

**Statutory Accounting Principles (E) Working Group
Hearing Agenda
May 22, 2025**

ROLL CALL

Dale Bruggeman, Chair	Ohio	Steve Mayhew/Kristin Hynes	Michigan
Kevin Clark, Vice Chair	Iowa	Doug Bartlett	New Hampshire
Sheila Travis/Richard Russell	Alabama	Bob Kasinow	New York
Kim Hudson	California	Diana Sherman	Pennsylvania
William Arfanis/Michael Estabrook	Connecticut	Jamie Walker	Texas
Rylynn Brown	Delaware	Doug Stolte/Jennifer Blizzard	Virginia
Cindy Andersen	Illinois	Amy Malm/Levi Olson	Wisconsin
Melissa Gibson/Shantell Taylor	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 #2023-24: Current Expected Credit Losses (CECL)
2. Ref #2025-04: Capital Structure Code
3. Ref #2025-06: AVR Line: Unrated Multi-Class Securities
4. Ref #2025-07: Dividend General Interrogatory Update

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2023-24 (Wil)	Current Expected Credit Losses (CECL)	1 – Issue Paper (1a – 125 pages)	No Comments	2

Summary:

On January 10, 2024, the Working Group adopted agenda item 2023-24: Current Expected Credit Losses (CECL) which rejects *ASU 2016-13 Financial Instruments–Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* and five other related ASUs. At the direction of the Working Group, this issue paper was drafted to maintain pre-CECL U.S. Generally Accepted Accounting Principles impairment and OTTI guidance for historical purposes. This agenda item was last exposed at the 2024 Summer National Meeting, and the comment period deadline has been extended multiple times since at industry's request. ***(The reference materials have been separately included as it is 125 pages and may not warrant printing.)***

Interested Parties' Comments:

Interested parties have no comment on this item.

Recommendation:

NAIC staff recommends that the Working Group adopt the exposed draft of *Issue Paper No. 171 – Current Expected Credit Losses (CECL)* along with minor edits to clarify that the issue paper is for historical reference only and should not be construed to provide statutory guidance. Additionally, given the document's size and its

function as a historic reference, we recommend that the issue paper be posted electronically on the website only, and not included in the 2026 AP&P manual.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-04 (Julie)	Capital Structure Code	2 – Agenda item	No Comments	3

Summary:

On March 24, 2025, the Working Group exposed, for a shortened comment deadline ending May 2, 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. With exposure, information was requested from regulators on the use of these reporting codes and if there is a preference to retain the codes and instead expand, clarify and/or limit application to specific reporting lines to improve consistency and usefulness. This agenda item will not result in changes to the *Accounting Practices and Procedures Manual*.

Interested Parties’ Comments:

Interested parties have no comment on this item. However, interested parties provided comments to the Blanks Working Group on 2025-11BWG which removes the capital structure code reporting column on Schedule D, Part 1, Sections 1 and 2.

Recommendation:

NAIC staff recommend that the Working Group adopt this agenda item supporting the deletion of the “capital structure code” reporting column from 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. In the comment letter sent to the Blanks (E) Working Group, the “IPs had no comment” on this item.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-06 (Julie)	AVR Line: Unrated Multi-Class Securities	3 – Agenda item	No SAPWG Comments	IP-4

Summary:

On March 24, 2025, the Working Group exposed this agenda item proposing revisions to the Life/Fraternal Annual Statement Blank, AVR: Default Component – Basic Contribution, Reserve Objective and Maximum Reserve Calculation to remove the reporting line 8 “Unrated Multi-Class Securities Acquired by Conversion.” (With the proposal, the line will be renamed to “intentionally left blank” to prevent renumbering in the AVR Schedule.) This agenda item will not result in changes to the *Accounting Practices and Procedures Manual*.

Interested Parties Comments:

Interested parties have no comment on this item. However, interested parties provided comments to the Blanks Working Group on 2025-12BWG which “removes” Line 8 – Unrated Multi-Class Securities Acquired by Conversion from AVR: Default Component – Basic Contribution.

