

MEMORANDUM

TO: Cassie Brown, Chair of the Life Actuarial (A) Task Force
FROM: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
DATE: January 12, 2024
RE: Permitted and Prescribed Practices for Statutory Accounting

This memorandum was prepared to address questions that have been received regarding permitted and prescribed practices for statutory accounting. The beginning of the year is when most permitted practices are requested and approved, so we wanted to take this opportunity to reiterate key aspects and the permitted practice notification requirement.

A prescribed accounting practice is a practice that differs from the NAIC *Accounting Practices and Procedures Manual* (AP&P Manual) incorporated directly by reference to state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled and/or licensed in a particular state. The “State Prescribed Differences from NAIC Statutory Accounting Principles” is a free publication available on the NAIC website that compiles prescribed practices across the states. Although prescribed practices shall be detailed in Note 1, there is no notification requirement to inform about prescribed practices to other states.

A permitted practice is an individual company request for an accounting practice that departs from the AP&P Manual or a state prescribed accounting practice. States that are considering approval of a permitted practice should provide notice to all states that the company is licensed in. The Preamble of the AP&P Manual details the full notification requirements, but domiciliary states shall provide at least 5 days after providing notice of a permitted practice before approving. The notification requirement intends to allow communication across states before approving a permitted practice request. The NAIC “Permitted Practices for Accounting” database in iSite+ can assist with providing the required notification. All permitted practices shall also be detailed in Note 1.

To clarify recent questions, permitted practices are only intended to address departures from statutory accounting principles detailed in the AP&P Manual or from state prescribed accounting practices, therefore:

- **Permitted practices shall not be used to deviate below the Valuation Manual minimums as adopted by statute.**
- **Permitted practices shall not be used to directly adjust or modify RBC.**

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