

**Statutory Accounting Principles (E) Working Group  
2026 Summer National Meeting  
Comment Letters Received**

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**D. Keith Bell, CPA**  
Senior Vice President  
Accounting Policy  
Corporate Finance  
The Travelers Companies, Inc.  
860-277-0537; FAX 860-954-3708  
Email: [d.keith.bell@travelers.com](mailto:d.keith.bell@travelers.com)

**Rose Albrizio, CPA**  
Vice President  
Accounting Practices  
Equitable  
201-743-7221  
Email: [rosemarie.albrizio@equitable.com](mailto:rosemarie.albrizio@equitable.com)

June 22, 2026

Mr. Kevin Clark, Chairman  
Statutory Accounting Principles (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1000  
Kansas City, MO 64106-2197

RE: Interested Parties Comments on Items Exposed for Comment by the Statutory Accounting Principles Working Group with Comments due June 22

Dear Mr. Clark:

Thank you and the NAIC Statutory Accounting Principles Working Group (the Working Group) for the opportunity to comment on the above-referenced items, which were recently exposed for comment by the Working Group.

**Ref #2023-14: SSAP No. 7, Asset Valuation Reserve and Interest Maintenance Reserve**

On April 22, the Working Group exposed by e-vote a revised SSAP No. 7 to capture accounting guidance within the SSAP instead of the annual statement instructions, pursuant to the December 1, 2023, Working Group direction. The draft SSAP reflects conclusions reached by the IMR Ad Hoc Group, which includes various revisions to historical guidance. In addition to the revised SSAP, the exposure included an issue paper that details the discussions and conclusions of the IMR Ad Hoc Group, proposed revisions to other SSAPs related to IMR, and proposed reporting changes.

Interested parties have requested and received an extension to provide comments for this specific exposure by Thursday, June 25, 2026

### **Ref #2024-15: Asset Liability Management Derivatives**

The Working Group exposed the proposed SSAP and issue paper to establish statutory accounting guidance for interest-rate hedging derivatives used for asset-liability management. The only edits reflected from the prior exposure are to revise the transition guidance, to incorporate a surplus-neutral approach, and clarify amortization of the derivative asset or liability. The exposure is intended to provide additional time for regulators to assess the new derivative concepts prior to adoption, particularly on the broad concepts, and transition, reporting and admitted asset classification.

Interested parties support the comment letter submitted by the ACLI on this exposure.

### **Ref #2026-02: Valuation of Funds Withheld Liability**

The Working Group exposed additional revisions to *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance*, as illustrated in the draft, to clarify the reporting of funds withheld under reinsurance contracts. With exposure, the Working Group also directed NAIC staff to work with industry to refine the exposed language and directed NAIC staff to coordinate on updating the currently exposed blanks proposal 2026-10BWG to change the 2026 effective date and to incorporate additional revisions to the annual statement instructions.

Interested parties support the comment letter submitted by the ACLI on this exposure.

### **Ref #2026-04: ASU 2025-10, Accounting for Government Grants Received by Business Entities**

The Working Group moved this item to the active listing, categorized as an 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.

As noted in the Form A for this item, the amendments in ASU 2025-10 establish the 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. A grant related to an asset is a government grant, or part of a government grant, that 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).

Interested parties do not have any comments regarding the proposed conclusion to account for grants related to income as a gain contingency. However, we believe the guidance that accounts for a grant related to an asset (e.g., a data center) as a gain contingency only addresses the timing

of recognition and is incomplete in contrast to ASU 2025-10. We recommend that the guidance for grants related to an asset be consistent with US GAAP, including the following requirements:

A grant related to an asset should be recognized on the balance sheet as a business entity incurs the related costs for which the grant is intended to compensate, either as:

1. Deferred income (the deferred income approach)
2. An adjustment to the cost basis in determining the carrying amount of the asset (the cost accumulation approach).

The resulting asset should be reported as either an admitted or non-admitted asset based on the nature of the asset and the applicable SSAP.

### **Ref #2026-05 – Securities Lending Restricted Asset Reporting**

The Working Group moved this item to the active listing, categorized as a SAP clarification and exposed revisions to *SSAP No. 1—Accounting Policies, Risks & Uncertainties and Other Disclosures* to change the terminology for security lending restricted assets to “assets lent under securities lending arrangements.” Collateral received in response for securities lending arrangements that can be sold or repledged shall be captured as a restricted asset as “collateral received with liability recognized for the return.” The exposure also supported sponsoring a blanks proposal for consistent revisions. Upon adoption, a referral will be provided to the Capital Adequacy (E) Task Force to incorporate corresponding RBC instruction revisions.

