IMR Issue Paper – Appendix D: Adopted Revisions to Other SSAPs
Adopted 2026 Fall National Meeting

Note: These tracked changes will be incorporated into Appendix D within the Issue Paper for historical reference. When incorporating into the SSAPs, and issue paper for the 2028 AP&P Manual publication, verification of all paragraph numbers to the most recent SSAP guidance will occur.

In addition to the rewrite of SSAP No. 7, many revisions to other SSAPs are proposed in accordance with the IMR project. These revisions are detailed in this document.

A search of "Interest Maintenance Reserve" and "IMR" was completed for the 2025 Manual. SSAP references are detailed separately by those with proposed revisions and those without proposed revisions.

SSAP's with Adopted Revisions

SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments

A. New Paragraph 8: Revisions address IMR/AVR treatment for cash equivalents:

8. For reporting entities required to maintain an interest maintenance reserve (IMR) and asset valuation reserve (AVR), the accounting for realized capital gains and losses on sales of cash equivalents shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. Pursuant to that guidance, all unrealized gains and losses shall be allocated to the AVR, however, realized capital gains and losses from the sale of cash equivalents shall not be allocated to the IMR. Any realized loss deemed to be non-interest related shall be allocated to the AVR, with interest-related realized gains or losses retained as an immediate capital gain or loss.

B. Paragraph 16: Revisions clarify IMR/AVR treatment for short-term investments:

16. All short-term investments shall be accounted for in the same manner as similar long-term investments, except for the allocation to IMR. For reporting entities required to maintain an IMR and AVR, the accounting for realized capital gains and losses on sales of short-term investments shall be in accordance with SSAP No. 7. Pursuant to that guidance, all unrealized gains and losses shall be allocated to the AVR, however, realized capital gains and losses from the sale of short-term investments shall not be allocated to the IMR. Any realized loss deemed to be non-interest related shall be allocated to the AVR, with interest-related realized gains or losses retained as an immediate capital gain or loss.

SSAP No. 21—Other Admitted Assets

No explicit revisions are proposed to this SSAP. Although the issue paper proposes to revise the way in which IMR/AVR allocations occur for non-bond debt securities, the guidance in SSAP No. 21 points to the guidance in SSAP No. 43 for application. With this pointer, no revisions are needed to SSAP No. 21 as the revisions will be reflected in SSAP No. 43 and be applicable in accordance with the existing guidance.

SSAP No. 26—Bonds

A. Paragraphs 17-18: Revisions are proposed to improve existing guidance:

17. For reporting entities required to maintain an interest maintenance reserve (IMR) and asset valuation reserve (AVR), the accounting for realized capital gains and losses on sales of bonds shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. Pursuant

to SSAP No. 7, ~~For reporting entities required to maintain an asset valuation reserve (AVR), the accounting for~~all unrealized gains and losses, excluding foreign exchange gains and losses, shall be ~~in accordance with SSAP No. 7~~recognized to the AVR.

18. For reporting entities not required to maintain an IMR and AVR, realized gains and losses on sales of bonds shall be reported as net realized capital gains or losses in the statement of income. ~~For reporting entities not required to maintain an AVR, u~~ Unrealized gains and losses shall be recorded as a direct credit or charge to unassigned funds (surplus).

B. Paragraph 23: Revisions are proposed to improve existing guidance:

23. An other-than-temporary(INT 06-07) impairment (OTTI) shall be considered to have occurred if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition. A decline in fair value which is other-than-temporary includes situations where a reporting entity has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a bond is other-than-temporary, an impairment loss shall be recognized as a realized loss equal to the entire difference between the bond's carrying value and its fair value at the balance sheet date of the reporting period for which the assessment is made. The measurement of the impairment loss shall not include partial recoveries of fair value subsequent to the balance sheet date. For reporting entities required to maintain an AVR/IMR, the accounting for the entire amount of the realized capital loss shall be in accordance with SSAP No. 7. Pursuant to this guidance, realized losses from an OTTI recognized as it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of the debt security (credit impairment) shall be fully allocated to the AVR. Realized losses from an OTTI recognized as the entity has decided to sell a security prior to its maturity at an amount below its carrying value shall be fully allocated to either the IMR or AVR pursuant to the guidance in SSAP No. 7. ~~The other-than-temporary impairment loss shall be recorded entirely to either AVR or IMR (and not bifurcated between credit and non-credit components) in accordance with the annual statement instructions.~~

C. Paragraph 37: This paragraph is specific to SVO-Identified ETFs. Minor reference revisions:

37. For reporting entities required to hold an IMR and AVR reserve, realized and unrealized gains and losses for the SVO-identified bond ETF investments shall be consistent with bonds within the scope of this standard. With this guidance, recognition of gains/losses (and corresponding AVR/IMR impacts) will be based on the ETF, and not activity that occurs within the ETF (e.g., such as changes in the underlying bonds held within the ETF). Also consistent with the guidance for bonds, recognized losses from other-than temporary impairments shall be recorded entirely to either AVR or IMR (and not bifurcated between credit and non-credit components) in accordance with SSAP No. 7.~~the annual statement instructions.~~

SSAP No. 32—Preferred Stock

A. Paragraph 8: Incorporate guidance for sales of preferred stock. (This guidance is generic to apply to both redeemable and perpetual preferred stock.)

