Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue:** SSAP No. 25 – Disclosures

**Check (applicable entity):**

P/C Life Health

Modification of existing SSAP

New Issue or SSAP

Interpretation

Description of Issue:

This agenda item has been drafted to data-capture disclosures from *SSAP No. 25—Affiliates and Other Related Parties*. Currently, all disclosures from SSAP No. 25 are completed in a narrative (pdf) format. With the proposal to data-capture disclosures, the regulators can aggregate and query related party relationships.

This item is separate from an agenda item (Ref #2019-34) that is considering revisions to SSAP No. 25 to clarify the identification of related parties and consider enhanced disclosures for when there is a disclaimer of control approved by a domiciliary state and when a company outside of the holding company group owns more than 10% of the insurance reporting entity. This agenda item will follow a separate work stream to allow for year-end 2020 data capturing. If the revisions being considered under the separate agenda item are adopted by June 2020 (blanks deadline), then those disclosures may modify or expand the data templates proposed in this agenda item.

Existing Authoritative Literature:

*(Note: The entire SSAP No. 25 has been included for ease of reference of existing guidance.)*

SSAP No. 25—Affiliates and Other Related Parties

1. Related party transactions are subject to abuse because reporting entities may be induced to enter transactions that may not reflect economic realities or may not be fair and reasonable to the reporting entity or its policyholders. As such, related party transactions require specialized accounting rules and increased regulatory scrutiny. This statement establishes statutory accounting principles and disclosure requirements for related party transactions.
2. This statement shall be followed for all related party transactions, even if the transaction is also governed by other statutory accounting principles. Furthermore, this statement shall be followed in all transactions which involve unrelated parties as intermediaries between related parties. In determining whether a transaction is a related party transaction, consideration shall be given to the substance of the agreement and the parties whose actions or performance materially impact the insurance reporting entity under the transaction. For example, an investment acquired from a non-related intermediary in which the investment return is predominantly contingent on the performance of a related party shall be considered a related party investment. As a general principle, it is erroneous to conclude that the mere inclusion of a non-related intermediary eliminates the requirement to assess and properly identify the related party transaction in accordance with the provisions of this statement. It is also erroneous to conclude that the presence of non-related assets in a structure predominantly comprised of related party investments eliminates the requirement to assess and identify the investment transaction as a related party arrangement.
3. If a company receives the stock of an affiliated company as a capital contribution rather than through a purchase, the transaction shall be accounted for according to SSAP No. 25—Affiliates and Other Related Parties, SSAP No. 95—Nonmonetary Transactions, or SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, based on the details of each transaction. The statutory purchase method within SSAP No. 68—Business Combinations is not applicable for stock received as a capital contribution.

