

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

Issue: Residential Mortgage Loans Held in Statutory Trusts

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: This agenda item was drafted in response to interested parties' comments on agenda item 2024-21: Investment Subsidiaries. Comments from interested parties noted that a significant part of the increase in investment subsidiaries is primarily due to increased usage of Delaware Statutory Trusts (DSTs). DSTs are distinct from common-law trusts as they are established under Delaware statutory trust laws, which allows for significant flexibility in structuring the trust. While holding real estate investments within a DST provides a number of structural and tax advantages, one of the most notable benefits is that it enables insurance companies to bypass the requirement of obtaining individual state lending licenses for each state where they hold residential mortgage investments.

This agenda item proposes to develop accounting and reporting guidance for qualifying trust structures, regardless of the state of domicile, that hold residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* and proposes reporting of these items on Schedule B - Mortgage Loans. Discussion on requirements in determining a "qualifying" trust and the reporting specifics are key items for which regulator feedback is specifically requested. Rather than retaining a generic reporting category that allows an RBC look-through without any parameters, which likely should have been eliminated when the concept of "investment subsidiaries" was deleted from SSAP No. 97 in 2005, NAIC staff proposes to assess statutory trust structures holding residential mortgage loans and establish specific accounting and reporting guidance.

As previously identified, the existing reporting for "investment subsidiaries" does not provide any transparency to regulators, as there are very limited restrictions as to what can be captured in an investment subsidiary, potentially allowing companies to bypass SSAP accounting or admittance requirements, NAIC designation determinations or state investment limitations requirements, with look-through RBC based on company records. Further, the RBC measurement guidance refers to an "imputed statutory value" and there are no current provisions on how that value should be determined.

Existing Authoritative Literature:

SSAP No. 37— Mortgage Loans

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for the accounting and reporting of mortgage loans and related fees.

SUMMARY CONCLUSION

2. A mortgage loan is defined as a debt obligation that is not a security, which is secured by a mortgage on real estate. In addition to mortgage loans directly originated, a mortgage loan also includes mortgage

loans acquired or obtained through assignment, syndication or participation¹. Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans²” or the “securitization of assets” are not considered mortgage loans within scope of this SSAP.

- a. A security is a share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:
 - i. It is either represented by an instrument issued in bearer or registered form, or if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
 - ii. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
 - iii. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.

3. Mortgage loans meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement.

Footnote 1 - Examples of agreements intended to be captured within this statement:

a. Reporting entity is a “co-lender” in a single mortgage loan agreement that identifies more than one lender (which includes the reporting entity) with the real estate collateral securing all lenders identified in the agreement. For these single-mortgage loan agreements, each lender is incorporated directly into the loan documents. The key differentiating characteristic of a mortgage loan provided under a group “mortgage loan co-lending agreement” rather than a solely owned mortgage loan is that no one lender of the lending group may unilaterally foreclose on the mortgage. With these agreements, the lenders must foreclose on the mortgage loan as a group.

b. Reporting entity has a “participation agreement” to invest in a single-mortgage loan. The reporting entity is not the lender of record named as a payee on the mortgage loan, but the lender of record sells a portion of the mortgage loan to the reporting entity through an assignment or participation interest under the participation agreement. Under a participation agreement, the reporting entity acquires an undivided interest in the single mortgage loan proceeds to be received by the lender of record. Under a participation agreement, single mortgage loan proceeds include the periodic mortgage loan principal and interest payments received by the lender of record, and all rights and proceeds received in the foreclosure of a mortgage, deed of trust, deed in lieu of foreclosure, or other similar proceeding by the lender of record. The amount of the proceeds to be received by the reporting entity is based on the ratio of its participation interest to the then-outstanding single mortgage loan balance. To qualify as a mortgage loan under the scope of this statement, the reporting entity must have a signed participation agreement with the lender of record named in the mortgage loan, the financial rights and obligations of the reporting entity under the participation agreement are the same as the lender of record, the reporting entity’s participation interest in the single mortgage loan proceeds must be pari-passu with the lender of record named on the mortgage loan agreement, and the participation agreement must be properly and promptly recorded on the lender or record’s books and records. For the purposes of this footnote, “financial rights” may include the right to take legal action against the borrower, or participate with the other lenders in determining whether legal action should be taken, but typically does not include the right to solely initiate legal action, foreclosure, or under normal circumstances, communicate directly with the borrower.

Footnote 2 - The scope of this SSAP is limited to single mortgage loan agreements. Although single mortgage loan agreements can potentially have more than one lender (e.g., co-lenders/participations) and more than one borrower (such as in a tenancy-in-common arrangement), the concept of a “single mortgage loan” does not include arrangements in which a reporting entity acquires more than one mortgage loan in a sole transaction. (For example, if a reporting entity was to acquire an interest in a “bundle” of mortgage loans with various unrelated borrowers and collateral, this agreement would be outside of the scope of this SSAP. However, a bundle of mortgage loans does not include a “bulk purchase” where the reporting entity’s interest in each mortgage loan is legally separate and divisible and the purchase just facilitates the acquisitions of multiple single mortgage loan agreements.)

SSAP No. 46—Investments in Subsidiary, Controlled and Affiliated Entities
Superseded by SSAP No. 88 as of Jan. 1, 2005.

7.b.ii Investments in noninsurance SCA entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates, shall be recorded based on the underlying equity of the respective entity's financial statements adjusted to a statutory basis of accounting and the resultant proportionate share of the subsidiary's adjusted surplus, adjusted for unamortized goodwill as provided for in SSAP No. 68. Examples include but are not limited to: (i) an insurer and a SCA entity that leases autos, furniture, office equipment, or computer equipment to the insurer; (ii) an insurer and a SCA entity that owns real estate property that is leased to the insurer for office space; and (iii) an insurer and an SCA entity that holds investments that an insurer could acquire directly (i.e., "look through" investment subsidiary);

SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities

The current guidance requirement prescribes measurement based on the market value approach (8a) or an equity method (8b). The following guidance is divided as follows: 8bi: insurance subsidiaries, 8.b.ii: non-insurance subsidiaries that meet the activity and revenue test, 8bii: non-insurance subsidiaries not captured in 8a or 8bii, and 8biv: foreign insurance subsidiaries. There is no current guidance for an "investment subsidiary" and those SCAs would be captured under 8.b.iii and measured at the audited US GAAP equity.

8. The admitted investments in SCA entities shall be valued using either the market valuation approach (as described in paragraph 8.a.), or one of the equity methods (as described in paragraph 8.b.) adjusted as appropriate in accordance with the guidance in *SSAP No. 25—Affiliates and Other Related Parties*, paragraph 18.d.

- a. In order to use the market valuation approach for SCA entities, the following requirements apply:
 - i. The subsidiary must be traded on one of the following major exchanges: (1) the New York Stock Exchange, (2) the NASDAQ, or (3) the Japan Exchange Group;
 - ii. The reporting entity must submit subsidiary information to the NAIC SCA analysts for calculation of the subsidiary's market value. Such calculation could result in further discounts in market value above the established base discounts based on ownership percentages detailed below;
 - iii. Ownership percentages for determining the discount rate shall be measured at the holding company level;
 - iv. If an investment in a SCA results in an ownership percentage between 10% and 50%, a base discount percentage between 0% and 20% on a sliding scale basis is required;
 - v. If an investment in a SCA results in an ownership percentage greater than 50% up to and including 80%, a base discount percentage between 20% and 30% on a sliding scale basis is required;
 - vi. If an investment in a SCA results in an ownership percentage greater than 80% up to and including 85%, a minimum base discount percentage of 30% is required.
 - vii. Further, the SCA must have at least two million shares outstanding, with a total market value of at least \$50 million in the public's control; and
 - viii. Any ownership percentages exceeding 85% will result in the SCA being recorded on an equity method.

