

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

Issue: Updates on Economic Scenario Generator and Non-Variable Annuities

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input 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 is to coordinate regarding updates to the *Valuation Manual (VM)* on two topics:

1. APF 2025-04 updates the economic scenario generator references to reflect the adoption of the new prescribed economic scenario generator. The revisions from APF 2025-04 are effective January 1, 2026, and include an optional phase in which allows partial recognition of the impact over a period of up to 36 months. The following chapters of the VM were impacted by the revisions from Life Actuarial (A) Task Force agenda item APF 2025-04:
 - VM-20: Requirements for Principles Based Reserves for Life Products,
 - VM-21: Requirements for Principles Based Reserves for Variable Annuities,
 - VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation

2. APF 2025-11 introduces a new principle-based reserving framework for non-variable annuities, in VM-22, Requirements for Principles Based Reserves for Non-Variable Annuities. The revisions from APF 2025-11 are effective January 1, 2026, and include an optional implementation period of up to 3 years whereby a company may elect to utilize applicable formulaic reserving methodologies for blocks of business instead of applying VM-22. The following chapters of the VM were impacted by the revisions from Life Actuarial (A) Task Force agenda item APF 2025-11:
 - VM-01: Definitions for Terms in Requirements
 - VM- 22: Requirements for Principles Based Reserves for Non-Variable Annuities
 - VM-31: PBR Actuarial Report Requirements for Business Subject to a Principle-Based Valuation
 - VM-G: Appendix G – Corporate Governance Guidance for Principle-Based Reserves
 - VM-V: Statutory Maximum Valuation Interest Rates for Formulaic Reserves

The VM-22 transition guidance is as follows:

A company may elect to establish minimum reserves pursuant to applicable requirements in VM-A, VM-C, VM-M, and VM-V for business otherwise subject to VM-22 PBR requirements and issued during the first three years following the effective date of VM-22. If a company during the three-year transition period elects to apply VM-22 PBR to a block of such business, then a company must continue to apply the requirements of VM-22 for future valuations of this business. Irrespective of the transition date, a company shall apply VM-22 PBR requirements to all applicable blocks of business on a prospective basis starting three years after the effective date.

Existing Authoritative Literature:

SSAP No. 3—Accounting Changes and Corrections of Errors (Bolding added for emphasis):

- Paragraph 13.d. was added by agenda item 2019-47: Grade in of Variable Annuity Reserves.

Disclosures

13. Disclosure of material changes in accounting and correction of errors shall include:
- a. A brief description of the change, encompassing a general disclosure of the reason and justification for change or correction;
 - b. The impact of the change or correction on net income, surplus, total assets, and total liabilities for the two years presented in the financial statements (i.e., the balance sheet and statement of income and operations);
 - c. The effect on net income of the current period for a change in estimate that affects several future periods, such as a change in the service lives of depreciable assets or actuarial assumptions affecting pension costs. Disclosure of the effect on those income statement amounts is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts; however, disclosure is recommended if the effect of a change in the estimate is material;
 - d. **Changes in accounting that are changes in reserve valuation basis as described in SSAP No. 51—Life Contracts, which have elected phase-in provided for in the Valuation Manual, Section VM 21, shall also include in the change in accounting disclosures information regarding the application of any phase-in as provided for in SSAP No. 51;** and
 - e. When subsequent financial statements are issued containing comparative restated results as a result of the filing of an amended financial statement, the reporting entity shall disclose that the prior period has been restated and the nature and amount of such restatement.

SSAP No. 51—Life Contracts: (Bolding added for emphasis)

- Guidance on voluntary decisions shown in bold in SSAP No. 51, paragraph 37b was added by agenda item 2020-04: Commissioner Discretion in the Valuation Manual. Similar wording was also added to *SSAP No. 52—Deposit-Type Contracts, paragraph 14* and *SSAP No. 54R—Individual and Group Accident and Health Contract, paragraph 22*.
- Disclosure guidance in paragraph 39 was added by agenda item 2019-47: Grade in of Variable Annuity Reserves.

37. Changes in reserves developed under paragraph 22 or AG 43 shall be reviewed to determine whether the change represents a change in valuation basis and if it meets the definition of a change in accounting as defined in SSAP No. 3.

- a. Changes in principle-based reserving assumptions are often the result of updating assumptions and other factors required by the existing reserving methodology. Reserve changes resulting from the application of principle-based reserving methodology including, but not limited to, updating assumptions based on reporting entity, industry or other experience, and having the reported reserve transition between net premium reserve, deterministic reserve or stochastic reserve, as required under existing guidance, shall not be considered a change in valuation basis. These types of changes also include, but are not limited to, periodic updates in Valuation

Manual tables, such as industry valuation basic tables, asset spread tables and default cost tables.

