

NAIC Accounting Practices and Procedures Manual
Editorial and Maintenance Update
December 11, 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 |
|---------------|---|
| Various | <p>Pursuant to an Aug. 14 referral from the Financial Condition (E) Committee, the edits propose herein update the terminology references of “substantive” and “nonsubstantive,” which have historically been used to describe statutory accounting revisions being considered by the Statutory Accounting Principles (E) Working Group to the AP&P Manual.</p> <p>The Committee recommended terminology updates to alleviate concerns that users who are not familiar with the historical definitions of the aforementioned terms may incorrectly perceive that the terms reflect potential financial impact rather than their intended definitions. Accordingly, where applicable, the current concept/term of:</p> <ol style="list-style-type: none"> 1) a “substantive” revision is proposed to be replaced with the phraseology of a “New SAP or New SAP concept in an existing SSAP,” and, 2) a “nonsubstantive” revision is proposed to be replaced with the phraseology of a “SAP clarification.” <p>Agenda item 2021-14: SAP Terminology, which was previously exposed by the Working Group on Aug. 26, addresses the proposed terminology/phraseology changes in the <i>NAIC Policy Statement on Maintenance of Statutory Accounting Principles</i> (Appendix F). This editorial agenda item identifies all remaining uses of the terms in the current AP&P manual for change consideration.</p> <p>Please note, it is anticipated that terminology changes will generally only occur on a <u>go-forward basis</u> as amendments to previously adopted SSAPs, issue papers, agenda items or other historical documents will not occur. As such, the terms used in previously adopted guidance will remain, with the new terms being used prospectively when considering future revisions to statutory accounting.</p> |

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 December 11, 2021, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to certain, remaining terminology references of “substantive” and “nonsubstantive,” as illustrated below.

Various SSAPs in response to terminology changes of “Substantive” and “Nonsubstantive”

(Note: for a review of every use “substantive and nonsubstantive,” as well documentation as to proposed modifications, if any, please see pages see attachment G.1.)

Edit 1: Table of Contents (How to use this Manual), Volume I, Page xvii

Summary of Changes:

The Summary of Changes outlines changes made to the prior edition of the Manual to create the current year's version. It is divided into three sections: 1) [the development of new SSAPs or new SAP concepts to existing SSAPs](#)~~substantive revisions to statutory accounting principles~~; 2) [SAP clarifications](#)~~nonsubstantive revisions to statutory accounting principles~~; and 3) revisions to the appendices included in the Manual. The Summary of Changes is a key resource for readers who are looking to identify changes from the prior edition.

Edit 2: Table of Contents (How to use this Manual), Volume I, Page xviii**Statements of Statutory Accounting Principles:**

As indicated by the Statutory Hierarchy, the Statements of Statutory Accounting Principles (SSAPs) are the primary authoritative statutory accounting practices and procedures promulgated by the NAIC. These statements are the result of issue papers that have been exposed for public comment and finalized. Finalized issue papers are found in Appendix E and ARE NOT authoritative. While it is not intended that there be any significant differences between an underlying issue paper and the resultant SSAP, if differences exist, the SSAP prevails and shall be considered definitive. Readers may use the NAIC website to keep abreast of [adopted revisions](#)~~substantive and nonsubstantive changes~~ to the SSAPs. Completely superseded SSAPs that are no longer authoritative are moved from the printed Manual into *Appendix H – Superseded SSAPs and Nullified Interpretations*, which is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at https://content.naic.org/cmte_e_app_sapwg.htm.

Edit 3: Table of Contents (How to use this Manual), Volume I, Page xviii

New paragraph proposed (To be inserted between the paragraphs starting with "As indicated by the Statutory Hierarchy..." and "The cover page of each SSAP...")

[Prior to \(adoption date\), the term used to describe a new SAP concept or a new SAP concept in an existing SSAP was "substantive" and the term used to describe a SAP clarification was "nonsubstantive." The new terms will be reflected in materials to describe revisions to statutory accounting principles on a prospective basis and historical documents will not be updated to reflect the revised terms.](#)

Edit 4: Table of Contents (How to use this Manual), Volume I, Page xviii

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The "affects" section is used when a SSAP [has previously been](#)~~substantively amends~~[amended to reflect new SAP concepts or superseded by other](#)~~or supersedes previously~~ issued SSAPs. Nullified INTs are also noted in this section. Readers are referenced to another SSAP in the "affected by" section if the SSAP has been ~~substantively amended or~~ superseded [or amended with a new SAP concept or with the issuance of a new SSAP](#). Text within paragraphs ~~substantively~~ amended [with new SAP concepts](#) or superseded may also be "shaded" to notify readers that revised guidance is available.

