

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Sale-Leaseback Clarification

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: NAIC staff received a question related to a potential sale-leaseback transaction that included a significant restriction to the cash received as part of the sale of the assets, and if such a transaction would meet the definition of a sale-leaseback in accordance with *SSAP No. 22—Leases*. In the transaction, the company was able to sell the nonadmitted asset to an unaffiliated party, but as a part of the transaction, the cash the seller received was to be held in such a manner that the selling insurance company would not be able access the cash until the leaseback was fully paid off years in the future. This agenda item intends to provide guidance that sale-leaseback accounting would not be applicable in situations in which the selling insurer is restricted from readily accessing the sales proceeds. In such instances the financing method would be required.

Existing Authoritative Literature:

SSAP No. 22:

Sale-Leaseback Transactions

31. Sale-leaseback transactions involve the sale of property, plant or equipment by the owner and a lease of the property, plant or equipment back to the seller. Sale-leaseback accounting is a method of accounting in which the seller-lessee records the sale and removes all property, plant or equipment and related liabilities from its balance sheet. The definition of property, plant and equipment eligible for sale-leaseback treatment is in paragraph 3. As noted in paragraph 3, non-depreciable assets, including investments and premium receivables, do not meet the definition of property, plant or equipment, are not allowed to be included in lease transactions, and therefore, are not allowed to be included in sale-leaseback transactions. Assets that do not meet the definition of property, plant and equipment in paragraph 3 may only be used in sale-leaseback transactions as permitted practices with regulatory approval.

32. A sale of property, plant or equipment that is accompanied by a leaseback of all or any part of the property, plant or equipment for all or part of its *remaining* economic life shall be accounted for by the buyer-lessor and seller-lessee as a purchase and operating lease and a sale and an operating lease, respectively, unless the sale-leaseback includes sale of nonadmitted assets to a related party. If the transaction involves a sale of nonadmitted assets to a related party, the transaction shall be accounted for by the deposit method detailed in paragraph 37.

33. Sale-leaseback accounting shall be used by a seller-lessee only if a sale-leaseback transaction includes all of the following:

- a. A normal leaseback is a lessee-lessor relationship that involves active use of the property by the seller-lessee in consideration for payment of rent, including contingent rentals that are based on future operations of the seller-lessee. The phrase active use of the property by the seller-lessee refers to use of the property during the lease term in the seller-lessee’s trade or business, provided that subleasing of the leased property is minor.

- b. Admitted assets, if the buyer-lessor is a related party, or either admitted or nonadmitted assets if the buyer-lessor is not a related party. For purposes of this paragraph, related parties include those identified in SSAP No. 25 and entities created for the purpose of buying and leasing nonadmitted assets for the reporting entity and/or its affiliates.

34. Under sale-leaseback accounting, any profit on the sale shall be deferred and amortized in proportion to the related gross rental charged to expense over the lease term, with the exception of a sale of real estate settled entirely in cash.

35. A sale of real estate, settled entirely in cash, that is accompanied by a leaseback of all or any part of the property, plant or equipment for all or part of its remaining economic life shall be accounted for by the buyer-lessor and seller-lessee as a purchase and operating lease and a sale and an operating lease, respectively. The sale and gain shall be recognized directly to special surplus funds and subsequently amortized to unassigned funds (surplus) over the lease term.

Deposit Method and Financing Method

36. The deposit method is used when the transaction involves a sale-leaseback of nonadmitted assets to a related party. To the extent that leases between related parties are, in substance, arms-length transactions the guidance in this statement shall be applied. The determination of whether related party leases qualify as arms-length transactions is addressed in SSAP No. 25.

37. If a sale-leaseback transaction is accounted for by the deposit method, lease payments decrease and collections on the buyer-lessor's note, if any, increase the seller-lessee's deposit account. The sale-leaseback assets identified in paragraph 31 and any related debt continue to be included in the seller-lessee's balance sheet, and the seller-lessee continues to depreciate the sale-leaseback assets. A seller-lessee that is accounting for any transaction by the deposit method shall recognize a loss if at any time the net carrying amount of the sale-leaseback assets exceeds the sum of the balance in the deposit account, the fair value of the unrecorded note receivable and any debt assumed by the buyer.

38. If a sale-leaseback transaction is accounted for by the deposit method and then subsequently qualifies for sales recognition under paragraph 33, the transaction is accounted for using sale-leaseback accounting, and the gain or loss is recognized in accordance with the provisions of paragraph 34 of this statement. In addition, the leaseback is classified and accounted for in accordance with this statement as if the sale had been recognized at the inception of the lease. The change in the related lease accounts that would have been recorded from the inception of the lease had the transaction initially qualified for sale-leaseback accounting is included in computing the gain or loss recognized in accordance with paragraph 34 of this statement.