8. At acquisition, preferred stock shall be reported at cost, including brokerage and other related fees. Preferred stock received as dividends shall be recorded at fair value. Acquisitions and dispositions shall be recorded on the trade date. Private placement stock transactions shall be recorded on the funding date. For reporting entities required to maintain an interest maintenance

reserve (IMR) and asset valuation reserve (AVR) sales of preferred stock shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve.*

B. Paragraph 12.b.iv: Clarify AVR treatment of unrealized gains and losses:

12.b.iv For preferred stocks reported at fair value, the accounting for unrealized gains and losses shall be fully to the AVR in accordance with SSAP No. 7~~—*Asset Valuation Reserve and Interest Maintenance Reserve*~~.

C. Paragraph 13: Clarify OTTI guidance for redeemable preferred stock to mirror the bond guidance:

13. An other-than-temporary[INT 06-07] impairment (OTTI) shall be considered to have occurred if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of the preferred stock in effect at the date of acquisition. An assessment of other-than-temporary impairment shall occur whenever mandatory redemption rights or sinking fund requirements do not occur. A decline in fair value which is other-than-temporary includes situations where the reporting entity has made a decision to sell the preferred stock prior to its maturity at an amount below its carrying value (i.e., amortized cost). If it is determined that a decline in the fair value of a redeemable preferred stock is other-than-temporary, an impairment loss shall be recognized as a realized loss equal to the entire difference between the redeemable preferred stock's carrying value and its fair value, not to exceed any currently effective call price, at the balance sheet date of the reporting period for which the assessment is made. The measurement of the impairment loss shall not include partial recoveries of fair value subsequent to the balance sheet date. For reporting entities required to maintain an AVR, realized losses shall be accounted for in accordance with SSAP No. 7. Pursuant to this guidance, realized losses from an OTTI recognized as it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of the redeemable preferred stock (credit impairment) shall be fully allocated to the AVR. Realized losses from an OTTI recognized as the entity has decided to sell a redeemable preferred stock prior to its maturity at an amount below its carrying value shall be fully allocated to either the IMR or AVR pursuant to the guidance in SSAP No. 7.

SSAP No. 37—Mortgage Loans

A. New Paragraph 16: Incorporate guidance for sales of mortgage loans

16. For reporting entities required to maintain an interest maintenance reserve (IMR) and asset valuation reserve (AVR), the accounting for realized capital gains and losses on sales of mortgage loans shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*.

B. Renumbered Paragraph 17: Incorporate clarifying revisions:

17. A mortgage loan shall be considered to be impaired when, based on current information and events, it is probable that a reporting entity will be unable to collect all amounts due according to the contractual terms of the mortgage agreement. According to the contractual terms means that both the contractual principal payments and contractual interest payments of the mortgage loan will be collected as scheduled in the mortgage agreement. A reporting entity shall measure impairment based on the fair value (as determined by acceptable appraisal methodologies) of the collateral less estimated costs to obtain and sell. The difference between the net value of the collateral and the recorded investment in the mortgage loan shall be recognized as an impairment by creating a valuation allowance with a corresponding charge to unrealized loss or by adjusting an existing

valuation allowance for the impaired loan with a corresponding charge or credit to unrealized gain or loss. Subsequent to the initial measurement of impairment, if there is a significant change (increase or decrease) in the net value of the collateral, the reporting entity shall adjust the valuation allowance; however, the net carrying amount of the loan shall at no time exceed the recorded investment in the loan. For reporting entities required to maintain an ~~asset valuation reserve (~~AVR~~)~~, the unrealized gain or loss on impairments shall be recognized ~~included in the calculation of~~ to the AVR. If the impairment is other than temporary (INT 06-07), a direct write down shall be recognized as a realized loss (recognized to the AVR for reporting entities maintaining an AVR), and a new cost basis is established. This new cost basis shall not be changed for subsequent recoveries in value. Mortgage loans for which foreclosure is probable shall be considered permanently impaired.

C. Paragraph 33 – original effective date guidance – addresses previously recognized IMR related to prepayment penalties. No changes are proposed. Its historical guidance no longer applicable.

33. This statement is effective for years beginning January 1, 2001. Initial recognition of the impairment losses resulting from the application of this statement shall apply to mortgage loans held at January 1, 2001, and be based on management's best estimates as of that date. Insurers shall release all unamortized amounts included in IMR related to prepayment penalties upon adoption of Codification and recognize such change in accordance with SSAP No. 3—Accounting Changes and Corrections of Errors. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3. The guidance in this paragraph related to unamortized amounts included in IMR was originally contained within INT 99-04: Recognition of Prepayment Penalties Upon Adoption of Codification and was effective March 8, 1999.

SSAP No. 41—Surplus Notes

A. Paragraph 12: Incorporate clarifying guidance, including guidance for sales:

12. For reporting entities required to maintain an AVR, ~~the accounting for~~ unrealized gains and losses shall be fully allocated to the AVR and realized capital gains and losses from the sale of capital notes or surplus notes shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. For reporting entities not required to maintain an AVR, unrealized gains and losses shall be recorded as a direct credit or charge to unassigned funds (surplus).

SSAP No. 43—Asset-Backed Securities

A. Paragraph 15: Directs treatment for prepayment penalties, no revisions proposed.

15. The amount of prepayment penalty and/or acceleration fees to be reported as investment income shall be calculated as follows:

a. The amount of investment income reported is equal to the total proceeds (consideration) received less the par value of the investment; and

b. Any difference between the book adjusted carrying value (BACV) and the par value at the time of disposal shall be reported as realized capital gains and losses subject to the authoritative literature in SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve.

