NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: 9/28/2026

Virtual Meeting

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP
Wednesday, October 7, 2026
3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

ROLL CALL

Kevin Clark, Chair	Iowa	Steve Mayhew/Kristin Hynes	Michigan
Dale Bruggeman, Vice Chair	Ohio	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 Committee Support: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

AGENDA

1. Receive Presentation from the American Council of Life Insurers (ACLI) on a Proposed IMR Compliance Proposal—*Kevin Clark (IA)* — Attachment 1
   A. ACLI—*Tip Tipton*

2. Discuss Presentation and IMR Timeline—*Kevin Clark (IA)*

3. Consider Exposure of ACLI Proposal Until Nov. 6, 2026—*Kevin Clark (IA)*

4. Discuss Any Other Matters Brought Before the Working Group —*Kevin Clark (IA)*

5. Adjournment

Attachment 1

SAPWG

IMR – A Way Forward

ACLI

Summary and Purpose

- The key messages we heard from SAPWG members during recent meetings include:
  - In theory, IMR should be symmetrical
  - Regulators primary concern is economic losses inappropriately being deferred that could mask solvency concerns
  - Regulators are willing to entertain admissibility beyond the 10% in the interim solution if better compliance is attained

ACLI

Summary and Purpose

- The way forward would focus on compliance over time to provide evidence safeguards are working so solvency concerns are not masked
- The primary focus of regulators was on the following key safeguards:
  - Proper reflection of net negative IMR in AAT
  - Proper adherence to the Proof of Reinvestment
  - Proper controls and compliance with regard to identifying liquidity sale losses that are economic in nature

Summary and Purpose

- ACLI's proposed way forward focuses on two key critical areas:
  - Compliance with the three key safeguards with:
    - Specified compliance criteria
    - Specified compliance thresholds
  - ACLI is committed to providing education to member companies and the life insurance industry in general

- The following page summarizes how the ACLI proposes what a way forward might look like and are interested in regulator feedback

ACLI Proposed Way Forward - Summary

Reporting Year	Accounting Standard	AAT	Proof of Reinvestment	Controls for Known Liquidity Sale Losses	Compliance Assessment	Compliance Criteria	Compliance Threshold %	Proposed Cap %
2026	INT 23-01	Yes	N/A	N/A	Refine compliance criteria	N/A	N/A	10%
2027	INT 23-01	Yes	N/A	N/A	Review 2026 disclosures and reports; refine framework based on results	Page 6	N/A	10%
2028	SSAP No. 7	Yes	Yes	Yes	Assess AAT compliance	Page 7	80%	15%
2029	SSAP No. 7	Yes	Yes	Yes	Assess Proof of Reinvestment compliance	Page 8	80%+	30%
2030	SSAP No. 7	Yes	Yes	Yes	Assess Liquidity Sale Losses Control compliance	Page 9	80%++	40%
2031	SSAP No. 7	Yes	Yes	Yes	Consider permanent solution and admissibility	Page 10	N/A	TBD%

Compliance criteria and thresholds, cap percentages, timing and other criteria are intended as discussion points rather than final criteria and welcome SAPWG member feedback including on overall approach.

'Compliance Threshold %' is presumed to be the amount of life insurers complying as a % of the total life insurance insurers examined.

ACLI

ACLI Proposed Way Forward - Education

- ACLI is committed to providing education in a collaborative manner with the NAIC including the following:
  - The key safeguards of AAT, Proof of Reinvestment and Controls on Liquidity Sale Losses
  - The operational, attestation and disclosure requirements on the fundamentals including the proper disclosure in the Notes and the General Interrogatories

ACLI Proposed Way Forward - AAT

- The construct of existing AAT requirements and IMR are rather straight forward and documented as such in the Valuation Manual
- We understand regulators have noted instances of non-compliance with AAT in this regards
- ACLI has developed a reconciliation and is collaborating with regulators on AAT that demonstrates:
  - Invested assets included in AAT are reduced by the admitted IMR balance in the financial statements
  - The reconciliation is in fact tied to AAT testing
  - Potentially with an additional certification that asserts negative IMR has been appropriately reflected in AAT
  - See Appendix for current work in process

ACLI Proposed Way Forward – Proof of Reinvestment

- The Proof of Reinvestment will be required beginning in 2028 and compliance is relatively straightforward
- The information primarily comes from other annual statement information and can be data captured; This would allow NAIC staff to ensure data is appropriately coming from the financial statements
- It can also be verified if the proof is passed and yield is positive; If so, it can be verified that losses are being deferred appropriately
- Lastly, if the proof is failed or not completed, it can be verified that losses are appropriately reflected in the income statement

ACLI Proposed Way Forward – Liquidity Sale Loss Controls

- Potentially the most challenging to get evidence of broad compliance as each company will have company dependent controls to identify liquidity sale losses
- Further, controls will need to be assessed for sufficient design and operating effectiveness
- This could be done through a combination of:
  - Making controls available for domestic regulator review
  - Regulator 5-year examinations
  - Attestation compliance with regulator known company specifics
  - If clear, verifiable compliance criteria cannot be fully developed, compliance may need to rely upon negative assurance
- Opportunities for more robust discussion and analysis between ACLI and state regulators between now and 2030