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable.

40. If a sale-leaseback transaction is reported as under the financing method, lease payments, exclusive of an interest portion, decrease and collections on the buyer-lessor's note increase the seller-lessee's liability account with a portion of the lease payments being recognized under the interest method. The seller-lessee reports the sales proceeds as a liability, continues to report the sale-leaseback assets identified in paragraph 31 as an asset and continues to depreciate the sale-leaseback assets.

41. If a sale-leaseback transaction accounted for under the financing method subsequently qualifies under paragraph 33, the transaction is then recorded using sale-leaseback accounting, and the cumulative change in the related balance sheet accounts is included in the computation of the gain recognized in accordance with the provisions of paragraph 34 of this statement. In addition, the leaseback is classified and accounted for as an

operating lease as if the sale had been recognized at the inception of the lease. The change in the related lease accounts from the inception of the lease to the date the sale is recognized is included in the gain recognized in accordance with paragraph 34 of this statement.

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): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): The larger agenda item 2016-02 worked on the FASB project that brought U.S. GAAP accounting to be more similar to the methodology used under IFRS, but this treatment was rejected for statutory accounting and the operating lease treatment was retained.

Staff Review Completed by:

Jake Stultz, NAIC Staff – February 2025

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *SSAP No. 22—Leases*, as illustrated below, to clarify that sale-leasebacks with restrictions on access to the cash do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method.

33. Sale-leaseback accounting shall be used by a seller-lessee only if a sale-leaseback transaction includes all of the following:

- a. A normal leaseback is a lessee-lessor relationship that involves active use of the property by the seller-lessee in consideration for payment of rent, including contingent rentals that are based on future operations of the seller-lessee. The phrase active use of the property by the seller-lessee refers to use of the property during the lease term in the seller-lessee's trade or business, provided that subleasing of the leased property is minor.
- b. Admitted assets, if the buyer-lessor is a related party, or either admitted or nonadmitted assets if the buyer-lessor is not a related party. For purposes of this paragraph, related parties include those identified in SSAP No. 25 and entities created for the purpose of buying and leasing nonadmitted assets for the reporting entity and/or its affiliates.
- c. [A sale where the cash received by the seller has access restrictions does not meet the definition of a sale for sale-leaseback accounting and shall be recorded as a financing arrangement as described in paragraph 39.](#)

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. [A sale-leaseback transaction where the cash received as part of the sale is subject to access restrictions would not qualify for sale-leaseback accounting and shall be accounted for by the financing method.](#)

Status:

On March 24, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 22—Leases* to clarify that sale-leasebacks with restrictions on access to the cash from the sales transaction do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method.

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 22—Leases*, as illustrated above under the Summer 2025 Updated Staff Recommendation, to further clarify that sale-leasebacks with restrictions on access to the cash received from the sale do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method. With this exposure, comments are specifically requested on transition guidance for companies that currently have arrangements that will no longer qualify for sale-leaseback treatment.

Summer 2025 Updated Staff Recommendation:

As a result of the comments received and internal NAIC staff discussions, NAIC staff recommends that the Working Group expose expanded revisions to *SSAP No. 22—Leases*, as illustrated below, which clarify that sale-leasebacks with restrictions on access to the cash do not qualify for sale-leaseback accounting and must be accounted for by the seller using the financing method. These have been modified from the prior exposed version to be clearer. NAIC staff does not recommend exposing the footnote proposed by the joint trades.

34. Sale-leaseback accounting shall be used by a seller-lessee only if a sale-leaseback transaction includes all of the following:

- a. A normal leaseback is a lessee-lessor relationship that involves active use of the property by the seller-lessee in consideration for payment of rent, including contingent rentals that are based on future operations of the seller-lessee. The phrase active use of the property by the seller-lessee refers to use of the property during the lease term in the seller-lessee's trade or business, provided that subleasing of the leased property is minor.
- b. Admitted assets, if the buyer-lessor is a related party, or either admitted or nonadmitted assets if the buyer-lessor is not a related party. For purposes of this paragraph, related parties include those identified in *SSAP No. 25* and entities created for the purpose of buying and leasing nonadmitted assets for the reporting entity and/or its affiliates.
- c. When cash or assets received by the seller have restrictions as to the use of the cash or sale of the assets, the cash and assets received are not considered available to meet policyholder obligations and are nonadmitted in accordance with *SSAP No. 4—Assets and Nonadmitted Assets*. Such transactions ~~A sale where the cash received by the seller has access restrictions does~~ do not meet the definition of a sale for sale-leaseback accounting and shall be recorded as a financing arrangement as described in paragraph 39.