## **SUMMARY CONCLUSION**

1. Related parties are defined as entities that have common interests as a result of ownership, control, affiliation or by contract. Related parties shall include but are not limited to the following:
2. Affiliates of the reporting entity, as defined in paragraph 5;
3. Trusts for the benefit of employees, such as pension and profit-sharing trusts and Employee Stock Ownership Plans that are managed by or under the trusteeship of management of the reporting entity, its parent or affiliates;
4. The principal owners of the reporting entity;
5. The management of the reporting entity, its parent or affiliates (including directors);
6. Members of the immediate families of principal owners and management of the reporting entity, its parent or affiliates and their management;
7. Parties with which the reporting entity may deal if either party directly or indirectly controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interest;
8. A party which can, directly or indirectly, significantly influence the management or operating policies of the reporting entity, which may include a provider who is contracting with the reporting entity. This is not intended to suggest that all provider contracts create related party relationships;
9. A party which has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests;
10. Attorney-in-fact of a reciprocal reporting entity or any affiliate of the attorney-in-fact; and
11. A U.S. manager of a U.S. Branch or any affiliate of the U.S. manager of a U.S. Branch.
12. An affiliate is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the reporting entity. An affiliate includes a parent or subsidiary and may also include partnerships, joint ventures, and limited liability companies as defined in SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies. Those entities are accounted for under the guidance provided in SSAP No. 48, which requires an equity method for all such investments. An affiliate is any person that is directly or indirectly, owned or controlled by the same person or by the same group of persons, that, directly or indirectly, own or control the reporting entity.
13. Control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the investee, whether through the (a) ownership of voting securities, (b) by contract other than a commercial contract for goods or nonmanagement services, (c) by contract for goods or nonmanagement services where the volume of activity results in a reliance relationship (d) by common management, or (e) otherwise. Control shall be presumed to exist if a reporting entity and its affiliates directly or indirectly, own, control, hold with the power to vote, or hold proxies representing 10% or more of the voting interests of the entity.
14. Control as defined in paragraph 6 shall be measured at the holding company level. For example, if one member of an affiliated group has a 5% interest in an entity and a second member of the group has an 8% interest in the same entity, the total interest is 13%, and therefore, each member of the affiliated group shall be presumed to have control. This presumption will stand until rebutted by an evaluation of all the facts and circumstances relating to the investment based on the criteria in FASB Interpretation No. 35, Criteria for Applying the Equity Method of Accounting for Investments in Common Stock, an Interpretation of APB Opinion No. 18. The corollary is required to demonstrate control when a reporting entity owns less than 10% of the voting securities of an investee. The insurer shall maintain documents substantiating its determination for review by the domiciliary commissioner. Examples of situations where the presumption of control may be in doubt include the following:
15. Any limited partner investment in a limited partnership, unless the limited partner is affiliated with the general partner.
16. An entity where the insurer owns less than 50% of an entity and there is an unaffiliated individual or group of investors who own a controlling interest.
17. An entity where the insurer has given up participation rights[[1]](#footnote-1) as a shareholder to the investee.
18. **Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date**. Amounts owed to the reporting entity over ninety days from the written agreement due date shall be nonadmitted, except to the extent this is specifically addressed by other statements of statutory accounting principles (SSAPs). **If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted**.

### Related Party Loans

1. Loans or advances (including debt, public or private) made by a reporting entity to its parent or principal owner shall be admitted if approval for the transaction has been obtained from the domiciliary commissioner and the loan or advance is determined to be collectible based on the parent or principal owner’s independent payment ability. An affiliate’s ability to pay shall be determined after consideration of the liquid assets or revenues available from external sources (i.e., determination shall not include dividend paying ability of the subsidiary making the loan or advance) which are available to repay the balance and/or maintain its account on a current basis. Evaluation of the collectibility of loans or advances shall be made periodically. If, in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made. Pursuant to SSAP No. 72—Surplus and Quasi-Reorganization, forgiveness by a reporting entity of any debt, surplus note or other obligation of its parent or other stockholder shall be accounted for as a dividend.
2. Loans or advances by a reporting entity to all other related parties shall be evaluated by management and nonadmitted if they do not constitute arm’s-length transactions as defined in paragraph 13. Loans or advances made by a reporting entity to related parties (other than its parent or principal owner) that are economic transactions as defined in paragraph 13 shall be admitted. This includes financing arrangements with providers of health care services with whom the reporting entity contracts with from time to time. Such arrangements can include both loans and advances to these providers. Evaluation of the collectibility of loans or advances shall be made periodically. If, in accordance with SSAP No. 5R, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.
3. Any advances under capitation arrangements made directly to providers, or to intermediaries that represent providers, that exceed one month’s payment shall be nonadmitted assets.
4. Indirect loans are loans or extensions of credit to any person who is not an affiliate, where the reporting entity makes loans or extensions of credit with the agreement or understanding that the proceeds of the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the reporting entity making the loans or extensions of credit. The admissibility of indirect loans made by a reporting entity for the benefit of its parent or principal owner shall be determined in accordance with the guidelines in paragraph 9. Indirect loans or advances made for the benefit of all other related parties shall be evaluated and accounted for consistent with loans or advances to related parties as described in paragraph 10 and paragraph 11.