Recommendation:

NAIC staff recommend that the Working Group adopt this agenda item, supporting the deletion of AVR: Default Component – Basic Contribution, Reserve Objective and Maximum Reserve Calculation reporting line 8 “Unrated Multi-Class Securities Acquired by Conversion.”

The comments received at the Blanks (E) Working Group proposed to combine this item with another blanks proposal that would be effective Jan. 1, 2026. This IP comment is not supported as this AVR item is proposed to be removed for year-end 2025 reporting. There are no items that qualify for reporting in this line, therefore there is no need to wait to remove until 2026. If a company was planning to report amounts in this AVR line for 2025, then it would reflect incorrect reporting and should be corrected.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-07 (Jake)	Dividend General Interrogatory Update	4 – Agenda item	No Comments	4

Summary:

On March 24, 2025, the Working Group exposed this agenda item recommending to remove the Life/Fraternal General Interrogatories, Part 2, #14 disclosure as it is not consistently included across all annual statement blanks. This agenda item will not result in changes to the *Accounting Practices and Procedures Manual*.

Interested Parties’ Comments:

Interested parties have no comment on this item. However, interested parties provided comments to the Blanks Working Group on 2025-08BWG which removes Life / Fraternal General Interrogatory #14 that reports total dividends paid to stockholders since organization of the reporting entity.

Interested Parties Comments to the Blanks (E) Working Group:

Ips have no comments.

Recommendation:

NAIC staff recommend adoption of this agenda item, which does not result in statutory accounting changes, with a recommendation that the Blanks (E) Working Group adopt their agenda item 2025-08BWG, which removes Life/Fraternal GI #14 in Part 2 of the General Interrogatories, as it is unnecessary and is not required under SSAP No. 72.

REVIEW of COMMENTS on EXPOSED ITEMS

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

1. Ref #2024-07: Reporting of Funds Withheld and Modco Assets
2. Ref #2025-05: Reinsurer Affiliated Assets
3. Ref #2025-08: Medicare Part D Prescription Drug Payment Plan Disclosures

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2024-07 (Jake)	Reporting of Funds Withheld and Modco Assets	5 – Agenda item	Comments Received	IP-2 UHC-6

Summary:

On March 24, 2025, the Working Group exposed, for a shortened comment deadline ending May 2, this agenda item, which proposes to add a new Schedule S, Part 8 in the Life/Fraternal annual statement for the reporting of assets associated with a funds withheld or modco arrangement. The Blanks (E) Working Group also exposed the new disclosure in agenda item 2025-05BWG at their spring meeting.

Interested Parties' Comments:

Interested parties support the revisions with the edits provided by the American Council of Life Insurers. Also, interested parties provided comments to the Blanks Working Group on 2025-05BWG which adds a new part to Schedule S to report reinsurance agreements with funds withheld and modified coinsurance.

UHC Comments:

We previously submitted comments with an example of certain Health reinsurance arrangements where there is no contractual requirement or purpose to identify specific assets for funds withheld.

The example provided is as follows: a Health insurer may have a Health reinsurance arrangement transferring only insurance risk whereby the terms of the agreement require funds to be withheld equal to the amount of ceded statutory reserves. The funds are withheld solely to permit statutory credit for a nonadmitted reinsurer. In this case, there is no investment risk being passed to the reinsurer and no specific assets separately identified. As such, the information proposed to be disclosed in the newly developed Schedule S exhibit would not be applicable to this type of Health reinsurance arrangement with these characteristics.

In the latest proposal, the new Schedule S exhibit and related disclosures are not required for the Health or P&C/Title blanks. We certainly support that guidance. However, we believe there is an unintended consequence and inconsistency in treatment whereby Health reinsurance arrangements for companies filing on the Life blank still remain in scope for the new Schedule S exhibit and disclosures.