- b. A change in valuation basis for principle-based reserves shall include cases where the required reserve methodology has changed or the insurer makes a voluntary decision to choose one allowable reserving method over another. These types of changes include, but are not limited to, new standardized mortality tables such as Commissioners Standard Ordinary tables and regulatory changes in methodology. **Voluntary decisions to choose one allowable reserving methodology over another, which require commissioner approval under the Valuation Manual, shall be reported as a change in valuation basis.**

38. Consistent with SSAP No. 3, any increase (strengthening) or decrease (destrengthening) in actuarial reserves resulting from such a change in valuation basis shall be recorded directly to surplus (under changes to surplus in the change in valuation basis annual statement line) rather than as a part of the reserve change recognized in the summary of operations.

39. The impact of a change in valuation basis on surplus is based on the difference between the reported reserve under the old and new methods as of the beginning of the year. This difference shall not be phased in over time unless this statement or the *Valuation Manual*, Section VM-21 Requirements for Principle-Based Reserves for Variable Annuities (VM-21), prescribes a new method and a specific transition that allows for grading. Some changes will meet the definition of a change in accounting as defined in SSAP No. 3 and a change in valuation basis as described in paragraphs 36-38 of this statement, but the adjustment to surplus will be zero. This can happen when the change in valuation basis is prospective and only applies to new policies and reserves meaning that policies in force for the prior year-end are not affected, or situations in which the change in reserving methodology did not change the reserves reported in the financial statements. The changes remain subject to the disclosures prescribed in SSAP No. 3. **Effective January 1, 2020, if VM-21 (on variable annuities) or this statement prescribes or permits a phase-in period or provides the option of multiple phase-in periods, reporting entities shall also include in the change in accounting disclosures required by SSAP No. 3, disclosure of the following:**

- a. **The phase-in period being applied, and the remaining time period of the phase-in;**
- b. **Any adjustments to the phase-in period;**
- c. **Amount of change in valuation basis phase-in; and**
- d. **The remaining amount to be phased in.**

Effective Date and Transition

57. This statement is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state. State laws and regulations shall be understood to include anything considered authoritative by the domiciliary state under the individual state's statutory authority and due process procedures. 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 paragraph 14 was originally contained within *INT 00-30: Application of SSAP No. 51 Paragraph 6 to Waiver of Deduction on Flexible Premium Universal Life Insurance Policies* and was effective December 4, 2000. The guidance in paragraph 51 was originally contained within *INT 01-26: SSAP No. 51 and Reserve Minimum or Required Amount* and was effective January 1, 2001. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures.

58. Substantive changes that reference the *Valuation Manual* in this statement are effective for January 1, 2017, and thereafter. However, the *Valuation Manual* provides for a 3-year period, starting from the operative date, during which companies are able to continue using the current reserve methodologies, as described in paragraphs 17-21.

SSAP No. 52—Deposit-Type Contracts (Bolding added for emphasis of the revisions from Ref #2020-04)**Change In Valuation Basis**

14. A change in valuation basis shall be defined as a change in the interest rate assumption or other factor affecting the reserve computation of policies in force and meets the definition of an accounting change as defined in *SSAP No. 3—Accounting Changes and Corrections of Errors*. Consistent with SSAP No. 3, any increase (strengthening) or decrease (destrengthening) in actuarial reserves resulting from such a change in valuation basis shall be recorded directly to surplus rather than as a part of the reserve change recognized in the summary of operations. The impact on surplus is based on the difference between the reserve under the old and new methods as of the beginning of the year. This difference shall not be graded in over time unless an actuarial guideline adopted by the NAIC prescribes a specific transition that allows for grading. **Voluntary decisions to choose one allowable reserving methodology over another, which require commissioner approval under the *Valuation Manual*, shall be reported as a change in valuation basis.**

Effective Date and Transition

26. This statement is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state. State laws and regulations shall be understood to include anything considered authoritative by the domiciliary state under the individual state's statutory authority and due process procedures. 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. Guidance in paragraph 17 was previously included within INT 08-08: Balance Sheet Presentation of Funding Agreements Issued to a Federal Home Loan Bank and was effective for periods beginning March 15, 2009. Guidance in paragraph 21 related to FHLB agreements was initially effective January 1, 2014. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures.