### Transactions Involving the Exchange of Assets or Liabilities

1. An arm’s-length transaction is defined as a transaction in which willing parties, each being reasonably aware of all relevant facts and neither under compulsion to buy, sell, or loan, would be willing to participate. A transaction between related parties involving the exchange of assets or liabilities shall be designated as either an economic transaction or non-economic transaction. An economic transaction is defined as an arm’s-length transaction which results in the transfer of the risks and rewards of ownership and represents a consummated act thereof, i.e., “permanence.” The appearance of permanence is also an important criterion in assessing the economic substance of a transaction. In order for a transaction to have economic substance and thus warrant revenue (loss) recognition, it must appear unlikely to be reversed. If subsequent events or transactions reverse the effect of an earlier transaction prior to the issuance of the financial statements, the reversal shall be considered in determining whether economic substance existed in the case of the original transaction. Subsequent events are addressed in *SSAP No. 9—Subsequent Event*s. An economic transaction must represent a bonafide business purpose demonstrable in measurable terms. A transaction which results in the mere inflation of surplus without any other demonstrable and measurable betterment is not an economic transaction. The statutory accounting shall follow the substance, not the form of the transaction.
2. In determining whether there has been a transfer of the risks and rewards of ownership in the transfer of assets or liabilities between related parties, the following—and any other relevant facts and circumstances related to the transaction—shall be considered:
3. Whether the seller has a continuing involvement in the transaction or in the financial interest transferred, such as through the exercise of managerial authority to a degree usually associated with ownership;
4. Whether there is an absence of significant financial investment by the buyer in the financial interest transferred, as evidenced, for example, by a token down payment or by a concurrent loan to the buyer;
5. Whether repayment of debt that constitutes the principal consideration in the transaction is dependent on the generation of sufficient funds from the asset transferred;
6. Whether limitations or restrictions exist on the buyer’s use of the financial interest transferred or on the profits arising from it;
7. Whether there is retention of effective control of the financial interest by the seller.
8. A transaction between related parties may meet the criteria for treatment as an economic transaction at one level of financial reporting, but may not meet such criteria at another level of financial reporting. An example of such a transaction is a reporting entity purchasing securities at fair value from an affiliated reporting entity that carried the securities at amortized cost. This transaction meets the criteria of an economic transaction at this level of financial reporting, and therefore, the selling reporting entity would record a gain and the acquiring reporting entity would record the securities at their cost (fair value on the transaction date). At the common parent level of reporting, this transaction has resulted in the mere inflation of surplus, and therefore, is a non-economic transaction. The parent reporting entity shall defer the net effects of any gain or increase in surplus resulting from such transactions by recording a deferred gain and an unrealized loss. The deferred gain shall not be recognized by the parent reporting entity unless and until arms-length transaction(s) with independent third parties give rise to appropriate recognition of the gain.
9. A non-economic transaction is defined as any transaction that does not meet the criteria of an economic transaction. Similar to the situation described in paragraph 15, transfers of assets from a parent reporting entity to a subsidiary, controlled or affiliated entity shall be treated as non-economic transactions at the parent reporting level because the parent has continuing indirect involvement in the assets.
10. When accounting for a specific transaction, reporting entities shall use the following valuation methods:
11. Economic transactions between related parties shall be recorded at fair value at the date of the transaction. To the extent that the related parties are affiliates under common control, the controlling reporting entity shall defer the effects of such transactions that result in gains or increases in surplus (see paragraph 15);
12. Non-economic transactions between reporting entities, which meet the definition of related parties above, shall be recorded at the lower of existing book values or fair values at the date of the transaction;
13. Non-economic transactions between a reporting entity and an entity that has no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or it’s affiliates, shall be recorded at the fair value at the date of the transaction; however, to the extent that the transaction results in a gain, that gain shall be deferred until such time as permanence can be verified;
14. Transactions which are designed to avoid statutory accounting practices shall be reported as if the reporting entity continued to own the assets or to be obligated for a liability directly instead of through a subsidiary.

Examples of transactions deemed to be non-economic include security swaps of similar issues between or among affiliated companies, and swaps of dissimilar issues accompanied by exchanges of liabilities between or among affiliates.

### Transactions Involving Services

1. Transactions involving services between related parties can take a variety of different forms. One of the significant factors as to whether these transactions will be deemed to be arm’s length is the amount charged for such services. **In general, amounts charged for services are based either on current market rates or on allocations of costs**. Determining market rates for services is difficult because the circumstances surrounding each transaction are unique. Unlike transactions involving the exchange of assets and liabilities between related parties, transactions for services create income on one party’s books and expense on the second party’s books, and therefore, do not lend themselves to the mere inflation of surplus. These arrangements are generally subject to regulatory approval.
2. Transactions involving services provided between related parties shall be recorded at the amount charged[[2]](#footnote-2). Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction. See SSAP No 70—Allocation of Expenses for additional discussion regarding the allocation of expenses.