Since you are excluding the new Schedule S exhibit and disclosures from the Health blank, it would make sense to also exclude Health reinsurance arrangements from the new Schedule S and related disclosures in the Life blank. Health reinsurance reported on the Life blank would have the same characteristics as those on the Health blank, namely, that investment risk is not transferred and there is no contractual requirement for an identification of specific assets supporting the reinsured business.

Since there is no contractual requirement or even a contractual purpose for identifying specific assets, how could the company provide meaningful information in the new Schedule S exhibit and related disclosures?

We respectfully request the Working Group limits the application of this guidance and Schedule S reporting requirement to Life reinsurance arrangements. Health reinsurance arrangements without contractual requirements to identify specific assets withheld should be excluded, regardless of the type of blank filed.

Interested Parties Comments to the Blanks (E) Working Group:

IPs have the following comments:

- Will other lines that are not historically part of an AVR but could be included in an agreement be added? These include, but not limited to, Cash, Cash Equivalents, Collateral loans, etc.
- References to 'Default Component' and 'Equity and Other Invested Asset Component' should be removed as these are utilized in AVR only.
- The Life/Fraternal RBC instructions (e.g., LR045-LR048 – Modco or Funds Withheld Reinsurance Agreements) provide directions to a company when a ceding company does not provide the details of the assets being ceded to an assuming company. Will there be similar language in the Annual Statement instructions for assumed blocks where an assuming insurer does not receive the asset details from the ceding insurer?
- If 2025-12BWG is adopted, will the 'Unrated Multi-Class Securities Acquired by Conversion' line in this Schedule also be removed?

IPs have the following editorial revisions:

- Consider renaming the header for clarification on what is included: REINSURANCE AGREEMENTS WITH FUNDS WITHHELD AND MODIFIED COINSURANCE AS OF DECEMBER 31, CURRENT YEAR
- The following category header should be modified as follows:
 - ~~INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF~~ SURPLUS NOTES AND CAPITAL NOTES
 - The instructions for Column 7 & 8, Column 9 & 10, and Column 11 & 12 should be 'Assumed' not 'Ceded'.

Recommendation:

NAIC Staff recommend that the Working Group adopt the draft of the new reporting schedule (included in Exhibit 1 of this Form A), which add a new part to the reinsurance Schedule S in the Life/Fraternal Annual Statement Blanks and Instructions, and recommend that the Blanks (E) Working Group move forward with the adoption of their corresponding agenda item 2025-05BWG. The adoption of this agenda item will not result in changes to statutory accounting. Below are the details of the responses to the comments received on the last exposure, with NAIC staff notes to incorporate industry comments.

Interested parties had no comments on the Spring 2025 exposure, noted support for the revisions that had been previously provided by the ACLI, which are included in the final version in Exhibit 1, and noted that they had provided comments to the Blanks (E) Working Group, which have been incorporated as described below:

IPs have the following comments:

- Will other lines that are not historically part of an AVR but could be included in an agreement be added? These include, but not limited to, Cash, Cash Equivalents, Collateral loans, etc. **NAIC staff response: Added a single line for cash and cash equivalents, and any other items will be caught in the "All Other Investments" section at the bottom of the schedule.**
- References to 'Default Component' and 'Equity and Other Invested Asset Component' should be removed as these are utilized in AVR only. **NAIC staff response: This has been updated in the modified Blanks proposal.**

- The Life/Fraternal RBC instructions (e.g., LR045-LR048 – Modco or Funds Withheld Reinsurance Agreements) provide directions to a company when a ceding company does not provide the details of the assets being ceded to an assuming company. Will there be similar language in the Annual Statement instructions for assumed blocks where an assuming insurer does not receive the asset details from the ceding insurer? **NAIC staff response: NAIC staff has added reference to what is currently included in the RBC instructions when there is a lag in information, to update the appropriate asset categories in the schedule which support the reported funds on deposit with reinsured companies on the assets page. This allocation should be to support the assets reported (reserve held). (See shaded text in Exhibit 1 of the agenda item and excerpted below).**
- If 2025-12BWG is adopted, will the ‘Unrated Multi-Class Securities Acquired by Conversion’ line in this Schedule also be removed? **NAIC staff response: Yes, we will update this schedule for the adoption of 2025-12BWG.**

