

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

Issue: IMR Proof of Reinvestment

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 has been prepared to present the proposed IMR proof of reinvestment requirement discussed by the IMR Ad Hoc Group to the Working Group for consideration. A fundamental concept of a negative interest maintenance reserve (IMR)¹, supporting the deferral of realized loss recognition with amortization over time, is that the proceeds from the sale of the fixed-income instruments have been reinvested into new fixed income instruments with a higher yield. Although the tracking of sales proceeds to specific acquisitions was noted as the ideal approach, such specific investment tracking is not realistic within insurance companies. To facilitate verification without specific investment tracking, a calculation template has been developed to determine whether reporting entities are sufficiently acquiring fixed-income instruments in comparison to their investable premium and sold fixed-income investments, and if the weighted average yield on the investments acquired is greater than the weighted average yield of the investments sold. Under the concepts supported by the IMR Ad Hoc Group, a company would be required to complete and pass both tests (reinvestment and weighted average yield) within the proof of reinvestment in order to move to a net negative IMR balance (from a prior positive IMR position) and/or increase a prior year net negative IMR balance. Reporting entities with a net positive IMR, regardless of the extent of sales resulting in realized losses throughout the year, would not be required to complete the proof. Reporting entities that fail the proof would only be permitted to recognize in IMR current year realized losses that offset current year realized gains. If the reporting entity that failed the proof had additional realized losses, those losses would be recognized as a direct surplus impact and would not be recognized/deferred through IMR. For clarity, although reference is made to fixed-income investments, the proof of reinvestment focuses on bonds and mortgage loans as they comprise the majority of fixed-income investments at reporting entities. This limitation intends to allow for a more simplistic calculation that still meets the spirit of the overall intent of the proof of reinvestment.

The IMR Ad Hoc Group considered the proof concept for the general account and the separate accounts and determined that individual proof calculations should be completed for each filed account separately, based on the position of IMR in each. As such, separate templates have been created for both the general account and the separate account. To be clear on application requirements:

¹ Primer / Recap: IMR is a statutory concept used to defer and amortize realized interest-related gains and losses generated from the sale of fixed income instruments before maturity. When a sale occurs with a realized gain, it is considered a positive IMR (liability). When a sale occurs with a realized loss, it is considered a negative IMR. Reporting entities collectively report the IMR based on the net negative or positive position. Prior to INT 23-01: *Net Negative (Disallowed) IMR*, net negative IMR was a nonadmitted asset. Under INT 23-01 net negative IMR is permitted to be admitted up to 10% of adjusted capital and surplus. This INT has an effective date through Dec. 31, 2026. Consideration of a long-term approach for net negative IMR was directed as part of the INT adoption. The IMR Ad Hoc Group has been working to establish key concepts for future inclusion in *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve*.

- If the general account went net negative or increased the net negative balance, then a proof would be required for the general account. This would be required regardless of whether any separate account (insulated or non-insulated) was in a positive IMR position.
- If a separate account went net negative or increased the net negative balance, then a proof for that separate account would be required. Again, this would be required regardless of whether the general account or another separate account was in a positive IMR position.

The IMR Ad Hoc Group has also recently indicated support for eliminating the “disallowed” concept for IMR. With this removal, IMR recognition will be fully dependent on the IMR position in that specific account. So, if the general account has a net negative IMR, and a separate account has a net positive IMR, there would be no recognition of a contra-liability offset in the general account. Rather, the general account would show the full negative position on the general account asset page, and the separate account would show the full positive position on its liability page.

The proof of reinvestment is intended to be captured as a disclosure within *SSAP No. 7—Asset Valuation and Interest Maintenance Reserve* for annual completion as required by impacted reporting entities. As shown within the illustrations in this agenda item, the templates have been prepared to maximize specific reporting lines from the financial statements, allowing for ease of regulator and auditor verification.

It is important to highlight that the recognition to IMR throughout the year is not expected to be impacted. Meaning, reporting entities would recognize realized losses to IMR as appropriate throughout the quarters. The disclosure template will be required to be completed annually for current-year information, and if a company does not pass the proof, then the reporting entity will be required to adjust what had been recognized to IMR throughout the year. This will require a year-end adjustment to IMR for companies that do not pass.