### Disclosures

20. The financial statements shall include disclosures of **all material related party transactions**. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, the name of the related party should be disclosed. Transactions shall not be purported to be arm’s-length transactions unless there is demonstrable evidence to support such statement. The disclosures shall include:

1. **The nature of the relationships involved**;
2. **A description of the transactions for each of the periods for which financial statements are presented, and such other information considered necessary to obtain an understanding of the effects of the transactions on the financial statements**. Exclude reinsurance transactions, any non-insurance transactions which involve less than ½ of 1% of the total admitted assets of the reporting entity, and cost allocation transactions. The following information shall be provided if applicable:
   1. **Date of transaction**;
   2. **Explanation of transaction;**
   3. **Name of reporting entity;**
   4. **Name of affiliate;**
   5. **Description of assets received by reporting entity;**
   6. **Statement value of assets received by reporting entity;**
   7. **Description of assets transferred by reporting entity; and**
   8. **Statement value of assets transferred by reporting entity.**
3. **The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period**;
4. **Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement**;
5. Any guarantees or undertakings, written or otherwise, shall be disclosed in accordance with the requirements of SSAP No. 5R. In addition, the nature of the relationship to the beneficiary of the guarantee or undertaking (affiliated or unaffiliated) shall also be disclosed;
6. **A description of material management or service contracts and cost-sharing arrangements involving the reporting entity and any related party**. This shall include, but is not limited to, sale lease-back arrangements, computer or fixed asset leasing arrangements, and agency contracts, which remove assets otherwise recordable (and potentially nonadmitted) on the reporting entity’s financial statements;
7. The nature of the control relationship whereby the reporting entity and one or more other enterprises are under common ownership or control and the existence of that control could result in operating results or financial position of the reporting entity significantly different from those that would have been obtained if the enterprises were autonomous. The relationship shall be disclosed even though there are no transactions between the enterprises; and
8. The amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity, in accordance with the *Purposes and Procedure Manual of the NAIC Investment Analysis Office*, “Procedures for Valuing Common Stocks and Stock Warrants.”

Current Annual Statement Illustrations for Completing Disclosures:

Illustration:

A., B.

& C. The Company paid common stock dividends to the Parent Company, The ABC Insurance Company, on July 15, 20\_\_\_\_, totaling $\_\_\_\_\_\_\_\_\_\_.

D. At December 31, 20\_\_\_\_, the Company reported $\_\_\_\_\_\_\_\_\_ as amounts due to the Parent Company, The ABC Insurance Company. The terms of the settlement require that these amounts be settled within 30 days.

E. The Company has given XYZ Inc., an affiliated company, a standing commitment until January 1, 20\_\_\_\_, in the form of guarantees in the event of a default of XYZ on various of its debt issues as disclosed in Note 14.

F. The Company has agreed to provide the Parent Company, The ABC Insurance Company, certain actuarial investment services with respect to the administration of certain large group insurance contracts that are subject to group experience rating procedures.

The Parent Company has agreed to provide collection services for certain contracts for the Company.

G. All outstanding shares of The Company are owned by the Parent Company, The ABC Insurance Company, an insurance holding company domiciled in the State of \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

H. The Company owns shares of the stock of its ultimate parent, The ABC Insurance Company. A wholly owned subsidiary of the Company, The XYZ Insurance Company, owns shares of The ABC Insurance Company. In accordance with Securities Valuation Office guidelines, the asset value of The ABC Insurance Company has been reduced by $\_\_\_\_\_\_\_\_\_\_, and the asset value of the XYZ Insurance Company has been reduced by $\_\_\_\_\_\_\_\_\_\_\_.

I. The Company owns a\_\_\_\_\_\_\_ % interest in ABC Non-Insurance Company, whose carrying value is equal to or exceeds 10% of the admitted assets of The Company. The Company carries ABC Non-Insurance Company at GAAP equity plus the remaining Goodwill balance of $ \_\_\_\_\_\_\_. Goodwill is amortized on a straight-line basis over a ten-year period.

At 12/31/20\_\_\_, The Company’s interest in ABC Non-Insurance Company per the New York Stock Exchange quoted price was valued at $ \_\_\_\_\_\_\_\_\_, that was $ \_\_\_\_\_\_\_ in excess of the carrying value.

