**NAIC Accounting Practices and Procedures Manual**

**Editorial and Maintenance Update**

**October 25, 2021**

Maintenance updates provide revisions to the *Accounting Practices and Procedures Manual* (AP&P Manual), such as editorial corrections, reference changes and formatting.

| **SSAP/Appendix** | **Description/Revision** |
| --- | --- |
| SSAP No. 16R | Correct cross paragraph references in paragraphs 11.b and 12.b of *SSAP No. 16R – Electronic Data Processing Equipment and Software* |
| SSAP No. 43R | Removes outdated references to guidance which was previously deleted in Oct. 2017 (agenda item 2017-22). |

**Recommendation:**

NAIC staff recommend that the Statutory Accounting Principles (E) Working Group move this agenda item to the active listing, categorize as nonsubstantive, and expose editorial revisions as illustrated below.

**Status:**

On October 25, 2021, in response to an e-vote, the Statutory Accounting Principles (E) Working Group exposed the editorial revisions, shown below, for public comment.

***SSAP No. 16R – Electronic Data Processing Equipment and Software***

1. This statement also adopts with modification the guidance reflected in ASC 350-40 for cloud computing arrangements as modified by *ASU 2018-15, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* and in this statement. Consistent with U.S. GAAP, the guidance in this statement for cloud computing hosting arrangements varies based on whether the cloud computing arrangement is a service contract:
2. An arrangement that is not a service contract applies to internal-use software if the 1) reporting entity has the contractual right to take possession of the software at any time during the hosting period without significant penalty; and 2) it is feasible for the reporting entity to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software.
3. If both conditions in paragraph 11.a. are not met, then the arrangement for internal-use software is considered a service contract.
4. For hosting arrangements that are not service contracts, reporting entities shall account for any internal-use software as follows:
5. The reporting entity shall recognize an operating or non-operating system software asset for the costs incurred for the software license in accordance with paragraph 3 of this statement. This is a modification from U.S. GAAP in which the asset is recognized as an intangible asset. A liability shall also be recognized if payments for the software license are still required.
6. If the reporting entity has a hosting arrangement that includes both the acquisition of a software asset (pursuant to paragraph 11.a.) and an ongoing hosting arrangement, the reporting entity shall allocate the costs of the arrangement to the different elements. Costs for the ongoing hosting arrangement shall be accounted for in accordance with *SSAP No. 22R—Leases.*

***SSAP No. 43R – Loan-Backed and Structured Securities***

1. If the fair value of a loan-backed or structured security is less than its amortized cost basis at the balance sheet date, an entity shall assess whether the impairment is other than temporary. Amortized cost basis includes adjustments made to the cost of an investment for accretion, amortization, collection of cash, previous other-than-temporary impairments recognized as a realized loss.

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