

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

Issue: Remove Shaded Text

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: The *Accounting Practices and Procedures Manual (APPM)* historically used shaded text to indicate substantive revisions as deleted text in the Statements of Statutory Accounting Principles (SSAPs). This approach is no longer used for SSAPs. However, *SSAP No. 40—Real Estate Investments* still includes shaded text representing superseded guidance that was replaced when *SSAP No. 90—Impairment or Disposal of Real Estate Investments* was introduced in 2005. This agenda item proposes revisions to eliminate the shaded and superseded guidance shown within SSAP No. 40. These revisions would also update references within the APPM which detail using the shaded method to show previously superseded SSAP guidance.

Appendix H – Superseded SSAPs and Nullified Interpretations will continue to reflect nullified guidance as shaded text.

Existing Authoritative Literature:

Summary of Changes (Bolding added for emphasis)

Section 1 summarizes revisions that result in a new SSAP or new SAP concept to statutory accounting principles. Revisions that introduce original or modified accounting principles can be reflected in an existing or new SSAP. When revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, New SSAPs and new SAP concepts that revise existing SSAPs are commonly accompanied by a corresponding issue paper that reflects the tracked revisions for historical purposes. **If language in an existing SSAP is superseded, that language is shaded and the new or revised SSAP is referenced.** Completely superseded SSAPs and nullified interpretations are included in Appendix H.

How to Use This Manual (Bolding added for emphasis)

The cover page of each SSAP contains a STATUS section that can affect the implementation of each SSAP. The STATUS section contains the following:

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The “affects” section is used when a SSAP has previously been amended to reflect new SAP concepts or superseded by other issued SSAPs. Nullified INTs are also noted in this section. **Readers are referenced to another SSAP in the “affected by” section if the SSAP has been superseded or amended with a new SAP concept or with the issuance of a new SSAP. Text within paragraphs amended with new SAP concepts or superseded may also be “shaded” to notify readers that revised guidance is available.**

SSAP No. 40—Real Estate Investments

11. Properties occupied by the company and properties held for the production of income shall be carried at depreciated cost less encumbrances unless events or circumstances indicate the carrying amount of the asset (amount prior to reduction for encumbrances) may not be recoverable. Paragraph 5 of *FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* (FAS 121), provides examples of events or changes in circumstances which indicate that the recoverability of the carrying amount of properties occupied by the company or properties held for the production of income should be assessed. If the events or changes in circumstances set forth in paragraph 5 of FAS 121 are present or if other events or changes in circumstances indicate that the carrying amount of properties occupied by the company or properties held for the production of income may not be recoverable, the entity shall determine whether an impairment loss must be recognized in accordance with paragraph 6 of FAS 121. Property occupied by the company shall be evaluated using the asset grouping approach of paragraph 8 of FAS 121. An impairment loss is measured as the amount by which the individual carrying amounts exceed the fair value of properties occupied by the company or properties held for the production of income. Fair value is determined in accordance with paragraph 13 of this statement. If the fair value of the asset is less than the carrying value, the asset shall be written down to the fair value thereby establishing a new cost basis. The new cost basis shall not be changed for subsequent recoveries in fair value. The adjustment shall be recorded in the statement of operations as a realized loss.

12. Properties that the reporting entity has the intent to sell or is required to sell shall be classified as properties held for sale and carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property consistent with paragraph 16 of FAS 121. The intent to sell a property exists when management, having the authority to approve the action, has committed to a plan to dispose of the asset, either by sale or abandonment. Fair value of the asset shall be determined in accordance with paragraph 13 of this statement. Subsequent revisions to the fair value of the asset shall be accounted for in accordance with paragraph 17 of FAS 121.

25. An entity that recognizes an impairment loss shall disclose all of the following in financial statements that include the period of the impairment write-down:

- a. A description of the impaired assets and the facts and circumstances leading to the impairment;
- b. The amount of the impairment loss and how fair value was determined; and
- c. The caption in the statement of operations in which the impairment loss is aggregated.

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 recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to SSAP No. 40, SSAP No. 90, the Summary of Changes, and the How to Use document to delete the shaded text instructions and delete previously superseded guidance in SSAP No. 40 which is currently shown as shaded text.