Based on The Company’s ownership percentage of ABC Non-Insurance Company, the statement value of ABC Non-Insurance Company assets and liabilities as of 12/31/20\_\_ were $ \_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_, respectively.

The Company’s share of net income of ABC Non-Insurance Company was $ \_\_\_\_\_\_\_ for the year ended 12/31/20\_\_.

The Company has a 25% limited partnership interest in XYC Real Estate Partners. The partnership investment in office properties in the NE United States has been adversely affected by corporate restructuring. This has affected the value of the properties that resulted in the write-down of the Company’s investment in XYC Real Estate Partners of $ \_\_\_\_\_\_\_ for the year ended 12/31/20\_\_. The amount of the impairment was determined using appraisals from third parties.

Activity to Date (issues previously addressed by the Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): On August 3, 2019, the Working Group adopted revisions to *SSAP No. 25—Affiliates and Other Related Parties, SSAP No. 26R—Bonds, SSAP No. 32—Preferred Stock, SSAP No. 43R—Loan-backed and Structured Securities,* and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies* to clarify the application of SSAP No. 25, as well as an “affiliated” classification, when a transaction is in substance a related party transaction. The revisions to SSAP No. 25 clarified that when determining a related party transaction, consideration shall be given to the substantive of the agreements, and the parties whose actions or performance materially impact the insurance reporting entity under the transaction. From these revisions, the following guidance was added as a new paragraph 2 to SSAP No. 25:

2. This statement shall be followed for all related party transactions even if the transaction is also governed by other statutory accounting principles. Furthermore, this statement shall be followed in all transactions which involve unrelated parties as intermediaries between related parties. In determining whether a transaction is a related party transaction, consideration shall be given to the substance of the agreement, and the parties whose actions or performance materially impact the insurance reporting entity under the transaction. For example, an investment acquired from a non-related intermediary, in which the investment return is predominantly contingent on the performance of a related party, shall be considered a related party investment. As a general principle, it is erroneous to conclude that the mere inclusion of a non-related intermediary eliminates the requirement to assess and properly identify the related party transaction in accordance with the provisions of this statement. It is also erroneous to conclude that the presence of non-related assets in a structure predominantly comprised of related party investments, eliminates the requirement to assess and identify the investment transaction as a related party arrangement.

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:** None

**Convergence with International Financial Reporting Standards (IFRS) and U.S. GAAP:** None

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive, and expose the proposed data-capture templates. A blanks proposal to expose is anticipated to occur concurrently with the Working Group exposure. With inclusion of the data templates, narrative (pdf) reporting shall still occur to provide additional information regarding the related party transactions. NAIC staff notes that the current narrative illustrations are fairly simple. NAIC staff requests comments on whether more robust illustrations are necessary, or whether the disclosures that historically have been provided in the financial statements have included the extent of information necessary and more detailed illustrations are not necessary in the annual statement instructions. Note: Transactions with affiliates detailed in *Schedule Y – Part 2, Summary of Insurer’s Transactions with Any Affiliates* would not need to be duplicated in these data-captured charts. Narrative disclosure information regarding the transactions captured in Schedule Y-2 shall continue to be reported consistently with past reporting.

Proposed Data Capture Templates:

1. Detail of Material Related Party Transactions

This data-template includes aspects from paragraphs 20, 20.b.i, 20.b.ii, 20.b.iii, 20.b.iv and 20.c.

Note – The information regarding the written agreement and due date are not specifically named in the SSAP No. 25 disclosure listing but are addressed in paragraph 7 of SSAP No. 25. Since paragraph 7 requires a written agreement with an established due date for admittance, these components are anticipated elements that would be disclosed in the 20.b provisions that require “description of the transactions for each of the periods in which financial statements are presented, and other such information considered necessary to obtaining an understanding of the effect of the transactions on the financial statements.”

Material related party transactions shall be captured in this template each year until the agreement / transaction has termination. (For example, if the agreement is a material service contract, it shall be disclosed in this template each year after origination of the contract until the contract is terminated.)