After discussion with staff regarding this proposal, interested parties understand the accounting that is being proposed but does not believe collateral received for securities lending arrangements that can be sold or repledged should be labeled a restricted asset as “collateral received with liability recognized for the return” unless there is an actual restriction on the collateral received. Many securities lending arrangements involve the use of cash as collateral that does not meet the criteria of a restricted asset. To avoid confusion, we recommend that the term merely be “assets received as collateral with a liability recognized for the return”.

### **Ref #2026-06: Fair Value Disclosures**

The Working Group moved this item to the active listing, categorized as an SAP clarification and exposed revisions to *SSAP No. 100—Fair Value* to eliminate the exclusion for investments accounted for under the equity method from the fair value financial instrument disclosure, as illustrated in the draft. With this exposure, comments were requested on the other disclosures in *SSAP No. 100*, particularly the disclosures limited to items measured and reported at fair value.

The proposal contains the following description of the changes that are included in this item:

To eliminate questions, ensure consistency in reporting, and ensure that regulators have complete disclosures on financial instruments held as investments, including aggregate information on equity investments backed by level 3 fair values, this agenda item proposes

to remove the “investments accounted for under the equity method” disclosure exclusion from the financial instrument fair value disclosure. This will create a U.S. GAAP to SAP disclosure mismatch in guidance requirements, but due to measurement method differences (e.g., investments held at fair value under U.S. GAAP may be held under a different standard under SAP), existing fair value disclosures already do not agree between U.S. GAAP and SAP.

While this proposal began as a discussion of increasing the disclosure of fair values for Schedule BA assets, it also encompasses other investments that are accounted for using a statutory equity method. Interested parties note that there are different types of investments that are accounted for using the statutory equity method of accounting. These investments generally fall into the following three categories:

1. Operating entities/subsidiaries such as insurance, service, investment, and other companies that are operating business entities;
2. Equity method investments that hold entities that follow the accounting guidance in FASB ASC 946 – *Investment Companies* and are generally carried at fair value; and
3. Other equity investments such as LPs, LLCs that hold real estate and other assets.

#### *Operating Entities/Subsidiaries*

In researching this issue, we found that the fair value disclosure column was added to Schedule BA in the Annual Statement for 2005 year-end reporting (the related Blanks proposal, 2005-45BWG Modified, was adopted by the Blanks Working Group in June 2005). The justification for this change at the time was as follows:

“The purpose of this column is to enable regulators to establish how much the fair value of the investment differs from the carrying value, for those investments where it is possible to determine fair value – in particular in cases of limited partnerships and hedge funds, where the investor receives financial statements with an estimate of market value. In other cases, a third-party quote can be obtained, or an estimate of fair value can be done.”

Mike Moriarty (NY) on behalf of the Valuation of Securities Task Force (VOSTF) stated that this proposal was originally drafted by New York with the intent of capturing additional information for these types of assets that are typically not rated. A member of industry asked if the fair value disclosed in the Schedule BA under this proposal would be the same as that required under SSAP 27, *Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk, Financial Instruments with Concentration of Credit Risk and Disclosures about Fair Value of Financial Instruments*. It was noted that the instruction for the fair value column of Schedule BA under this proposal was consistent with the definition of the term fair value within the glossary of the NAIC *Accounting Practices & Procedures Manual*.

The fair value disclosure in 2004-34BWG applied solely to Schedule BA assets (SSAP No. 48 investments) and did not include operating entities/subsidiaries reported in Schedule D. We also

note that the definition of fair value at that time is not consistent with the current definition in SSAP No. 100, *Fair Value*. Determining an estimated fair value of operating entities/subsidiaries is impracticable from the perspective of closing the ledger and preparing statutory financial statements on a timely basis but also is not something that companies currently do as it is not a requirement under U.S. GAAP. Many insurance groups have large numbers of operating subsidiaries, e.g., property casualty companies with intercompany pooling agreements, and obtaining valuations under SSAP No. 100 for the estimated fair value of each entity would be extremely costly. Additionally, the public disclosure of such information could be harmful to a company that may be a potential target of an acquisition. As a result, we believe these entities should not be in scope for any new fair value disclosures.