B. Paragraph 36: Revisions to eliminate the IMR/AVR bifurcated allocation and incorporate consistent language.

36. For reporting entities required to maintain an interest maintenance reserve (IMR) and asset valuation reserve (AVR), the accounting for realized capital gains and losses shall be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. Pursuant to SSAP No. 7, all unrealized gains and losses shall be recognized to the AVR. Further, realized losses from an OTTI recognized under paragraph 35, as the reporting entity does not expect to recover the entire amortized cost basis even if the entity has no intent to sell and the entity has the intent and ability to hold (credit impairment) shall be fully allocated to the AVR. ~~AVR or IMR, all unrealized gains and losses shall be reported through the AVR. For realized gains and losses, an analysis is required on whether the realized loss reflects an interest or non-interest related decline[1]. The analysis required is the same regardless of whether a realized loss results from an impairment write-down or whether there was a gain or loss upon sale. Guidance on specific scenarios resulting in realized gains and losses are as follows:~~

~~a. Unrealized Gains and Losses – Record all unrealized gains and losses through AVR. At the time an unrealized gain or loss is realized, allocation between AVR or IMR will depend on the analysis and bifurcation between interest or non-interest related declines Unrealized gains or losses that are realized shall be reversed from AVR before the recognition of the realized gain or loss within AVR and IMR.~~

~~b. Other-Than-Temporary Impairment – Non-interest related other-than-temporary impairment losses shall be recorded through the AVR and interest-related OTTI losses shall be recorded through the IMR. If the reporting entity wrote the security down to fair value due to the intent to sell or because the entity does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, the entity shall bifurcate the realized loss between non-interest related (AVR) and interest related (IMR). The analysis for bifurcating impairment losses between AVR and IMR shall be completed as of the date when the other-than-temporary impairment is determined. Entities that recognized an OTTI based on the difference between amortized cost and the present value of expected cash flows shall recognize the full realized loss through AVR.~~

~~c. Security Sold at a Loss Without Prior OTTI – An entity shall bifurcate the loss into AVR and IMR portions depending on interest and non-interest related declines in accordance with the analysis performed as of the date of sale.~~

~~d. Security Sold at a Loss With Prior OTTI – An entity shall bifurcate the current realized loss into AVR and IMR portions depending on interest and non-interest related declines in accordance with the analysis performed as of the date of sale. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.~~

~~e. Security Sold at a Gain With Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis~~

~~[1] Pursuant to INT 06-07, the term interest related includes a declining value due to both increases in the risk free interest rate and general credit spread widening. Credit spreads can widen or contract for a variety of reasons, including supply/demand imbalances in the marketplace or the perceived higher/lower risk of an entire sector. If the declining value is caused, in whole or in part, due to credit spreads widening, but not due to fundamental credit problems of the issuer, the change in credit spreads is deemed to be interest related.~~

~~performed as of the date of sale. The bifurcation between AVR and IMR that occurs as of the date of sale may be different from the AVR and IMR allocation that occurred at the time of previous other-than-temporary impairments. An entity shall not adjust previous allocations to AVR and IMR that resulted from previous recognition of other-than-temporary impairments.~~

~~f. Security Sold at a Gain Without Prior OTTI – An entity shall bifurcate the gain into AVR and IMR portions depending on interest and non-interest factors in accordance with the analysis performed as of the date of sale.~~

C. Q&A 7 – Directs IMR/AVR based on recognized OTTI. Reference revisions proposed.

7. Question – If an impairment loss is recognized based on the "present value of projected cash flows" in one period is the entity required to get new cash flows every reporting period subsequent or just in the periods where there has been a significant change in the actual cash flows from projected cash flows?

7.1 The guidance in paragraph 38 of SSAP No. 43 indicates that a reporting entity shall continue to estimate the present value of cash flows expected to be collected over the life of the asset-backed security. This guidance is explicit that the reporting entity shall continue to estimate the present value of cash flows expected to be collected over the life of the loan-backed or structured security.

7.2 As provided in paragraph 2.2 of this Q&A, if the entity does not want to assess cash flows of an impaired security (fair value is less than amortized cost), the entity can designate the security as one the entity intends to sell, or one that the entity does not have the intent and ability to hold, providing it is reflective of the true intent and assessment of the ability of the entity. Reporting entities subject to the requirements of AVR and IMR should allocate the impairment loss between AVR and IMR in accordance with SSAP No. 7~~accordingly~~.

D. Q&A 8 – Discusses reporting in lots and the requirement to track separately for IMR/AVR allocation. No revisions proposed.

8. Question – Do ABS purchased in different lots result in a different NAIC designation for the same CUSIP? Can reporting entities use a weighted average method determined on a legal entity basis?

8.1 Under the financial modeling process (applicable to qualifying RMBS/CMBS reviewed by the NAIC Structured Securities Group), the amortized cost of the security impacts the "final" NAIC designation used for reporting and RBC purposes. As such, securities subject to the financial modeling process acquired in different lots can result in a different NAIC designation for the same CUSIP. In accordance with the current instructions for calculating AVR and IMR, reporting entities are required to keep track of the different lots separately, which means reporting the different designations. For reporting purposes, if a SSAP No. 43 security (by CUSIP) has different NAIC designations by lot, the reporting entity shall either 1) report the aggregate investment with the lowest applicable NAIC designation or 2) report the investment separately by purchase lot on the investment schedule. If reporting separately, the investment may be aggregated by NAIC designation. (For example, all acquisitions of the identical CUSIP resulting with an NAIC 1 designation may be aggregated, and all acquisitions of the identical CUSIP resulting with an NAIC 3 designation may be aggregated.)

SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance

A. Update Reference to Guidance.

(Note – Additional revisions to SSAP No. 61 are considered under agenda item 2025-22.)

54. The interest-related gain or loss (net of taxes) associated with the sale, transfer or reinsurance of a block of liabilities must be credited or charged to the IMR in accordance with SSAP No. 7. ~~the IMR instructions contained in the NAIC Annual Statement Instructions for Life and Accident and Health Insurance Companies.~~

SSAP No. 86—Derivatives

A. Paragraph 24, with corresponding edits to Exhibit B and Exhibit C, to mandate consistent use of IMR when applicable for effective hedges and remove ambiguity on when IMR is permitted.