A template planned for the Issue Paper and SSAP No. 7 to determine when the proof of reinvestment is required and then templates illustrating the calculations are included within this agenda item. The following key concepts are also planned for documentation to assist with completing the calculations:

- Key Rationale: Overall calculation intends to identify whether acquisitions of fixed-income investments are greater than proceeds from fixed-income sales and investable premium. The key rationale is that maturities of fixed-income investments are expected to cover claims (if perfectly matched) and cash proceeds from fixed-income sales and premiums need to be invested.
- Acquisitions of Investments: Investments acquired focus on bonds and mortgage loans as the primary sources of fixed-income investments that comprise IMR². The cost of these investments is pulled directly from the cash flow statement Rows 13.1 and 13.3.
- Proceeds from Investments: Include the proceeds from sales of bonds and mortgage loans. As of year-end 2025, there is no data-captured disclosure that identifies the proceeds from sales specifically. Available information at that time aggregates proceeds from both sales and maturities. Proposed revisions for year-end 2026 will include new data-captured disclosures for bonds to separately detail proceeds from sales and maturities. Upon implementation of the new disclosure, the proof of reinvestment calculation will

² The proof of reinvestment only focuses on bonds and mortgage loans as they represent the majority of fixed-income items acquired and sold by reporting entities. Consideration was given to requiring an assessment of those items if they represented 10% or more of a reporting entity’s fixed-income sales for a given year, however, with the decision to require AVR allocation for items held at fair value, this provision was eliminated. If included, it would have required a manual adjustment to the proof by the reporting entity.

refer to the location of that specific disclosure. Company internal records will be used for mortgage loans, which are not actively traded and have limited sales occurrences.

- d. Investable Premium: Premiums are used for many purposes, therefore adjustments to total premium are necessary to determine “investable premium.” Adjustments are captured in the calculation as follows:
- i. Remove commissions and expenses as premiums are used to pay commissions and expenses. This subtraction should agree to the Cash Flow Statement, Row 7: Commissions, Expenses Paid and Aggregate Write-In for Deductions.
 - ii. Remove premiums for the company’s allocation of equity and other investments, recognizing that companies do not invest all investable premium into bonds and mortgage loans. To make this adjustment, companies calculate the percentage of bonds and mortgage loans to the total invested assets from their balance sheet and then reduce the investable premium by the percentage difference (invested assets not reflecting bonds or mortgage loans.)
 - iii. Remove premiums that are allocated to the separate account. This subtraction is modified to add-back “premium” transfers to the separate accounts that reflect “assets in-kind” (non-cash asset transfers from the general account to the separate account). A reporting entity is required to complete separate templates to prove reinvestment when required based on the net negative IMR position of any separate account.
 - iv. Remove premiums received on certain short-term accident and health (A&H) businesses (excluding premiums received for long-term care and disability). For the specific short-term business excluded, monthly premiums are largely used to pay claims as the liabilities are short-term. To the extent reserves are generated, they generally resolve very quickly, with their claims reserves acting more as a reserve for payable items than a long-term premium retention reserve that one would expect to cause an inflow into long-term fixed investments. For these companies, the loss ratios are generally much higher year-to-year than new business written in more traditional life/annuity products, and including their gross premium far exceeds any expectation of retained profits that may cause an investable need. Therefore, these premiums are excluded from the proof of reinvestment calculation.
- e. Calculated Result of Acquisitions to Sales: The cost of the mortgage loans and bonds purchased less sales and investable premium is calculated.
- f. Calculated Result of Compared Weighted Average Yields: In addition to the reinvestment verification, a reporting entity shall also identify the weighted average yield of the investments purchased and sold during the year (as shown in the calculation). The difference of these two weighted average yields is then calculated.

A reporting entity only passes the proof of reinvestment if the results from both the calculated results of acquisitions to sales and the comparison of weighted average yields are both positive. Even if one aspect is positive, and the other is negative, the company does not pass the proof of reinvestment. A reporting entity is only able to increase an IMR net negative position beyond what would be offset beyond current year IMR gains if they pass the proof of reinvestment. Reporting entities that had allocated negative losses to the IMR in the general account that does not pass proof of reinvestment is required to eliminate the losses that are not offset by gains and recognize the losses as immediate capital losses.

For the separate account, if the reporting entity does not pass the proof of reinvestment, the company is still permitted to recognize net negative IMR transferred from the general account. This is permitted as an carve-out as the transferred IMR was not the result of a specific separate account sale, therefore it is outside the parameter

for the proof of reinvestment calculation. With the exception of this carve-out, if the reporting entity does not pass the proof of reinvestment for the separate account, the entity is only allowed recognize realized losses from sales in the separate account IMR to the extent they are offset by separate account gains also recognized in the IMR.