IPs have the following editorial revisions:

- Consider renaming the header for clarification on what is included: **REINSURANCE AGREEMENTS WITH FUNDS WITHHELD AND MODIFIED COINSURANCE AS OF DECEMBER 31, CURRENT YEAR** **NAIC staff response: This change has been made.**
- The following category header should be modified as follows:
 - ~~INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF~~ SURPLUS NOTES AND CAPITAL NOTES **NAIC staff response: This has been updated and included in the final version in Exhibit 1 of the agenda item.**
 - The instructions for Column 7 & 8, Column 9 & 10, and Column 11 & 12 should be ‘Assumed’ not ‘Ceded’. **NAIC staff response: This has been updated and included in the final version in Exhibit 1 of the agenda item.**

Scope comments:

United Healthcare provided comments recommending that the scope of Schedule S, Part 8 be changed to include only assets supporting reinsurance contracts that transfer investment risk, which would impact health insurers that report using the life and health blank. At the Spring Meeting, the vice chair directed NAIC staff to research adding revisions to the exposure, which would clearly identify funds withheld and modco assets between those that transfer investment risk (and thereby result in an RBC adjustment) and those that do not transfer investment risk. He noted that one of the key objectives was to provide better detail which supported the RBC adjustments for such assets.

After research, NAIC identified that the schedule could not be easily divided to identify both categories of assets without revisions that would necessitate re-exposure. As the goal was to initially obtain information for 2025 reporting, the decision was made that the 2025 schedule should only identify the funds withheld / modco assets where investment risk is transferred. This result is similar to the recommendation from United Healthcare but is not targeted only at health entities. NAIC staff worked with the chair and vice chair of the Working Group to added a new first paragraph (excerpted below) which clarifies that this schedule is only required for contracts supported by funds withheld or modco assets where the reinsurance contract transfers investment risk.

The Working Group will determine in future discussions if the 2026 version of the schedule should be expanded to also include the funds withheld / modco assets which do not result in investment risk transfer.

Proposed additional instructions for Scoping and Lag:

This schedule reports the assets supporting modified coinsurance (MODCO) and other reinsurance transactions with funds withheld where the entire asset credit or variability in statement value risk associated with the assets supporting the business reinsured is transferred to the assuming company for the entire duration of the

reinsurance treaty. Only the portion of the assets used to support the ceded or assumed liabilities should be included, i.e. amounts in excess of the reserve should be excluded.

The ceding company is required to supply the assuming company with sufficient information in order for the assuming company to determine the amount of assets withheld under Modco or other funds withheld. An assuming company that has not received timely information shall follow the procedures in the Life Risk-Based Capital instructions for Modco or Funds Withheld Reinsurance Agreements (LR045, LR046, LR047 and LR048) to apply the Modco liability ratio by asset category. The allocated assets should support the portion of the funds held by or deposited with reinsured companies that represents the investment risk assumed as described above, that is, the estimated investment risk assumed should not be greater than the assets reported on the asset page.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-05 (Julie)	Reinsurer Affiliated Assets	6 – Agenda Item	Comments Received	IP-3

Summary:

On March 24, 2025, the Working Group received a referral from the Financial Analysis (E) Working Group related to funds withheld assets related to / affiliated with the reinsurer and exposed this agenda item proposing revisions to SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures while concurrently sponsoring a blanks proposal to expand the restricted asset note disclosure to capture information, by investment schedule, of funds withheld assets that are related to the reinsurer. Additionally, the proposed revisions will require the restricted asset disclosure in all quarterly and annual financial statements.