ACLI

ACLI Proposed Way Forward – Permanent Solution and Cap

- In 2031, both regulators and industry will:
  - Have good evidence on the three main safeguards of regulatory focus (e.g., AAT, Proof of Reinvestment, and Liquidity Sale Losses)
  - Have additional evidence on how educational efforts have improved overall compliance including disclosures
  - Have gained significant insights from multi-year application of net negative IMR and it is a sound adjustment for proper reflection of solvency and empirically justified (i.e., a reclass from unrealized losses)
- This will give SAPWG the evidence they need to make an informed decision on a final permanent solution related to the admission of net negative IMR

IMR – A Way Forward

Appendix

Prototype "Form for Calculating Cash and Invested Assets Cap for AAT"

Framework: The algorithm is essentially made of 4 concepts:

- Develop the reserves considered in testing (Section 1). These values are in the Opinion and foot to Page 3
- Develop the assets considered in testing by adding the Neg IMR to Cash and Invested assets (Section 2)
- Develop the AVR not included in testing (Section 3)
- Determine the amount of invested assets by first taking the minimum of Total Assets and Reserves. This step removes the surplus invested assets by capping at reserves and caps Total Assets when reserves are greater than invested assets. Net out Neg IMR and potentially other values to the Maximum Available Invested Assets in testing. Specifically, no Negative IMR can be allocated to non tested reserves. This value is a cap on Invested Assets (Section 4)
- Each company will prepare the balancing to be consistent with their modeling approach which may require more reduction of invested assets from the testing, for example, net deferred tax asset

Other Considerations

- This prototype is GA only and uses blanks entries only. A separate balancing would be prepared for Non insulated SA and insulated SA for a maximum of 3 separate exhibits
- The prototype doesn't address some yet important concepts, specifically, DTA, PH dividend liability, deferred and uncollected premiums
- The Form works whether IMR is negative or positive
- All the entries are primarily automatically filled and are cross checked

Attachment 1

"Form" Prototype Illustration for Year 2 with Reinsurance (2/3)

Section 1

Section 2

Section 3

Section 4

Cross Check		Company A	Company B
Page 3, Line 1	Aggregate Reserve for Life Contracts	100	100
Page 3, Line 2	Aggregate reserve for A&H	-	-
Page 3, Line 3	Liability for deposit type contracts	-	-
Page 3, Line 4.1	Contract Claims: Life	-	-
Page 3, Line 4.2	Contract Claims: A&H	-	-
	Other Reserves and Related Actuarial Items	-	-
	1.a Total General Account Policyholder "Reserves"	100	100
Page 3, Line 9.4	1.b. Interest Maintenance Reserve	-	-
Page 3, Line 24.01	1.c. Asset Valuation Reserve	20	20
	1. Total General Account Testing	120	120
	(=Line 1.a+Line 1.b+Line 1.c)		
Available Invested Assets			
Page 2, Line 12	2.a Subtotals, cash and invested assets	130	116
Page 2, Line 16.2	2.b Funds held by or deposited with reinsured	-	-
Page 2, Line 25xx	2.c Negative Interest Maintenance Reserve	-	14
Page 3, Line 24.03	2.d Funds held under reinsurance ..unauthorized..	-	-
Page 3, Line 24.07	2.e Funds held under coinsurance	-	-
	2. Total Assets to Consider in Testing	130	130
	=(Line 2.a + Line 2.b + Line 2.c - Line 2.d - Line 2.e)		
Asset Valuation Reserve Adjustment			
RBC - LR033	3.a AVR used in AOM	-	-
	3. AVR not used in Testing	20	20
	(=1.c- 3.a)	-	-
Maximum Invested Assets in Testing			
	4.a Maximum Available Invested Assets	120	120
	(=Min(Line 1, Line 2))		
Page 2, Line 25xx	4.b Negative Interest Maintenance Reserve	-	14
Opinion	**4.c Non Tested Reserves**	-	-
	4.d Asset Valuation Reserve not used in Testing (=3)	20	20
	4.x Others? Policy Loans? DTA? Def and Uncollect	-	-
	4. Net Maximum Available Invested Assets	100	86
	(=Line 4.a - Line 4.b - 4.c- 4.d)		

Process Idea - Filing the “Form” and Certification

An idea for consideration

- Form and Certification is part of the Annual Statement process

- Form is prepared as a spreadsheet and filed with the NAIC which allows the data to be interrogated electronically (similar to the VM-20 Supplement)

- Certification is a Supplemental filing shown in the list on Page 62
  - “Will the [“neg IMR”]certification be filed by March 1?” Allowed response is “Yes” or “See Explanation.”

- Language of the Certification could read as:

  I, [Actuary], am the Appointed Actuary of [Company] and a member of the American Academy of Actuaries. I have reduced the starting assets for Asset Adequacy Testing by the amount of [*“Neg IMR”]* as shown on Page 2 Line [x] in the reported in the statutory financial statement as of [date] of [Company].

  Will be followed by the typical signature stanza in all the actuarial certifications.