- b. If a SCA investment does not meet the requirements for the market valuation approach in paragraph 8.a. or, if the requirements are met, but a reporting entity elects not to use that approach, the reporting entity's proportionate share of its investments in SCAs shall be recorded as follows:
- i. Investments in U.S. insurance SCA entities shall be recorded based on either 1) the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in SSAP No. 68—Business Combinations and Goodwill³ or 2) the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill, modified to remove the impact of any permitted or prescribed accounting practices that depart from the NAIC Accounting Practices and Procedures Manual. Reporting entities shall record investments in U.S. insurance SCA entities on at least a quarterly basis, and shall base the investment value on the most recent quarterly information available from the SCA. Entities may recognize their investment in U.S. insurance SCA entities based on the unaudited statutory equity in the SCAs year-end annual statement if the annual SCA audited financial statements are not complete as of the filing deadline. The recorded statutory equity shall be adjusted for audit adjustments, if any, as soon as the annual audited financial statements have been completed. Annual consolidated or combined audits are allowed if completed in accordance with the Model Regulation Requiring Annual Audited Financial Reports as adopted by the SCA's domiciliary state;
 - ii. Investments in both U.S. and foreign noninsurance SCA entities that are engaged in the following transactions or activities:
 - (a) Collection of balances as described in *SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers*
 - (b) Sale/lease or rental of EDP Equipment and Software as described in *SSAP No. 16—Electronic Data Processing Equipment and Software*
 - (c) Sale/lease or rental of furniture, fixtures, equipment or leasehold improvements as described in *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements*
 - (d) Loans to employees, agents, brokers, representatives of the reporting entity or SCA as described in *SSAP No. 20—Nonadmitted Assets*

Footnote 3 - If the insurance SCA employs accounting practices that depart from the NAIC accounting practices and procedures, and the reporting insurance entity has not adjusted the valuation of the insurance SCA to be consistent with the NAIC accounting practices and procedures, (i.e., retains the effect of the permitted or prescribed practice in its valuation), disclosure about those accounting practices that affect the insurance SCA's net income and surplus shall be made pursuant to paragraph 37. If the reporting entity has adjusted the investment in the insurance SCA with the resulting valuation being consistent with the accounting principles of the AP&P Manual, the disclosures in paragraph 37 are not required.

- (e) Sale/lease or rental of automobiles, airplanes and other vehicles as described in *SSAP No. 20—Nonadmitted Assets*
- (f) Providing insurance services on behalf of the reporting entity including but not limited to accounting, actuarial, auditing, data processing, underwriting, collection of premiums, payment of claims and benefits, policyowner services

(g) Acting as an insurance or administrative agent or an agent for a government instrumentality performing an insurance function (e.g. processing of state workers compensations plans, managing assigned risk plans, Medicaid processing etc).

(h) Purchase or securitization of acquisition costs

and if 20% or more of the SCA's revenue is generated from the reporting entity and its affiliates, then the underlying equity of the respective entity's audited U.S. Generally Accepted Accounting Principles (GAAP) financial statements shall be adjusted to a limited statutory basis of accounting in accordance with paragraph 9. For purposes of this section, revenue means GAAP revenue reported in the audited U.S. GAAP financial statements excluding realized and unrealized capital gains/losses. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Paragraphs 22-27 provide guidance for investments in holding companies;

- iii. Investments in both U.S. and foreign noninsurance SCA entities that do not qualify under paragraph 8.b.ii., shall be recorded based on the audited U.S. GAAP equity of the investee. Foreign SCA entities are defined as those entities incorporated or otherwise legally formed under the laws of a foreign country. Additional guidance on investments in downstream holding companies is included in paragraphs 22-27. Additional guidance on the use of audited foreign GAAP basis financial statements for the U.S. GAAP equity valuation amount is included in paragraph 23.b.
- iv. Investments in foreign insurance SCA entities shall be recorded based on the underlying U.S. GAAP equity from the audited U.S. GAAP basis financial statements, adjusted to a limited statutory basis of accounting in accordance with paragraph 9, if available. If the audited U.S. GAAP basis financial statements are not available, the investment can be recorded on the audited foreign statutory basis financial statements of the respective entity adjusted to a limited statutory basis of accounting in accordance with paragraph 9 and adjusted for reserves of the foreign insurance SCA with respect to the business it assumes directly and indirectly from a U.S. insurer using the statutory accounting principles promulgated by the NAIC in the *Accounting Practices and Procedures Manual*. The audited foreign statutory basis financial statements must include an audited footnote that reconciles net income and equity on the foreign statutory basis of accounting to the U.S. GAAP basis. Foreign insurance SCA entities are defined as alien insurers formed according to the legal requirements of a foreign country.

2024 Annual Statement Instructions – Schedule D-6-1

If a reporting entity has any common stock or preferred stock reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

Category	Line Number
Preferred Stocks:	
Parent.....	0199999
U.S. Property & Casualty Insurer.....	0299999
U.S. Life Insurer	0399999
U.S. Health Entity #.....	0499999
Alien Insurer	0599999

Non-Insurer Which Controls Insurer	0699999
*Investment Subsidiary	0799999
Other Affiliates	0899999
Subtotals – Preferred Stocks	0999999
Common Stocks:	
Parent	1099999
U.S. Property & Casualty Insurer.....	1199999
U.S. Life Insurer	1299999
U.S. Health Entity #.....	1399999
Alien Insurer	1499999
Non-Insurer Which Controls Insurer	1599999
*Investment Subsidiary	1699999
Other Affiliates	1799999
Subtotals – Common Stocks	1899999
Totals – Preferred and Common Stocks	1999999

*NOTE: Investment Subsidiary shall mean any subsidiary, other than a holding company, engaged or organized primarily in the ownership and management of investments for the reporting entity. An investment subsidiary shall not include any broker dealer or a money management fund managing funds other than those of the parent company. The following criteria are applicable:

1. 95% or more of the investment subsidiary's assets would qualify as admitted assets;
2. The investment subsidiary's total liabilities are 5% or less of total assets;
3. Combining the pro-rata ownership shares of the assets of all the investment subsidiaries with the owning reporting entity's assets does not violate any state requirements concerning diversification of investments or limitations on investments in a single entity; and
4. **The investment subsidiary's book/adjusted carrying value does not exceed the imputed value on a statutory accounting basis. If the book/adjusted carrying value does exceed the imputed statutory value, the reporting entity may either nonadmit the excess or categorize such subsidiary in the "All Other Affiliates" category.**

2023 RBC Forecasting and Instructions:

AFFILIATED/SUBSIDIARY STOCKS – LR042, LR043, and LR044

(Only key excerpts included – **bolded for emphasis.**)

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. **Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer.** Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

4. Investment Subsidiaries

An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term "investment subsidiary" is defined in the NAIC's Annual Statement Instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management

of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. **The risk-based capital charge for the ownership of an investment subsidiary is based on the risk-based capital of the underlying assets, pro-rated for the degree of ownership. The basis for this calculation is the assumption that the charge should be the same as it would be if the life insurer held the assets directly.** Report information regarding any investment subsidiaries. Subsidiaries reported in this section will be assigned an affiliate code of “4” for investment subsidiaries. The amount of reported common stock should be the same as Schedule D, Part 6, Section 1, Line 1699999. Preferred stock information should be the same as Schedule D, Part 6, Section 1, Line 0799999.

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): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing categorized as a SAP clarification and expose this agenda item proposing to add qualifying investment trusts holding residential mortgage loans in scope of *SSAP No. 37—Mortgage Loans* for reporting on Schedule B – Mortgage Loans. Comments are specifically requested on the requirements for a qualifying trust as well as the proposed reporting. A few key items to note:

- The proposal is specific to trusts that hold only residential mortgage loans. This is due to concerns about a lack of transparency if multiple types of mortgages are held in the same trust, and that industry has indicated these structures are specifically used for residential mortgage loans. Industry has also indicated that the value of the individual residential mortgages is often a lower dollar amount which results in a high volume of residential mortgage loans held in the trust.
- The agenda item proposes separate reporting of individual mortgage loans on Schedule B for residential mortgages held in trust consistent with the existing annual statement instructions for Schedule B. NAIC staff is aware that some reporting entities are already reporting these trusts as “participation agreements” on Schedule B, but it appears there is not consistency in presentation (some companies show aggregated by trust, whereas other companies show by individual mortgage loans). Comments are requested by regulators on this proposal to determine if individual loan reporting is the preferred reporting method, or if some kind of aggregate reporting method should be explored. One concern that has been raised with individual reporting is that the volume of residential mortgage loans could be quite high as individual residential mortgage loan values are generally quite low compared to the typical mortgage loans purchased by insurers. Alternatively, individual mortgage loan reporting is consistent with existing Schedule B instructions, which may be simpler for insurers to report using existing mortgage loan details, and there would be increased transparency.
- As noted after paragraph 6.b.iv., NAIC staff is requesting information on how foreclosed assets (real estate) would be reported when held in the trust. Presumably, these would be sold and the cash would be transferred to the reporting entity, but there will be ongoing / recurring real estate in the trust as foreclosures occur before they are sold and settled. NAIC staff also requests comments on whether any additional columns should be added to Schedule B for mortgages held in qualifying statutory trust.

Proposed revisions – 5/22 Interim Meeting:**SSAP No. 37—Mortgage Loans****SCOPE OF STATEMENT**

1. This statement establishes statutory accounting principles for the accounting and reporting of mortgage loans and related fees.

