

Statutory Issue Paper No. 171

Current Expected Credit Losses (CECL)

STATUS

Finalized May 22, 2025

Historical Record of GAAP Impairment Guidance – Pre-CECL

Type of Issue:

Common Area

SUMMARY OF ISSUE

1. The purpose of this issue paper is to document for the historical record the U.S. Generally Accepted Accounting Principles (U.S. GAAP) impairment guidance which existed prior to the implementation of *Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses* (CECL). This issue paper is not intended to serve as statutory accounting guidance and in no way should be referenced as the basis for any entries or financial activities under statutory accounting. Its sole purpose is to document the historical U.S. GAAP impairment guidance that existed prior to the implementation of CECL.

DISCUSSION

2. In January 2024, the Statutory Accounting Principles (E) Working Group rejected CECL for statutory accounting purposes and directed NAIC staff to prepare an issue paper documenting pre-CECL impairment guidance. Since many SSAPs adopted pre-CECL impairment guidance, the Working Group wanted to ensure that any guidance which was superseded by CECL was readily available for future use. Note that the ASC guidance included in this issue paper is in PDF format and have not been converted to NAIC format, as it is not NAIC content but rather sourced directly from the FASB Codification.

Actions of the Statutory Accounting Principles (E) Working Group

3. On December 1, 2023, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as a SAP clarification and exposed this agenda item to reject ASU 2016-13, *ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, *ASU 2019-04, Codification Improvements to Topics 326, 815, 825, ASU 2019-10 Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, *ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, and *ASU 2020-03 Codification Improvements to Financial Instruments*, within INT 06-07: *Definition of Phrase “Other Than Temporary”* and fifteen applicable SSAPs. The Working Group also moved agenda item 2016-20, which was started to address CECL, to the disposed listing. The Working Group directed NAIC staff to research how best to maintain pre-CECL U.S. Generally Accepted Accounting Principles (U.S. GAAP) impairment guidance for posterity.

4. On December 11, 2023, the Working Group chair approved an accelerated comment deadline that was requested by industry after the December 1, 2023 meeting. As a result, the comment deadline for the Fall National Meeting exposure of agenda item 2023-24 was shortened from February 4, 2024 to December 29, 2023, to allow the Working Group the ability to formally reject CECL and other related ASUs in January 2024.

5. On January 10, 2024, the Working Group adopted, as final, the exposed revisions, to INT 06-07 and SSAP Nos. 2R, 5R, 22R, 26R, 32R, 34, 37, 39, 41R, 61R, 62R, 86, 103R, and 105R to reject ASUs 2016-13, 2018-19, 2019-04, 2019-10, 2019-11, and 2020-03 as not applicable to statutory accounting. The Working Group also

reiterated its direction to NAIC staff to research and prepare a document to maintain pre-CECL U.S. GAAP impairment guidance for posterity. Note that portions of the Codification which were effected by CECL and were industry specific were not deemed necessary for historical record as these industry specific codifications are not applicable for statutory accounting. Additionally, only those portions of the codifications which were amended by CECL were retained.

6. Staff accumulated the historical U.S. GAAP impairment guidance for all Accounting Standard Codifications (ASCs) which are applicable to U.S. GAAP. As the Working Group's directive was to accumulate impairment guidance, only the subsequent measurement (Section 35) sections which were within the scope of CECL were pulled and maintained within this document. As a reminder, ASC codifications consist of a three-digit Topic, a two-digit Subtopic, a two-digit Section, and a two or three-digit Paragraph. For brevity, only the Topic and Subtopic numbers which were retained for this project are shown in the list below.

Effective Date

7. The rejection of CECL and its related ASUs for statutory accounting is effective December 31, 2023.

RELEVANT STATUTORY ACCOUNTING AND U.S. GAAP GUIDANCE

Statutory Accounting

- SSAP No. 2R—Cash, Cash Equivalents, Drafts and Short-Term Investments
- SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets
- SSAP No. 22R—Leases
- SSAP No. 26R—Bonds
- SSAP No. 32R—Preferred Stock
- SSAP No. 34—Investment Income Due and Accrued
- SSAP No. 37—Mortgage Loans
- SSAP No. 39—Reverse Mortgages
- SSAP No. 41R—Surplus Notes
- SSAP No. 43R—Loan and Asset Backed Securities
- SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance
- SSAP No. 62R—Property and Casualty Reinsurance
- SSAP No. 86—Derivatives
- SSAP No. 103R—Transfer/Service of Financial Assets
- SSAP No. 105R—Working Capital Finance Investments
- INT 06-07: Definition of the Phrase "Other Than Temporary"

U.S. Generally Accepted Accounting Principles

- ASC 310, Receivables
 - 10 Overall
 - 20 Nonrefundable Fees and Other Costs
 - 30 Loans and Debt Securities Acquired with Deteriorated Credit Quality
 - 40 Troubled Debt Restructurings by Creditors
- ASC 320, Investments—Debt Securities
 - 10 Overall
- ASC 323, Investments—Equity Method and Joint Ventures
 - 10 Overall

- ASC 325, Investments—Other
 - 40 Beneficial Interests in Securitized Financial Assets
- ASC 805, Business Combinations
 - 20 Identifiable Assets and Liabilities, and Any Noncontrolling Interest
- ASC 815, Derivatives and Hedging
 - 10 Overall
 - 25 Fair Value Hedges
 - 30 Cash Flow Hedges
- ASC 825, Financial Instruments
 - 10 Overall
- ASC 830, Foreign Currency Matters
 - 20 Foreign Currency Transactions
- ASC 860, Transfers and Servicing
 - 20 Sales of Financial Assets
- **CECL changes not applicable to this Issue Paper:**
 - 220-10 Comprehensive Income
 - 230-10 Statement of Cash Flows
 - 270-10 Interim Reporting
 - 321-10 Investments—Equity Securities
 - 460-10 Guarantees
 - 470-60 Debt —Troubled Debt Restructurings by Debtors
 - 606-10 Revenue from Contracts with Customers
 - 810-10 Consolidation
 - 815-20 Embedded Derivatives
 - 815-20 Hedging—General
 - 820-10 Fair Value Measurement
 - 835-10 Interest
 - 842-30 Leases
 - 842-50 Leases
 - 855-10 Subsequent Events
 - 942 Financial Services—Depository and Lending
 - 944 Financial Services—Insurance
 - 948 Financial Services—Mortgage Banking
 - 954 Health Care Entities
 - 958 Not-for-Profit Entities
 - 978 Real Estate

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