Edit 5: Table of Contents (How to use this Manual), Volume I, Page xviii

Refer to the Relevant Literature and Effective Date and Transition sections of each SSAP for details of [the development of new SSAPs or new SAP concepts, as well as changes as the result of SAP clarifications](#)~~substantive and nonsubstantive changes~~.

Edit 6: Summary of Changes, Volume I, Page xxiii

Section 1 summarizes ~~substantive~~ revisions [that result with a new SSAP or new SAP concept](#) to statutory accounting principles. **Substantive R**evisions [that](#) introduce original or modified accounting principles and can be reflected in an existing or new SSAP. When ~~substantive~~ revisions [that result in a new SAP concept](#) are made to an existing SSAP, the effective date is identified in the Status section, and the revised text within is depicted by underlines (new language) and strikethroughs (removed language). This tracking will not be shown in subsequent manuals. New SSAPs and [new SAP concepts that revise existing](#) ~~substantively revised~~ SSAPs are commonly accompanied by a corresponding issue paper that reflects the revisions for historical purposes. If language in an existing SSAP is superseded, that language is shaded and the new or substantively revised SSAP is referenced. Completely superseded SSAPs and nullified interpretations are included in Appendix H.

Edit 7: Summary of Changes, Volume I, Page xxiii

Section 2 summarizes ~~the nonsubstantive~~ revisions that clarify existing to statutory accounting principles. ~~Nonsubstantive~~ These revisions are characterized as language clarifications which do not modify the original intent of a SSAP, or changes to reference material. ~~Nonsubstantive~~ Such revisions are depicted by underlines (new language) and strikethroughs (removed language) and will not be tracked in subsequent manuals. ~~Nonsubstantive~~ Rvisions that clarify existing statutory accounting principles are effective when adopted unless a specific effective date is noted.

Edit 8: Summary of Changes (heading in table), Volume I, Page xxiii

1. ~~Substantive~~ Revisions that resulted in a new SSAP or a new SAP concept – Statutory Accounting Principles

Edit 9: Summary of Changes (heading in table), Volume I, Page xxiii

2. ~~Nonsubstantive~~ Revisions that resulted in a SAP clarification – Statutory Accounting Principles

Edit 10: Preamble, Volume I, Page P-5

23. The Accounting Practices and Procedures (E) Task Force will accomplish its mission through charges assigned to the following working groups:

- Statutory Accounting Principles (E) Working Group: Responsible for developing and adopting ~~substantive and nonsubstantive~~ revisions to the Statements of Statutory Accounting Principles (SSAPs). Statutory accounting principles provide the basis for insurers to prepare financial statements for financial regulation purposes, and SSAPs are considered level 1 (highest authority) in the statutory accounting hierarchy. Refer to the Statutory Accounting Principles (E) Working Group Web page (http://www.naic.org/cmte_e_app_sapwg.htm) for specific information and charges.
- Blanks (E) Working Group: Considers improvements and revisions to various annual/quarterly statement blanks to conform to changes made in other areas of the NAIC to promote uniformity in reporting of financial information by insurers and develop reporting formats for other entities subject to the jurisdiction of state insurance departments. Refer to the Blanks (E) Working Group webpage (http://www.naic.org/cmte_e_app_blanks.htm) for specific information and charges.

Edit 11: Preamble, Volume I, Page P-9

47. Once promulgated, statements will only be amended or superseded through the issuance of new SSAP pronouncements. If it is necessary to introduce a new SAP concept that will ~~substantially~~ modify or augment the guidance in an existing SSAP, a new statement will be promulgated and/or the statement will be reissued with “revised” in the title. ~~Non-substantial~~ Changes as a result of clarifying an existing SAP will be included in the existing statement with changes tracked (i.e., new text will be underlined and deleted text as strikethrough) in the next printing of the Manual. Then no changes will be shown after the initial year. A useful tool for tracking of the relationships between statements is contained in the “Status” section of each statement which includes sections labeled “Affects” and “Affected By.” As SSAPs are issued in the future that modify or augment the guidance previously provided, these sections will identify the relationships between statements.