SUMMARY CONCLUSION

2. A mortgage loan is defined as a debt obligation that is not a security, which is secured by a mortgage on real estate. In addition to mortgage loans directly originated, a mortgage loan also includes mortgage loans acquired or obtained through assignment, syndication or participation¹, [or mortgage loans acquired through a qualifying investment in a statutory trust](#). Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans²” or the “securitization of assets” are not considered mortgage loans within scope of this SSAP. [Regardless of whether reported on Schedule B or another schedule, all statutory trusts owned by the reporting entity shall be detailed in Schedule Y.](#)

- a. A security is a share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:

¹ Examples of agreements intended to be captured within this statement:

- a. Reporting entity is a “co-lender” in a single mortgage loan agreement that identifies more than one lender (which includes the reporting entity) with the real estate collateral securing all lenders identified in the agreement. For these single-mortgage loan agreements, each lender is incorporated directly into the loan documents. The key differentiating characteristic of a mortgage loan provided under a group “mortgage loan co-lending agreement” rather than a solely owned mortgage loan is that no one lender of the lending group may unilaterally foreclose on the mortgage. With these agreements, the lenders must foreclose on the mortgage loan as a group.
 - b. Reporting entity has a “participation agreement” to invest in a single-mortgage loan. The reporting entity is not the lender of record named as a payee on the mortgage loan, but the lender of record sells a portion of the mortgage loan to the reporting entity through an assignment or participation interest under the participation agreement. Under a participation agreement, the reporting entity acquires an undivided interest in the single mortgage loan proceeds to be received by the lender of record. Under a participation agreement, single mortgage loan proceeds include the periodic mortgage loan principal and interest payments received by the lender of record, and all rights and proceeds received in the foreclosure of a mortgage, deed of trust, deed in lieu of foreclosure, or other similar proceeding by the lender of record. The amount of the proceeds to be received by the reporting entity is based on the ratio of its participation interest to the then-outstanding single mortgage loan balance. To qualify as a mortgage loan under the scope of this statement, the reporting entity must have a signed participation agreement with the lender of record named in the mortgage loan, the financial rights and obligations of the reporting entity under the participation agreement are the same as the lender of record, the reporting entity’s participation interest in the single mortgage loan proceeds must be pari-passu with the lender of record named on the mortgage loan agreement, and the participation agreement must be properly and promptly recorded on the lender or record’s books and records. For the purposes of this footnote, “financial rights” may include the right to take legal action against the borrower, or participate with the other lenders in determining whether legal action should be taken, but typically does not include the right to solely initiate legal action, foreclosure, or under normal circumstances, communicate directly with the borrower.

² The scope of this SSAP is limited to single mortgage loan agreements. Although single mortgage loan agreements can potentially have more than one lender (e.g., co-lenders/participations) and more than one borrower (such as in a tenancy-in-common arrangement), the concept of a “single mortgage loan” does not include arrangements in which a reporting entity acquires more than one mortgage loan in a sole transaction. (For example, if a reporting entity was to acquire an interest in a “bundle” of mortgage loans with various unrelated borrowers and collateral, this agreement would be outside of the scope of this SSAP. However, a bundle of mortgage loans does not include a “bulk purchase” where the reporting entity’s interest in each mortgage loan is legally separate and divisible and the purchase just facilitates the acquisitions of multiple single mortgage loan agreements.)

- i. It is either represented by an instrument issued in bearer or registered form, or if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
 - ii. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
 - iii. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.
- b. A statutory trust is a separate legal entity created as a trust under state statute, a common example of which would be Delaware statutory trusts (DSTs). For an investment in a statutory trust to qualify as a mortgage loan within this statement it must have the following characteristics:
- i. Statutory trust must be domiciled in a U.S. state or territory.
 - ii. Beneficial ownership in the statutory trust must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.
 - iii. The reporting entity has exclusive, 100% undivided beneficial ownership interest in all assets of the statutory trust³.
 - iv. All assets of the statutory trust are to be in first lien single residential mortgage loan agreements, meaning each mortgage loan is legally separate and divisible. Statutory trusts which have pledged, or otherwise encumbered, trust assets to secure financing would fail this criterion.

NAIC Question on 6.b.iv. - Were the statutory trust to foreclose on a mortgage, and would the “real estate” become an asset of the trust? How would that be reported?

- v. Statutory trust must maintain all requisite documents and records in accordance with the applicable state statutes. The trust must also maintain a detail of residential mortgage loan agreements held in the trust to be made available to the state insurance regulator and auditors upon request; this detail must contain, at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B, Part 1.
- vi. The statutory trust has no transactions of its own other than transactions associated with an ownership structure utilized only for the ownership and management of the residential

³ Some statutory trusts are formed with designated separate series, where each series maintains distinct and separate records, assets, and liabilities—either directly or indirectly (including through a nominee or otherwise)—from those of the overall trust and any other series. For ownership in a series statutory trust to meet the criterion described in paragraph 2b.i., the reporting entity must: hold 100% undivided beneficial ownership interest in all assets of the statutory trust series, the series must own all of each single mortgage loan agreement held as assets, and the reporting entity’s ownership and ability to divest its interest the series must not be contingent upon its ownership in other series of the statutory trust.

For example, if a statutory trust has Series A through C, and the reporting entity has 100% beneficial ownership of Series A but only 50% of Series B, only the investment in Series A would meet this criterion. However, if beneficial ownership of each single mortgage loan agreement is split evenly across Series A, B, and C (e.g., each holds one-third of the loan asset), then none of the investments would qualify, as the assets are shared across series.

mortgages exclusively for the reporting entity (e.g., service fees, real estate taxes, etc.). Transactions of the qualifying statutory trust shall be reported as transactions of the reporting entity pursuant to the guidance in this statement.

~~i.vii.~~ All cash flows from the single residential mortgage loan agreements must flow through directly to the reporting entity, with the exception of customary and reasonable fees to the statutory trust manager/servicer.

3. Mortgage loans meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement.

Disclosures

27. The following disclosures shall be made for mortgage loans acquired through a qualifying investment in a statutory trust:

- a. A description of the statutory trust(s). Mortgage loans held in statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.
 - i. If the statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the statutory trust(s) and complete the subprime mortgage disclosures as detailed in *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures*.
 - ii. Description of each statutory trust must include the U.S. state(s) in which the statutory trust is qualified to do business, and the amount of fiscal year-to-date fees incurred for asset management, property management, trustee, service, and any other fees associated with management/administration of the described statutory trust.
- b. Disclosure of any material litigation and any kind of state or federal regulatory review and/or action concerning the statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- ~~a.d.~~ Total of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing: In Good Standing, Restructured, Overdue Interest Over 90 Days Not in the Process of Foreclosure, and In the Process of Foreclosure.

Proposed revisions to Annual Statement Instructions:

SCHEDULE B – PARTS 1 AND 2

MORTGAGE LOANS OWNED AND ACQUIRED – GENERAL INSTRUCTIONS

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

For accounting guidance related to foreign currency transactions and translations, refer to *SSAP No. 23—Foreign Currency Transactions and Translations*. The underlying loans held by qualifying investments in a statutory trust(s) must be disaggregated by group (loan standing) and subgroup (loan type), as shown below.

SCHEDULE B – PART 1**MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR**

Report separately all mortgage loans owned and backed by real estate, [including those held in qualifying investments in statutory trust\(s\)](#). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to *SSAP No. 83—Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations, (residential mortgage-backed securities), should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

[Column 21 – State of Domicile \(Statutory Trust Only\)](#)

[Report the two-character U.S. postal abbreviation for the U.S. state the statutory trust is domiciled within.](#)

SCHEDULE B – PART 2**MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR**

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current and prior periods. Mortgages acquired and disposed during the same year should be reported in both Part 2 and Part 3, [which would also include acquired or disposed of residential mortgage loans held within qualifying statutory trusts](#). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to *SSAP No. 83—Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations (residential mortgage-backed securities) should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

[Column 15 – State of Domicile \(Statutory Trust Only\)](#)

[Report the two-character U.S. postal abbreviation for the U.S. state the statutory trust is domiciled within.](#)

SCHEDULE B – PART 3**MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR**

Report individually each mortgage, [including those held in qualifying investments in statutory trust\(s\)](#), that has had decreases in the balance as a result of being closed by repayment, partial repayment, disposed or transferred to another category (e.g., real estate, Schedule A). Do not report individual partial repayments but aggregate all partial repayments by mortgage loan.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

Mortgages closed by repayment	0199999
Mortgages with partial repayments	0299999

Mortgages disposed	0399999
Mortgages transferred.....	0499999
Total.....	0599999

A description of the information required by the columnar headings is as follows:

Column 24 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state the statutory trust is domiciled within.

Status:

On May 22, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions *SSAP No. 37—Mortgage Loans* to expand the scope to include qualifying investment trusts holding residential mortgage loans for reporting on Schedule B – Mortgage Loans.