Interested Parties Comments:

Interested parties understand that the intention of this proposal is to enhance reporting to identify investments in modified coinsurance (modco) and funds withheld (FWH) arrangements that are affiliated with the reinsurer and for the cedant to report this information.

We have concerns in two primary areas:

- 1) Potentially Misleading Disclosure: The cedant's disclosure of this information may imply that reinsurer-related party investments are inherently riskier than non-related party investments and that this risk is borne by the cedant. In modco and FWH arrangements, the investment risks and rewards are borne by the reinsurer as evidenced by the RBC instructions providing for the reduction in RBC for the cedant (and corresponding increase to the reinsurer) for modco and FWH assets.
- 2) Scope of Disclosures: The required disclosures would set an unusual precedent, requiring a cedant to report on related party transactions of an unrelated entity.

As a practical matter, operational challenges, such as the following, arise in obtaining such information for transactions with non-affiliated reinsurers:

- Investment Accounting Systems: It is unlikely that such information is currently captured within a cedant's investment accounting systems. Therefore, to comply with this requirement, especially for year-end 2025, cedants would likely have to manually prepare this disclosure.

- **Knowledge of Reinsurer Affiliate Relationships:** A cedant is unlikely to have full knowledge of a reinsurer's affiliate relationships. Thus, in most cases, the required information would need to be provided by the reinsurer.
- **Application of US Statutory Accounting Guidance:** This disclosure would require reinsurers, who are not otherwise subject to SAP to apply the statutory related party definition to their investment portfolios.
- **Contractual Obligations:** The reinsurer may not have a contractual obligation within the reinsurance agreement to report or disclose such information to the cedant.

Interested parties ask regulators to weigh the benefits of this new disclosure, including the pervasiveness of the issue regulators are trying to address, against the concerns and operational burdens noted above. We recommend the following two scope limitations, with the understanding that additional information or quarterly reporting could be implemented later:

- **Reporting Frequency:** Limit reporting frequency to annual. This would reduce the operational burden for cedants and reinsurers.
- **Scope of Disclosure:** Limit the scope of disclosure based on the level of judgment used in valuation (e.g., Level 3 assets as classified in the Fair Value Hierarchy in SSAP No. 100, *Fair Value*). This would address the primary source of concern in the specific example cited by NAIC staff, which is centered on the valuation of funds withheld assets.

Interested parties also provided comments to the Blanks Working Group on 2025-10BWG which updated Note 5L – *Restricted Assets* to identify assets held under Modco / Funds Withheld Agreements that are affiliated with the reinsurer and also updated the list of required quarterly disclosures to include Note 5L.

Recommendation:

NAIC staff recommend that the Working Group proceed with adoption of the revisions captured in this agenda item to both require the restricted asset note in all quarterly and annual financial statements and to incorporate a disclosure to identify funds withheld assets that are related to/affiliated with the reinsurer. No modifications are proposed to the disclosure based on the interested parties' comments. For clarity, with adoption, the entire restricted asset disclosure will be required in all quarterly and annual financial statements, including the reinsurer affiliated asset disclosure. This update to the data captured notes will be effective for year-end 2025 and the quarterly reporting will be initially required in the first quarter of 2026.

As a reminder, this disclosure was drafted in response to a FAWG referral. Per discussion with regulators, there is a general sense that the cedent should be aware if the assets under these arrangements are related to/affiliated with the reinsurer. Furthermore, if there are actions by the asset manager to liquidate previously allocated items and acquire investments from parties that are related/affiliated, the ceding entity should be aware of those actions timely for reporting in the quarterly financial statements.

The comments provided to the Blanks (E) Working Group were mostly editorial/formatting to ensure the quarterly disclosure was in line with the annual format. Those comments also inquired about quarterly reporting, and the preliminary response was that the disclosure was intended to be required for quarterly reporting. If the SAPWG does not adopt to require quarterly disclosure, this information will be provided to the Blanks (E) Working Group so they can adjust their disclosure accordingly.

