

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

**Issue: Nonadmittance of Long-Term Repos**

**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 has been prepared to discuss and clarify the guidance requiring nonadmittance of long-term repurchase and reverse repurchase transactions. This item has been raised due to questions on the existing guidance requiring nonadmittance, inconsistent treatment by reporting entities, permitted practices to admit long-term repurchase agreements, and an identified potential disparate treatment for repurchase agreements in comparison to other types of borrowing structures.

Under existing guidance in *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, repurchase and reverse repurchase transactions are collectively referred to as “repos.” The existing nonadmittance guidance refers to both types collectively, with nonadmittance required for agreements with maturity dates in excess of 365 days. This is detailed in footnote 6 of SSAP No. 103:

<sup>6</sup> Only short-term repo agreements (with a stated short-term maturity date) are allowed as admitted assets. Long-term repo agreements (agreements with maturity dates in excess of 365 days) are nonadmitted.

Questions and comments have been received on the nonadmittance of repo contracts that have stated maturity dates of more than one year, particularly noting the following:

1. Repurchase and reverse repurchase agreements are different transactions, serving different purposes for reporting entities, therefore should be assessed separately in determining how nonadmitted guidance should be applied and if nonadmittance should be required for maturities in excess of one year.
2. For repurchase transactions, the nonadmittance recognition has been noted to present a punitive financial position when the agreement is open. If the repurchase transaction was to default, the resulting surplus position after default would be an improved financial presentation than what is shown with nonadmittance.
3. For repurchase transactions, the treatment has been identified to be disparate from other borrowing arrangements. For example, borrowings from the FHLB and securities lending agreements are not subject to admittance provisions based on the length of the borrowing agreement.
4. For all transactions, questions have been received on the application, particularly on the component that should be nonadmitted in the financial statements, and if that nonadmitted status should be eliminated once the contract enters the last year of its contract. (For example, if a 3-year agreement was nonadmitted, would that agreement be admitted once there is only 1 year left to maturity.)

As background, the definitions of repurchase and reverse repurchase agreements are as follows:

- Repurchase Agreements - For secured borrowing repurchase transactions, the insurance reporting entity sells a security, and receives collateral (generally cash) in an exchange that does not qualify as a sale. The insurer is the “cash taker” in these transactions, meaning they are borrowing funds from the counterparty. An insurer could enter into repurchase agreements for spread investing, this could be considered similar to the purposes of entering into a borrowing agreement with FHLB. For repurchase transactions, the counterparty to the insurer bears the asset risk (risk of decline in collateral value for the transferred asset).
- Reverse Repurchase Agreements - For secured borrowing reverse repurchase transactions, the insurance reporting entity is buying a security and providing collateral (generally cash) in an exchange that does not qualify as a sale. The insurer is the “cash provider” in these transactions. For these transactions, the insurer bears the asset risk (risk of decline in collateral value for the acquired asset).

For purposes of review, the remaining agenda item will review repurchase and reverse repurchase transactions separately to avoid confusion on the accounting / reporting.

### **Repurchase Agreements – Insurer is the Cash Taker -Illustration of Entries & Assessment of Nonadmittance:**

As detailed above, for repurchase agreements, the reporting entity “sells” a security and receives collateral (generally cash) in exchange. The agreement typically does not qualify as a sale, so is accounted for as a secured borrowing. Under secured borrowing provisions, the asset “sold” is retained on the reporting entity’s books, if cash is received and/or if the reporting entity has the ability to sell non-cash collateral received, then the entity recognizes the cash, and the liability to return.