On July 8, 2025, the Statutory Accounting Principles (E) Working Group received formal comments from interested parties on the draft exposed on 5/22. These comments were in addition to informal interim discussions on the draft prior to the comment letter. The following represent a summary of interested parties comments:

1. Regarding ownership of the trust’s assets, title to the RMLs is held by the trustee on behalf of the trust. The books and records of the trust then allocate a beneficial interest in each loan to a specific series. Same goes for any other assets of the trust. Some updates will be needed to the current Exposure Draft to reflect how these structures operate from a legal perspective.
 - a. NAIC Staff have made some additional changes to better reflect this dynamic in the draft below, but welcome further recommendations from interested parties to ensure SSAP language accurately reflect these structures.*
2. Interested parties believe that the same requirements that apply to RMLs directly held and accounted for under SSAP No. 37 – *Mortgage Loans* should apply to the RMLs owned through a trust. As stated above, since all the risks and rewards related to ownership of the RMLs pass through to the insurer, this makes the most sense from a reporting perspective. Therefore, second lien loans should be allowed and RML participations of less than 100% should be allowed as well, consistent with SSAP No. 37.
 - a. NAIC staff agree with this change and have updated the draft below with language which would allow the same types of RML allowed under SSAP No. 37 as long as the mortgage loans are legally separate and divisible.*
3. The trust should be allowed to pledge the RMLs for the benefit of the insurer. Suggested language was discussed to make this clear in the Exposure Draft.
 - a. NAIC staff agree that clarification is necessary. As discussed, RMLs are frequently pledged as collateral for lines of credit or other borrowings (e.g. FHLB), and these arrangements are not problematic as long as the insurer is the pledgor. The primary concern arises when trust assets are pledged or encumbered by the statutory trust to a third party, and not on behalf of the insurer. To address this, NAIC staff consolidated the pledge guidance into a new paragraph in the admittance section of the SSAP clarifying that assets held in a qualifying statutory trust may be pledged by the insurer but will be non-admitted to the extent they are pledged or encumbered to a third party due to actions taken by the trust.*

4. The Exposure Draft included a request for input on the appropriate reporting for foreclosed real estate that becomes an asset of the trust. Interested parties believe that any real estate assets, cash, or other assets related to investing in the RMLs such as receivables as well as liabilities, should be reported as if held directly by the insurer since the insurer gets all the risks and rewards of ownership. We also understand that it may be common for the trust to set up an LLC to own foreclosed real estate. If that is the case, since SSAP No. 40 – *Real Estate Investments* allows for single, wholly-owned real estate held in an LLC to be directly reported on Schedule A, we believe the same look-through provision would apply here and the insurer would report the real estate as directly owned.

- a. *NAIC staff do not disagree with the inclusion of real estate acquired via foreclosure, especially as this situation is likely to occur at some point or another and have reflected this as an allowable asset within a qualifying statutory trust. However, we do not agree with the recommendation to allow foreclosed real estate to be held within an LLC wholly owned by the qualifying statutory trust. This would result in qualifying statutory trusts with subsidiary holdings which introduces another layer of complexity; the original intent of this project was to draft guidance to allow for pass-through accounting and reporting for RMLs held within statutory trusts and while some allowances have been made to allow for necessary activity NAIC staff does not believe these allowance should include wholly-owned subsidiaries.*

5. We suggest changing the name from statutory trust to a qualifying trust. A trust can be a statutory trust or a common law trust. We understand that a statutory trust can have series whereas common law trusts do not, but both types can be used to hold RMLs on behalf of the insurer.

- a. *NAIC staff disagree with this recommendation. Statutory trusts are created under and governed by specific state statutes, are recognized as separate legal entities, and typically require formal registration or filing with a state authority, such as the Secretary of State. These trusts operate within a clearly defined legal framework that establishes governance, liability protections, and oversight requirements. This statutory structure provides greater legal certainty, consistency across jurisdictions, and more reliable protections for both the trust and its beneficiaries or investors.*

In contrast, common law trusts are established under general legal principles derived from case law and judicial precedent. Formation does not require registrations with state agencies and can be formed simply through a trust agreement or declaration. Common law trusts are also often not treated as separate legal entities, but rather as a fiduciary relationship depending on the jurisdiction. Common law trusts offer broader structural flexibility, but this comes at the cost of legal certainty, consistency, and enforceability. Liability protections are less robust, and courts in other jurisdictions may not recognize the trust as a distinct legal entity or uphold provisions such as limited liability for investors.

The primary concern with allowing common law trusts is the potential for regulatory uncertainty and increased risk. Their flexible nature and lack of standardized governance could result in inconsistent treatment, complicate oversight, and increase the risk profile of the assets held in trust. There is also a material risk that certain jurisdictions may refuse to recognize the trust structure entirely or may not enforce key provisions, undermining regulatory safeguards and investor protections.

6. Interested parties question whether disclosure of fees paid to the servicer is a critical disclosure. We have received feedback that this information is confidential and could impact competitive market practices among servicers. Since such disclosure is not required for RMLs/CMLs directly owned and managed by a third-party servicer, we suggest that this disclosure be removed. In addition, the last

sentence of paragraph 2 b (iv) implies that the loans will not be disclosed individually as it states “the detail must contain at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B.” If the ultimate decision is to report the loans individually on Schedule B, then this sentence should be removed.

- a. *NAIC staff noted that the main concern the fee disclosure was to trying to address was excessive fees. However, based on the comments from IPs and discussions amongst the NAIC staff team, this disclosure was eliminated. This situation would be highly unlikely to occur unless a related party or affiliate were involved in administering the trust. It was also noted that since revenue and expenses are to be reported as if directly incurred by the insurer, then these activities would be subject to the related party and affiliate disclosure required by SSAP No. 25. To be clear on this point, the following paragraph was added to the draft revisions:*

“Revenue and expenses shall be accounted for as if they were directly incurred by the insurer and, accordingly, are subject to the same reporting and disclosure requirements that would normally apply. This includes, but is not limited to, the related party and affiliate disclosures required under SSAP No. 25, Affiliates and Other Related Parties.”

7. In item 27.b., interested parties believe the materiality qualifier should apply to both parts of the disclosure (litigation and state or federal regulatory review).
 - a. *NAIC staff agree with this comment and have updated the draft accordingly.*
8. Interested parties suggest adding a code to the residential mortgage loan sections of Schedule B to note loans that are held in statutory trusts so that directly held loans versus loans held in trust are easily identifiable by the regulators.
 - a. *NAIC staff agree with this comment and have updated the draft accordingly.*
9. Interested parties also suggest adding guidance in the Exposure Draft for RMLs held in trusts that do not meet the proposed criteria, so that it is clearer how those investments should be accounted for and reported.
 - a. *NAIC staff agree with this comment and have revised the draft to clarify that non-qualifying statutory trusts must comply with the applicable SSAP. No single SSAP was referenced as trust structures and their uses vary widely. As a result, referencing only one SSAP would be inappropriate, and it would be impractical to address all possible trust types and provide specific SSAP references for each.*
10. *During interim discussions, interested parties also recommended revisions to allow qualifying statutory trusts to receive other assets that constitute proceeds of such mortgage loan. However, NAIC staff are concerned that this language could permit virtually any type of asset to be held and reported within a qualifying statutory trust, so long as it is received as proceeds from RMLs. It is unclear how often non-cash assets are received in these situations, and additional detail would be helpful. Specifically, the types of assets received, how frequently this occurs, and whether such assets are typically converted to cash by the trust.*

STAFF RECOMMENDATION – 2025 SUMMER NATIONAL MEETING:

NAIC staff met with industry representatives in the interim and have incorporated revisions for consideration. We recommend that the Working Group expose an updated draft of revisions to expand the scope of SSAP No. 37—Mortgage Loans to include qualifying investment trusts holding residential mortgage loans to be

reported Schedule B – Mortgage. Key revisions include:

- Proposed updates to permit qualifying statutory trusts to hold cash and cash equivalents, and real estate obtained through foreclosure, along with clarification on the applicability of SSAP No. 2 and SSAP No. 40.
- Replacement of the restriction to first-lien mortgages with broader language permitting any single residential mortgage loan eligible under SSAP No. 37 to be held in a qualifying statutory trust.
- Removal of the requirement that qualifying statutory trusts may only hold first lien single residential mortgage loans and the requirement to hold the entire loan.
- Additional criteria for a qualifying statutory trust series which requires the qualifying trust to maintain separate and distinct records from the overall statutory trust and other series.
- Clarification that an insurer may pledge qualifying statutory trust assets as collateral; however, assets encumbered or pledged to a third party by action of the statutory trust itself are nonadmitted.
- Eliminated the management fee disclosure.
- New requirement to disclose a summary of assets and liabilities held within qualifying statutory trusts. Since such balances are to be reported as if directly held by the insurer, this disclosure is intended to provide regulators with a high-level overview of the balances held within the trust(s).