Ref #	Title	Attachment #	Agreement with Exposed Document?	Comment Letter Page Number
2025-08 (Julie)	Medicare Part D Prescription Drug Payment Plan Disclosures	7 – Agenda Item	Comments Received	IP-5 AHIP/ BSBSA -8-9

Summary:

On March 24, 2025, the Working Group exposed revisions to *SSAP No. 84—Health Care and Government Insured Plan Receivables* to add disclosures for Medicare Part D Prescription Payment Plan receivables. The disclosures are regarding aging of the Medicare prescription payment plan recoverables and also the amount of write offs that are included in claims and are proposed for initial data capture in the year-end 2025 financial statement notes. This agenda item was exposed concurrently with the Blanks (E) Working Group (proposal 2025-04BWG) to allow for initial reporting at 2025 year-end.

AHIP and the Blue Cross Blue Shield Association

SAPWG's 2025-08 and BWG's 2025-04BWG both address supplemental disclosures in the Annual Statement blanks. They are virtually identical in that regard, save for reference to disclosure "by debtor" in 2025-04BWG, a reference that NAIC staff has indicated to us was unintended. Assuming that reference is deleted, these two exposures would be identical, and the Trades support both.

BWG's 2025-14BWG proposes to add text to the Blanks Instructions relating to the MPPP disclosures that are covered by the prior paragraph. The Trades have no comments and support the proposed instructions as drafted.

Interested Parties Comments:

Interested parties have no comment on this item. However, interested parties provided comments to the Blanks Working Group on 2025-04BWG which adds a new part to Note to Financial Statements Note 28 – Health Care Receivables to include Medicare Part D Prescription Payments.

Interested Parties Comments to the Blanks (E) Working Group

IPs suggest reviewing the proposed Instruction and Illustration for grammar usage and consistent terminology. Examples include:

- In 28C(1) states 'Amounts of included in...'. IPs are unsure what is being requested (i.e., Amounts of what?).
- In 28C(1) uses 'current reporting period' and 'prior year', which seems inconsistent.

Recommendation:

NAIC staff recommend adoption of the exposed revisions which add disclosures about the Medicare Part D Prescription Payment Plan receivables to *SSAP No. 84—Health Care and Government Insured Plan Receivables* with a minor edit, which is slightly different from the suggestion from interested parties to the Blanks (E) Working Group. Interested parties suggested making the language on current reporting period and prior year consistent (Note 28C(1) which corresponds to *SSAP No. 84*, paragraph 25a). In reviewing the wording in the disclosure, which is mimicking the annual statement exhibit 3, there is not a need for the prior year information to be disclosed. So NAIC staff recommends deleting "prior year" in *SSAP No. 84*, paragraph 25a and Note 28C(1). This revision is illustrated in the agenda item.

With the adoption, the Working Group also should express support for adopting the 2025-04BWG with modifications of removing the word "of" and removing the "prior year" column in Note 28C(1).

The comment letters (10 pages) are included in Attachment 8.

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

A. Consideration of Maintenance Agenda – Pending List

1. Ref #2025-13: Residential Mortgage Loans Held in Statutory Trusts
2. Ref #2025-14: *ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*
3. Ref #2025-15: *ASU 2025-02, SEC Updates*
4. Ref #2025-16: Status Section Updates
5. Ref #2025-17EP: Editorial Process – May 2025

Ref #	Title	Attachment #
2025-13 (Wil)	Residential Mortgage Loans Held in Statutory Trusts	A – Form A

Summary:

This agenda item was drafted in response to interested parties’ comments on agenda item 2024-21: Investment Subsidiaries. Comments from interested parties noted that a significant part of the increase in investment subsidiaries is primarily due to increased usage of Delaware Statutory Trusts (DSTs). DSTs are distinct from common-law trusts as they are established under Delaware statutory trust laws, which allows for significant flexibility in structuring the trust. While holding real estate investments within a DST provides a number of structural and tax advantages, one of the most notable benefits is that it enables insurance companies to bypass the requirement of obtaining individual state lending licenses for each state where they hold residential mortgage investments.