The reporting entity’s entries would look as follows: *(Note: The collateral requirement is 95. However, the entries are simply shown for debit/credit purposes and to illustrate nonadmittance, so a simple matching 100 is used.)*

	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Sell Bond in Repo	100DR		100CR	
<b>Ending Balances</b>	<b>100DR</b>	<b>100DR</b>	<b>100CR</b>	<b>100CR</b>
<b>Net Position</b>		<b>100DR</b>		<b>100CR</b>

As shown above, the cash received is offset by the reported liability. **With this reporting there is no impact on the overall capital and surplus.** If this repurchase agreement was in excess of 1 year, then under SSAP No. 103 the sold bond would be nonadmitted. This would be shown as follows:

	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Sell Bond in Repo	100DR		100CR	
Nonadmit Bond		100CR		100DR
<b>Ending Balances</b>	<b>100DR</b>		<b>100CR</b>	
<b>Net Position</b>	<b>0</b>			<b>0</b>

As shown above, with nonadmittance the surplus is eliminated, and the cash and liability offset. **This would negatively impact the reporting entity’s financial presentation for the nonadmitted bond.** However, in the event

that the transaction was to default and the counterparty did not return the bond, the ultimate impact from this transaction would be for the reporting entity to keep the collateral (cash) and eliminate the liability to return the cash to the counterparty, shown as follows:

	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr
Purchase Bond	100CR	100DR		
Sell Bond in Repo	100DR		100CR	
Nonadmit Bond		100CR		100DR
Remove Liability			100DR	100CR
Remove Nonadmittance		100DR		100CR
Remove Bond		100CR		100DR
<b>Ending Balances</b>	<b>100DR</b>			<b>100CR</b>
<b>Net Position</b>	<b>100DR</b>			<b>100CR</b>

This puts the reporting entity exactly where they were prior to the repurchase transaction (except for the 5% difference in the collateral received versus the bond lent). **As such, nonadmitting the “sold” bond during the agreement results in a presentation that is more punitive than what would occur in the event of default.**

Although there could be discussion on the reinvested use of the cash received, that dynamic is not specific or limited to repurchase agreements. In fact, with the financial crisis, the liquidity issues most predominantly involved the short-term (overnight) security lending transactions, that had historically been continuously rolled. In those dynamics, the insurer had invested the cash/collateral received in longer dated assets, as they expected the securities lending agreement to continue to roll. When the counterparty decided not to end the agreement on a stated maturity date (overnight), rather than continuously roll the investment, the insurer had to return the collateral by liquidating assets they had not planned to sell. After the financial crisis, additional disclosures were required to address the mismatch of the securities lending agreement to the reinvested cash. Presumably, reinvested cash from a longer dated repurchase agreement would be more in line with the maturity date of the agreement. (As non-short-term repurchase agreements were nonadmitted during the financial crisis, longer dated repurchase agreements were not a component within this dynamic.)

Based on this illustration and how the accounting/reporting works, unless it is intended to be punitive and a discouragement for a reporting entity to enter longer term repurchase transactions, the nonadmitted guidance is an interim negative financial presentation that exists while the repurchase agreement is in force. The resulting position (after default or unwinding) returns the reporting entity to the original pre-repurchase agreement presentation. As the insurer entity generally receives cash, and the counterparty assumes the asset risk, in the event the sold asset declines in value, the insurer would be in the preferred position. The insurer could elect to default, keeping the cash, and not accepting the return of the devalued asset. As such, the risk to the insurer in a repurchase agreement is low.

For comparison purposes, the entries for a reporting entity borrowing from an FHLB are shown below. There are no restrictions for FHLB transactions for long-term agreements, therefore there is no reported nonadmittance. The reporting entity’s beginning, interim, and ending net position is the same. This is because even in the event of default, the reporting entity keeps the cash borrowed and removes the liability to return.

FHLB Borrowing Accounting Illustration				
	Cash	Bond	Liability	Surplus
Beg Balance	100DR			100Cr

Purchase Bond	100CR	100DR		
Borrow from FHLB (with Bond Pledged)	100DR		100CR	
<b>Net Position</b>		<b>100DR</b>		<b>100CR</b>
<i>Upon Default / Unwind</i>				
Remove Bond & Liability		100CR	100DR	
<b>Net Position</b>	<b>100 DR</b>			<b>100CR</b>

NAIC staff generally believe that when the economic impact is equivalent, the source of the agreement / borrowing (e.g., repurchase agreement versus securities lending or FHLB borrowing) should not result in different admittance or nonadmittance treatment based solely on the agreement's duration.