24. For those derivatives which qualify for hedge accounting, the change in the carrying value or cash flow of the derivative shall be recorded consistently with how the changes in the carrying value or cash flow of the hedged asset, liability, firm commitment or forecasted transaction are recorded. When the hedged item is held at amortized cost, the derivative is also recognized at amortized cost, therefore there is no recognized carrying value change over the life of the derivative. In such situations, if the settlement of the derivative results in a realized gain or loss from the derivative acquisition basis, then upon termination of a derivative that qualified for hedge accounting, the following guidance shall be followed:

a. If the hedged item is not terminated, the derivative gain or loss shall adjust the basis of the hedged item, and amortized/accreted into income over the remaining life of the hedged item. (For example, if a bond was hedged, a realized derivative gain would be offset by a credit to the bond's book/adjusted carrying value, reducing the bond BACV as a basis adjustment. This adjustment would be accreted into income over the remaining life of the bond to bring the bond BACV to par value.)

b. If the hedged item is terminated, the derivative gain or loss shall be recognized consistently with how the gain or loss from the hedged item is recognized. If the gain or loss from the hedged item is taken to IMR, then the derivative gain or loss shall be taken to IMR. If the hedged item gain or loss is recognized as an immediate capital gain or loss, then the derivative gain or loss shall also be recognized as an immediate capital gain or loss.

Exhibit B – Corresponding Revisions to reflect the revised paragraph 24 guidance:

An open derivative hedging a forecasted transaction or firm commitment shall be recorded at cost until the hedged transaction occurs. When the hedged forecasted transaction or firm commitment occurs, an open derivative shall be accounted for in a manner consistent with the hedged item (i.e., amortized cost or fair value).

~~Upon termination of a derivative that qualified for hedge accounting of an existing asset or liability or a forecasted transaction or firm commitment, the resulting gain or loss shall be recognized in income in a manner that is consistent with the hedged item. If the hedged item is recorded at amortized cost, the gain or loss shall adjust, individually or in the aggregate, the basis of the hedged item subject to amortization. Alternatively, if the item being hedged is subject to IMR, the gain or loss on the terminated hedging derivative may be realized and shall be subject to IMR upon termination. For~~

~~terminated derivatives, indicate on Schedule DB, Section 2, Parts A and B, the nature of the assets or liabilities so adjusted and the schedule or exhibit where they are presented.~~

Upon termination of a derivative that qualified for hedge accounting, the following guidance shall be followed:

a. If the hedged item is not terminated, the derivative gain or loss shall adjust the basis of the hedged item, and amortized/accreted into income over the remaining life of the hedged item. (For example, if a bond was hedged, a realized derivative gain would be offset by a credit to the bond's book/adjusted carrying value, reducing the bond BACV as a basis adjustment. This adjustment would be accreted into income over the remaining life of the bond to bring the bond BACV to par value.)

b. If the hedged item is terminated, the derivative gain or loss shall be recognized consistently with how the gain or loss from the hedged item is recognized. If the gain or loss from the hedged item is taken to IMR, then the derivative gain or loss shall be taken to IMR. If the hedged item gain or loss is recognized as an immediate capital gain or loss, then the derivative gain or loss shall also be recognized as an immediate capital gain or loss.

For terminated derivatives, indicate on Schedule DB, Section 2, Parts A and B, the nature of the assets or liabilities so adjusted and the schedule or exhibit where they are presented.

Consistency revisions will also be incorporated into the specific hedge accounting guidance in Exhibit B, in 1d, 2d and 3c:

1d. Gain/Loss on Termination of an option, warrant, cap or floor accounted for under hedge accounting (includes closing, exercise, maturity, and expiry):

i. Exercise of an Option: The remaining book value of the derivative shall become an adjustment to the cost or proceeds of the hedged item(s) received or disposed of individually or in aggregate;

ii. Sale, maturity, expiry, or other closing transaction of a derivative which is an effective hedge—Any gain or loss on the transaction, except for excluded components, shall ~~will~~ adjust the basis ~~(or proceeds)~~ of the hedged item(s) ~~individually or in aggregate~~, be recognized in IMR, or be recognized as an immediate capital gain or loss in accordance with paragraph 24 and the treatment of the hedged item. ~~Alternatively, if the item being hedged is subject to IMR, the gain or loss on the terminated hedging derivative may be realized and shall be subject to IMR upon termination.~~ For hedging instruments with excluded components in determining hedge effectiveness, the unrealized gain/loss from the change in fair value of the excluded component shall be realized upon the closing transaction. This gain/loss from excluded components shall not be used to adjust the basis or proceeds of the hedged item.