Edit 12: Table of Contents (How to use this Manual), Volume II, Page xvii**Summary of Changes:**

The Summary of Changes outlines changes made to the prior edition of the Manual to create the current year’s version. It is divided into three sections: 1) the development of new SSAPs or new SAP concepts to existing SSAPs ~~substantive revisions to statutory accounting principles~~; 2) SAP clarifications ~~nonsubstantive revisions to statutory accounting principles~~; and 3) revisions to the appendices included in the Manual. The Summary of Changes is a key resource for readers who are looking to identify changes from the prior edition.

Edit 13: Table of Contents (How to use this Manual), Volume II, Page xviii***Statements of Statutory Accounting Principles:***

As indicated by the Statutory Hierarchy, the Statements of Statutory Accounting Principles (SSAPs) are the primary authoritative statutory accounting practices and procedures promulgated by the NAIC. These statements are the result of issue papers that have been exposed for public comment and finalized. Finalized issue papers are found in Appendix E and ARE NOT authoritative. While it is not intended that there be any significant differences between an underlying issue paper and the resultant SSAP, if differences exist, the SSAP prevails and shall be considered definitive. Readers may use the NAIC website to keep abreast of [adopted revisions](#) ~~substantive and nonsubstantive changes~~ to the SSAPs. Completely superseded SSAPs that are no longer authoritative are moved from the printed Manual into *Appendix H – Superseded SSAPs and Nullified Interpretations*, which is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at https://content.naic.org/cmte_e_app_sapwg.htm.

Edit 14: Table of Contents (How to use this Manual), Volume II, Page xviii

New paragraph proposed (To be inserted between the paragraphs starting with "As indicated by the Statutory Hierarchy..." and "The cover page of each SSAP..."

[Prior to \(adoption date\), the term used to describe a new SAP concept or a new SAP concept in an existing SSAP was "substantive" and the term used to describe a SAP clarification was "nonsubstantive." The new terms will be reflected in materials to describe revisions to statutory accounting principles on a prospective basis and historical documents will not be updated to reflect the revised terms.](#)

Edit 17: Summary of Changes, Volume II, Page xxiii

Section 1 summarizes ~~substantive~~ revisions [that result with a new SSAP or new SAP concept](#) to statutory accounting principles. ~~Substantive~~ **R**evisions [that](#) introduce original or modified accounting principles and can be reflected in an existing or new SSAP. When ~~substantive~~ revisions [that result in a new SAP concept](#) are made to an existing SSAP, the effective date is identified in the Status section, and the revised text within is depicted by underlines (new language) and strikethroughs (removed language). This tracking will not be shown in subsequent manuals. New **SSAPs** and [new SAP concepts that revise existing](#) ~~substantively revised~~ SSAPs are commonly accompanied by a corresponding issue paper that reflects the revisions for historical purposes. If language in an existing SSAP is superseded, that language is shaded and the new or substantively revised SSAP is referenced. Completely superseded SSAPs and nullified interpretations are included in Appendix H.

Edit 18: Summary of Changes, Volume II, Page xxiii

Section 2 summarizes ~~the nonsubstantive~~ revisions [that clarify existing](#) ~~to~~ statutory accounting principles. ~~Nonsubstantive~~ **T**hese revisions are characterized as language clarifications which do not modify the original intent of a SSAP, or changes to reference material. ~~Nonsubstantive~~ **S**uch revisions are depicted by underlines (new language) and strikethroughs (removed language) and will not be tracked in subsequent manuals. ~~Nonsubstantive~~ **R**evisions [that clarify existing statutory accounting principles](#) are effective when adopted unless a specific effective date is noted.

