Maintenance Agenda Submission Form
Form A

Issue: ASU 2025-10, Accounting for Government Grants Received by Business Entities

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	☒	☒	☒
New Issue or SSAP	☐	☐	☐
Interpretation	☐	☐	☐

Description of Issue:
In December 2025, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update* (ASU) *2025-10, Accounting for Government Grants Received by Business Entities* which establishes a new topic to provide accounting for a government grant received by a business entity, including guidance for (1) a grant related to an asset and (2) a grant related to income. Under ASU 2025-10, a grant related to an asset is a government grant, or part of a government grant, which is conditioned on the purchase, construction, or acquisition of an asset (for example, a long-lived asset or inventory). A grant related to income is a government grant, or part of a government grant, other than a grant related to an asset (for example, a grant that reimburses a business entity for operating expenses).

ASU 2025-10 continues to utilize the existing U.S GAAP disclosures in Topic 832: Government Grants, which were initially established through ASU 2021-10, Government Assistance and applied to government grant/assistance transactions accounted for by analogy using either the grant accounting model (IAS 20) or the contribution accounting model (Topic 958). ASU 2025-10 revised the scope of these disclosures so that they apply to a government grant received by a business entity and adopt many of the same accounting principles used under the grant accounting model. The Statutory Accounting Principles (E) Working Group previously addressed and rejected ASU 2021-10 and determined that neither the grant nor contribution methods of accounting for government grant/assistance transactions were permitted under SAP. Rather, government grants/assistance are to be recorded in accordance with gain contingency guidance per *SSAP No. 5—Liabilities, Contingencies and Impairments of Asset*s (recognition allowed once realized), and are subject to the reporting disclosure requirements of both SSAP No. 5 and *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*.

NAIC staff's recommendation is that adoption of ASU 2025-10 is not necessary, as the guidance would be rarely utilized by insurance entities and the Working Group has already rejected the grant or contribution accounting models. Outside of the COVID-19 era programs such as the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), and Employee Retention Credits (ERC), government grant/assistance revenues are unusual and infrequent occurrences for insurers and existing guidance in SSAP No. 5 and SSAP No. 24 is sufficient to address such transactions.

Existing Authoritative Literature:

SSAP No. 5— Liabilities, Contingencies and Impairments of Assets:

Gain Contingencies

15. A gain is defined as an increase in surplus which results from peripheral or incidental transactions of a reporting entity and from all other transactions and other events and circumstances affecting the reporting entity except those that result from revenues or investments by owners. If, on or before the balance sheet date, (a) the transaction or event has been fully completed, and (b) the amount of the gain is

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determinable, then the transaction or event is considered a gain, and is recognized in the financial statements. The definition of a gain excludes increases in surplus that result from activities that constitute a reporting entity's ongoing major or central operations or activities. Because investment activities are central to an insurer's operations, increases in surplus that result from such investment activities are excluded from the definition of gains. Revenues are inflows or other enhancements of assets of a reporting entity or settlements of its liabilities (or a combination of both) from providing products, rendering services, or other activities that constitute the reporting entity's ongoing major or central operations. Investments by owners include any type of capital infused into the surplus of the reporting entity.

16. A gain contingency is defined as an existing condition, situation, or set of circumstances involving uncertainty as to possible gain (as defined in the preceding paragraph) to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur (e.g., a plaintiff has filed suit for damages associated with an event occurring prior to the balance sheet, but the outcome of the suit is not known as of the balance sheet date). Gain contingencies shall not be recognized in a reporting entity's financial statements. However, if subsequent to the balance sheet date but prior to the issuance of the financial statements, the gain contingency is realized, the gain shall be disclosed in the notes to financial statements and the unissued financial statements should not be adjusted to record the gain. A gain is generally considered realizable when noncash resources or rights are readily convertible to known amounts of cash or claims to cash.

SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items (grey shading added from emphasis):

Unusual/Infrequent Items

16. The nature, including a general description of the transactions, and financial effects of each unusual or infrequent event or transaction shall be disclosed in the notes to the financial statements. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. If the unusual or infrequent item is as the result of government assistance, disclosure shall additionally include the form in which the assistance has been received (for example, cash or other assets), and information regarding significant terms and conditions of the transaction, with items including, to the extent applicable, the duration or period of the agreement, and commitments made by the reporting entity, provisions for recapture, or other contingencies.