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): The Working Group previously addressed revisions to the VM that had phase in periods in 2020

- **2019-47: Grade in of Variable Annuity Reserves** - Revisions add phase-in disclosures and references to VM-21 Requirements for Principle-Based Reserves for Variable Annuities, requirements for reporting changes in the valuation basis for years beginning January 1, 2020 in *SSAP No. 3—Accounting Changes and Corrections of Errors, paragraph 13d* and *SSAP No. 51R—Life Contract, paragraph 39*. The guidance specifically references VM 22 for Variable Annuities and SSAP No. 51. The phase-in disclosures currently in SSAP No. 51, paragraph 39 are regarding the phase-in period, any adjustments to the phase-in and the remaining amount to be phased-in. In addition, this agenda item added revisions regarding the CARVM methodology in SSAP No. 51, paragraph 40.
- **2020-04: Commissioner Discretion in the *Valuation Manual*** - Revisions to *SSAP No. 51R—Life Contracts*, *SSAP No. 52—Deposit-Type Contracts* and *SSAP No. 54R—Individual and Group Accident and Health Contracts* specify that voluntary decisions to choose one allowable reserving methodology over another, which requires commissioner approval under the *Valuation Manual*, shall be reported and disclosed as a change in valuation basis.

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 Review Completed by: Robin Marcotte – NAIC Staff, October, 2025

Staff Recommendation:

NAIC staff recommend that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *SSAP No. 3—Accounting Changes and Corrections of Errors*, *SSAP No. 51—Life Contracts* and *SSAP No. 52—Deposit-Type Contracts* as described below and illustrated in the agenda item. With the exposure, NAIC staff will coordinate with Blanks staff regarding 2026 updates to the phase-in disclosures and notify the Life Actuarial (A) Task Force of the exposure.

- The revisions to SSAP No. 3 and SSAP No. 51 expand the existing phase-in disclosure to reflect the APF 2025-04 phase-in by adding reference to VM 20. The revisions to SSAP No. 51 also move the existing phase-in disclosure in paragraph 39 (subheading change in valuation basis) to a new paragraph 53 in the disclosure section of SSAP No. 51. Finally, the effective date of both disclosures is noted in SSAP No. 51.
- The revisions to SSAP No. 51 and SSAP No. 52 effective date paragraphs provide that the VM-22 (non-variable annuities) optional implementation period in APF 2025-11 is reported as a change in accounting principle/ change in valuation basis when implemented.

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 3—Accounting Changes and Corrections of Errors* and *SSAP No. 51—Life Contracts* to provide guidance on the optional implementation period for *Valuation Manual* revisions regarding the economic scenario generator and non-variable annuities. The revisions expand the existing phase-in disclosure to reflect the APF 2025-04 economic scenario generator phase-in by adding reference to VM-20.

The exposed revisions to SSAP No. 51 and *SSAP No. 52—Deposit-Type Contracts* effective date paragraphs provide that the VM-22 (non-variable annuities) optional implementation period in APF 2025-11 is reported as a change in valuation basis when implemented. Changes in valuation basis are reported in the change in accounting principles disclosures in *SSAP No. 3—Accounting Changes and Corrections of Errors*.

Proposed revisions to SSAP No. 3—Accounting Changes and Corrections of Errors:

Disclosures

13. Disclosure of material changes in accounting and correction of errors shall include:
 - a. A brief description of the change, encompassing a general disclosure of the reason and justification for change or correction;
 - b. The impact of the change or correction on net income, surplus, total assets, and total liabilities for the two years presented in the financial statements (i.e., the balance sheet and statement of income and operations);
 - c. The effect on net income of the current period for a change in estimate that affects several future periods, such as a change in the service lives of depreciable assets or actuarial assumptions affecting pension costs. Disclosure of the effect on those income statement amounts is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts; however, disclosure is recommended if the effect of a change in the estimate is material;

- d. Changes in accounting that are changes in reserve valuation basis as described in *SSAP No. 51—Life Contracts*, which have elected phase-in provided for in the Valuation Manual, ~~chapters~~[Section VM-20 or VM-21](#), shall also include in the change in accounting disclosures information regarding the application of any phase-in as provided for in *SSAP No. 51*; and
- e. When subsequent financial statements are issued containing comparative restated results as a result of the filing of an amended financial statement, the reporting entity shall disclose that the prior period has been restated and the nature and amount of such restatement.

Proposed revisions to *SSAP No. 51—Life Contracts*

Drafting note: Move existing phase-in disclosure in paragraph 39 to a new paragraph 53 and expand VM references to include VM-20.