This agenda item proposes to develop accounting and reporting guidance for qualifying trust structures, regardless of the state of domicile, that hold residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* and proposes reporting of these items on Schedule B - Mortgage Loans. Discussion on requirements in determining a “qualifying” trust and the reporting specifics are key items for which regulator feedback is specifically requested. Rather than retaining a generic reporting category that allows an RBC look-through without any parameters, which likely should have been eliminated when the concept of “investment subsidiaries” was deleted from *SSAP No. 97* in 2005, the agenda item proposes to assess statutory trust structures holding residential mortgage loans and establish specific accounting and reporting guidance.

As previously identified, the existing reporting for “investment subsidiaries” does not provide any transparency to regulators, as there are very limited restrictions as to what can be captured in an investment subsidiary, potentially allowing companies to bypass *SSAP* accounting or admittance requirements, NAIC designation determinations or state investment limitations requirements, with look-through RBC based on company records. Further, the RBC measurement guidance refers to an “imputed statutory value” and there are no current provisions on how that value should be determined.

Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose this agenda item proposing to add qualifying investment trusts holding residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* for reporting on Schedule B – Mortgage Loans. Comments are specifically requested on the requirements for a qualifying trust as well as the proposed reporting.

A few key items to note:

- The proposal is specific to trusts that hold only residential mortgage loans. This is due to concerns about a lack of transparency if multiple types of mortgages are held in the same trust, and that industry has indicated these structures are specifically used for residential mortgage loans. Industry has also indicated that the value of the individual residential mortgages is often a lower dollar amount which results in a high volume of residential mortgage loans held in the trust.
- The agenda item proposes separate reporting of individual mortgage loans on Schedule B for residential mortgages held in trust consistent with the existing annual statement instructions for Schedule B. NAIC staff is aware that some reporting entities are already reporting these trusts as “participation agreements” on Schedule B, but it appears there is not consistency in presentation (some companies show aggregated by trust, whereas other companies show by individual mortgage loans). Comments are requested by regulators on this proposal to determine if individual loan reporting is the preferred reporting method, or if some kind of aggregate reporting method should be explored. One concern that has been raised with individual reporting is that the volume of residential mortgage loans could be quite high as individual residential mortgage loan values are generally quite low compared to the typical mortgage loans purchased by insurers. Alternatively, individual mortgage loan reporting is consistent with existing Schedule B instructions, which may be simpler for insurers to report using existing mortgage loan details, and there would be increased transparency.
- As noted after paragraph 6.b.iv., NAIC staff is requesting information on how foreclosed assets (real estate) would be reported when held in the trust. Presumably, these would be sold and the cash would be transferred to the reporting entity, but there will be ongoing / recurring real estate in the trust as foreclosures occur before they are sold and settled. NAIC staff also requests comments on whether any additional columns should be added to Schedule B for mortgages held in qualifying statutory trust.

Ref #	Title	Attachment #
2025-14 (Wil)	ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	B – Form A

Summary:

In February 2017 the Financial Accounting Standards Board (FASB) issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, to clarify the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. ASU 2017-05 also establishes a definition for the term “in substance nonfinancial asset” and guidance for making this determination.

The guidance provided by Subtopic 610-20 specifically carves out transfers of nonfinancial assets which are part of business combinations, leases, sale-leaseback transactions, securitizations of nonfinancial assets, and nonmonetary transactions. The nonfinancial assets within the scope of Subtopic 610-20 include intangible assets, land, buildings, use of facilities or utilities, or materials and supplies and may have a zero carrying value.

Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to **Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets as not applicable to statutory accounting**. This item is considered not applicable as the ASU amends U.S. GAAP guidance on derecognition of nonfinancial assets, which is not an applicable concept for statutory accounting purposes. Topic 610 was established from ASU 2014-09, which has previously been determined to be not applicable to statutory accounting principles by the Working Group.