Proposed Revisions – Summer National Meeting:

Drafting Note: Changes made since previous exposure shown with grey fill.

SSAP No. 2—Cash, Cash Equivalents, Drafts, and Short-Term Investments**SCOPE OF STATEMENT**

1. This statement establishes statutory accounting principles and related reporting for cash, cash equivalents, drafts and short-term investments. Cash and cash equivalents which are beneficially owned by the insurer through an investment in a qualifying statutory trust, as defined under SSAP No. 37—Mortgage Loans, fall within the scope of this statement and shall be reported as if directly held by the reporting entity. If the qualifying statutory trust is part of a trust series where cash is held in a joint account and each series holds a beneficial interest, only the portion beneficially owned by the insurer through the qualifying statutory trust shall be reported.

SSAP No. 40—Real Estate Investments**SUMMARY CONCLUSION**

3. Real estate investments include certain acquisition, development and construction arrangements (ADC) as defined in SSAP No. 38—*Acquisition, Development and Construction Arrangements*; and real estate held within a qualifying statutory trust(s) that was acquired due to events described in SSAP No. 37—Mortgage Loans, paragraph 18, and shall be reported as if directly held by the reporting entity.

DISCLOSURES

27. An entity that holds real estate investments through an LLC, which qualifies for inclusion in this statement because all the criteria in paragraph 4 are met, shall separately report each investment on Schedule A, and code

the real estate as wholly-owned through an LLC. [A reporting entity that holds real estate investments through a qualifying statutory trust in accordance with SSAP No. 37, shall separately report each investment on Schedule A, and code the real estate as owned through a qualifying statutory trust.](#)

SSAP No. 37—Mortgage Loans

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for the accounting and reporting of mortgage loans and related fees.

SUMMARY CONCLUSION

2. A mortgage loan is defined as a debt obligation that is not a security, which is secured by a mortgage on real estate. In addition to mortgage loans directly originated, a mortgage loan also includes mortgage loans acquired or obtained through assignment, syndication or participation⁴, [or mortgage loans acquired through an investment in a qualifying statutory trust as defined in paragraph 2.b.](#) Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans⁵” or the “securitization of assets” are not considered mortgage loans within scope of this SSAP. [Nonqualifying statutory trusts shall be accounted for and reported in accordance with the applicable statement of statutory accounting principle. Regardless of whether reported on Schedule B or another schedule, all statutory trusts beneficially or directly owned by the reporting entity shall be detailed in Schedule Y.](#)

⁴ Examples of agreements intended to be captured within this statement:

- a. Reporting entity is a “co-lender” in a single mortgage loan agreement that identifies more than one lender (which includes the reporting entity) with the real estate collateral securing all lenders identified in the agreement. For these single-mortgage loan agreements, each lender is incorporated directly into the loan documents. The key differentiating characteristic of a mortgage loan provided under a group “mortgage loan co-lending agreement” rather than a solely owned mortgage loan is that no one lender of the lending group may unilaterally foreclose on the mortgage. With these agreements, the lenders must foreclose on the mortgage loan as a group.
- b. Reporting entity has a “participation agreement” to invest in a single-mortgage loan. The reporting entity is not the lender of record named as a payee on the mortgage loan, but the lender of record sells a portion of the mortgage loan to the reporting entity through an assignment or participation interest under the participation agreement. Under a participation agreement, the reporting entity acquires an undivided interest in the single mortgage loan proceeds to be received by the lender of record. Under a participation agreement, single mortgage loan proceeds include the periodic mortgage loan principal and interest payments received by the lender of record, and all rights and proceeds received in the foreclosure of a mortgage, deed of trust, deed in lieu of foreclosure, or other similar proceeding by the lender of record. The amount of the proceeds to be received by the reporting entity is based on the ratio of its participation interest to the then-outstanding single mortgage loan balance. To qualify as a mortgage loan under the scope of this statement, the reporting entity must have a signed participation agreement with the lender of record named in the mortgage loan, the financial rights and obligations of the reporting entity under the participation agreement are the same as the lender of record, the reporting entity’s participation interest in the single mortgage loan proceeds must be pari-passu with the lender of record named on the mortgage loan agreement, and the participation agreement must be properly and promptly recorded on the lender or record’s books and records. For the purposes of this footnote, “financial rights” may include the right to take legal action against the borrower, or participate with the other lenders in determining whether legal action should be taken, but typically does not include the right to solely initiate legal action, foreclosure, or under normal circumstances, communicate directly with the borrower.

⁵ The scope of this SSAP is limited to single mortgage loan agreements. Although single mortgage loan agreements can potentially have more than one lender (e.g., co-lenders/participations) and more than one borrower (such as in a tenancy-in-common arrangement), the concept of a “single mortgage loan” does not include arrangements in which a reporting entity acquires more than one mortgage loan in a sole transaction. (For example, if a reporting entity was to acquire an interest in a “bundle” of mortgage loans with various unrelated borrowers and collateral, this agreement would be outside of the scope of this SSAP. However, a bundle of mortgage loans does not include a “bulk purchase” where the reporting entity’s interest in each mortgage loan is legally separate and divisible and the purchase just facilitates the acquisitions of multiple single mortgage loan agreements.)

- a. A security is a share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:
 - i. It is either represented by an instrument issued in bearer or registered form, or if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
 - ii. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
 - iii. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.
- b. A statutory trust is a separate legal entity, an unincorporated association created as a trust under state statute, a common example of which would be Delaware statutory trusts (DSTs). For an investment in a statutory trust To be considered a qualifying statutory trust and reported as a mortgage loan within scope of this statement, it the statutory trust being invested in must have and maintain all of the following characteristics:
 - i. The SStatutory trust must be domiciled in a U.S. state or territory.
 - ~~i. Beneficial ownership in the statutory trust must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.~~
 - ii. The reporting entity must hold an has exclusive, 100% undivided beneficial ownership interest in all assets of the statutory trust, or in all assets of a specific series of a statutory trust that has separate series⁶. Such beneficial ownership interest must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.
 - iii. All assets of the statutory trust may only consist of are to be in first lien single residential mortgage loan agreements (meaning each to be legally separate and divisible) of a type that could otherwise be directly held by the reporting entity under SSAP No. 37; real estate of which the statutory trust acquires ownership due to events described in paragraph 18; or cash and cash equivalents that constitute proceeds of such mortgage loans or are required for the acquisition, ownership and management of such mortgage loans. The insurer shall also report and account for assets and liabilities of the statutory trust as if they were directly held by the insurer: Statutory trusts which have pledged, or otherwise encumbered, trust assets to secure financing would fail this criterion.

⁶ Some statutory trusts are formed with designated separate series, where each series maintains distinct and separate records, assets, and liabilities—either directly or indirectly (including through a nominee or otherwise)—from those of the overall trust and any other series. For ownership in a series of a statutory trust to meet the criterion described in paragraph 2b.ii, the trust agreement must explicitly provide for the limitation of liabilities of each series, the reporting entity must hold 100% undivided beneficial ownership interest in all assets of that the statutory trust series, the series must own all of each single mortgage loan agreement held as asset, the reporting entity's ownership and ability to divest its interest in the series must not be contingent upon its ownership interest in any other series of the statutory trust, and the series trust must maintain distinct and separate records from those of the overall trust and other series.

For example, if a statutory trust has Series A through C, and the reporting entity has a 100% beneficial ownership interest in of Series A but only a 50% ownership interest in of Series B, only the investment in Series A would meet this criterion. However, if beneficial ownership of each single mortgage loan agreement is split evenly across Series A, B, and C (e.g., each holds one third of the loan asset), then none of the investments would qualify, as the assets are shared across series.

- (a) Mortgage loans shall be reported on Schedule B in accordance with this statement.
 - (b) Cash and cash equivalents shall be reported in accordance with SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments.
 - (c) Real estate directly held by statutory trust shall be reported on Schedule A and as “Held for Sale” in accordance with SSAP No. 40—Real Estate Investments.
 - (d) Liabilities of the statutory trust shall be reported in accordance with the applicable statement of statutory accounting principle.
 - (e) Revenue and expenses shall be accounted for as if they were directly incurred by the insurer and, accordingly, are subject to the same reporting and disclosure requirements that would normally apply. This includes, but is not limited to, the related party and affiliate disclosures required under SSAP No. 25, Affiliates and Other Related Parties.
- iv. The statutory trust must maintain all requisite documents and records in accordance with the applicable state statutes. The trust must also maintain (either directly or through a custodian) a detail of residential mortgage loan agreements held in the trust to be made available to the state insurance regulator and auditors upon request; this detail must contain, at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B.
- v. The statutory trust has no transactions of its own other than transactions associated with an ownership structure utilized only for the ownership and management of the residential mortgages exclusively for the reporting entity (e.g., service fees, real estate taxes, facilitating financing arrangements, etc.). Transactions of the qualifying statutory trust shall be reported as transactions of the reporting entity pursuant to the guidance in this statement.
- ii.vi. All cash flows from the single residential mortgage loan agreements must flow through the statutory trust directly to the reporting entity, with the exception of customary and reasonable fees to the statutory trust manager/servicer, trustee, custodian or similar third-party service providers, or to make payment on any financing secured by the residential mortgages.