Staff Review Completed by: William Oden, NAIC Staff – October 2025

Proposed revisions to *Summary of Changes*:

Section 1 summarizes revisions that result in a new SSAP or new SAP concept to statutory accounting principles. Revisions that introduce original or modified accounting principles can be reflected in an existing or new SSAP. When revisions that result in a new SAP concept are made to an existing SSAP, the effective date is identified in the Status section, New SSAPs and new SAP concepts that revise existing

SSAPs are commonly accompanied by a corresponding issue paper that reflects the tracked revisions for historical purposes. ~~If language in an existing SSAP is superseded, that language is shaded and the new or revised SSAP is referenced.~~ Completely superseded SSAPs and nullified interpretations are [shaded and included in moved to](#) Appendix H.

Proposed revisions to *How to Use This Manual*:

The cover page of each SSAP contains a STATUS section that can affect the implementation of each SSAP. The STATUS section contains the following:

AFFECTS/AFFECTED BY – A useful tool for tracking relationships between statements and interpretations is contained within these sections. The “affects” section is used when a SSAP has previously been amended to reflect new SAP concepts or superseded by other issued SSAPs. Nullified INTs are also noted in this section. Readers are referenced to another SSAP in the “affected by” section if the SSAP has been superseded or amended with a new SAP concept or with the issuance of a new SSAP. ~~Text within paragraphs amended with new SAP concepts or superseded may also be “shaded” to notify readers that revised guidance is available.~~

Appendix H – Superseded SSAPs and Nullified Interpretations:

Appendix H contains superseded SSAPs and nullified interpretations and is posted for public reference on the Statutory Accounting Principles (E) Working Group web page at https://content.naic.org/cmte_e_app_sapwg.htm. [Nullified guidance is shown as shaded text in Appendix H.](#)

Proposed Revisions to SSAP No. 40—Real Estate Investments - delete the paragraphs previously shown as shaded, with subsequent paragraphs to be renumbered, and add additional references to SSAP No. 90.

Status

Affected by..... ~~Paragraphs 11, 12 and 25 superseded by~~ SSAP No. 90

5. Real estate investments shall be reported in accordance with the following balance sheet categories, with parenthetical disclosure of the amount of related encumbrances. [Guidance is included in SSAP No. 90—Impairment or Disposal of Real Estate Investments on classifying real estate to be disposed of other than by sale, for determining costs to sell, and for reporting disposal gains and losses as well as other than temporary impairments:](#)

- a. Properties occupied by the company – depreciated cost, less encumbrances;
- b. Properties held for the production of income – depreciated cost, less encumbrances; and
- c. Properties held for sale – lower of depreciated cost or fair value, less encumbrances and estimated costs to sell the property. (Paragraph 21 of SSAP No. 90—~~Impairment or Disposal of Real Estate Investments~~ provides criteria that must be met for this real estate classification.)

6. Any real estate which is owned by and is more than 50% occupied by the reporting entity and its affiliates shall be considered property occupied by the company. “More than 50% occupied” shall mean that the square footage occupied by the reporting entity and its affiliates totals more than 50% of the rentable square footage of the property, including common areas. This shall include property occupied by the company which is not necessarily home office (e.g., claims processing, data processing and branch centers). Property which does not meet this 50% requirement shall be classified as property held for the production of income or property held for sale, consistent with SSAP No. 90.

7. Encumbrances represent outstanding mortgages or other debt related to the real estate investment and any unpaid accrued acquisition or construction costs. Participating mortgage loan liabilities are addressed in paragraphs 22-24. Interest expense shall be included in investment expenses.

8. The cost of real estate represents the fair value of the consideration exchanged plus any costs incurred to place the real estate asset in usable condition, including but not limited to, brokerage fees, legal fees, demolition, clearing and grading, fees of architects and engineers, any additional expenditures made for equipment and fixtures that are made a permanent part of the structure and certain interest costs as provided for in *SSAP No. 44—Capitalization of Interest*. Where cost includes both land and building, the cost shall be allocated among the assets purchased based on the relative values determined using appraisals, as described in paragraph 13. The cost shall be reduced by any amounts received for sales of rights or privileges in connection with the property or by any cash recoveries received after acquiring title to the property. The cost of real estate which has been foreclosed upon shall be initially established in accordance with *SSAP No. 36—Troubled Debt Restructuring* and *SSAP No. 37—Mortgage Loans*. The cost of contributed real estate shall be initially established in accordance with *SSAP No. 95—Nonmonetary Transactions* as a nonreciprocal transfer.

9. Internal preacquisition costs classified as nonoperating at the date of a property acquisition (that otherwise meet the requirements of paragraph 4 of FAS 67) shall be capitalized. If the entity subsequently determines that the property should have been classified as operating at the date of acquisition, such costs should be charged to expense and any additional costs shall be expensed as incurred. If internal preacquisition costs classified as operating at the date of acquisition were expensed as incurred, and the entity subsequently determines that the property should have been classified as nonoperating, the expensed costs shall remain as originally reported and shall not be reclassified to capitalized costs.