### *ASC 946 Investment Companies*

FASB Topic 946, Financial Services—Investment Companies, provides specialized accounting and reporting requirements for investment companies. Under this guidance, investment companies generally measure their investments at fair value, including controlling financial interests in investees that are not investment companies. As a result, we believe that using the reported equity value of ASC 946 entities is an appropriate approximation for a fair value disclosure.

### *Other equity investments such as LPs, LLCs that hold real estate and other assets*

In discussing this category, interested parties requested insurers to identify:

1. How prevalent are these investments?
2. What is the nature of the structures?
3. Is it material to the company?

Included in the responses were the following:

- A non-insurance subsidiary providing loss prevention consulting services (may be operating),
- Real estate entity - investment/operating entity that both holds *and physically manages* commercial real estate assets/properties,
- Real estate entities – not in scope of ASC 946, and
- Other questions which would require more work as noted below.

Providing estimated fair values for the investments identified in the responses involves several challenges to developing fair value estimates on a timetable that allows for timely inclusion in the statutory financial statements. In addition to the struggle to obtain timely updated data inputs for use in a valuation model, the ability to do so may be exacerbated for insurers that are passive investors and do not have significant influence over the investee. As a result, we believe these types of investments will require more discussion and careful consideration as to what is possible and the cost/benefit of doing so within the confines of an accounting close schedule.

**Ref #2026-07: Referral on AVR Affiliated Common Stock**

The Working Group moved this item to the active listing, categorized as an SAP clarification, and exposed revisions to the Life, Accident & Health/Fraternal Annual Statement blank and instructions as described and illustrated in the draft. In addition, the Life Risk-based Capital (E) Working Group was notified of the exposure. No revisions to statements of statutory accounting principles are exposed. After exposure of this agenda item, NAIC staff recommended that the Working Group sponsor a blanks proposal to incorporate instruction changes to the noted AVR reporting lines, as well as to review other AVR reporting lines (particularly lines 65-69) to ensure the instructions are clear.

Interested parties have no comment on this item.

\* \* \* \*

Thank you for considering interested parties' comments. We look forward to working with you and the Working Group on these items. If you have any questions in the interim, please do not hesitate to contact either one of us.

Sincerely,

D. Keith Bell

Rose Albrizio

cc: Julie Gann, NAIC staff  
Robin Marcotte, NAIC staff  
Wil Oden, NAIC staff  
Jake Stultz, NAIC staff  
Interested parties



June 22, 2026

Mr. Kevin Clark  
Chair, Statutory Accounting Principles (E) Working Group  
National Association of Insurance Commissioners  
110 Walnut Street, Suite 1000  
Kansas City, MO 64106-2197

Re: SAPWG Ref #2024-15: SSAP No. 109 – ALM Derivatives

Dear Chair Clark,

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the Statutory Accounting Principles (E) Working Group (SAPWG) exposure draft Ref #2024-15: Asset Liability Management (ALM) Derivatives that was released for comment on May 18, 2026. We strongly support this exposure draft of statutory accounting guidance for interest-rate hedging derivatives used for ALM.

ACLI is very appreciative of the on-going dialogue with SAPWG and offers the following additional comment on this topic:

ALM derivatives are an extremely important part of insurance company risk management, as they are often necessitated by portfolios containing product liabilities with long durations (e.g., 30+ years) and shorter duration bonds (e.g., 5-10 years, which are more readily available in the market). This mismatch creates duration/reinvestment risk which could be filled with longer term/duration bonds; but longer-term bonds that match typical product liabilities (e.g., 30+ years) are limited in supply in the market, so ALM derivatives are used to mitigate or eliminate this risk.

Ultimately (and most importantly), ALM derivatives are hedging the duration difference between assets/liabilities to eliminate deficits in liquidation value and preserve surplus (highlighted appropriately in the example below from the exposure draft issue paper where asset duration=9 and liability duration=10).

