

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

Issue: *ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*

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:

In February 2017 the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, to clarify the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20, which was issued in May 2014 as a part of *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*, provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. ASU 2017-05 also establishes a definition for the term “in substance nonfinancial asset” and guidance for making this determination.

The guidance provided by Subtopic 610-20 specifically carves out transfers of nonfinancial assets which are part of business combinations, leases, sale-leaseback transactions, securitizations of nonfinancial assets, and nonmonetary transactions. The nonfinancial assets within the scope of Subtopic 610-20 include intangible assets, land, buildings, use of facilities or utilities, or materials and supplies and may have a zero carrying value.

Existing Authoritative Literature:

Nonfinancial asset is not a defined term within statutory accounting, but the term is inclusive of several types of assets which are individually addressed within statutory accounting.

SSAP No 22—Leases provides statutory guidance on use of facilities or utilities agreements.

SSAP No 40—Real Estate Investments provides statutory guidance on investments in land and buildings.

Intangibles are generally addressed by *SSAP No. 20—Nonadmitted Assets*, which states that intangibles are nonadmitted assets unless specifically admitted. Certain intangible assets are specifically addressed and allowed as admitted assets, which would include *SSAP No. 16—Electronic Data Processing Equipment and Software* and *SSAP No. 68—Business Combinations and Goodwill*.

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):

Agenda items 2016-19 and 2017-37 addressed ASU 2014-09 and the other main ASUs related to ASC Topic 606 Contracts with Customers and were rejected in *SSAP No. 47—Uninsured Plans*. As noted earlier, Subtopic 610-20 was established through ASU 2014-09.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:

None

Convergence with International Financial Reporting Standards (IFRS): None**Staff Recommendation:**

NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* as not applicable to statutory accounting. This item is considered not applicable as the ASU amends U.S. GAAP guidance on derecognition of nonfinancial assets, which is not an applicable concept for statutory accounting purposes. Topic 610 was established from ASU 2014-09, which has previously been determined to be not applicable to statutory accounting principles by the Working Group.

Staff Review Completed by: William Oden – April 2025

Status:

On May 22, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* as not applicable to statutory accounting.

On August 11, 2025, the Statutory Accounting Principles (E) Working Group adopted revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* as not applicable to statutory accounting.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2025/08-11-25 Summer National Meeting/Adoptions/25-14 - ASU 2017-05, Asset Derecognition and Sales of Nonfinancial Assets.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2025/08-11-25%20Summer%20National%20Meeting/Adoptions/25-14%20-%20ASU%202017-05,%20Asset%20Derecognition%20and%20Sales%20of%20Nonfinancial%20Assets.docx)