To address potential questions on the comparison to the FHLB, the intent is to illustrate that by restricting longer term repurchase agreements, reporting entities must look to other borrowing options. The FHLB has membership requirements, different rules on the sorts of collateral that is permitted to be pledged (e.g., mortgage-related) and larger overcollateralization requirements. As such, by limiting longer term repos, reporting entities are limited in borrowing options, without incurring additional costs or restrictions.

The SSAP No. 103 guidance regarding securities lending and repurchase agreements have slightly different collateral requirements, but both are generally accounted for as secured borrowings because they do not meet the definition of a sale. After the 2008 financial crisis, more disclosures about "reinvested" collateral was developed for securities lending transaction resulting in Schedule DL. (Although referred to as "reinvested" collateral, Schedule DL includes the collateral held. This can be original collateral received or the subsequent acquisition if the collateral was reinvested.) This schedule does not currently include repurchase or reverse repurchase information. However, both repurchase and reverse repurchase agreements have extensive disclosures in the notes to the financial statements. These disclosures identified maturity timeframe of the repo agreement, the securities sold/acquired, the collateral received, and the allocation of aggregate collateral by remaining contractual maturity.

**Based on the above assessment, unless regulators identify other factors that justify different treatment or nonadmittance for repurchase agreements, NAIC staff recommend that if a repurchase agreement satisfies the initial and ongoing SSAP No. 103 collateral requirements (i.e., collateral equal to at least 95% of the fair value of the transferred/sold security), the agreement's maturity length should not affect its admittance. If there is concern that longer dated repurchase agreements can be puttable and terminated early, leaving an insurer to liquidate invested assets, then NAIC staff would recommend establishing provisions that address the puttable nature of all borrowing agreements, rather than limiting a specific form of a long-term borrowing transaction.**

### Reverse Repurchase Agreements – Insurer is the Cash Giver – Illustration of Entries & Assessment of Nonadmittance:

As detailed above, for reverse repurchase agreements, the reporting entity “buys” a security and provides collateral (generally cash) in exchange. The agreement most often does not qualify as a sale, so is accounted for as a secured borrowing, with the received asset/bond not reported on the insurer’s books. Under secured borrowing provisions, the cash provided to “purchase” the asset is derecognized with a receivable recognized for its return. This receivable is reported as a “reverse repurchase asset.”

The entries would look as follows: *(Note: The collateral requirement is 102. However, the entries are simply shown for debit/credit purposes and to illustrate nonadmittance, so a simple matching 100 is used.)*

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<b>Ending Balances</b>		<b>100DR</b>		<b>100CR</b>
<b>Net Position</b>		<b>100DR</b>		<b>100CR</b>

As shown above, the cash provided is offset by a receivable representing a return of the cash by the counterparty. If the reverse repo agreement was short-term, this reverse repo receivable should be reported on Schedule DA – Short-Term Investments as an “Other Short-Term Investment.” (Note: Under the secured borrowing approach, the acquired asset is not reported on the financial statements.)

If the reverse repurchase agreement was long-term, under SSAP No. 103, it should be nonadmitted. Presumably, nonadmittance would be applied to the “reverse repo receivable” recognized. If long-term (over 365 days), it would not qualify for Schedule D and should be reported on Schedule BA as an “Any Other Asset.”

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<b>Nonadmit Repo</b>		<b>100CR</b>		<b>100DR</b>
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

With nonadmittance, the reporting entity’s financial presentation provides no recognition of the asset the reporting entity is holding as collateral, which the reporting entity would have rights to retain upon default of the counterparty. If the reporting entity was to sell the acquired bond, they would recognize the cash received and an obligation to return the cash:

	Cash	Reverse Repo Asset Receivable	Liability	Surplus
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<b>Nonadmit Repo</b>		<b>100CR</b>		<b>100DR</b>

<b>Sell Bond for Cash</b>	<b>100DR</b>		<b>100CR</b>	
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