**American Council of Life Insurers** | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

Liquidation Value <i>(amounts rounded for simplicity)</i>			
Liquidation Value <i>(fair value realization via asset sales, derivative settlement, reinsurance):</i>			
	Assets	Liabilities	
BOP Fair Value (Liquidation Value)	100	100	<i>Net Flat Liquidation Value</i>
Value Change <i>(ex-derivatives)</i>	9	10	<i>Interest rates decrease 1%</i>
EOP Fair Value (Liquidation Value) <i>(ex-derivatives)</i>	109	110	<i>Net Liquidation Value changes due to duration difference (pre-hedging); also, bond reinvestment interest rates may not cover liabilities</i>
ALM Derivatives	1		<i>ALM derivatives (e.g., receive-fixed swaps in this scenario) will increase in value when rates fall (which offsets the above difference)</i>
EOP Liquidation Value <i>(w/derivatives)</i>	110	110	<i>BOP net flat Liquidation Value remains intact due to highly effective hedges</i>

Highly effective ALM derivatives protect surplus by shielding insurance companies from negative impacts of interest rate changes. This preserves insurance company solvency and ensures policyowner benefits can be fulfilled (thereby benefitting policy holders, insurance companies and regulators).

We fully agree with this exposure draft, as it will significantly enhance the alignment of each company's reported surplus with its actual solvency/liquidation value and avoid situations where financials contain inappropriate portrayals of surplus and illusory financial strength.

Importantly, the exposure draft permits admittance of all deferred gains/losses of highly effective hedges recognized under the ALM derivative standard to not disincentivize prudent hedging activities. This is a critical component of the exposure draft that ensures the aforementioned surplus reporting benefits; and therefore, we completely support it. Additional reasons for symmetrical admission include:

- 1) Upon maturity/termination, the derivative fair value will initially be surplus neutral (when admitted) with the deferred asset/liability offset by cash received/paid at maturity/termination and subsequently will amortize over the life of the hedged liabilities. Therefore, the hedge's ultimate surplus impact follows that of the hedged items (appropriate for highly effective hedges); as the derivative amortization will offset product liabilities interest credited/etc. and bond NII over the amortization period.
- 2) ALM derivatives are hedges of surplus that incorporate extensive safeguards in the form of effectiveness tests and other limitations on eligible derivative types. Not admitting the derivative fair value at termination/maturity impacts surplus at different timing than the hedged item, which defeats the entire purpose of the hedge.
- 3) Presenting companies with a scenario of asymmetrically deferring gains and recognizing losses will limit (or eliminate) companies' use of this SSAP, thereby limiting (or eliminating) the SSAP's reporting benefits of aligning surplus with actual solvency/liquidation value.

Once again, we support this exposure draft in its entirety and appreciate the opportunity to provide comments on this important topic. If you have any questions regarding this letter, please contact us.

Sincerely,



Shannon Jones  
Sr. Director - Financial Reporting Policy  
[ShannonJones@acfi.com](mailto:ShannonJones@acfi.com)  
202-624-2029



Hans Avery  
Actuary  
[HansAvery@acfi.com](mailto:HansAvery@acfi.com)  
202-624-2012

Cc: Julie Gann, NAIC  
Robin Marcotte, NAIC



June 22, 2026

Mr. Kevin Clark, Chair  
Statutory Accounting Principles (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1000  
Kansas City, MO 64106-2197

Re: SAPWG Ref #2026-02 – Valuation of Funds Withheld

Dear Chair Clark,

The American Council of Life Insurers (ACLI) appreciates this opportunity to comment on Statutory Accounting Principles (E) Working Group (SAPWG) Ref #2026-02, Valuation of Funds Withheld.

As noted in our prior letter, ACLI thinks the funds withheld liability in statutory financial statements should be defined in terms of the contractual liability in the underlying reinsurance agreement. This would ensure clear treatment for all types of funds withheld agreements, including cases where assets are not specifically identified or segregated.

We welcome the opportunity for continued dialogue among ACLI, NAIC staff, and SAPWG prior to adopting this exposure. Our recent discussions with NAIC staff have been productive and reinforce our view that industry participants and regulators are aligned in principle, and that a mutually workable accounting approach for all funds withheld arrangements can be achieved. Additional engagement would provide an important opportunity to further refine and document this shared understanding in the proposed guidance. Following alignment on the accounting framework, we can then address Annual Statement reporting considerations, including Schedule S.

We thank SAPWG and NAIC staff for their proactive work on this issue.

Sincerely,

Shannon Jones  
Sr. Director – Financial Reporting Policy  
[ShannonJones@acli.com](mailto:ShannonJones@acli.com)  
202-624-2029  
cc: Julie Gann, NAIC

Hans Avery  
Actuary  
[HansAvery@acli.com](mailto:HansAvery@acli.com)  
202-624-2012

**American Council of Life Insurers** | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.