3. Mortgage loans meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement.

- a. Statutory trust assets that are pledged as collateral or otherwise encumbered through action of the insurer, or by the trustee acting on the insurer’s behalf, shall be reported as restricted assets and are permitted for admittance subject to the provisions of INT 01-31: Assets Pledged as Collateral. Statutory trust assets that are pledged or otherwise encumbered to a third party due to actions taken by the statutory trust (including pledges of trust assets not on behalf of the insurer) shall be nonadmitted in accordance with SSAP No. 4, footnote 2.

Disclosures

28. The following disclosures shall be made for mortgage loans acquired through a qualifying investment in a statutory trust:

- a. A description of the statutory trust(s). Mortgage loans held in statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.
 - i. If the statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the statutory trust(s) and complete the subprime mortgage disclosures as detailed in SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures. Transactions of the statutory trusts within the scope of SSAP No. 25 shall also be disclosed.
 - ii. Description of each statutory trust must include the U.S. state(s) in which the statutory trust is qualified to do business.

~~the aggregate amount of fiscal year to date fees incurred for asset management, property management, trustee, service, and any other fees associated with management/administration of the described statutory trust.~~
 - iii. Summary of assets and liabilities held within qualifying statutory trusts; aggregated by total residential mortgage loans, real estate acquired through foreclosure, cash and cash equivalents, and liabilities (if any) to be shown by reporting line.
- b. Disclosure of ~~any~~ material litigation and any kind of material state or federal regulatory review and/or action concerning the statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- a.d. Total of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing: In Good Standing, Restructured, Overdue Interest Over 90 Days Not in the Process of Foreclosure, and In the Process of Foreclosure.

Proposed revisions to Annual Statement Instructions:

SCHEDULE B – PARTS 1 AND 2

MORTGAGE LOANS OWNED AND ACQUIRED – GENERAL INSTRUCTIONS

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total. The underlying loans held by within qualifying investments in a statutory trust(s) must be disaggregated by group (loan standing) and subgroup (loan type), as shown below.

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23—*Foreign Currency Transactions and Translations*.

SCHEDULE B – PART 1

MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR

Report separately all mortgage loans owned and backed by real estate, including those held within qualifying investments in statutory trust(s). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to

SSAP No. 83—Mezzanine Real Estate Loans. Collateralized Mortgage Obligations, (residential mortgage-backed securities), should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – Code

Enter “^” in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.

If mortgage loans are not under the exclusive control of the company as shown in the General Interrogatories, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

Separate Account Filing Only:

If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the “^” should appear first, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Column 3 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 4 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 5 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E”.

If the loan was made directly to a subsidiary or affiliate enter “S”.

If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.”

If the residential mortgage loan is held in a qualifying statutory trust, enter “T”.

If the mortgage loan is 100% first lien, enter “1”.

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.

Otherwise, leave the column blank.

Column 21 – State of Domicile (Statutory Trust Only)

[Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.](#)

SCHEDULE B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current and prior periods. Mortgages acquired and disposed during the same year should be reported in both Part 2 and Part 3, [which would also include acquired or disposed of residential mortgage loans held within qualifying statutory trusts](#). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to SSAP No. 83—*Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations (residential mortgage-backed securities) should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E”.

If the loan was made directly to a subsidiary or affiliate, enter “S.”

If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.”

[If the residential mortgage loan is held in a qualifying statutory trust, enter “T”.](#)

[If the mortgage loan is 100% first lien, enter “1”.](#)

[If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.](#)

Otherwise, leave the column blank.

Column 15 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.

SCHEDULE B – PART 3**MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAID DURING THE YEAR**

Report individually each mortgage, including those held in qualifying investments in statutory trust(s), that has had decreases in the balance as a result of being closed by repayment, partial repayment, disposed or transferred to another category (e.g., real estate, Schedule A). Do not report individual partial repayments but aggregate all partial repayments by mortgage loan.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

Mortgages closed by repayment	0199999
Mortgages with partial repayments	0299999
Mortgages disposed	0399999
Mortgages transferred.....	0499999
Total.....	0599999

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage number assigned by the reporting entity.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter "E."

If the loan was made directly to a subsidiary or affiliate enter "S."

If the loan was made directly to a related party that doesn't meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter "R."

If the residential mortgage loan is held in a qualifying statutory trust, enter "T."

If the mortgage loan is 100% first lien, enter "1."

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter "2".

Otherwise, leave the column blank.

Column 24 – State of Domicile (Statutory Trust Only)

Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.

On August 11, 2025, the Statutory Accounting Principles (E) Working Group exposed an updated draft of revisions to expand the scope of SSAP No. 37 to include qualifying investment trusts holding residential mortgage loans to be reported Schedule B – Mortgage. This updated draft, as shown above under the 2025 Summer National Meeting Staff Recommendation, reflects changes made by NAIC staff based on further research as well as discussions with interested parties. Changes from the prior exposure are shaded.

On December 9, 2025, the Statutory Accounting Principles (E) Working Group adopted revisions to broaden the scope of SSAP No. 37 to include qualifying investment trusts that hold residential mortgage loans (RMLs) and require reporting of RMLs held in qualifying statutory trusts on Schedule B – Mortgage Loans. Additional revisions to SSAP No. 2 and SSAP No. 40 establish guidance for the reporting of cash and cash equivalents and foreclosed real estate held within a qualifying statutory trust. The adopted revisions are shown on pages 24-33 under the "Fall National Meeting Updated Revisions."

Fall National Meeting Updated Revisions:

Drafting Note: Changes made since previous exposure shown with grey fill.

SSAP No. 2—Cash, Cash Equivalents, Drafts, and Short-Term Investments**SCOPE OF STATEMENT**

2. This statement establishes statutory accounting principles and related reporting for cash, cash equivalents, drafts and short-term investments. Cash and cash equivalents, which are beneficially owned by the insurer through an investment in a qualifying statutory trust, as defined under SSAP No. 37—Mortgage Loans, fall within the scope of this statement and shall be reported as if directly held by the reporting entity. If the qualifying statutory trust is part of a trust series where cash is held in a joint account and each series holds a beneficial interest, only the portion beneficially owned by the insurer through the qualifying statutory trust shall be reported.

SSAP No. 40—Real Estate Investments**SUMMARY CONCLUSION**

3. Real estate investments also include:

a. ~~—certain acquisition, development and construction arrangements (ADC) as defined in SSAP No. 38—Acquisition, Development and Construction Arrangements;~~

~~a.b. and —Real estate held within a qualifying statutory trust(s), as defined in SSAP No. 37—Mortgage Loans, that was acquired due to events described through an in-substance repossession or foreclosure in accordance with SSAP No. 37, paragraph 18, and shall be reported as if directly held by the reporting entity.~~

4. A single real estate property investment that is wholly owned by an LLC that is directly- and wholly owned either by the reporting entity or a qualifying statutory trust shall be captured within this statement and reported on Schedule A, Real Estate, if all of the following criteria are met. Real estate owned through an LLC that meets the stated criteria shall follow all statutory requirements within this statement. Real estate owned through an LLC that does not meet the criteria shall be reported on Schedule BA, Other Long-Term Invested Assets. Regardless of whether reported on Schedule A or Schedule BA, all LLC's owned by the reporting entity shall be detailed in Schedule Y.

DISCLOSURES

27. An entity that holds real estate investments through an LLC, which qualifies for inclusion in this statement because all the criteria in paragraph 4 are met, shall separately report each investment on Schedule A, and code the real estate as wholly-owned through an LLC. A reporting entity that holds real estate investments through a qualifying statutory trust in accordance with SSAP No. 37 shall separately report each investment on Schedule A, ~~and code the real estate as owned through a qualifying statutory trust.~~

38. The guidance on residential mortgage loans within qualifying statutory trusts adopted in SSAP No. 37—Mortgage Loans also addresses certain types of foreclosed real estate within such trusts that are held, either directly or through an LLC that is directly and wholly owned by a qualifying statutory trust. The effective date and transition guidance for impacted real estate within these structures shall follow the guidance detailed in SSAP No. 37.

SSAP No. 37—Mortgage Loans**SCOPE OF STATEMENT**

1. This statement establishes statutory accounting principles for the accounting and reporting of mortgage loans and related fees.