With that action, although the proceeds from the sale are recognized, the offsetting liability does not change the reporting entity's financial position. The reporting entity can then use this cash for further investment or working capital. If either party were to default on the transaction, both the receivable and liability to return the acquired asset would be eliminated:

	<b>Cash</b>	<b>Reverse Repo Asset Receivable</b>	<b>Liability</b>	<b>Surplus</b>
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
Nonadmit Repo Receivable		100CR		100DR
Sell Bond for Cash	100DR		100CR	
<i>Default / Unwind</i>				
Remove Liability			100DR	100CR
Remove Nonadmittance		100 DR		100CR
Remove Asset Receivable		100CR		100DR
<b>Ending Balances</b>	<b>100 DR</b>			<b>100CR</b>

Similar to a repurchase, at the time of default or unwinding, assuming no significant fair value / credit concerns to the acquired asset, the reporting entity would return to the same position prior to the reverse repurchase agreement.

**A key risk for reverse repurchase agreements that is different from repurchase agreements is the potential for a fair value change of the related (acquired / sold) asset:**

- In a repurchase agreement, the reporting entity has transferred an asset to the counterparty for cash. In the event the asset declines in value, the reporting entity could decide to default on the transaction and not take back the devalued asset. This would put the reporting entity in a better financial position, as they received cash for the original fair value of the asset. The valuation risk (decline in asset value) is assumed by the counterparty.
- In a reverse repurchase agreement, the asset valuation risk has been assumed by the reporting entity. As such, if the reporting entity is holding the bond, and its value has declined, the counterparty could decide to default, leaving the reporting entity with only the devalued bond as the remaining asset. This dynamic would result in the reporting entity having a diminished financial position because of the reverse repurchase agreement:

	<b>Cash</b>	<b>Reverse Repo Asset Receivable</b>	<b>Liability</b>	<b>Surplus</b>
Beg Balance	100DR			100CR
Buy Bond in Repo	100CR	100DR		
<i>Bond Value Declines</i>				

<i>Counterparty Defaults</i>				
Remove Asset Receivable		100CR		100DR
Sell Bond for Cash	50DR			50CR
<b>Ending Balances</b>	<b>50 DR</b>			<b>50CR</b>

Although SSAP No. 103 requires that the original “collateral” (acquired bond) be more than the cash outlay (at 102%), that overcollateralization would likely not safeguard against significant valuation declines in the acquired asset. Subsequent to acquisition, although the SSAP No. 103 guidance stipulates an obligation for the counterparty to provide more collateral for fair value shortfalls, there is no nonadmittance provision if additional collateral is not received. For reverse repurchase agreements, limiting admittance to 1-year agreements provides a safeguard against the potential risk of the acquired asset decline. Further, if this nonadmittance encourages use of 1-year or less agreements, then insurer reporting entities can more timely unwind reverse repurchase agreements in response to changing market conditions, with a higher potential to either receive a full return of their cash outlay, or the ability to sell the acquired bond at a comparable fair value as to their initial cash outlay.

**With this assessment, NAIC staff recommend that the guidance continue to require nonadmittance of reverse repurchase agreements with maturity dates that exceed 1-year. Based on questions received, it is believed that clarification of the nonadmittance provisions would be beneficial, therefore the following is proposed:**

- **Clarification that long-term reverse repurchase agreements shall be reported as “Any Other Asset” on Schedule BA, coded as a restricted asset subject to a reverse repurchase agreement, and nonadmitted.**
- **Clarification that in the last year to maturity, the long-term reverse repurchase agreement would not move reporting schedules (it would remain on Schedule BA) but could be admitted.**

**Existing Authoritative Literature:**

- ***SSAP No. 2—Cash, Cash Equivalents, Drafts and Short-Term Investments***  
This statement identifies reverse repurchase agreements of one year or less at the time of acquisition as short-term investments.
- ***SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities***  
This statement provides guidance for the accounting of repurchase and reverse repurchase agreements, including agreements designed as sales as well as secured borrowings. The guidance has an explicit statement that both repurchase and reverse repurchase agreements with maturity dates in excess of 1-year (365 days) are nonadmitted. The guidance also details the collateral requirements for admittance.