2d. Gain/Loss on Termination of a swap, collar or forward accounted for under hedge accounting (includes closing, exercise, maturity, and expiry):

i. Exercise – The remaining book value of the derivative shall become an adjustment to the cost or proceeds of the hedged item(s) received or disposed of individually or in aggregate;

ii. Sale, maturity, expiry, or other closing transaction of a derivative which is an effective hedge – Any gain or loss on the transaction, except for excluded components, shall~~will~~ adjust the basis (~~or proceeds)~~ of the hedged item(s) ~~individually or in aggregate~~, be recognized in IMR, or be recognized as an immediate capital gain or loss in accordance with paragraph 24 and the treatment of the hedged item. If a portfolio layer method hedging relationship is discontinued (or partially discontinued) in a voluntary dedesignation or in anticipation of a breach, the basis adjustment associated with the dedesignated amount as of the discontinuation date shall be allocated to the remaining individual assets in the closed portfolio that supported the dedesignated hedged layer using a systematic and rational method. ~~Alternatively, if the item being hedged is subject to IMR, the gain or loss on the terminated hedging derivative may be realized and shall be subject to IMR upon termination;~~

3c. Gain/Loss on Termination of a futures contract accounted for under hedge accounting:

i. Settlement at maturity of a futures contract—The remaining variation margin of the futures contract shall become an adjustment to the cost or proceeds of the hedged item(s) received, disposed of or held, individually or in aggregate;

ii. Sale, or other closing transaction of a futures contract which is an effective hedge—Any gain or loss on the transaction shall~~will~~ adjust the basis ~~(or proceeds)~~ of the hedged item(s) ~~individually or in aggregate~~, be recognized in IMR, or be recognized as an immediate capital gain or loss in accordance with paragraph 24 and the treatment of the hedged item. ~~Alternatively, if the item being hedged is subject to IMR, the gain or loss on the terminated hedging derivative may be realized and shall be subject to IMR upon termination;~~

B. Paragraphs 57-63: Revisions to clarify RSAT guidance

Derivatives Used in Replication (Synthetic Asset) Transactions

57. Replication (Synthetic Asset) (RSAT) transaction means a derivative transaction entered into in conjunction with other investments in order to reproduce the investment characteristics of otherwise permissible investments. A derivative transaction entered into by an insurer as a hedging or income generation transaction shall not be considered a RSAT ~~replication (synthetic asset)~~ transaction.

58. Any premium paid or received shall be carried as an asset or liability on the balance sheet (Derivative line on the Assets (or) Liabilities pages). Premiums paid or received on the RSAT ~~replication (synthetic asset)~~ derivative ~~should~~ shall be amortized into investment income or expense until the exercise, termination or maturity date of the derivative.

59. If the RSAT~~replication (synthetic asset)~~ transaction would be carried at amortized cost and the cash instrument used is carried at amortized cost, then the derivative used ~~should~~ shall be carried at amortized cost. The derivative may be valued at fair value when both the replication (synthetic asset) and the cash instrument are valued at amortized cost. This is consistent with the alternative valuation methods available for hedges. If the RSAT~~replication (synthetic asset)~~ transaction would be carried at fair value and/or the cash instrument used is carried at fair value, then the derivative used ~~should~~ shall be carried at fair value.

	(a)	(b)	(c)	(d)
	If the Replication (Synthetic Asset) is Valued at:	And Cash Instrument(s) Used is (are) Valued at:	The Derivative is Valued at:	Alternative Derivative Value Basis:
1.	Amortized Cost	Amortized Cost	Amortized Cost	Fair value
2.	Fair value	Fair value	Fair value	N/A
3.	Amortized Cost	Fair value	Fair value	N/A
4.	Fair value	Amortized Cost	Fair value	N/A

60. When the derivative component is held at fair value, the change in fair value shall be recognized as an unrealized gain or loss throughout the life of the transaction and included in the AVR.

~~60.~~61. In the case of ~~No.~~example 3 in the chart ~~above~~, the fair values for the cash instrument and derivative, when added together, shall not exceed the replication (synthetic asset) statement value. If this ~~does~~ occurs, the excess shall reduce the fair value of the derivative and shall be recorded as an unrealized loss ~~gain~~. ~~separate from the Asset Valuation Reserve (AVR)~~.

62. If the ~~replication (synthetic asset)~~RSAT transaction involves a periodic settlement with the exchange of interest related cash flows (default free assets), then the cash flows on the derivative component ~~should~~shall be accrued as investment income. If the ~~replication (synthetic asset) transaction~~RSAT involves a periodic settlement with the exchange of total return or change in index cash flows, then the cash flows ~~should~~ shall be segregated between interest income and settlement of other fair value ~~(equity)~~ changes. The interest income portion ~~should~~ shall be accrued as investment income and settlement of any other fair value changes shall be recognized as gains or losses in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*.

~~61.~~63. Any realized gains or loss recognized at maturity, termination or reset of the derivative component of the RSAT shall be allocated to IMR or AVR in accordance with SSAP No. 7[FN]. Realized gains and losses associated with the cash component of the RSAT shall be credited or charged to the IMR or AVR in accordance with the provisions stated within the statement for the specific asset used as the cash component.

~~If the derivative is carried at fair value, the periodic change in the fair value should be recorded as an unrealized gain or loss adjustment to surplus until the transaction is terminated. If the replication (synthetic asset) transaction involves the exchange of total return or change in index cash flows, then the cash flows should be segregated between interest income and fair value (equity) changes. The fair value (equity) change should be recognized as a deferred asset/liability until the termination of the contract. Gains or losses on the derivative at termination or sale should be recognized as realized.~~

New FN: For qualifying RSAT derivatives (held at amortized cost), upon termination, the gain or loss shall be allocated to IMR or AVR based on interest and non-interest factors. For simplicity, this IMR and AVR allocation shall be based on the designation category change guidance, applied to the RSAT designation received by the SVO.

C. Guidance for Income Generation transactions

The current references to IMR are shaded below. No revisions adopted to this section.

50. The principal features of income generation transactions are:

a. Premium received is initially recorded as a deferred liability.

b. The accounting of the covering asset or underlying interest controls the accounting of the derivative. The covering asset/underlying interest is accounted at either fair value (e.g., common stocks) or (amortized) cost (e.g., bonds).

c. The gain/loss on termination of the derivative is a capital item. For life insurance companies, it shall be subject to IMR treatment if interest rate related.

d. For options that are exercised, the remaining premium shall adjust the proceeds (cost) associated with the exercise resulting in no explicit gain or loss reported for the derivative itself.