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 2022-04: ASU 2021-10, Government Assistance adopted ASU 2021-10 with modification on August 10, 2022.

Agenda item 2023-06: ASU 2021-10, Government Assistance was reassessed ASU 2021-10 at the recommendation of NAIC staff. On August 13, 2023, ASU 2021-10 was rejected for statutory accounting purposes, but general disclosures were incorporated into SSAP No. 24 for insurance companies which received government assistance.

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: William Oden – NAIC Staff

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. 24—Discontinued Operations and Unusual or Infrequent Items* to reject *ASU 2025-10, Accounting for Government Grants Received by Business Entities*.

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NAIC staff recommend updating SSAP No. 24 to change the term "government assistance" to "government grants" as the term "government assistance" is no longer used within U.S. GAAP and add an additional sentence to clarify that government grants are to be recorded in accordance with gain contingency guidance.

Recommended Revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*:

Unusual/Infrequent Items

16. The nature, including a general description of the transactions, and financial effects of each unusual or infrequent event or transaction shall be disclosed in the notes to the financial statements. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. If the unusual or infrequent item is ~~as~~ the result of government ~~assistance~~grants, the disclosures shall ~~additionally~~ include the form in which the ~~assistance~~ grant has been received (for example, cash or other assets), and information regarding significant terms and conditions of the transaction, with items including, to the extent applicable, the duration or period of the agreement, and commitments made by the reporting entity, provisions for recapture, or other contingencies. Government grants are to be treated as gain contingencies and shall be recognized and disclosed in accordance with *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets*.

Relevant Literature

24. This statement rejects *ASU 2021-10, Government Assistance: Disclosure by Business Entities about Government Assistance*. However, it does incorporate general disclosures about government assistance for all reporting entity types. This statement also rejects *ASU 2025-10, Accounting for Government Grants Received by Business Entities*.

Status:
On May 18, 2026, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as a SAP clarification, and exposed revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items* to reject ASU 2025-10, Accounting for Government Grants Received by Business Entities. This exposure also included updates to SSAP No. 24 to change the term "government assistance" to "government grants" as the term "government assistance" is no longer used within U.S. GAAP and to add an additional sentence to clarify that government grants are to be recorded in accordance with gain contingency guidance.

On August 12, 2026, the Statutory Accounting Principles (E) Working Group exposed a revised draft of the proposed revisions to SSAP No. 24 which incorporates interested parties' recommendation to include additional guidance for asset-related grants.

Summer National Meeting Recommended Revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*:
Drafting Note: New revisions to the Summer National Meeting exposure are shown tracked with grey highlighting.

Unusual/Infrequent Items

16. The nature, including a general description of the transactions, and financial effects of each unusual or infrequent event or transaction shall be disclosed in the notes to the financial statements. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. If the unusual or infrequent item is ~~as~~ the result of government ~~assistance~~grants, the disclosures shall ~~additionally~~ include the form in which the ~~assistance~~ grant has been received (for example, cash or other assets), and information

regarding significant terms and conditions of the transaction, with items including, to the extent applicable, the duration or period of the agreement, and commitments made by the reporting entity, provisions for recapture, or other contingencies. Government grants are to be treated as gain contingencies and shall be recognized and disclosed in accordance with *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets*.

17. If a government grant, or any component of the grant, is conditioned on the purchase, construction, or acquisition of an asset ("grants related to an asset)," the reporting entity shall recognize grants receivable and deferred grant income as the related costs are incurred, provided the grant has met the criteria for recognition as a gain contingency (the government grant has been awarded, it is probable that the reporting entity will comply with the conditions attached to the government grant, and the amount of the grant is determinable). Deferred grant income shall be recognized as other income on a systematic and rational basis over the periods in which the entity recognizes as expenses the related costs for which the government grant is intended to compensate. If a government grant becomes repayable, the reporting entity shall immediately recognize a liability for the amount repayable; for grants related to assets the repayment liability shall represent the amount in excess of any unamortized deferred grant income. Any grant receivable that will be used to acquire a nonadmitted asset shall be nonadmitted. Subsequent to acquisition, the acquired asset shall follow the applicable statutory accounting guidance for measurement and admittance.