**Proposed Data-Capturing Templates:**

Each Material Related Party Transaction Listed Separately:

*(Related parties may be listed more than once if more than one material related party transaction.)*

*Note: Transactions involving affiliates captured on Schedule Y-2 do not need to be duplicated in these charts.*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date of Transaction | Name of Related Party | Nature of Relationship |  | Type of Transaction | Written Agreement (Y/N) | Due Date | Reporting Period Date Amount Due From (To) |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

Options for Type of Transaction:

* Loan
* Exchange of Assets or Liabilities (e.g., buys, sells and secured borrowing transactions)
* Management Services
* Cost-Sharing Agreement
* Other Transactions Involving Services
* Guarantee (e.g., guarantees to related parties, on behalf of, and when beneficiary is related party)
* Other

1. Detail of Material Related Party Transactions Involving Services

This data-template includes aspects from paragraphs 20, 20.b.ii, 20.c and 20.f. (This chart provides additional information on service arrangements captured in chart 1.)

Note – The information regarding the amount charged, and whether the amount charged was based on an allocation of costs or market rates are not specifically named in the SSAP No. 25 disclosure listing but are addressed in paragraph 17 of SSAP No. 25. These components are anticipated elements that would be addressed in disclosure 20f with the “description of material management or service contracts and cost-sharing arrangements involving the reporting entity and any related party.”

**Transactions Involving Services:**

*Include transactions involving management services, cost-sharing agreements and other transactions involving services.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name of Related Party | Overview Description | Amount Charged | Amount Based on Allocation of Costs or Market Rates | Amount Charged Modified or Waived (Y/N) |
|  |  |  |  |  |
|  |  |  |  |  |

1. Detail of Material Related Party Transactions Involving Exchange of Assets and Liabilities

This data-template includes aspects from paragraphs 20, 20.b.ii, 20.b.v, 20.b.vi, 20.b.vii, 20.b.viii, and 20.c. (This chart provides additional information on asset/liability exchanges captured in chart 1.)

**Transactions Involving Exchange of Assets and Liabilities:**

*Include loans, buys, sells and secured borrowing transactions.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name of Related Party | Overview Description | Description of Assets Received | Description of Assets Transferred | Statement Value of Assets Received | Statement Value of Assets Transferred | Have Terms Changed from Preceding Period? (Y/N) |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

1. Detail of Amounts Owed To/From a Related Party

This data-template includes aspects from paragraph 20d. This data template shall include each related party that is identified with material transactions in chart 1 but shall include the total amount due from / to from that related party. If there are transactions with the related party that were not captured in Chart 1 (perhaps as they were not material), they should be captured in the overall amount due from / to the related party.

This chart shall include related parties with immaterial transactions (not captured in Chart 1), if the aggregation of all transactions with the related party would be material to the reporting entity. (It is not required to include related parties in this chart if the transactions with the related party were individually immaterial and immaterial in the aggregate.)

Note: Pursuant to SSAP No. 64, paragraph 5 amounts due to or from affiliates shall be offset and reported net only when the provisions of paragraph 2 (valid right of setoff exists).

**Aggregate Reporting by Related Party**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name of Related Party | Aggregate Reporting Period Amount Due From | Aggregate Reporting Period (Amount Due To) | Amount Offset in Financial Statement  (if qualifying) | Net Amount Recoverable / (Payable) by Related Party | Admitted Recoverable |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Total** |  |  |  |  |  |

* Each related party shall be included only once.

Staff Review Completed by: Julie Gann – October 2019

Status:

On December 7, 2019, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed the proposed data-capture templates, as illustrated above. This exposure does not propose revisions to SSAP No. 25.

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1. The term "participating rights" refers to the type of rights that allows an investor to effectively participate in significant decisions related to an investee's ordinary course of business and is distinguished from the more limited type of rights referred to as “protective rights”. Refer to the sections entitled:  “Protective Rights” and “Substantive Participating Rights” in EITF 96-16, *Investor's Accounting for an Investee When the Investor Owns a Majority of the Voting Stock but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights*. The term “participating rights” shall be used consistent with the discussion of substantive participating rights in this EITF. [↑](#footnote-ref-1)
2. The amount charged shall be reviewed when there are any modifications or waivers subsequent to the establishment of the contract terms. If waivers or modifications to amounts charged occur, the related party transaction shall be reassessed to determine whether the contract continues to reflect fair and reasonable standards. If the transaction was with a parent or other stockholder and the charge for services has been fully waived, then the guidance in SSAP No. 72 for recognition as contributed capital (forgiveness of reporting entity obligation) or as a dividend (forgiveness of amount owed to the reporting entity) shall apply. [↑](#footnote-ref-2)