with limited statutory adjustments. The historical wording for this line initially noted non-insurance companies and the value of assets if held directly by an insurer. The historical intent of this wording is to arrive at either a statutory accounting valuation or a SAP like valuation for the assets.

Recommendation:

**NAIC staff recommend that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to the Life, Accident & Health/Fraternal Annual Statement blank and instructions as described below. In addition, the Life Risk-based Capital (E) Working Group should be notified of the exposure. No revisions to statements of statutory accounting principles are recommended. After exposure of this agenda item, NAIC staff recommend that the Working Group sponsor a blanks proposal to incorporate instruction changes to the noted AVR reporting lines, as well as to review other AVR reporting lines to ensure the instructions are accurate.**

The proposed revisions detailed in the agenda include SCAs with statutory accounting impacted valuations (excluding life SCAs that have an AVR) in line 15, receiving a lower RBC charge as the “SCA – Certain Other” category, and all other SCAs captured in line 16.

1. Line 15 - Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries be updated to include:
  - a. Remove the reference to the SVO Purposes & Procedures Manual in the line name in the annual statement.
  - b. Add references to SSAP No. 97, paragraph 8.b.i (audited U.S. Insurers SAP equity) and paragraph 8.b.ii (audited GAAP for a non-insurance entity with limited SAP adjustments) to the instructions. This is consistent with specific historical SVO references that the line includes valuations with statutory adjustments. Note that historical information did not include foreign insurance entities.
  - c. Note that because of existing AVR Common Stock Line 4 - Affiliated Life insurance with AVR are excluded from line 15 and NAIC staff recommend that this be stated.
  
2. Line 68 - Investments with the Underlying Characteristics of Common Stock – Affiliated Certain Other (See SVO Purposes & Procedures Manual)
  - a. Remove the reference to the SVO Purposes & Procedures Manual in the line name in the annual statement. Add SAP equity to line 15 name.
  - b. Include in line 68 investments with more than a minor ownership interest as described in SSAP No. 48 which are valued in accordance with SSAP No. 97, paragraph 8.b.i.; or paragraph 8.b.ii. and explicitly note that this line does not include life entities with AVR which are reported in line 67.
  - c. Note that the instructions for lines 65-68 are quite brief, so NAIC staff would recommend further instructions to these lines. With the sponsored blanks proposal for this item, NAIC staff will work with the Blanks team to proposed clarifying edits to these lines, as well as the corresponding common stock lines.
  - d. Note the currently exposed blanks proposal number 2025-27BWG affects the AVR schedule and instructions to add a section on collateralized loan obligations (CLO), collateralized bond obligations (CBO) and collateralized debt obligations (CDO). This will require line renumbering of the AVR schedule and lines. The line numbers that will match the line numbers if that proposal is adopted are shown in the agenda item for ease of review.  
  
*Note:* NAIC staff has also identified that Schedule S, Part 8, will need to be updated in a separate blanks proposal for 2027 to match the new AVR reporting categories in 2025-27BWG. This will be an ongoing coordination that will occur at the Blanks (E) Working Group as the intent is for Schedule S, Part 8 to match the AVR schedule reporting categories.
  
3. Line 69 - Investments with the Underlying Characteristics of Common Stock – Affiliated Other – All Other revisions have been proposed to add instruction for line 69 that parallels the guidance for line 16 - Subsidiary, Controlled or Affiliated Common Stocks – Other.

**Comment deadline for items exposed is Monday, June 22.**