51. The principal features of written fixed income covered call options are:

a. The general approach is to value at cost (i.e., consideration received) without amortization over the life of the contract if the original duration is less than one year, otherwise carry at amortized cost.

b. An alternative to the general approach combines the accounting of the written option with the covering asset and then uses standard accounting for callable bonds (yield to worst amortization) on the adjusted asset. This method prevents the possibility of future loss recognition upon exercise while at the same time providing recognition of the income feature of the option over time. This approach would appear most relevant for longer-lived covered European call options, which are in substance like callable bonds.

c. For life insurance companies, the gain or loss flows through the IMR if the covering asset or underlying interest is subject to the IMR using callable bond rules to determine the remaining life.

d. Reporting entities are responsible for timely recognition of any probable losses that may occur as a result of the strategy. If the exercise price is below the covering asset's book value, the asset shall be evaluated for write down or disclosure treatment in accordance with SSAP No. 5. All relevant factors such as whether the option is currently exercisable, the fair value of the bond relative to its exercise price, to what extent the statement value of the option premium offsets any loss on the asset, or how any IMR transaction on exercise would affect unassigned funds (surplus) and income shall be considered.

52. Written fixed income covered call options shall be accounted for as follows:

Only the IMR references included in the chart below. For expired only gains are referenced.

Closed – Expired: Gain from expiration to flow through IMR, if applicable. (1)

Closed – Exercised: Gain or loss from disposition to flow through IMR, if applicable (1)

Closed – Terminated: Gain or loss from disposition to flow through IMR, if applicable (1)

NOTE (1) If premium is attached to covering asset, the accounting treatment for the covering asset applies.

53. The principal features of written covered put options are:

    a. The accounting for the underlying interest instead of the covering asset governs the accounting of the written put while it is open. For example, if a reporting entity wrote a put requiring it to purchase a certain common stock (underlying interest) at a specific price, the reporting entity might cover that option by holding cash or cash equivalents (covering asset). The accounting for the common stock would govern the accounting of the option in this case.

    b. As with covered call writing for life insurance companies, gain/loss on termination may be subject to IMR over the remaining life of the underlying interest.

    c. As with covered call writing, entities writing put options for income generation purposes are responsible for timely recognition of any probable losses that may occur as a result of the strategy.

54. Written covered put options shall be accounted for as follows:

Only the IMR references included in the chart are below. For expired only gains are referenced.

Closed – Expired: Gain from expiration to flow through IMR, if applicable.

Closed – Exercised: No reference to IMR

Closed – Terminated: Gain or loss from disposition to flow through IMR, if applicable

55. The principal features of written fixed income caps and floors are:

    a. The value of the premium received shall be amortized into income over the life of the contract. For caps and floors, where the entity is selling off possible excess interest/income, the value of the covering asset is not relevant.

    b. Gain/loss may be subject to IMR. The expected maturity would be the derivative contract's maturity.

56. Written fixed income caps and floors shall be accounted for as follows:

Only the IMR references included in the chart are below. For expired only gains are referenced.

Closed – Matured: No reference to IMR

Closed – Exercised: Included in chart as not applicable. No reference to IMR.

Closed – Terminated: Gain or loss on termination to flow through IMR, if applicable

SSAP No. 105—Working Capital Finance Investments

A. Paragraph 23: Revise guidance to eliminate allocation to IMR. This elimination is supported as these items have underlying short-term investments, that would be amortized in less than a one-year timeframe if allocated to IMR. The revisions also eliminate reference to unrealized gains/losses, as the guidance in SSAP No. 105 does not utilize a fair value measurement method. No revisions are proposed to paragraph 28 as it already specifies that all OTTI is allocated to the AVR, except to remove the SSAP reference.

23. For all reporting entities, including those required to maintain an Interest Maintenance Reserve (IMR), the accounting for realized capital gains and losses from working capital finance investments shall not be taken to the IMR and shall be retained as immediate capital gains and losses. For these entities, all unrealized gains and losses shall be allocated to the AVR. ~~be in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. For reporting entities not required to maintain an IMR, realized gains and losses from working capital finance investments shall be reported as net realized capital gains or losses in the statement of income. For reporting entities not required to maintain an AVR, unrealized gains and losses shall be recorded as a direct credit or charge to unassigned funds (surplus).~~

B. Paragraph 28 – Proposed to remove reference to SSAP No. 7. Under SSAP No. 105, the OTTI recognized would be due to a credit impairment. However, to avoid potential confusion with the pointer to SSAP No. 7, propose to just direct to AVR in the SSAP.

28. For reporting entities required to maintain an AVR/IMR, the entire amount of the realized loss from the other-than-temporary impairment shall be recorded through the AVR~~, in accordance with SSAP No. 7~~.

SSAP's with IMR References – No Revisions Adopted

Preamble:

37. Liabilities require recognition as they are incurred. Certain statutorily mandated liabilities may also be required to arrive at conservative estimates of liabilities and probable loss contingencies (e.g., interest maintenance reserves, asset valuation reserves, and others).

56. There are instances where the Codification of Statutory Accounting Principles (E) Working Group (Statutory Accounting Principles (E) Working Group as of January 1, 2000) has established an accounting principle in a SSAP but deferred maintenance and update of the detailed guidance to other NAIC task forces and their working groups. Those instances are specifically set forth in the individual SSAPs and include specific guidance for calculation of the Interest Maintenance Reserve (IMR), the Asset Valuation Reserve (AVR), the provision for overdue reinsurance, and periodic update to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.

SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments

8. Money market mutual funds registered under the Investment Company Act of 1940 and regulated under rule 2a-7 of the Act shall be accounted for and reported as cash equivalents for statutory accounting. Investments in money market mutual funds shall be valued at fair value or net asset value (NAV) as a practical expedient. For reporting entities required to maintain an asset valuation reserve (AVR), the accounting for unrealized capital gains and losses shall be in accordance with SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve. For reporting entities not required to maintain an AVR, unrealized capital gains and losses shall be recorded as a direct credit or charge to surplus. Sales/reinvestments in money market mutual funds are excluded from the wash sale disclosure in SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

SSAP No. 5—Liabilities, Contingencies and Impairments of Assets

41. ….This statement also adopts Accounting Principles Board Opinion No. 12, Omnibus Opinion—1967, paragraphs 2 and 3 with the modification that AVR, IMR and Schedule F Penalty shall be shown gross. Appropriation of retained earnings discussed in paragraph 15 of FAS 5 is addressed in SSAP No. 72—Surplus and Quasi-Reorganizations. *(Only last two sentences shown.)*

(Note – This reference to "gross" is referring to the IMR not being combined with the associated asset but shown separately on a dedicated line. This reference is not addressing IMR being shown net of positive and negative impacts.)

SSAP No. 21—Other Admitted Assets

25. Debt securities that do not qualify as bonds in the scope of this statement shall follow the guidance in SSAP No. 43 for calculating amortized cost, for determining and recognizing other-than temporary impairments and for allocating unrealized and realized gains and losses between the asset valuation reserve (AVR) and interest maintenance reserve (IMR).

SSAP No. 30—Unaffiliated Common Stock

10. For reporting entities required to maintain an Asset Valuation Reserve (AVR), the accounting for unrealized capital gains and losses shall be in accordance with SSAP No. 7—Asset

Valuation Reserve and Interest Maintenance Reserve. For reporting entities not required to maintain an AVR, unrealized capital gains and losses shall be recorded as a direct credit or charge to surplus.

SSAP No. 56—Separate Accounts

Note - Guidance Revised in 2026.

20. Asset sales for cash between the general account and "fair value" separate accounts:

    a. The account (either general or separate account) selling the asset shall receive cash equal to fair value and dispose of the asset from the investment schedules at fair value.

    b. Assets sold from the general account shall result in a realized gain or loss based on the difference between fair value and book adjusted carrying value (BACV). The realized gain or loss, if resulting from interest rate changes, shall be allocated to the general account IMR and amortized as if the asset had been sold to an unrelated third party. Realized gains from these transactions shall not be deferred pursuant to *SSAP No. 25—Affiliates and Other Related Parties*, paragraph 17. Realized losses from credit-related factors shall be allocated to the AVR.

    c. Assets sold from a "fair value" separate account shall not result in a realized gain or loss.

    d. The account (either general or separate account) purchasing the asset shall initially recognize the acquired asset at fair value. Subsequent measurements of the acquired asset should reflect the measurement method of the general or separate account.

21. Asset sales for cash between the general account and "book value" separate accounts:

    a. Seller – The account (either general or separate account) selling the asset shall receive cash equal to fair value and dispose of the asset from the investment schedules at fair value with recognition of a realized gain or loss. The realized gain or loss, if resulting from interest rate changes, shall be allocated to IMR and amortized in the selling account as if the asset had been sold to an unrelated third party. The transfer of an asset under this guidance that results in a gain shall not be deferred by the selling account pursuant to SSAP No. 25, paragraph 17, as such a deferral would create a mismatch in the IMR recognition between the general/separate accounts. Realized losses from credit-related factors shall be allocated to the AVR.

    b. Purchaser – The account (either general or separate account) purchasing the asset shall recognize the acquired asset at the BACV from the selling account. The difference between the asset's fair value and the BACV shall be reported to IMR in the purchasing account.

    c. The IMR activity between the selling account and the purchasing account shall be equal and offsetting resulting in a net zero impact in the IMR between the two accounts. IMR is tracked and reported separately in the general account and the separate account, but the net impact of the two accounts shall equal zero for each transfer transaction.

d. Subsequent to initial acquisition, the purchasing account shall account for the acquired asset pursuant to the measurement method of the applicable SSAP.

22. Asset transfers that do not reflect sales for cash between the general account and separate account are subject to domiciliary state approval and shall be recorded at fair value with gains and losses offset to IMR similar to asset sales for cash guidelines as detailed in paragraphs 20 and 21. Any transfer that does not represent an asset sale for cash shall be specifically disclosed in both the general account and separate account as detailed in paragraph 34.e. This shall include, but not be limited to, the following transfers:

a. Asset-to-asset swaps

b. Contributions of general account assets to support separate account deficiencies

c. Dividends of assets from the separate account to the general account

Separate Account AVR and IMR Reporting

23. An AVR is required for separate accounts when the reporting entity, rather than the policyholder/contractholder, suffers the loss in the event of asset default or fair value loss.

24. Assets supporting separate accounts, excluding products captured in paragraph 18, do not require an AVR because the policyholders/contractholders bear the risk of change in the value of the assets. However, for those contracts, an AVR is required for that portion of the assets representing seed money (including accumulated earnings on seed money) from the general account.

25. Assets supporting separate account contracts where the insurer bears the risk of investment performance, which shall include all book value separate accounts, require an AVR because the insurer is responsible for credit related asset or fair value loss.

26. "Book value" separate accounts, pursuant to paragraph 18, are required to maintain an interest maintenance reserve (IMR). Once an IMR is required for a separate account, all of the investments in that separate account are subject to the requirement. If an IMR is not required for a separate account, none of the investments in that separate account are subject to the requirement.