Edit 19: Summary of Changes (heading in table), Volume II, Page xxiii

1. ~~Substantive~~ Revisions [that resulted in a new SSAP or a new SAP concept](#) – Statutory Accounting Principles

Edit 20: Summary of Changes (heading in table), Volume II, Page xxiii

2. ~~Nonsubstantive~~ Revisions [that resulted in a SAP clarification](#) – Statutory Accounting Principles

Edit 21: Appendix F: NAIC Policy Statement of Statutory Accounting Principles Maintenance Agenda Process, Volume II, Page F-5

3. Information and issues can be presented to the Working Group in a variety of ways. Issues can be recommended or forwarded from 1) other NAIC committees, task forces or working groups; 2) interested parties; 3) interested regulators; and 4) NAIC staff. Also, if any guidance within the Generally Accepted Accounting Principles (GAAP) Hierarchy (see § V of the Preamble to the *Accounting Practices and Procedures Manual* (AP&P Manual)) is added or revised, those changes must be considered by the Working Group for potential

revisions to SAP. In order for an issue to be placed on the **Pending Listing**, the recommending party must complete a Statutory Accounting Principles Maintenance Agenda Submission Form (Form A) and submit it to the Working Group support staff no later than 20 business days prior to the next scheduled Working Group meeting. NAIC staff will prepare a submission form for all GAAP pronouncements that have not been previously addressed by the Working Group. NAIC staff will update the **Pending Listing** before each national meeting and will notify the recommending party of such action. If the Working Group does not wish to address the issue (e.g., issue deemed not applicable to statutory accounting) or rejects the position presented, then the Working Group may move the item to the **Rejected Listing**. Should the Working Group choose to address an issue, it is moved to the **Active Listing** where it is prioritized and categorized as a [new SSAP concept, clarification of an existing SSAP](#), ~~Substantive, Nonsubstantive~~ or [an Interpretation](#) agenda item.

Edit 22: Appendix F: NAIC Policy Statement of Statutory Accounting Principles Maintenance Agenda Process, Volume II, Page F-5

4. The **Active Listing** identifies agenda items that are in the process of development and includes the following:
 - a. [New SAP Concept](#)~~Substantive~~: These agenda items address the development of new SSAPs [and/or the introduction of a new and substantially revised SSAPs concept](#) as defined in the NAIC *Policy Statement on Maintenance of Statutory Accounting Principles*.
 - b. [Clarification of an Existing SSAP](#)~~Nonsubstantive~~: These agenda items address the development of ~~nonsubstantive~~ revisions [which clarify an existing](#) ~~to~~ SAP as defined in the NAIC *Policy Statement on Maintenance of Statutory Accounting Principles*.
 - c. **Interpretations**: These agenda items address the development of interpretations to SAP as defined in the NAIC *Policy Statement on Maintenance of Statutory Accounting Principles*. If SSAP revisions are subsequently deemed necessary, the Working Group shall re-categorize the agenda item as either [a New SAP concept, or a clarification of an existing SSAP](#)~~substantive or nonsubstantive~~, as applicable, and follow the appropriate process to consider and adopt revisions.

Edit 23: Appendix F: NAIC Policy Statement of Statutory Accounting Principles Maintenance Agenda Process, Volume II, Page F-5

5. After review of the agenda item (including any interested party comments), at its discretion, the Working Group makes the ultimate determination of whether an agenda item is categorized (or re-categorized) as [a new SAP concept, clarification of an existing SSAP](#) ~~substantive (either as a new SSAP or substantively revised SSAP), nonsubstantive~~ or an interpretation.

Edit 24: Appendix F: NAIC Policy Statement of Statutory Accounting Principles Maintenance Agenda Process, Volume II, Page F-6

8. NAIC staff will maintain the following on the Working Group Web page (http://naic.org/cmte_e_app_sapwg.htm): 1) A blank Form A (Attachment A to this policy statement); 2) The current Maintenance Agenda, and 3) Current [statutory](#) ~~substantive, nonsubstantive~~ and/or interpretation revisions exposed for public comment. Attachment B to this policy statement will be attached to all exposures with proposed ~~substantive~~ revisions [that result in a new SAP concept](#) and serves as the request for written comment and notice of a public hearing.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2021/13.FallNationalMeeting/Exposures/21-26EP Fall 2021 - \(Sub vs. NonSub\).docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2021/13.FallNationalMeeting/Exposures/21-26EPFall2021-(Subvs.NonSub).docx)