Ref #	Title	Attachment #
2025-15 (Wil)	ASU 2025-02, SEC Updates	C – Form A

Summary:

In March of 2025, FASB issued *ASU 2025-02, Liabilities (Topic 405), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*, which amends an SEC paragraph pursuant to the issuance of SEC Staff Accounting Bulletin (SAB) No. 122, which rescinds the interpretive guidance on accounting for obligations to safeguard crypto-assets held for platform users detailed in *ASU 2023-04, Amendments to SEC Paragraphs Pursuant to SAB No. 121*. It should be noted that *ASU 2023-04* was rejected by the Working Group through agenda item 2023-27, as such the deleted guidance does not exist within statutory accounting.

Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to **Appendix D—Nonapplicable GAAP Pronouncements to reject ASU 2025-02, Liabilities (Topic 405), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122 as not applicable to statutory accounting**. This guidance is not applicable as it eliminates SEC guidance which was rejected for statutory accounting purposes.

Ref #	Title	Attachment #
2025-16 (Robin)	Status Section Updates	D – Form A

Summary:

This agenda item is to provide updates to the Status Section on the cover page of the statements of statutory accounting principles (SSAPs). The two primary revisions are: 1) to change “substantively” revised to “conceptually” revised in the status section and to remove the issue paper references in the status section. Note that references to the issue papers will be maintained at the end of the SSAPs, typically in the effective date section regarding the revisions documented in the issue papers, so historical tracking will still be maintained.

Recommendation:

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose the following revisions described below. The revisions are proposed not to be tracked.

1. Make an edit in the “How to Use” document which changes substantive to conceptual, which is consistent with prior 2022 revisions in the *Accounting Practices and Procedures Manual*.
2. Remove the issue paper references in the status section.
3. Change “substantive or substantively” revised to “conceptual or conceptually” revised in the status section and also in the effective date section of the applicable statements, if appropriate. Note this does not intend to change the use of the word substantive in historical documents.
4. Revisions to remove a disclosure referencing a 2010 effective date of a disclosure in the status section of *SSAP No. 56—Separate Accounts*; as illustrated in the agenda. This wording is not needed in the status section, as this was a nonsubstantive revision, which is noted in paragraph 44 of the statement.

The agenda item provides a chart of SSAPs where the status section is expected to be updated, but if additional items are identified as the Manual is prepared for publication, the same procedures would apply.

Ref #	Title	Attachment #
2025-17EP (Julie)	Editorial Process – May 2025	E – Form A

Summary:

This agenda item proposed editorial revisions to three SSAPs and one interpretation. The tracked changes showing the revisions are reflected in the agenda item, with a brief overview of each item below:

- **SSAP No. 26—Bonds:** Update Disclosure 40.f. to Match Schedule D, Part 1A Maturity categories. Schedule D, Part 1A has maturity categories of 10-20 years and over 20 years. The disclosure in SSAP No. 26 only goes up to an after 10-year category.
- **SSAP No. 41—Surplus Notes:** Remove remaining reference to a “CRP” designation in paragraph 11. Whether the designation is required from a Credit Rating Provider or from the SVO is contingent on the Purposes and Procedures Manual of the NAIC Investment Analysis Office.
- **SSAP No. 56—Separate Accounts:** Delete Disclosure 32.d. The disclosure is no longer applicable with previously adopted revisions.
- **INT 22-01: Freddie Mac When Issued K-Deal (WI Trust) Certificates:** Remove old SSAP No. 43R—Loan-Backed and Structured Security terminology

Recommendation:

NAIC staff recommend that the Working Group move this agenda item to the active listing, categorized as a SAP clarification, and expose editorial revisions as illustrated within.

Comment deadline for items exposed is Monday, June 23.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2025/05-22-2025/00 - 05-22-25 - SAPWG Hearing .docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2025/05-22-2025/00%20-%2005-22-25%20-%20SAPWG%20Hearing.docx)