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. A sale-leaseback transaction where the cash or assets received as part of the sale are subject to restrictions as described in paragraph 34.c. would not qualify for sale-leaseback accounting and shall be accounted for using the financing method.

Fall 2025 Updated Staff Recommendation:

NAIC staff recommends that the Working Group expose this agenda item, which incorporates some of the suggested revisions that were provided by NAMIC and APCIA, with additional NAIC staff revisions, as illustrated below. We believe that these revisions provide further clarity to the issue. NAIC staff recommend an effective date of December 31, 2026, for these revisions.

NAIC staff notes that there has been an increase of situations that have been identified for transactions that involve “sales-leasebacks” that are coupled with restrictions on the cash received and/or “collateral” requirements to secure the transaction. Comments have been received commingling references to operating lease accounting (which does not require an obligation to be reported for the lease commitment) and the admittance of collateral pledged under SSAP No. 4 and INT 01-31 (which addresses the admittance of assets pledged as collateral, referencing examples including investment, derivative, debt and policyholder transactions where the obligation is recorded). Fundamentally, a lease arrangement that incorporates restricted cash or has collateral requirements, is a financing arrangement, which is more in line with a debt agreement accounted for as a secured borrowing, and requires comparable reporting. Under a lease financing arrangement, the accounting includes the following:

- The “sold” asset under the sales-leaseback is not removed from the financial statements. (If this was a nonadmitted asset, it would continue to be nonadmitted and impact surplus.)
- The cash received from the “sale” is recognized as an asset.
- A liability to return the cash received is recognized as an obligation.
- Overtime, the “sold” asset retained on the books would continue to be depreciated, reducing the impact of nonadmitted.
- Amounts paid towards the “lease” would decrease the cash balance and the liability to return the cash received.

These discussions have raised questions around the intent of the admissibility guidance for assets pledged as collateral. The examples discussed in INT 01-31 are examples where the collateral secures a liability that has been recognized on the balance sheet. It is questionable whether admissibility is intended to be extended to assets pledged as collateral for off-balance sheet obligations, as is the case for an operating lease. If an insolvency were to occur during the term of the encumbrance, those assets would not be available to pay policyholders. Admitting such assets is counter to the principles underlying statutory accounting as described in the Statement of Concepts which states, “assets which are unavailable due to encumbrances or other third-party interests should not be recognized on the balance sheet.” Whereas admittance of collateral assets securing a recognized liability appropriately reflects the net assets available to pay policyholders, admittance of collateral encumbered by an off-balance sheet obligation does not. It is the view of NAIC Staff that such arrangements were not intended to be admissible under SSAP No. 4 and INT 01-31. While this agenda item addresses the issue as it relates to sale-leaseback transactions, the Working Group may want to consider clarifications to INT 01-31 to address other types of off-balance sheet obligations.

Gray highlights below denote new language added or removed from the prior exposed language.

33. Sale-leaseback accounting shall be used by a seller-lessee only if a sale-leaseback transaction includes all of the following:

- a. A normal leaseback is a lessee-lessor relationship that involves active use of the property by the seller-lessee in consideration for payment of rent, including contingent rentals that are based on future operations of the seller-lessee. The phrase active use of the property by the seller-lessee refers to use of the property during the lease term in the seller-lessee’s trade or business, provided that subleasing of the leased property is minor.

- b. Admitted assets, if the buyer-lessor is a related party, or either admitted or nonadmitted assets if the buyer-lessor is not a related party. For purposes of this paragraph, related parties include those identified in SSAP No. 25 and entities created for the purpose of buying and leasing nonadmitted assets for the reporting entity and/or its affiliates.
- c. When cash or assets received by the seller are effectively restricted (in whole or in part) from being accessed or used to satisfy policyholder obligations until the repayment of the lease and/or such cash or assets (or other assets pledged to the lender under the terms of the agreement) would be forfeited to the lessor/lender (in whole or in part) if the seller terminates the contract, then ~~have restrictions as to the use of the cash or sale of the assets, the cash and assets received are not considered available to meet policyholder obligations and are nonadmitted in accordance with SSAP No. 4—Assets and Nonadmitted Assets.~~ Such transactions ~~A sale where the cash received by the seller has access restrictions does~~ do not meet the definition of a sale for sale-leaseback accounting and shall be recorded as a financing arrangement as described in paragraph 39.