SUMMARY CONCLUSION

2. A mortgage loan is defined as a debt obligation that is not a security, which is secured by a mortgage on real estate. In addition to mortgage loans directly originated, a mortgage loan also includes mortgage loans acquired or obtained through assignment, syndication or participation⁷, or mortgage loans acquired through an investment in a qualifying statutory trust as defined in paragraph 2.b. Investments that reflect “participating mortgages,” “mortgage loan fund,” “bundled mortgage loans⁸” or the “securitization of assets” are not considered mortgage loans within scope of this SSAP. Nonqualifying statutory trusts shall be accounted for and reported in accordance with the applicable statement of statutory accounting principle. Regardless of whether reported on Schedule B or another schedule, all statutory trusts beneficially or directly owned by the reporting entity shall be detailed in Schedule Y. The accounting, reporting, and admittance guidance reflected for qualifying statutory trusts should not be inferred to apply to nonqualifying statutory trusts or any other type of trust.

- a. A security is a share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:

⁷ Examples of agreements intended to be captured within this statement:

- a. Reporting entity is a “co-lender” in a single mortgage loan agreement that identifies more than one lender (which includes the reporting entity) with the real estate collateral securing all lenders identified in the agreement. For these single-mortgage loan agreements, each lender is incorporated directly into the loan documents. The key differentiating characteristic of a mortgage loan provided under a group “mortgage loan co-lending agreement” rather than a solely owned mortgage loan is that no one lender of the lending group may unilaterally foreclose on the mortgage. With these agreements, the lenders must foreclose on the mortgage loan as a group.
- b. Reporting entity has a “participation agreement” to invest in a single-mortgage loan. The reporting entity is not the lender of record named as a payee on the mortgage loan, but the lender of record sells a portion of the mortgage loan to the reporting entity through an assignment or participation interest under the participation agreement. Under a participation agreement, the reporting entity acquires an undivided interest in the single mortgage loan proceeds to be received by the lender of record. Under a participation agreement, single mortgage loan proceeds include the periodic mortgage loan principal and interest payments received by the lender of record, and all rights and proceeds received in the foreclosure of a mortgage, deed of trust, deed in lieu of foreclosure, or other similar proceeding by the lender of record. The amount of the proceeds to be received by the reporting entity is based on the ratio of its participation interest to the then-outstanding single mortgage loan balance. To qualify as a mortgage loan under the scope of this statement, the reporting entity must have a signed participation agreement with the lender of record named in the mortgage loan, the financial rights and obligations of the reporting entity under the participation agreement are the same as the lender of record, the reporting entity’s participation interest in the single mortgage loan proceeds must be pari-passu with the lender of record named on the mortgage loan agreement, and the participation agreement must be properly and promptly recorded on the lender or record’s books and records. For the purposes of this footnote, “financial rights” may include the right to take legal action against the borrower, or participate with the other lenders in determining whether legal action should be taken, but typically does not include the right to solely initiate legal action, foreclosure, or under normal circumstances, communicate directly with the borrower.

⁸ The scope of this SSAP is limited to single mortgage loan agreements. Although single mortgage loan agreements can potentially have more than one lender (e.g., co-lenders/participations) and more than one borrower (such as in a tenancy-in-common arrangement), the concept of a “single mortgage loan” does not include arrangements in which a reporting entity acquires more than one mortgage loan in a sole transaction. (For example, if a reporting entity was to acquire an interest in a “bundle” of mortgage loans with various unrelated borrowers and collateral, this agreement would be outside of the scope of this SSAP. However, a bundle of mortgage loans does not include a “bulk purchase” where the reporting entity’s interest in each mortgage loan is legally separate and divisible and the purchase just facilitates the acquisitions of multiple single mortgage loan agreements.)

- i. It is either represented by an instrument issued in bearer or registered form, or if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
 - ii. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
 - iii. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.
- b. A statutory trust is an unincorporated association created as a trust under state statute, a common example of which would be Delaware statutory trusts (DSTs). To be considered a qualifying statutory trust and reported as a mortgage loan within scope of this statement, the statutory trust being invested in must have and maintain all of the following characteristics:
- i. The statutory trust must be domiciled in a U.S. state ~~or territory~~.
 - ii. The reporting entity must hold a 100% undivided beneficial ownership interest in all assets of the statutory trust, or in all assets of a specific series of a statutory trust that has separate series⁹. Such beneficial ownership interest must be evidenced by a certificate or registered as an uncertificated interest within the statutory trust register.
 - iii. Assets of the statutory trust may only consist of single residential mortgage loan agreements (meaning each to be legally separate and divisible) of a type that could otherwise be directly held by the reporting entity under SSAP No. 37; residential real estate ~~of which the statutory trust has acquired ownership due to events described in accordance with paragraph 18 through an in substance repossession or foreclosure~~; or cash and cash equivalents that constitute proceeds of such mortgage loans or are required for the acquisition, ownership, and management of such mortgage loans. The insurer shall also report and account for assets and liabilities of the statutory trust as if they were directly held by the insurer:
 - (a) Mortgage loans held by the qualifying statutory trust shall be reported on Schedule B in accordance with this statement.
 - (b) Cash and cash equivalents held by the qualifying statutory trust shall be reported in accordance with SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments.

⁹ Some statutory trusts are formed with designated separate series where each series maintains distinct and separate records, assets, and liabilities—either directly or indirectly (including through a nominee or otherwise)—from those of the overall trust and any other series. For ownership in a series of a statutory trust to meet the criterion described in paragraph 2.b.ii., the trust agreement must explicitly provide that the liabilities of each series are enforceable only against the assets of that series ~~for the limitation of liabilities of each series~~, the reporting entity must hold 100% undivided beneficial ownership interest in all assets of that series, the reporting entity's ownership and ability to divest its interest in the series must not be contingent upon its ownership interest in any other series of the statutory trust, and the series trust must maintain distinct and separate records from those of the overall trust and other series.

For example, if a statutory trust has Series A through C and the reporting entity has a 100% beneficial ownership interest in Series A but only a 50% ownership interest in Series B, only the investment in Series A would meet this criterion.

- (c) Real estate ~~directly~~ held by the qualifying statutory trust shall be reported on Schedule A and classified as “Held for Sale” in accordance with *SSAP No. 40—Real Estate Investments*. Such properties must either be directly owned by the qualifying statutory trust or held by the qualifying statutory trust as single residential real estate investments that are directly and wholly owned through a limited liability company (LLC), provided they meet all requirements outlined in *SSAP No. 40, paragraph 4*.
- (d) Liabilities of the qualifying statutory trust shall be reported in accordance with the applicable statement of statutory accounting principles.
- (e) Revenue and expenses of the qualifying statutory trust shall be accounted for as if they were directly incurred by the insurer and, accordingly, are subject to the same reporting and disclosure requirements that would normally apply. This includes, but is not limited to, the related party and affiliate disclosures required under *SSAP No. 25—Affiliates and Other Related Parties*.
- iv. The statutory trust must maintain all requisite documents and records in accordance with the applicable state statutes. ~~The trust must also maintain (either directly or through a custodian) a detail of residential mortgage loan agreements held in the trust to be made available to the state insurance regulator and auditors upon request; this detail must contain, at a minimum, the same information as would be required were the mortgage loans to be individually reported on Schedule B.~~
- v. The statutory trust has no transactions of its own other than transactions associated with an ownership structure utilized only for the ownership and management of the residential mortgages exclusively for the reporting entity (e.g., service fees, real estate taxes, facilitating financing arrangements, etc.). Transactions of the qualifying statutory trust shall be reported as transactions of the reporting entity pursuant to the guidance in this statement.
- i.vi. All cash flows from the single residential mortgage loan agreements must flow through the statutory trust directly to the reporting entity, with the exception of customary and reasonable fees to the statutory trust manager/servicer, trustee, custodian or similar third-party service providers, or to make payment on any financing secured by the residential mortgages.

3. Mortgage loans meet the definition of assets as specified in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement.

- a. ~~Statutory trust~~ Assets of a qualifying statutory trust that are pledged as collateral or otherwise encumbered through action of the insurer, or by the trustee acting on the insurer’s behalf, shall be reported as restricted assets and are permitted for admittance subject to the provisions of *INT 01-31: Assets Pledged as Collateral*. Statutory trust assets that are pledged or otherwise encumbered to a third party due to actions taken by the qualifying statutory trust (including pledges of trust assets not on behalf of the insurer) shall be nonadmitted in accordance with *SSAP No. 4, footnote 2*.