10. The cost of property included in real estate investments, other than land, shall be depreciated over the estimated useful life, not to exceed fifty years. Depreciation expense shall be included in investment expenses.

~~11. Properties occupied by the company and properties held for the production of income shall be carried at depreciated cost less encumbrances unless events or circumstances indicate the carrying amount of the asset (amount prior to reduction for encumbrances) may not be recoverable. Paragraph 5 of FASB Statement No. 121, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to Be Disposed Of (FAS 121), provides examples of events or changes in circumstances which indicate that the recoverability of the carrying amount of properties occupied by the company or properties held for the production of income should be assessed. If the events or changes in circumstances set forth in paragraph 5 of FAS 121 are present or if other events or changes in circumstances indicate that the carrying amount of properties occupied by the company or properties held for the production of income may not be recoverable, the entity shall determine whether an impairment loss must be recognized in accordance with paragraph 6 of FAS 121. Property occupied by the company shall be evaluated using the asset grouping approach of paragraph 8 of FAS 121. An impairment loss is measured as the amount by which the individual carrying amounts exceed the fair value of properties occupied by the company or properties held for the production of income. Fair value is determined in accordance with paragraph 13 of this statement. If the fair value of the asset is less than the carrying value, the asset shall be written down to the fair value thereby establishing a new cost basis. The new cost basis shall not be changed for subsequent recoveries in fair value. The adjustment shall be recorded in the statement of operations as a realized loss.~~

~~12. Properties that the reporting entity has the intent to sell or is required to sell shall be classified as properties held for sale and carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property consistent with paragraph 16 of FAS 121. The intent to sell a property exists when management, having the authority to approve the action, has committed to a plan to dispose of the asset, either by sale or abandonment. Fair value of the asset shall be determined in accordance with paragraph 13 of this~~

~~statement. Subsequent revisions to the fair value of the asset shall be accounted for in accordance with paragraph 17 of FAS 121.~~

Disclosures

23. [Refer to SSAP No. 90 for disclosures on the impairment or disposal of real estate investments.](#)

~~25. An entity that recognizes an impairment loss shall disclose all of the following in financial statements that include the period of the impairment write-down:~~

~~a. A description of the impaired assets and the facts and circumstances leading to the impairment;~~

~~b. The amount of the impairment loss and how fair value was determined; and~~

~~c. The caption in the statement of operations in which the impairment loss is aggregated.~~

Effective Date and Transition

35. This statement is effective for years beginning January 1, 2001. 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—Accounting Changes and Correction of Errors*. Guidance in paragraph 8 was originally contained in *INT 99-16: EITF No. 97-11: Accounting for Internal Costs Relating to Real Estate Property Acquisitions* and was effective October 4, 1999. Guidance in paragraph 15 was originally contained in *INT 99-25: Accounting for Capital Improvements* and was effective December 6, 1999. Guidance in paragraphs 18-20 was previously included within *SSAP No. 77—Real Estate Sales* and was effective for years beginning January 1, 2002. [Effective January 1, 2006, SSAP No. 90—Impairment or Disposal of Real Estate Investments superseded paragraph 11, 12 and 25 of this statement. The superseded guidance was shown as shaded text until date TBD, when those paragraphs were deleted and subsequent paragraphs were renumbered.](#) The original guidance included in this standard from *SSAP No. 77* is retained for historical purposes in Issue Paper No. 106. Guidance related to *EITF 06-8* referenced in paragraph 30 was incorporated from *INT 08-02: EITF 06-8: Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66 for Sales of Condominiums* and was effective for periods beginning May 31, 2008. The guidance reflected in paragraph 30 adopting *EITF 07-6: Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, When the Agreement Includes a Buy-Sell Clause* was incorporated from *INT 08-07: EITF 07-6, Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66 When the Agreement Includes a Buy-Sell Clause*, and was effective September 22, 2008.

Proposed Revisions to SSAP No. 90—Impairment or Disposal of Real Estate Investments

Status

Affects..... ~~Supersedes paragraphs 11, 12 and 25 of SSAP No. 40R~~

SCOPE OF STATEMENT

~~2. This statement supersedes SSAP No. 40R—Real Estate Investments, paragraphs 11, 12 and 25.~~

Effective Date and Transition

42. The provisions of this statement shall be applied to all assets on the books of the reporting entity within the scope of this statement for reporting periods beginning on and after January 1, 2006. The guidance within paragraphs 18-20 was originally amended with the adoption of *SSAP No. 95*, included in that statement, and

effective for fiscal periods beginning after January 1, 2007. The original guidance included in this SSAP with tracked changes showing the amendments from SSAP No. 95 are retained for historical purposes within Issue Paper No. 127.