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. A sale-leaseback transaction where the cash or assets received as part of the sale are subject to restrictions as described in paragraph 34.c. would not qualify for sale-leaseback accounting and shall be accounted for using the financing method.

Effective Date and Transition

54. This statement is effective for years beginning January 1, 2001. The conceptual revisions documented in *Issue Paper No. 161—Leases* are effective for all new leases entered into, and for existing leases reassessed due to a change in terms and conditions under paragraph 11, on or after January 1, 2020. Earlier adoption is permitted. The guidance in paragraph 34 regarding commercial airplanes was originally contained within *INT 00-02: Accounting for Leveraged Leases Involving Commercial Airplanes Under SSAP No. 22—Leases* and was effective March 13, 2000. The guidance in paragraph 5 was originally contained within *INT 04-20: EITF 01-8: Determining Whether an Arrangement Contains a Lease* and was effective March 13, 2005. Guidance in paragraph 27 related to maintenance costs incurred by lessee was previously included within *INT 09-05: EITF 08-3: Accounting by Lessees for Maintenance Deposits* and was effective for periods beginning September 21, 2009. The guidance in paragraphs 17 and 18 was originally contained within *INT 00-27: EITF 98-9: Accounting for Contingent Rent* and was effective September 11, 2000. The guidance in paragraphs 33 and 39, clarifying the statutory accounting treatment for sale-leaseback transactions that do not qualify for sale-leaseback accounting and therefore must apply the financing method, applies to contracts in effect on or after the TBD adoption.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed further revisions to SSAP No. 22, as illustrated above, under the Fall 2025 Updated Staff Recommendation. The exposed revisions incorporate certain aspects of the changes recommended by the NAMIC/APCIA comment letter and include additional NAIC staff changes to further clarify the intent and scope of the proposed guidance and the effective date.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 22—*Leases*, including minor suggested changes from NAMIC/APCIA, which clarified situations where a sale-leaseback transaction includes restrictions to accessing the cash or assets that are received as part of the sale. The revisions are effective immediately. The final adopted revisions to SSAP No. 22 are illustrated below.

33.c. When cash or assets received by the seller are effectively restricted (in whole or in part) from being accessed or used to satisfy policyholder obligations until the repayment of the lease and/or such cash or assets (or other assets pledged to the lender under the terms of the agreement) would be forfeited to the lessor/lender (in whole or in part) in the event the seller/lessee breaches the terms of the lease or terminates the contract, then such transactions do not meet the definition of a sale for sale-leaseback accounting and shall be recorded as a financing arrangement as described in paragraph 39.

39. A sale-leaseback transaction that does not qualify for sale-leaseback accounting nor the deposit method shall be accounted for by the financing method. Under this method the seller-lessee shall not derecognize the transferred asset and shall account for any amounts received as a financial liability and the buyer-lessor shall not recognize the transferred asset and shall account for the amounts paid as a receivable. A transaction where the cash or assets received as part of the sale are subject to restrictions as described in paragraph 33.c. would not qualify for sale-leaseback accounting and shall be accounted for using the financing method.

54. This statement is effective for years beginning January 1, 2001. The conceptual revisions documented in *Issue Paper No. 161—Leases* are effective for all new leases entered into, and for existing leases reassessed due to a change in terms and conditions under paragraph 11, on or after January 1, 2020. Earlier adoption is permitted. The guidance in paragraph 34 regarding commercial airplanes was originally contained within *INT 00-02: Accounting for Leveraged Leases Involving Commercial Airplanes Under SSAP No. 22—Leases* and was effective March 13, 2000. The guidance in paragraph 5 was originally contained within *INT 04-20: EITF 01-8: Determining Whether an Arrangement Contains a Lease* and was effective March 13, 2005. Guidance in paragraph 27 related to maintenance costs incurred by lessee was previously included within *INT 09-05: EITF 08-3: Accounting by Lessees for Maintenance Deposits* and was effective for periods beginning September 21, 2009. The guidance in paragraphs 17 and 18 was originally contained within *INT 00-27: EITF 98-9: Accounting for Contingent Rent* and was effective September 11, 2000. The guidance in paragraphs 33 and 39, clarifying the statutory accounting treatment for sale-leaseback transactions that do not qualify for sale-leaseback accounting and therefore must apply the financing method, applies to all contracts in effect on or after March 23, 2026.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/03-23-26SpringNationalMeeting/Hearing/09-25-01-LeaseClarification.docx>