Disclosures

27. The following disclosures shall be made for mortgage loans acquired through a qualifying investment in a qualifying statutory trust:

- a. A description of the qualifying statutory trust(s). Mortgage loans held in qualifying statutory trusts must be separately reported on Schedule B in accordance with the annual statement instructions.
 - i. If the qualifying statutory trust(s) holds any amount of subprime mortgages, the reporting entity must disclose this fact in the description of the qualifying statutory trust(s) and complete the subprime mortgage disclosures as detailed in SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures. Transactions of the qualifying statutory trusts within the scope of SSAP No. 25 shall also be disclosed.
 - ii. The description of each qualifying statutory trust must ~~include~~ specify its state of domicile as well as each U.S. state(s) and/or foreign country, if applicable, in which the qualifying statutory trust ~~is qualified~~ holds residential mortgage loans.
 - iii. Summary of assets and liabilities held within qualifying statutory trusts; aggregated by total residential mortgage loans, real estate acquired through foreclosure, cash and cash equivalents, and liabilities (if any) to be shown by reporting line.
- b. Disclosure of ~~any~~ material litigation and any kind of material state or federal regulatory review and/or action concerning the qualifying statutory trust(s).
- c. Disclosure of financing transactions of any sort which are secured, directly or indirectly, by statutory trust assets.
- d. Total of residential mortgages held in qualifying statutory trusts, disaggregated by loan standing: In Good Standing, Restructured, Overdue Interest Over 90 Days Not in the Process of Foreclosure, and In the Process of Foreclosure.

Effective Date and Transition

32. 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.

33. The adoption of ASU 2014-14 and the adoption with modification of ASU 2014-04 (detailed in paragraphs 18-22 and 26.e.) shall be applied prospectively from the date of adoption (March 28, 2015). With this prospective application, guidance adopted from ASU 2014-14 applies to all foreclosures that occur after the date of adoption, and guidance from ASU 2014-04 applies to all instances of the reporting entity receiving physical possession of real estate property collateralized by mortgage loans that occur after the date of adoption.

34. The guidance for qualifying statutory trusts adopted on December 9, 2025, shall be applied prospectively as of January 1, 2027, with early adoption permitted. For statutory trusts held prior to the effective date and considered qualifying per this statement, the insurer shall transfer all trust activities, assets, and liabilities at

book/adjusted carrying value and ensure each is reported in accordance with this statement. A change resulting from the adoption of this guidance shall be accounted for as a change in accounting principle in accordance with SSAP No. 3—Accounting Changes and Corrections of Errors. Subsequent Measurement of transferred assets and liabilities are subject to the applicable SSAPs as described in paragraphs 5.b.iii.(a)-(d).

Proposed Revisions to Annual Statement Instructions:

SCHEDULE B – PARTS 1 AND 2

MORTGAGE LOANS OWNED AND ACQUIRED – GENERAL INSTRUCTIONS

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total. The underlying Residential mortgage loans held within qualifying statutory trust(s) are separately reported in this same manner ~~must be reported disaggregated by group (loan standing) and subgroup (loan type), as shown below.~~

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23—Foreign Currency Transactions and Translations.

SCHEDULE B – PART 1

MORTGAGE LOANS OWNED DECEMBER 31 OF CURRENT YEAR

Report separately all mortgage loans owned and backed by real estate, including those held within qualifying statutory trust(s). Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to SSAP No. 83—Mezzanine Real Estate Loans. Collateralized Mortgage Obligations, (residential mortgage-backed securities), should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – Code

Enter “^” in this column for all assets that are bifurcated between the insulated separate account filing and the non-insulated separate account filing.

If mortgage loans are not under the exclusive control of the company as shown in the General Interrogatories, it is to be identified by placing one of the **symbols identified in the Investment Schedules General Instructions** in this column.

Separate Account Filing Only:

If the asset is a bifurcated asset between the insulated separate account filing and the non-insulated separate account filing, the “^” should appear first, immediately followed by the appropriate code (**identified in the Investment Schedules General Instructions**).

Column 3 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 4 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 5 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E”.

If the loan was made directly to a subsidiary or affiliate enter “S”.

If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.”

If the residential mortgage loan is held in a qualifying statutory trust, enter “T”.

If the mortgage loan is 100% first lien, enter “1”.

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.

Otherwise, leave the column blank.

~~Column 21 – State of Domicile (Statutory Trust Only)~~

~~Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.~~

SCHEDULE B – PART 2

MORTGAGE LOANS ACQUIRED AND ADDITIONS MADE DURING YEAR

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current and prior periods. Mortgages acquired and disposed during the same year should be reported in both Part 2 and Part 3, which would also include acquired or disposed of residential mortgage loans held within qualifying statutory trusts. Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to *SSAP No. 83—Mezzanine Real Estate Loans*. Collateralized Mortgage Obligations (residential mortgage-backed securities) should be included in Schedule D.

A description of the information required by the columnar headings is as follows:

Column 1 – Loan Number

Report the mortgage loan number assigned by the reporting entity. For foreign denominated mortgages, indicate the principal indebtedness amount in its local currency.

Column 2 – City

For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.

Column 3 – State

For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.

Column 4 – Loan Type

If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E”.

If the loan was made directly to a subsidiary or affiliate, enter “S.”

If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.”

If the residential mortgage loan is held in a qualifying statutory trust, enter “T”.

If the mortgage loan is 100% first lien, enter “1”.

If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.

Otherwise, leave the column blank.

~~Column 15 – State of Domicile (Statutory Trust Only)~~

~~Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.~~

SCHEDULE B – PART 3

MORTGAGE LOANS DISPOSED, TRANSFERRED OR REPAYED DURING THE YEAR

Report individually each mortgage, including those held in qualifying investments in statutory trust(s), that has had decreases in the balance as a result of being closed by repayment, partial repayment, disposed or transferred to another category (e.g., real estate, Schedule A). Do not report individual partial repayments but aggregate all partial repayments by mortgage loan.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

Mortgages closed by repayment	0199999
Mortgages with partial repayments	0299999
Mortgages disposed	0399999
Mortgages transferred.....	0499999
Total.....	0599999

A description of the information required by the columnar headings is as follows:

Column 1	–	Loan Number
		Report the mortgage number assigned by the reporting entity.
Column 2	–	City
		For mortgages in the U.S., list city. If the city is unknown, indicate the county. If the mortgage is outside the U.S., indicate the city or province.
Column 3	–	State
		For mortgages in U.S. states, territories and possessions, report the two-character U.S. postal abbreviation for U.S. states, territories and possessions. If the mortgage is located outside the U.S. states, territories and possessions, report the three-character (ISO Alpha 3) country abbreviations available in the listing in the appendix of these instructions.
Column 4	–	Loan Type
		If the loan was made to an officer or director of the reporting entity/subsidiary/affiliate, enter “E.”
		If the loan was made directly to a subsidiary or affiliate enter “S.”
		If the loan was made directly to a related party that doesn’t meet the affiliate definition or the reporting entity has received domiciliary state approval to disclaim control/affiliation, enter “R.”
		If the residential mortgage loan is held in a qualifying statutory trust, enter “T”.
		If the mortgage loan is 100% first lien, enter “1”.
		If the mortgage loan is not a first lien, including those with a combination of first and subordinate liens, enter “2”.
		Otherwise, leave the column blank.
Column 24	–	State of Domicile (Statutory Trust Only)
		Report the two-character U.S. postal abbreviation for the U.S. state or territory the statutory trust is domiciled within.

SCHEDULE A – PART 1

REAL ESTATE OWNED DECEMBER 31 OF CURRENT YEAR

Real estate includes land, buildings and permanent improvements (includes real estate owned under contract of sale). Also include single real estate property wholly owned by an LLC that meets the criteria set forth in SSAP No. 40—Real Estate Investments. All other real estate owned indirectly (such as through joint ventures) should be included in Schedule BA. The purpose for this schedule is to report individually each property owned, classified into categories that separately identify properties occupied by the reporting entity, properties held for the production of income, and properties held for sale.

Report each Real Estate project under development in the category where it will ultimately reside, (e.g., a project under development that will be owned for the production of income should be reported in properties held for the production of income category). Refer to SSAP No. 40—Real Estate Investments and SSAP No. 90—Impairment or Disposal of Real Estate Investments for accounting guidance.

Column 18 – Investment Characteristics

If the characteristic below does not apply, then leave the column blank.

1. Single real estate property wholly owned by an LLC that meets the criteria set forth in SSAP No. 40—Real Estate Investments. For LLCs that do not meet criteria set forth in SSAP No. 40—~~Real Estate Investments~~, report on Schedule BA.
2. A single real estate property that is directly and wholly owned by a qualifying statutory trust, which is defined in SSAP No. 37—Mortgage Loans.
3. A single real estate property that is directly owned through an LLC that is wholly owned by a qualifying statutory trust and meets the criteria in SSAP No. 40.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2025/12-9-25FallNationalMeeting/Adoptions/25-13-StatutoryTrusts.docx>