27. As detailed in the annual statement instructions, separate account IMR is kept separate from the general account IMR and accounted for in the separate accounts statement.

28. The AVR and IMR shall be calculated and reported in accordance with SSAP No. 7 and the annual statement instructions.

49. Revisions adopted in February 2025 in agenda item 2024-10, that clarify the measurement of separate account assets, particularly for "book value separate accounts" and that prescribe the treatment for transfers between the general account and separate account with IMR and AVR recognition, are effective January 1, 2026, with early adoption permitted. The January 1, 2026, effective date intends to allow reporting entities to modify their separate account product "plans/memorandums of operation" with the state of domicile as necessary to comply with this revised statement. After January 1, 2026, reporting entities are required to have an approved permitted or prescribed practice to utilize a book value measurement method or a

different approach for transfers and recognition of IMR/AVR outside of what is detailed within this statement.

SSAP No. 101—Income Taxes:

7. A reporting entity's deferred tax assets and liabilities are computed as follows:

   a. Temporary differences are identified and measured using a "balance sheet" approach whereby statutory and tax basis balance sheets are compared;

   b. Temporary differences include unrealized gains and losses and nonadmitted assets but do not include asset valuation reserve (AVR), interest maintenance reserve (IMR), Schedule F penalties and, in the case of a mortgage guaranty insurer, amounts attributable to its statutory contingency reserve to the extent that "tax and loss" bonds have been purchased;

1.4 Unique Statutory Accounting Items

- SSAP No. 101 – In addition to the exceptions provided in FAS 109, temporary differences do not include asset valuation reserve (AVR), interest maintenance reserve (IMR), Schedule F penalties and, in the case of a mortgage guaranty insurer, amounts attributable to its statutory contingency reserve to the extent that "tax and loss" bonds have been purchased.

2.1 A – An enterprise shall record a gross deferred tax liability or asset for all temporary differences and operating loss, capital loss and tax credit carryforwards. Temporary differences include unrealized gains and losses and nonadmitted assets but do not include AVR, IMR, Schedule F penalties and, in the case of a mortgage guaranty insurer, amounts attributable to its statutory contingency reserve to the extent that "tax and loss" bonds have been purchased. In general, temporary differences produce taxable income or result in tax deductions when the related asset is recovered or the related liability is settled. A deferred tax asset or liability represents the increase or decrease in taxes payable or refundable in future years as a result of temporary differences and carryforwards at the end of the current year. Additionally, gross DTAs are reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or all of the gross DTAs will not be realized. The statutory valuation allowance adjustment, determined in a manner consistent with paragraphs 20-25 of FAS 109, shall reduce gross DTAs to the amount that is more likely than not to be realized (the adjusted gross deferred tax assets).9 This answer only addresses the recognition of adjusted gross DTAs and gross DTLs and does not address the admissibility of such amounts. See Question 4 for a discussion of the admissibility criteria of SSAP No. 101.

SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

11. Upon completion of a transfer of an entire financial asset or a group of entire financial assets that satisfies the conditions to be accounted for as a sale (see paragraph 8), the transferor (seller) shall:

   a. Derecognize the transferred financial assets;

   b. Recognize and initially measure at fair value servicing assets, servicing liabilities, and any other assets obtained (including a transferor's beneficial interest in the transferred financial assets) and liabilities incurred1 in the sale (paragraphs 60 and 62-66).

c. For reporting entities required to maintain an Interest Maintenance Reserve (IMR), the accounting for realized and unrealized capital gains and losses shall be determined per the guidance in the SSAP for the specific type of investment, or if not specifically stated in the related SSAP, in accordance with *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. For reporting entities not required to maintain an IMR, realized capital gains and losses shall be reported as net realized capital gains or losses in the statement of income, and unrealized capital gains and losses shall be reported as net unrealized gains and losses in unassigned funds (surplus).

131. The accounting guidance in this statement adopts with modification *FAS 166, Accounting for the Transfers of Financial Assets, an Amendment to FAS 140* (FAS 166), *FAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (FAS 140), as amended by FAS 166, and FAS 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140*, as amended by FAS 166. Statutory modifications from these adoptions include:

iv. Guidance on the accounting of sale transactions for entities required to maintain an interest maintenance reserve (IMR). This guidance requires such entities to account for realized and unrealized capital gains and losses per the guidance in the SSAP for the specific type of investment, or if not specifically stated in the related SSAP, in accordance with SSAP No. 7 (paragraph 11.c.).

Appendix C – AG XLVIII – 2019 Valuations (Page - AG43a-15)

A1.1) Projection of Accumulated Deficiencies

G) AVR/IMR. The AVR and the IMR shall be handled consistently with the treatment in the company's cash flow testing.

Appendix C-2 – Actuarial INT 39 (Page C-84)

6. For purposes of this comparison for 12/31/16 and later, the actual portfolio net investment return is adjusted by the current amortization of IMR allocated to the portfolio. This adjustment is made only for the comparison of portfolio yields to determine the appropriate portfolio to use in the development of the deterministic reserve. The reserve amount is then determined following the procedure defined in VM-20.

Appendix G – Implementation Guide – Attachment A (page G-29)

Asset Valuation Reserve ("AVR")
The AVR represents a statutory contingency reserve for life and health insurers for credit related risk on most invested assets, and is charged to surplus pursuant to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve.* No such reserve is required under GAAP/IFRS accounting.

Interest Maintenance Reserve ("IMR")
The IMR represents the deferral of interest-related realized gains and losses, net of tax, on primarily fixed maturity investments, amortized into income over the remaining life of the investment sold pursuant to *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*. No such reserve is required under GAAP/IFRS accounting.

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