Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue: SSAP No. 26R - Disclosure Update**

**Check (applicable entity):**

P/C Life Health

Modification of Existing SSAP

New Issue or SSAP

Interpretation

**Description of Issue:** During the Summer National Meeting, through agenda item #2020-02: Accounting for Bond Tender Offers, the Working Group clarified that the accounting and reporting of investment income and capital gains/losses, due to early liquidation either through a call or a tender offer shall be similarly applied. This nonsubstantive update was effective on July 30; however, reporting entities that had historically applied a differing accounting methodology and required systems changes to properly account for the early termination of tendered bonds, were granted an effective date deferral of no later than January 1, 2021.

This agenda item is to expand an existing disclosure regarding called bonds to include tendered bond activity.

Existing Authoritative Literature: Only the relevant disclosures from *SSAP No. 26R—Bonds,* have been included below.

30. The financial statements shall include the following disclosures:

1. For securities sold, redeemed or otherwise disposed as a result of a callable feature (including make-whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): Not Applicable

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:**

None

**Convergence with International Financial Reporting Standards (IFRS):** Not Applicable

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to the disclosures in *SSAP No. 26R—Bonds.* The revisions expand the called bond disclosures to also include bonds in which are terminated early through a tender offer.

30. The financial statements shall include the following disclosures:

1. For securities sold, redeemed or otherwise disposed as a result of a call or tender offer feature (including make-whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee.

Staff Review Completed by: Jim Pinegar, NAIC Staff

September 2020

Status:

On November 12, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 26R—Bonds*, as illustrated above, to expand the called bond disclosures to also include bonds terminated early through a tender offer.

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