After the completion of the proof of reinvestment, and any modifications to eliminate deferred losses from the IMR, the reporting entity shall update and recognize the full and complete IMR amortization required for the IMR balance, including the appropriate portion of amortization attributed to the losses and gains added to the IMR balance throughout the current year.

Template 1 – Examples to Determine when the Proof of Reinvestment is Required:

	1	2	3	4	5
Beginning IMR Balance	50.00	50.00	(50.00)	(50.00)	(50.00)
IMR Expected Amortization ¹	(20.00)	(20.00)	20.00	20.00	20.00
Subtotal	30.00	30.00	(30.00)	(30.00)	(30.00)
Current Year IMR Gains	15.00	15.00	15.00	45.00	15.00
Current Year IMR Losses	(50.00)	(30.00)	(50.00)	(30.00)	(15.00)
IMR Preliminary Balance	(5.00)	15.00	(65.00)	(15.00)	(30.00)
Proof	Required	Not Required	Required	Not Required	Not Required
Impact if Entity Fails Proof: Remove from IMR:	(5.00)	N/A	(35.00)	N/A	N/A
IMR After Adjustment & Before Current Year Amortization	-	15.00	(30.00)	(15.00)	(30.00)

FN 1: IMR expected amortization shall be a direct pull from the prior year-end IMR amortization schedule. Although IMR amortization is a separate calculation completed to reflect current year impacts to IMR, determining whether the proof is necessary requires an adjustment to the beginning IMR balance for current year expected amortization. This adjustment amount shall be taken directly from the prior year-end IMR amortization schedule and used to adjust the beginning IMR balance. By using the prior year estimated amortization against the beginning balance, instead of actual current year amortization against the ending balance, a circular calculation is prevented. Current year amortization includes components for current year losses and would need to be recalculated if the reporting entity fails the proof and must remove realized losses from the ending IMR balance. Current year IMR amortization shall be calculated based on the resulting IMR balance after adjustments for reporting entities that fail the proof of reinvestment, reflecting consideration of actual current year gains and losses included in the IMR.

Discussion of Conclusions:

In all situations, if the entity is required to complete the proof, and fails, the losses removed from IMR shall be recognized as current period realized loss.

Example 1: Proof is required as the entity has gone net negative with losses exceeding gains. If the entity fails the proof, the entity must remove IMR losses to either eliminate the net negative position, or to eliminate the increase of a net negative position. For this example, the removal would eliminate the net negative position, resulting in a year-end IMR position of net zero.

Example 2: Proof is not required as the entity has not gone net negative, even though the entity had more IMR losses than IMR gains.

Example 3: Proof is required as the entity has increased their prior net negative position. If the entity fails the proof, the entity must remove IMR losses to eliminate the current year increase of a net negative position. With the removal of \$35 in losses, the net negative position equals the beginning balance after the expected amortization from prior year established IMR.

Example 4: Proof is not required as the entity has not increased their prior-year net negative position.

Example 5: Proof is not required as the entity has not increased their prior-year net negative position.

Template 2 – Proof of Reinvestment Disclosure Illustration – General Account

Line	Data Source	Description	2024 YTD
1	CF Stmt - Row 13.1	Cost of investments acquired (long-term only) - Bonds	103,056,000
2	CF Stmt - Row 13.3	Cost of investments acquired (long-term only) - Mortgage Loans	14,181,000
3	Sum of lines 1 + 2	Cost of Fixed Income Investments Purchased	117,237,000
4			
5	Internal Systems	Proceeds from investments sold - Bonds	39,861,000
6	Internal Systems	Proceeds from investments sold - Mortgage Loan	3,831,000
7	Sum of Lines 5 & 6	Total proceeds from Fixed Income Investments Sold	43,692,000
8			
9	CF Stmt - Row 1	Premiums collected net of reinsurance	52,020,000
10	CF Stmt - Row 7	Commissions, expenses paid & aggregate write-ins for deductions	11,062,000
11	AS - Note 35 SA	Total Separate Account premiums, considerations or deposits, end of current period. (Negative IMR in the SA requires a separate calculation)	15,000,000
12	Internal Systems	Separate Account assets in kind received in line 11 above	3,000,000
13	Analysis of Operations - A&H: Column 1 less columns 11^ & 12	Premiums for accident and health contracts (short-term)	5,000,000
14	Line 9 - line 10 – line 11 + line 12 - line 13	Investable Premiums Before Other Investment Adjustment	23,958,000
15			
16	BS – Row 1	Bonds – Net Admitted	130,000,000
17	BS – Row 3.1	First Lien Mortgages – Net Admitted	20,000,000
18	BS – Row 3.2	Other Than First Lien Mortgages – Net Admitted	10,000,000
19	16 + 17 + 18	Investments Subject to Proof of Reinvestment	160,000,000
20	BS – Row 12	Subtotal, Cash and Invested Assets – Net Admitted	200,000,000
21	Line 20 – Line 19	Allocation for Investment Into Other Assets	40,000,000
22	Line 21 Divided by Line 20	Percent of Investable Premiums Allocable to Equity and Other Investments	20%
23	Line 14 multiplied by Line 22	Investable Premium Adjustment	4,792,000
24	Line 14 – Less 23	Investable Premium	19,166,000
25	Line 3 - line 7 - line 14	Investments Purchased less Investments Sold and Investable Premiums	49,587,000
26	Internal Systems	Weighted average yield of fixed income investments purchased (as reported on line 3) during the year	4.57%
27	Internal Systems	Weighted average yield of fixed income investments sold (as reported on line 7) during the year	3.96%
28	Line 17 - line 18	Increase (Decrease) of Yield of Purchased Investments Over Those Sold	0.61%
29		Sufficient Evidence of Reinvestment of Fixed Income Investments	
30	Test 1	Is line 25 positive?	Yes
31	Test 2	Is line 28 positive?	Yes
	If lines 25 & 28 are both positive - current year negative IMR that exceeds positive IMR can be added to either originate a net negative balance or increase an existing unamortized negative IMR balance. Admittance is subject to limitations included within SSAP No. 7.		