43. Effective January 1, 2006, SSAP No. 90 superseded paragraph 11, 12 and 25 of SSAP No. 40—Real Estate Investments. The superseded guidance was shown as shaded text until date TBD, when those paragraphs were deleted and subsequent paragraphs were renumbered.

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 40—Real Estate Investments*, *SSAP No. 90—Impairment or Disposal of Real Estate Investments*, the *Summary of Changes*, and the *How to Use* document to delete the shaded text instructions and delete previously superseded guidance in SSAP No. 40, which is currently shown as shaded text.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted revisions to SSAP No. 40, SSAP No. 90, the *Summary of Changes*, and the *How to Use This Manual* document to remove the superseded text that had been shown as shaded prior to this adoption. The final adopted changes are illustrated below.

Revisions to *Summary of Changes*:

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Revisions to *SSAP No. 40—Real Estate Investments* - Delete the paragraphs previously shown as shaded, with subsequent paragraphs to be renumbered, and add additional references to SSAP No. 90.

Status

Affected by ~~Paragraphs 11, 12 and 25 superseded by~~ SSAP No. 90

5. Real estate investments shall be reported in accordance with the following balance sheet categories, with parenthetical disclosure of the amount of related encumbrances. [Guidance is included in SSAP No. 90—*Impairment or Disposal of Real Estate Investments* on classifying real estate to be disposed of other than by sale, for determining costs to sell, and for reporting disposal gains and losses as well as other than temporary impairments:](#)

- a. Properties occupied by the company – depreciated cost, less encumbrances;
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Disclosures

[23. Refer to SSAP No. 90 for disclosures on the impairment or disposal of real estate investments.](#)

~~25. — An entity that recognizes an impairment loss shall disclose all of the following in financial statements that include the period of the impairment write down:~~

- ~~c. — A description of the impaired assets and the facts and circumstances leading to the impairment;~~

~~d. The amount of the impairment loss and how fair value was determined; and~~

~~c. The caption in the statement of operations in which the impairment loss is aggregated.~~

Effective Date and Transition

35. This statement is effective for years beginning January 1, 2001. 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—Accounting Changes and Correction of Errors*. Guidance in paragraph 8 was originally contained in *INT 99-16: EITF No. 97-11: Accounting for Internal Costs Relating to Real Estate Property Acquisitions* and was effective October 4, 1999. Guidance in paragraph 15 was originally contained in *INT 99-25: Accounting for Capital Improvements* and was effective December 6, 1999. Guidance in paragraphs 18-20 was previously included within *SSAP No. 77—Real Estate Sales* and was effective for years beginning January 1, 2002. [Effective January 1, 2006, SSAP No. 90—Impairment or Disposal of Real Estate Investments superseded paragraphs 11, 12, and 25 of this statement. The superseded guidance was shown as shaded text until March 23, 2026, when those paragraphs were deleted and subsequent paragraphs were renumbered.](#) The original guidance included in this standard from *SSAP No. 77* is retained for historical purposes in Issue Paper No. 106. Guidance related to *EITF 06-8* referenced in paragraph 30 was incorporated from *INT 08-02: EITF 06-8: Applicability of the Assessment of a Buyer’s Continuing Investment under FASB Statement No. 66 for Sales of Condominiums* and was effective for periods beginning May 31, 2008. The guidance reflected in paragraph 30 adopting *EITF 07-6: Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, When the Agreement Includes a Buy-Sell Clause* was incorporated from *INT 08-07: EITF 07-6, Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66 When the Agreement Includes a Buy-Sell Clause*, and was effective September 22, 2008.

Revisions to SSAP No. 90—Impairment or Disposal of Real Estate Investments

Status

Affects..... ~~Supersedes paragraphs 11, 12 and 25 of SSAP No. 40R~~

SCOPE OF STATEMENT

~~2. This statement supersedes SSAP No. 40R—Real Estate Investments, paragraphs 11, 12 and 25.~~

Effective Date and Transition

[43. Effective January 1, 2006, SSAP No. 90 superseded paragraphs 11, 12, and 25 of SSAP No. 40—Real Estate Investments. The superseded guidance was shown as shaded text until March 23, 2026, when those paragraphs were deleted and subsequent paragraphs were renumbered.](#)

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/03-23-26SpringNationalMeeting/Hearing/06-25-32-Shadedtext.docx>