Relevant Literature

25. This statement rejects *ASU 2021-10, Government Assistance: Disclosure by Business Entities about Government Assistance*. However, it does incorporate general disclosures about government assistance for all reporting entity types. This statement also rejects *ASU 2025-10, Accounting for Government Grants Received by Business Entities*.

On November 15, 2026, the Statutory Accounting Principles (E) Working Group adopted, as final, revisions to *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items* to reject ASU 2025-10 and provide guidance on government grants and grants related to assets. The adopted revisions also include the rejection of FAS No. 116 and SOP No. 65-1 in *SSAP No. 67—Other Liabilities* to clarify the SAP treatment of both FASB issuances. The adopted revisions are shown below as the "Fall National Meeting Recommended and Adopted Revisions."

Fall National Meeting Recommended and Adopted Revisions:
Drafting Note: New revisions to the Fall National Meeting exposure are shown tracked with grey highlighting. Drafting notes are not in the final publication.

***SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*:**

Unusual/Infrequent Items

16. The nature, including a general description of the transactions, and financial effects of each unusual or infrequent event or transaction shall be disclosed in the notes to the financial statements. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent. If the unusual or infrequent item is ~~as~~ the result of government ~~assistance~~grants, the disclosures shall ~~additionally~~ include the form in which the ~~assistance~~ grant has been received (for example, cash or other assets), and information regarding significant terms and conditions of the transaction, with items including, to the extent applicable, the duration or period of the agreement, and commitments made by the reporting entity, provisions for recapture, or other contingencies. Government grants are to be treated as gain contingencies and shall be recognized and disclosed in accordance with *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets*.

17. If a government grant, or any component of the grant, is conditioned on the purchase, construction, or acquisition of an asset ("grants related to an asset)," the reporting entity shall recognize grants receivable and deferred grant income as the related costs are incurred, provided ~~the grant has met the criteria for recognition as a gain contingency (~~the government grant has been awarded, it is probable that the reporting entity will comply with the conditions attached to the government grant, and the amount of the grant is determinable~~)~~. Deferred grant income shall be recognized as other income on a systematic and rational basis over the periods in which the entity recognizes as expenses the related costs for which the government grant is intended to compensate (e.g. depreciation, gain or loss on sale, or impairment of the acquired asset). If a government grant becomes repayable, the reporting entity shall immediately recognize a liability for the amount repayable; for grants related to assets the repayment liability shall represent the amount in excess of any unamortized deferred grant income. Any grant receivable that will be used to acquire a nonadmitted asset shall be nonadmitted. Subsequent to acquisition, the acquired asset shall follow the applicable statutory accounting guidance for measurement and admittance.

Relevant Literature

26. This statement rejects *ASU 2021-10, Government Assistance: Disclosure by Business Entities about Government Assistance*. However, it does incorporate general disclosures about government assistance for all reporting entity types. This statement also rejects *ASU 2025-10, Accounting for Government Grants Received by Business Entities*.

SSAP No. 67—Other Liabilities

Relevant Literature

~~13. This statement adopts FASB Statement No. 116, Accounting for Contributions Received and Contributions Made and AICPA Statement of Position 96-1, Environmental Remediation Liabilities. This statement is consistent with FASB Statement No. 5, Accounting for Contingencies as discussed in SSAP No. 5.~~

Drafting Note (not to be included in the final publication): NAIC staff noted that FAS No. 116 was previously adopted by reference within SSAP No. 67. Upon further review, NAIC staff determined that this adoption was intended to establish that donations and grants made by the reporting entity were other liabilities within the scope of SSAP No. 67. As the original adoption did not adopt any of the accounting guidance related to either a promise to give or an environmental remediation liability, NAIC staff recommend rejecting both FAS No. 116 and SOP No. 65-1. Specifically calling out either of these liabilities for inclusion as an Other Liability is not considered necessary and application of the definition of a liability per SSAP No. 5 is sufficient for determining whether a liability should be recorded for promises to give or an environmental remediation.

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