Template 3 – Proof of Reinvestment Disclosure Illustration – Separate Account

Line	Data Source	Description	2024 YTD
1	internal systems	Cost of investments acquired (long-term only) - Bonds	430,000
2	internal systems	Cost of investments acquired (long-term only) - Mortgage Loans	128,000
3	Sum of lines 1 + 2	Cost of Bonds & Mortgage Loans Purchased	558,000
4			
5	Internal Systems	Proceeds from Investments sold - Bonds	502,000
6	Internal Systems	Proceeds from Investments sold - Mortgage Loans	14,000
7	sum of lines 5 & 6	Total proceeds from Bonds & Mortgage Loans Sold	516,000
8			
9	Blue book Note 35	Premiums collected net of reinsurance	7,000
10	CF Stmt - Row 7	Commissions, expenses paid and aggregate write-ins for deductions	0
11	AS - Note 35 SA	Total premiums, considerations or deposits at end of current period	0
12	Internal Systems	Assets in kind received in line 11 above	0
13	AS - Analysis of operations by lines of business - A&H: Column 13 less columns 11 & 12	Premiums for accident and health contracts (short-term)	0
14	Line 9 -line 10 -line 11 + line 12 - line 13	Investable Premiums	7,000
15			
16	B/S Line 1 - Bonds	Bonds – General Account Basis Only – Net Admitted	2,450,000
17	B/S - Line 3 M/Ls (GA basis)	Mortgages – General Account Basis Only – Net Admitted	570,000
18	Sum of lines 16 & 17	Investments Subject to Proof of Reinvestment	3,020,000
19	B/S - Line 11 Cash & Invested Assets	Subtotal, Cash and Invested Assets – General Account Basis - Net Admitted	3,124,000
20	Line 19-Line 18	Allocation for Investment for Other Assets	104,000
21	Line 20 divided by line 19	Percent of Investable Premiums Allocable to Equity & Other Investments	3%
22	Line 14 multiplied by line 21	Investable Premium Adjustment	0.23
23	Line 14 minus line 22	Investable Premiums	6.77
24			
25	Line 3 - line 7 - line 23	Investments Purchased less Investments Sold and Investable Premiums	35,000
26			
27	Internal Systems	Weighted average yield of fixed income investments purchased (as reported on line 3) during the year	4%
28	Internal Systems	Weighted average yield of fixed income investments sold (as reported on line 7) during the year	3%
29	Line 17 - line 18	Increase (Decrease) of Yield of Purchased Fixed Income Investment Yield Over Those Disposed	1%
30			
31		Sufficient Evidence of Reinvestment of Fixed Income Investments	
32	Test 1	Is line 25 positive?	yes
33	Test 2	Is line 29 positive?	yes

If lines 32 & 33 are both positive (yes) - current year negative IMR can be added to existing unamortized negative IMR balance. If either line 32 or 33 is negative (no), then current year negative IMR cannot be added to existing unamortized negative IMR, with the exception of negative IMR received as a transfer from the general account. (Note: Further discussion is planned for this exception and whether the transferred IMR should be reflected in the separate account IMR balance.)