**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 2024-24: *Conforming Repurchase Agreements*** was developed in response to a January 2024 referral received from the Life RBC (E) Working Group in response to an ACLI request to modify the treatment of repurchase agreements in the Life RBC formula. This agenda item identified differences in accounting between securities lending and repurchase agreements. Under this same agenda item, in August 2024, the Working Group exposed a memo detailing the accounting, reporting and RBC guidance for repurchase and securities lending transactions with a number of notes and questions identified within.

In March 2025, the Working Group directed NAIC staff to develop clarifying revisions to the SSAP No. 103 guidance, as time allows, recognizing that other projects may be of greater importance.

**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 revisions to SSAP No. 103 to revise the guidance to allow long-term repurchase agreements to be admitted. This would then identify that only reverse repurchase agreements with maturity dates in excess of one-year are nonadmitted. This will alter historical guidance that required repurchase agreements with maturity date in excess of one-year to be nonadmitted. Although this is a new SAP concept, due to the limited scope of the change and documentation within this agenda item, NAIC staff does not recommend an issue paper to detail the change. The rationale is detailed within this agenda item and can be referred to for future use as needed. With the nonadmittance revision, it is recommended that the Working Group include clarifying edits on how reverse repurchase agreements shall be reported in the financial statements.

As discussed within, if there is concern that longer-dated repurchase agreements can be puttable and terminated early, leaving an insurer to liquidate invested assets (similar to what could occur when collateral from overnight securities lending transactions are reinvested in longer-term assets), then NAIC staff would recommend establishing provisions that address the puttable nature of all borrowing agreements, rather than limiting a specific form of a borrowing transaction. Comments are requested from industry on the prevalence of puttable provisions in repurchase agreements. Comments are requested from regulators on the need to include admittance restrictions if repurchase agreements (as well as perhaps other borrowing agreements) have puttable provisions and if borrowing agreements with puttable conditions need additional disclosure (e.g., terms of puttable conditions, potential mismatches in maturity or valuation if the cash collateral has been reinvested, etc.)

*This item was identified to be addressed separately from the broad repo project captured in agenda item 2024-24. That project will continue as time allows.*

**Proposed Revisions to SSAP No. 103:**

<sup>6</sup> Only short-term reverse repurchase ~~repo~~-agreements ~~(with a-stated short-term-maturity dates of 365 days or less)~~ are allowed as admitted assets. Long-term reverse repurchase ~~repo~~-agreements ~~(agreements with maturity dates in excess of 365 days)~~ are nonadmitted. and shall be reported on Schedule BA as an "Any Other Asset." A long-term reverse repurchase agreement shall not be moved to Schedule DA when the remaining maturity date is within 365 days of the reporting period date. However, when the maturity date is within 365 days of the reporting period date and the fair value of the acquired asset is 102% or more than the original purchase price paid by the reporting entity, the reverse repurchase agreement may be admitted for the remaining duration (365 days or less) until maturity. If the reverse repurchase agreement is renewed for a period in excess of 365 days, the agreement shall again be nonadmitted. This footnote is specific to reverse repurchase agreements and has no impact on the admittance of long-term repurchase agreements.

**Staff Review Completed by:** Julie Gann, NAIC Staff—October 2025

**Status:**

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to allow long-term repurchase agreements to be admitted. The revisions also clarify that reverse repurchase agreements with maturity dates in excess of one-year shall continue to be nonadmitted and provide guidance for how the nonadmittance should be reflected.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, as illustrated above, to allow long-term repurchase agreements to be admitted along with clarification that long-term reverse repurchase agreements shall continue to be nonadmitted. The revisions also provide guidance regarding the reporting of long-term reverse repurchase agreements.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/03-23-26SpringNationalMeeting/Hearing/15-25-28-RepoNonadmittance.docx>