39. The impact of a change in valuation basis on surplus is based on the difference between the reported reserve under the old and new methods as of the beginning of the year. This difference shall not be phased in over time unless this statement or the Valuation Manual, Section VM-21 Requirements for Principle-Based Reserves for Variable Annuities (VM-21), prescribes a new method and a specific transition that allows for grading. Some changes will meet the definition of a change in accounting as defined in *SSAP No. 3* and a change in valuation basis as described in paragraphs 36-38 of this statement, but the adjustment to surplus will be zero. This can happen when the change in valuation basis is prospective and only applies to new policies and reserves meaning that policies in force for the prior year-end are not affected, or situations in which the change in reserving methodology did not change the reserves reported in the financial statements. The changes remain subject to the disclosures prescribed in *SSAP No. 3*. ~~Effective January 1, 2020, if VM-21 (on variable annuities) or this statement prescribes or permits a phase-in period or provides the option of multiple phase-in periods, reporting entities shall also include in the change in accounting disclosures required by *SSAP No. 3*, disclosure of the following:~~

- ~~a. The phase-in period being applied, and the remaining time period of the phase-in;~~
- ~~b. Any adjustments to the phase-in period;~~
- ~~c. Amount of change in valuation basis phase-in; and~~
- ~~d. The remaining amount to be phased in.~~

Disclosures

Drafting note: Only the Shaded text and commas are new, the rest of the revisions are moving the existing disclosure from paragraph 39.

53. ~~Effective January 1, 2020, if~~ [VM-20 \(life contracts\)](#), or [VM-21 \(variable annuities\)](#), or this statement prescribes or permits a phase-in period or provides the option of multiple phase-in periods, reporting entities shall also include in the change in accounting disclosures required by *SSAP No. 3*, disclosure of the following:

- a. The phase-in period being applied and the remaining time period of the phase-in;
- b. Any adjustments to the phase-in period;
- c. Amount of change in valuation basis phase-in; and
- d. The remaining amount to be phased in.

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58. Substantive changes that reference the *Valuation Manual* in this statement are effective for January 1, 2017, and thereafter. However, the *Valuation Manual* provides for a 3-year period, starting from the operative date, during which companies are able to continue using the current reserve methodologies, as described in paragraphs 17-21.

[59. Phase-in disclosures regarding VM-21 \(variable annuities\) were originally effective January 1, 2020. The phase-in disclosure was expanded to include VM-20 \(life contracts\), effective January 1, 2026.](#)

[59-60. Effective January 1, 2026, the *Valuation Manual* was expanded to include VM-22 on non-variable annuities. The guidance includes an optional implementation period of up to 3 years. Consistent with the guidance in paragraph 37, implementation of the non-variable annuities guidance shall be reflected as a change in valuation basis and complete the change in accounting disclosures provided in SSAP No. 3—*Accounting Changes and Corrections of Errors*.](#)

Proposed revisions to SSAP No. 52—Deposit-Type Contracts

Change In Valuation Basis

14. A change in valuation basis shall be defined as a change in the interest rate assumption or other factor affecting the reserve computation of policies in force and meets the definition of an accounting change as defined in *SSAP No. 3—Accounting Changes and Corrections of Errors*. Consistent with SSAP No. 3, any increase (strengthening) or decrease (destrengthening) in actuarial reserves resulting from such a change in valuation basis shall be recorded directly to surplus rather than as a part of the reserve change recognized in the summary of operations. The impact on surplus is based on the difference between the reserve under the old and new methods as of the beginning of the year. This difference shall not be graded in over time unless an actuarial guideline adopted by the NAIC prescribes a specific transition that allows for grading. Voluntary decisions to choose one allowable reserving methodology over another, which require commissioner approval under the *Valuation Manual*, shall be reported as a change in valuation basis.

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Home Loan Bank and was effective for periods beginning March 15, 2009. Guidance in paragraph 21 related to FHLB agreements was initially effective January 1, 2014. The revisions adopted in November 2018 to expand liquidity disclosures are effective year-end 2019, concurrent with the inclusion of data-captured financial statement disclosures. [Effective January 1, 2026, the *Valuation Manual* was expanded to include VM-22 on non-variable annuities. The guidance includes an optional implementation period of up to 3 years. Consistent with the guidance in paragraph 14, implementation of the non-variable annuities guidance shall be reflected as a change in valuation basis and complete the change in accounting disclosures in SSAP No. 3—Accounting Changes and Corrections of Errors.](#)

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 3, SSAP No. 51, and SSAP No. 52 as illustrated above. The revisions provide guidance on the optional implementation period for *Valuation Manual* revisions regarding non-variable annuities. The revisions also update the phase-in disclosures for the phase-in period for the economic scenario generator.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2026/03-23-26 Spring National Meeting/Hearing/08 - 25-34 -VM 22 goes updates.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National%20Meetings/A.%20National%20Meeting%20Materials/2026/03-23-26%20Spring%20National%20Meeting/Hearing/08%20-%2025-34%20-%20VM%2022%20goes%20updates.docx)