Existing Authoritative Literature:

- ***SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve***
- ***Annual Statement Instruments – Interest Maintenance Reserve***

SSAP No. 7 establishes statutory accounting principles for an AVR and IMR. Currently most guidance is captured in the annual statement instructions. One intent of the long-term IMR project is to move accounting guidance from the annual statement instructions into the SSAP.

There is no guidance for IMR/AVR in SSAP No. 7 and the annual statement instructions that limits recognition of realized losses from qualifying debt securities to IMR. This is because that historically, net negative IMR was nonadmitted. With potential long-term guidance that permits admittance of negative IMR, restrictions on recognition to IMR is being considered.

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 Item 2023-14: *SSAP No. 7—Asset Valuation Reserve and Interest Maintenance Reserve* establishes a broad project to capture accounting guidance for AVR and IMR in SSAP No. 7. The IMR ad hoc group was created from this agenda item and has been meeting regularly since October 2023. In accordance with this agenda item, in August 2025, the Working Group agreed with a resulting conclusion from the IMR Ad Hoc Group to eliminate the concept of hypothetical IMR in the issue paper and proposed edits to SSAP No. 7. Consistent with other IMR topics, when the issue paper and SSAP No. 7 revisions are exposed, future revisions can be considered prior to final adoption and implementation.
- Agenda Item 2023-15: IMR/AVR Specific Allocations adopted revisions to the A/S instructions for year-end 2024 to remove the guidance that prescribes the specific allocation of non-interest related losses to IMR. The revisions addressed both mortgage loans and the guidance for debt securities. For debt securities, the guidance directs AVR reporting if there is an acute credit event that negatively impacts the price of the security that has not yet been reflected in the CRP ratings/SVO feed at the time of the sale where the resulting gains/loss was predominantly credit related.
- Agenda Item 2023-29: IMR / AVR Preferred Stock adopted revisions to the A/S instructions for year-end 2024 to remove the guidance that directed all preferred stock to be allocated between IMR/AVR based on NAIC designations, and to clarify that perpetual preferred stock as well as all mandatorily convertible preferred stock shall be reported through the AVR.
- Agenda Item 2024-15: Asset Liability Management Derivatives was developed to consider new statutory accounting guidance to permit the deferral of realized gains/losses for interest-rate hedging derivatives that do not qualify as effective hedges under *SSAP No. 86—Derivatives*. This item was initially exposed at the 2024 Summer National Meeting, but an extended comment period was provided until November 8, 2024. Then, due to the extent of comments and the complexity of the topic, the Working Group deferred direction to staff to move forward. Further discussion, along with a review of data reported for IMR derivatives is anticipated, before the Working Group directs staff to move forward.
- Agenda Item 2025-13: IMR Definition was developed to establish a broad definition of IMR. This definition was “adopted” by the Working Group on August 11, 2025, but consistent with other IMR topics, the definition will be included in the issue paper and revisions to SSAP No. 7, which will also be exposed, and future revisions could be considered prior to final adoption and implementation.

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 as a new SAP concept and expose the proposed concepts and templates for the IMR Proof of Reinvestment, as shown above, for full Working Group and industry consideration. Although being shared/exposed at this time with a request for feedback, the resulting guidance will be included in the issue paper being developed for SSAP No. 7. As such, subsequent consideration can also occur when the issue paper is also exposed for comment.

Staff Review Completed by: Julie Gann, NAIC Staff—September 2025

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed the proposed concepts and templates for the IMR Proof of Reinvestment developed by the IMR Ad Hoc Group, as shown above, for Working Group and industry consideration. These concepts and disclosures are anticipated to be included in the issue paper and revised SSAP developed as part of the IMR long-term project.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the proposed concepts for the IMR Proof of Reinvestment developed by the IMR Ad Hoc Group as discussed above. With the proof of reinvestment concept, an insurance reporting entity would have to pass the proof in order to move into a net negative IMR position or an increase a net negative IMR position in either the general account or book-value separate account. Reporting entities that do not complete the template or do not pass the tests detailed within the proof of reinvestment will be required to recognize losses that exceed gains from sales of qualifying fixed-income investments immediately as a capital loss. Comments were received on the exposed templates, and NAIC staff noted that they will work with industry to refine the templates. The concept and revised disclosure templates will be subsequently exposed and considered for final adoption in the issue paper and revised SSAP developed as part of the long-term IMR project.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/03-23-26SpringNationalMeeting/Hearing/11-25-23-IMRProofofReinvestment.docx>